



Office of the Police and
Crime Commissioner
STAFFORDSHIRE

2015/16 STATEMENT OF ACCOUNTS

**FOR THE POLICE AND CRIME COMMISSIONER
FOR STAFFORDSHIRE**

AND

**THE OFFICE OF THE POLICE AND CRIME
COMMISSIONER FOR STAFFORDSHIRE
GROUP**

**OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR
STAFFORDSHIRE**

STATEMENT OF ACCOUNTS 2015/16

CONTENTS

Item	Page Number
Independent Auditor's Report	3
Narrative Report and Introduction	6
Statement of Responsibilities	14
Annual Governance Statement	16
Financial Statements:	
Core Financial Statements - PCC Single Entity	
Comprehensive Income and Expenditure Statement	31
Movement in Reserves Statement	32
Balance Sheet	33
Cash Flow Statement	34
Core Financial Statements - OPCC Group	
Comprehensive Income and Expenditure Statement	38
Movement in Reserves Statement	39
Balance Sheet	40
Cash Flow Statement	41
Notes to the Financial Statements	45
Supplementary Financial Statement and Notes – Pensions Fund Accounts	102
Glossary	104

Independent Auditor's Report

Independent Auditor's Report to the Police and Crime Commissioner for Staffordshire Opinion on the Police and Crime Commissioner for Staffordshire's financial statements

Independent auditors report to the Office of the Police and Crime Commissioner for Staffordshire Group Opinion on the Office of the Police and Crime Commissioner for Staffordshire Group's financial statements

We have audited the financial statements of the Police and Crime Commissioner for Staffordshire for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- *Police and Crime Commissioner for Staffordshire Movement in Reserves Statement;*
- *Office of the Police and Crime Commissioner for Staffordshire Group Movement in Reserves Statement;*
- *Police and Crime Commissioner for Staffordshire Comprehensive Income and Expenditure Statement;*
- *Office of the Police and Crime Commissioner for Staffordshire Group Comprehensive Income and Expenditure Statement;*
- *Police and Crime Commissioner for Staffordshire Balance Sheet;*
- *Office of the Police and Crime Commissioner for Staffordshire Group for Staffordshire Group Balance Sheet;*
- *Police and Crime Commissioner for Staffordshire Cash Flow Statement;*
- *Office of the Police and Crime Commissioner for Staffordshire Group Cash Flow Statement;*
- *Police Pension Fund Account Statements, and*
- *related notes 1 to 37.*

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 2015/16.

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 11, 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 2015/16, 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.

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 [name of the document that the financial statements are published in e.g., Statement of Accounts 2015/16 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 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 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 Police and Crime Commissioner for Staffordshire;
- 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

Conclusion on the Office of the Police and Crime Commissioner for Staffordshire Group'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 2015, 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 2016.

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.

Basis for Qualified Conclusion

A robust process was not in place in the year to ensure there was adequate financial leadership for timely and accurate financial reporting and effective budget reporting and monitoring arrangements, which has led to inaccurate and fragmented reporting. We consider these to be evidence of weak arrangements for the provision of:

- Reliable and timely financial reporting that supports the delivery of strategic priorities; and
- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Staffordshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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
30 September 2016

Narrative Report and Introduction

Foreword by the Police and Crime Commissioner

These accounts reflect the financial performance of the Office of The Police and Crime Commissioner for Staffordshire (PCC) for its fourth year of operation since its establishment under the Police Reform and Social Responsibility Act 2011. I am responsible for policing across Staffordshire, commissioning services from the police and other agencies, working collaboratively to improve outcomes for local people and communities and ensuring value for money. In doing so, I have established four key priorities in my Police and Crime Plan (the Safer, Fairer, United Communities strategy). These are:

- Early Intervention
- Supporting Victims and Witnesses
- Managing Offenders
- Building Public Confidence

Progress and action against these priorities have been extremely positive over the last 12 months and will form a strong base for further improvement into the future.

My Annual Report for 2015/16 was presented to the Police and Crime Panel on the 28 July 2016 and is available at www.staffordshire-pcc.gov.uk for viewing

2015/16 has been another financially challenging year for policing in Staffordshire, but as the accounts show, this has been managed well, without impacting on the capabilities that the police and other community safety partners must have.

Looking forwards, finances and services demand in future years will continue to be challenging and from a policing perspective, Staffordshire Police's Transformation Programme, aligned to my priorities, will play a very important part in in addressing these.

Chief Finance Officer's Foreword and Financial Summary

1. Introduction

The purpose of this narrative foreword is to offer a guide to the most important matters reported in the accounts.

The accounts are prepared on a going concern basis, assuming that the Police and Crime Commissioner will continue in operation for the foreseeable future. Additionally, the accounts have been prepared in accordance with the Accounts and Audit Regulations 2015, the Code of Practice on Local Authority Accounting 2015/16 and the Service Reporting Code of Practice 2015/16.

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 Police and Crime Commissioner. 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 foreword is divided into the following main areas:

- Legislative background
- Relationship between the Police and Crime Commissioner and Chief Constable
- Changes to the statements for 2015/16
- What is included in the Statement of Accounts?
- Review of 2015/16
- Statement on the pension liability
- Statement on provisions
- Analysis of borrowing
- Impact of the current economic climate
- Material assets acquired and liabilities incurred
- Material and unusual charges

The values within the financial statements are disclosed with roundings which are appropriate to their individual presentation. Consequently, the tables in the Statement of Accounts may contain rounding differences.

2. Legislative Background

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.

3. Relationship between 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 and those of her officers and staff
- 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, rights or liabilities
- May not borrow money

4. Changes to the Statements for 2015/16

There have been no significant changes in the Accounting Policies during 2015/16 apart from the adoption of IFRS 13 Fair Value Measurement which values investments at fair value and IAS 16 Property Plant and Equipment that require operational assets are measured for their service potential, either at existing use value or depreciated replacement cost.

5. What is included in the Statement of Accounts?

The accounts are prepared using International Financial Reporting Standards (IFRS). Although these are the same standards that a large company would use in preparing its financial statements, although some adjustments to costs are made by the Commissioner where they are not a charge to local taxpayers.

This document contains two sets of accounts; the Police and Crime Commissioner Single Entity accounts and the Police and Crime Commissioner Group accounts, which incorporate the accounts produced by the Chief Constable.

Single Entity Statements and Group Statements

These comprise of the following:

Movement in Reserves Statement (MiRS) (Page 39) - This Statement shows the movement in the year on the different reserves held by the Police and Crime Commissioner. It shows how the surplus or deficit for the year in the Comprehensive Income and Expenditure Statement is adjusted by the costs that are not a charge to local taxpayers.

Comprehensive Income and Expenditure Statement (CIES) (Page 38) - This Statement shows the income and expenditure accounting cost in the year of providing services under IFRS.

Balance Sheet (BS) (Page 40) - The balance sheet shows the Police and Crime Commissioner assets, liabilities, and reserve balances at the financial year end date.

Cash Flow Statement (Page 41) - This Statement shows the reason for changes in cash balances during the year and the balance held by the Police and Crime Commissioner at the end of the financial year.

Notes to the Financial Statement

These include information required by the Code and additional material items of interest to assist the readers understanding of the reported figures:

Events after the reporting period and authorised for issue date - This summarises any major events that happened between the year end and the authorised for issue date. Events coming to light after the authorised for issue date will not be included in the financial statements.

Police Pension Fund Account - The Police Pensions scheme is unfunded and holds no assets. The purpose of this account is to demonstrate the cash-based transactions taking place over the year and to identify the arrangements needed to balance the account.

Annual Governance Statement - This Statement explains how the Police and Crime Commissioner complied with their Code of Corporate Governance. Preparation and publication of the statement fulfils their statutory requirement under the Accounts and Audit Regulations 2011 to conduct a review at least once in each financial year of the effectiveness of their system of internal control and to include a statement reporting on the review with their Statement of Accounts.

Glossary of financial terms - The nature of this document means that technical words are unavoidable. The glossary is intended to simplify and explain such words.

6. Review of 2015/16

a) Funding

The government provided the majority of the money required to fund the Police and Crime Commissioner's expenditure. The remainder was paid by local taxpayers through the Precept (police portion of Council tax). The budget is set in February each year in the context of the 5 year Strategic Financial plan. The 2015/16 budget was approved in January 2015 by the Police and Crime Commissioner.

The Band D Precept set was £177.61 (£177.61 2014/15).

b) Revenue Budget

The organisation has a largely centralised system of budgetary control in place, although it intends to increase the level of devolution during 2016/17. Monthly control reports on budgetary performance for the group are delivered to senior managers and the Police and Crime Commissioner. The revenue for 2015/16 was set at £177.8m. Throughout 2015/16 a revised budget of £178.9m was approved during the year. The outturn position in relation to the revised budget per subjective analysis is summarised in the table below:

	Budget 2015/16	Outturn 2015/16	Variance
	£000's	£000's	£000's
Employee Expenses	150,750	149,272	1,478

Other service expenditure	36,899	37,671	(772)
Total Expenditure	187,649	186,943	706
Government Grants and Contributions and Other Service Income	(8,676)	(8,129)	547
Total Income	(8,676)	(8,129)	547
TOTAL	178,973	178,814	159

c) **Reserves** (Note 3)

The summarised balance at 31 March 2016 of the OPCC Group reserves after accounting adjustments and transfers between reserves is shown below:

	2014/15 Restated	2015/16
	£000's	£000's
General Fund	6,284	6,284
Earmarked General Fund Reserves	16,438	10,783
Total Usable Reserves	22,722	17,065
Unusable Reserves	(2,029,158)	(1,782,106)
Total Unusable Reserves	(2,029,158)	(1,782,106)
Total OPCC Group Reserves	(2,006,436)	(1,765,041)

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 2015/16. All Usable Reserves are held by the PCC.

d) **Capital** (Note 17)

In addition to revenue expenditure, money is spent on assets such as buildings, computers and vehicles, which will be used by or on behalf of the Police and Crime Commissioner in the long term. Capital expenditure can be financed from:

- Unsupported (or prudential) borrowing, which does not attract government support. The Police and Crime Commissioner decides how much to borrow based on what is affordable, prudent and sustainable within the meaning of the Prudential Code
- Capital grants
- Usable capital receipts arising from the sale of surplus assets
- Amounts set aside from the revenue account

In 2015/16 the Police and Crime Commissioner spent £10.438m on capital projects (£6.388m in 2014/15). The categories of expenditure and methods of financing are shown in the notes to the consolidated financial statements. The sources of funding during the year were:

Source	2014/15 £000's	2015/16 £000's
Unsupported borrowing	81	5,486
Capital Grants	2,407	2,049

Capital receipts (sale of surplus assets)	226	146
Funded from revenue account	1,713	846
Provision for debt repayment – Old debt (MRP)	271	271
Provision for debt repayment – New debt (MRP)	1,690	1,640
Total	6,388	10,438

The major capital schemes completed in 2015/16 were:

Major capital schemes 2015/16	£000s
Fire and Rescue Joint Emergency Transport project	1,229
Cloud on premise structure – Information Technology	1,361
Police Secure Network – Information Technology	1,227
Mobile Data Project – Information Technology	1,612

e) Pensions liability (Note 33)

The Police and Crime Commissioner's staff, Police staff and Police officers are offered retirement benefits as part of their terms and conditions of employment. Although these benefits will not actually be payable until employees retire, International Accounting Standard (IAS) 19 requires that the future pensions liability is disclosed at the time that employees and officers earn their future entitlement.

The Police and Crime Commissioner and Chief Constable participate in two pension schemes:

- The Police Pension Scheme for police officers – this is an unfunded defined benefit scheme administered by the Chief Constable on behalf of the Police and Crime Commissioner. There are no investment assets built up to meet the pensions liabilities and cash has to be generated from employee and employer contributions to meet actual pensions payments as they fall due. Under the Police Pensions Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts payable, the Police and Crime Commissioner must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Police and Crime Commissioner, who then must repay the amount to central government.
- The Local Government Pension Scheme offered to all staff employed by the Police and Crime Commissioner and Chief Constable, is administered locally by Staffordshire County Council. This is a funded defined benefit scheme and both employers and employees pay contributions calculated at a level intended to balance the pensions liabilities with investment assets.

Within the Local Government Pension scheme two records are maintained; one for the staff employed by the Police and Crime Commissioner and one for the staff employed by the Chief Constable.

The requirements of IAS19 have a significant adverse impact on the net cost of services although, as the adjustments are reversed out in the Movement in Reserves Statement, not at the level of local taxation. There is also a significant adverse impact

on the balance sheet which shows the estimated value of the Police and Crime Commissioner's pension commitments should they be called now.

Further information about the IAS 19 liability can be found under Note 33, and information about the Police Pensions Fund Account.

f) Provisions (Note 27)

Provisions are made where an event has taken place that gives the Police and Crime Commissioner a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. These accounts include number provisions. Further details are included in the notes to the Group Financial Statements.

Provision	2014/15 £000	2015/16 £000
Insurance Provision (Note 27)	1,461	1,400

g) Borrowing (Note 23)

The Police and Crime Commissioner's power to borrow is set out in Part 1 of the Local Government Act 2003, together with a duty to determine and keep under review how much borrowing is affordable. Controls on borrowing are contained within the CIPFA Prudential Code for Capital Finance in Local Authorities and, under the provisions of the 2003 Act, the Police and Crime Commissioner must have regard to the Code when carrying out their duties under the Act.

The key objectives of the Prudential Code are to ensure, within a clear framework, that capital investment plans are affordable, prudent and sustainable. A key prudential indicator is the operational boundary for external debt, which limits the amount of long-term debt outstanding. The limit was originally set at £70.6m for 2015/16 and has not been breached.

Borrowing is managed to ensure a reasonable spread of maturity and to minimise interest payable. At 31st March 2016 the level of PWLB debt outstanding was £38.3m. The breakdown to maturity is shown below:

Debt - Year to Maturity as at 31 March 2016	£000's
Less Than One Year	2,000
Between One and Two Years	1,750
Between Two and Five Years	4,250
More Than five years	30,300
Total (Note 23)	38,300

h) Impact of the current economic climate

Since the start of austerity measures to 2015/16, and the government spending review, reductions have had to be delivered. The scale of the financial challenge, rising crime levels and the changing nature of crime has created a need for the development of a new model for policing. The development of such a model is a priority in order to create a sustainable, diverse and flexible resource whilst balancing the longer term budget. A

key enabler to support the delivery of the new model for policing will be Information Technology.

i) Material assets acquired and liabilities incurred

A summary of capital expenditure for the year is given in paragraph (d) above. A contingent liability has been recorded by all forces nationally, please see note 30.

j) Material and unusual charges

The accounts conform to proper practice and contain full and frank disclosures of all material sums.

Statement of Responsibilities for the Statement of Accounts

Responsibilities of the Police and Crime Commissioner for Staffordshire (PCC)

The PCC is required to:

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

In this organisation that officer is the Chief Financial Officer;

- Manage the PCC's affairs to secure economic, efficient and effective use of resources and safeguard the PCC's assets;
- Approve the Statement of Accounts.

I. I accept the above responsibilities and approve these Statement of Accounts for 2015/16.



Matthew Ellis
Police and Crime Commissioner for Staffordshire

Date: 29th September 2016

Responsibilities of the Chief Financial Officer to the PCC

The Chief Financial Officer 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 the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code.

The Chief Financial Officer has also:-

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

Chief Financial Officer's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the PCC and OPCC Group at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.



**Chief Finance Officer to the
Office of the Police and Crime Commissioner for Staffordshire**

Date: 30th September 2016

Police & Crime Commissioner Annual Governance Statement (AGS)

Scope of Responsibility

The Police & Crime Commissioner (PCC) has the statutory responsibility to set the strategic direction and objectives of the Force and hold the Chief Constable to account for its performance. He also has wider responsibilities for ensuring that the Office of the PCC's (OPCC) business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for, and used efficiently and effectively.

In discharging this overall responsibility, the PCC is also responsible for putting into place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring that a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, the PCC places reliance on the Chief Constable to support the governance and risk management processes.

In drafting the PCC Annual Governance Statement reliance has therefore, been placed on the governance processes within the Staffordshire Police Service and developed jointly with the OPCC.

The PCC has approved and adopted a joint governance framework with the Chief Constable that is consistent with the principles of the Chartered Institute of Public Finance and Accountancy guidance 'Delivering Good Governance in Local Government and Police', a copy of which can be found on the CIPFA website.

This Annual Governance Statement (AGS), explains how the PCC has complied with the code and the requirements of Regulations 3, 4 and 5 of the Accounts and Audit Regulations 2015 in relation to internal control and internal audit.

The Governance Framework

The governance framework the systems, processes, culture and values by which the PCC is directed and controlled, and the activities through which he accounts to and engages with the community. It enables the PCC to monitor the achievement of his strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

Specifically, it is made up of: -

- **A Statement of Corporate Governance:** Statutory Framework, Good Governance Core Principles and Governance Framework to provide clarity on the way in which the two organisations will operate and be governed.

- **A Code of Corporate Governance:** identifies the Key Enablers for Good Governance Core Principles.
- **A Scheme of Corporate Governance:** defines the parameters within which the organisations will conduct their business;
 - **Decision Making Statement:** sets out the statutory framework, principles and process for those decisions that have not been delegated.
 - **Scheme of Consent and Delegations:** defines the key roles the PCC “consents” to the Chief Constable undertaking in their own name as a separate legal entity, and the assignment of authority and responsibility the PCC or Chief Constable “delegates” to another person whilst maintaining accountability.
 - **Financial Regulations:** overall regulatory framework of the PCC and Chief Constable’s approach to financial management.
 - **Contract Standing Orders:** procurement framework for the PCC and the Chief Constable.
- **Policy, Procedures & Protocols:** separate policies, procedures and protocols will be in place for each corporation sole, and jointly where they operate jointly, to provide a clearly defined structure to operate within.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide a reasonable, and not an absolute, assurance of effectiveness.

Review of the Effectiveness of the Governance Arrangements

In reviewing the effectiveness of governance arrangements, the principal elements of CIPFAs ‘Delivering Good Governance in Local Government’ guidance note for the Police Service (2016) has been utilised to provide structure to the responses.

1. Developing, communicating and embedding codes of conduct which define standards of behaviour for leadership and staff, and policies dealing with whistleblowing and conflicts of interest

There is strong leadership in the OPCC, with the culture clearly established by the PCC, the Chief of Staff and other senior managers in the team. There is a focus on high levels of performance, effective team working and the delivery of outcomes for the people of Staffordshire.

Staff in the OPCC are covered by the terms and conditions of the Police Staff Council, as well as other employment rights. Members of staff are signed up to the “Nolan Principles” from the Committee on Standards in Private Life, Protocols and Memorandum of Understandings and Information Sharing Agreements.

The PCC and DPCC have signed up to a published Code of Conduct and all staff are expected to comply with the OPCCs Anti-Fraud and Corruption Policy that restates the Nolan principles, specifically addresses fraud and corruption and requires compliance with any code of conduct required of them through their professional qualification.

The OPCC also utilises Staffordshire Police's People Services Function to act on their behalf as well as ensuring compliance with policies for computer usage, data access, IT services including data protection, information assurance and health and safety.

Like Police Staff, OPCC staff are contracted with the same conditions including flexible working, holidays, and pension access. OPCC staff have the same responsibility for management of police information, as well as access to the 'Bad Apple' reporting portal for whistle-blowing as well as anti-corruption. Where there is a conflict of interest or a business interest this must be declared to the Chief of Staff.

2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Chief of Staff also acts as the 'Monitoring Officer' as required by the Police Reform and Social Responsibility Act 2011. A further requirement is to have a Section 151 officer, (S151 of the Local Government Finance Act 1972), which in the OPCC is covered by the Chief Finance Officer, having responsibility for finance and to ensure the dispersal of funds is appropriate and lawful.

There is a team of 20 FTE officers in the Office of the PCC, working within a structure and job descriptions / person specifications that both assure legal and statutory obligations and the PCCs strategy and priorities. All post holders have been recruited through an appropriate process and have the skills, experience and qualifications required to undertake their role. Key posts include: -

- Chief Financial Officer
- Head of Policy, Performance and Assurance (and Deputy Monitoring Officer)
- Head of Commissioning and Partnerships
- Head of Transformation
- Communications and Engagement Manager
- Executive Assistant (PA's, Complaints and Correspondence)

All staff have access to learning and development opportunities and attend seminars and other events that ensure that they are up to date and aware of changes to guidance, legislation and practice.

The Head of Legal Services advises the PCC and the CC on legal matters and will make available internal or external legal support as required. There are numerous examples of the Legal Services function providing the support required to gain assurance, for example on major procurements, collaborations, or other complex matters.

The annual Internal Audit Plan provides for a risk-assessed programme of work and assurance is provided through its presentation and agreement by the Ethics, Transparency and Audit Panel (ETAP). Audit reports will where appropriate provide further assurance on compliance. During 2015/16, areas for improvement were identified through the internal audit process and these have been reviewed and actions taken as appropriate. The force actions are tracked through the action planning system to monitor progress. HMIC also highlighted during this period a cause for concern around how the force was assessing risk around some vulnerable victims. The force has responded to the issues and the OPCC are able to oversee and scrutinise progress through the established processes.

The published Governance Framework sets out the principles, structures and processes that must be adhered to for the taking of statutory decisions necessary for the Police and Crime Commissioner (PCC) and Chief Constable (CC) to fulfil their legal powers and duties. The PCC's compliance with a published Scheme provides assurance, but this is further supported by the two statutory officers that are required in the PCC's Office.

3. Documenting a commitment to openness and acting in the public interest

The PCC and OPCC is committed to openness and acting in the public interest.

This commitment is demonstrated by: -

- the PCC's Police and Crime Plan and other published documents, including the Annual Report, the budget report, the statement of accounts;
- consultation and engagement activity through the PCC and the OPCC;
- reports to the Police and Crime Panel and attendance at other democratically led forums;
- information provided through the website, social media and other routes that provides local people with relevant information on performance, outcomes and the PCCs intentions;
- appropriate use of the press and media by the PCC;
- publication of information on remuneration and expenses
- the establishment of a number of forums independent of the PCC, comprised of members of the public, in particular the Ethics, Transparency and Audit Panel (ETAP) and the Safer Neighbourhood Panels (SNPs). These panels scrutinise a number of areas of policing and publish their findings.

The OPCC also operate a publication scheme, placing documents of public interest, on its website. This includes details of ETAP and SNPs meetings, as well as and also key decisions of the PCC.

4. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The PCC and OPCC have a number of channels of communications for the public and other stakeholders. The PCC engages with various groups, organisations and people throughout

the year, updating them on his work, hearing their questions and views and providing answers that meet their needs.

The OPCC's website publishes decision forms, including decisions by the PCC, which are available for the public and the media to see. Press releases are also issued around major decisions by the PCC and OPCC as well as press releases to highlight projects and various work by the PCC.

Police and Crime Panel meetings are broadcast live through Staffordshire County Council website and are highlighted by the OPCC Communications and Public Engagement team through the OPCC website, social media, as well as through local and national media.

Police and Crime Panel meetings can also be viewed following the meeting through the County Council website. Information on the Police and Crime Panel can be found on Staffordshire Council's website

Throughout the year, surveys are run through the OPCC website and highlighted through the information leaflet, which the OPCC sends out in council tax bills. The information leaflet for the 2016/2017 financial year was sent at the start of March 2016 to 527,200 households across Staffordshire and Stoke-on-Trent, a copy of which is available on each local authority's website.

Updates and surveys are also highlighted through e-mail newsletters as well as OPCC social media channels, which include Facebook, Twitter, YouTube and Instagram, which are regularly updated. The Ethics, Transparency and Audit Panel has its own Twitter account to highlight its reports and work. Independent Custody Visitors (ICVs) who are members of the public, are appointed by the PCC to check on the wellbeing of people being held in police custody. ICVs have their own Twitter account and their annual report is published on the OPCC website as well as highlighted on social media.

5. Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning

The PCC's Safer, Fairer, United Communities strategy, can be seen on the OPCC website. The key priorities included are – Early Intervention, Supporting Victims and Witnesses, Managing Offenders and Public Confidence. Stakeholders were involved in the creation of the Safer, Fairer, United Communities strategy. The strategy's four priorities are highlighted through press releases, OPCC social media and other communication to the public.

The jointly produced (with Staffordshire Police) 'Our vision for transforming policing in Staffordshire by 2020' outlines a need for change and has a close fit with the national policing vision for 2020, produced by the National Police Chiefs Council (NPCC). The challenges are both service orientated and financial and will result in a radically different police service in the future.

Key strategic documents are published in hard copy form and electronically and are available to the public. This is also the case for PCC newsletters and consultations.

The website is continually updated with latest news and publications that provide further information on how the strategy is being delivered. The website will be reviewed over the next 12 months to ensure that it continues to develop and improve.

A statutory Annual report is also published and presented to the Police and Crime Panel of the work of the PCC in the proceeding financial year.

There are public meetings on Police Performance, where the PCC holds the Chief Constable to account about police performance in Staffordshire and Stoke-on-Trent. These performance meetings are broadcast live through the Staffordshire County Council website and the public can watch these meetings again after they are held.

6. Translating the vision into courses of action for the organisations and their partnerships

The PCC's priorities detailed in the Police & Crime Plan are delivered through joint working with partners, underpinned by a common vision that is communicated to all. Methods to measure quality of service are regularly reviewed, always ensuring the necessary information for scrutiny and challenge are at hand.

Work plans for each of the key teams within the OPCC are utilised to ensure that progress against the priorities occurs.

The Police and Crime Panel's Work Programme takes a detailed view of OPCC progress on delivering against each Police and Crime Plan priority on a regular basis. They also receive at every meeting an overarching report that provides a view of overall progress against the strategy outcomes. An Annual Report is produced that looks backwards and forwards at actions delivered and forthcoming.

The performance of the Force is also scrutinised and challenged through the OPCCs Performance Framework and in public through quarterly Public Performance Meetings.

The shared vision, between the Force and OPCC is documented in 'our vision for transforming policing in Staffordshire by 2020'.

7. Reviewing the effectiveness of the decision making framework, including delegation arrangements, decision making in partnerships, information provided to decision makers and robustness of data quality

The OPCC publishes key decisions which are of interest of the public. There is a joint decision making process, between the OPCC and the Executive Management Team from Staffordshire Police, in place through the Strategic Executive Group (SEG). Meeting of SEG are held monthly with Force Exec Team and OPCC senior officers in attendance.

The OPCC has in place a Scheme of Delegation which details the key roles of the PCC and those functions delegated by the PCC to the Deputy PCC, the Chief of Staff and the Chief Finance Officer.

The recent publication of CIPFAs 'Delivering Good Governance' (2016) document will result in a full review governance arrangements during the second half of the 2016/17 financial year.

8. Measuring the performance of services and projects and ensuring they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money

Under the leadership of the PCC, the OPCC has introduced policies and procedures to ensure effective planning and processes. Moreover, the PCC has allocated sufficient resources to support staff to perform their roles effectively. Performance is regularly assessed and there is a clear commitment to develop individual's skills to assist the PCC to drive forward his ambitious reforms.

There is a Commissioning Team within the OPCC that takes leadership on delivering services that are in line with the priorities and outcomes that the PCC has identified in his strategy. Major procurements and reshaping of services have occurred and value for money in the development and relationship management and contract compliance in delivery are all key elements of the processes in place.

Key decisions are published and aim to provide detail and justification for the activities that are undertaken.

Staffordshire Police performance is scrutinised quarterly at a public performance meeting by the PCC, holding the Chief Constable to account for the force's performance.

The OPCC recognises the recommendations from Internal Audit, which the force are accountable. The PCC is able to monitor progress against these through the established processes. There is also acknowledgement of the risk to financial capacity within the Police – the actions to manage this are addressed in the Chief Constable's AGS.

9. Defining and documenting the roles and responsibilities of leadership and management, with clear protocols for effective communication in respect of the organisations and partnership arrangements

Statutory officers carry out their stated functions and offer the appropriate advice and support on matters within their sphere of responsibility. The roles and responsibilities of the PCC, the Deputy PCC and the OPCC are clearly set down and are regularly reviewed for effectiveness. The Governance Framework includes an agreed Scheme of Consent that details those matters specifically reserved for the decision by the PCC. This Framework is updated to take account of relevant legislation and reviewed at least annually.

Joint working with the Force, partners and local communities to deliver against the priorities identified in the Safer, Fairer, United Communities Strategy, is ongoing to drive improvements in both policing services and criminal justice services. The commissioning of services through partnership working is based on clear and understood arrangements for accountability, financial administration and performance.

The PCC has promoted partnership working as a key facet of delivering his strategy. This involves the OPCC working closely with a wide range of partners; local authorities, CJS agencies, NHS bodies, private and voluntary sector organisations etc.

As a key aspect of this, the OPCC has established and partakes in governance meetings that ensure an appropriate strategic, legal and regulatory appropriate approach. The Safer Staffordshire Strategic Board (SSSB) has been established to bring together all community safety partners at the most strategic level to provide direction and support, but also to be clear on individual agency constraints, such as those required by law or regulation. Other governance boards work under the auspices of the SSSB with the same approach.

At a regional policing level, PCC's CC's and Chief Executives of the Office of the PCC meet on a quarterly basis to receive reports on and consider regional collaborations.

The Office of the PCC has a commissioning team of 4 FTE (will be 5 FTE in 2016/17), with a key function of working jointly with partners. The PCC has previously agreed that the resourcing of the Office in this area, with the right level of capability and capacity is key to delivering his strategy. This also ensures a voice in joint working arrangements and a mitigation of the risks that may arise.

Joint working with the police is also part of the formal governance structure of the OPCC, This means that there is a monthly Strategic Executive Meeting, bringing together the senior teams from OPCC and Police for a senior decision making forum.

10. Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement of the Roles of the Chief Financial Officers in Policing and, where they do not, explain why and how they deliver the same impact

The organisation's financial governance and management arrangements are all based on the CIPFA Financial Management Code of Practice for the Police Service of England and Wales as presented to Parliament pursuant to Section 39A(5) of the Police Act 1996 and Section 17(6) of the Police Reform and Social Responsibility Act 2011. This identifies the roles and responsibilities of the Chief Constable and the Chief Constable's Chief Finance Officer separately from those of the Police and Crime Commissioner and the Police and Crime Commissioner's Chief Finance Officer.

The Internal Audit is utilised to help provide assurance and compliance. Reports are reported to senior management and to ETAP with action plans established to improve as necessary. Actions are monitored and managed through corporate governance arrangements and considered through ETAP as to progress.

11. Ensuring effective arrangements are in place for discharging of the monitoring officer function

The Chief of Staff holds the role of Monitoring Officer (MO) as required by section 5 of the Local Government and Housing Act 1989 and amended by the Police Reform and Social Responsibility Act 2011. The 2011 Act and its regulations set out the main legal and statutory requirements, supplemented by other policing and local government Acts.

The key duties can be summarised as ensuring that the PCC, or anyone acting on the PCCs behalf acts lawfully and in such a way as not to constitute maladministration.

In undertaking the role, guidance from the Association of Police Authority Chief Executives (APACE) Group is utilised to provide clarity as the scope and extent of the MO responsibilities and the detailed legal and statutory obligations that exist.

Specifically, the MO: -

- Ensures that legal advice is obtained when required;
- Attends or is represented at all meetings that result in decisions that bind the PCC;
- Has direct access to the audit committee (ETAP and its sub-committee);
- Has direct access to legal advice can be obtained from the Head of Legal Services, who operates on behalf of the PCC and the Chief Constable. She will ensure separation of the route for advice when required;
- Has ensured a Governance Framework is in place and is overseen by the work of a joint Police / OPCC governance forum;
- Has unqualified access to all non-operational information produced by the police service;
- Has ensured that key roles in the OPCC team are recruited to appropriately and filled.

The Head of Policy, Performance and Assurance in the OPCC is the Deputy MO and takes leadership on certain areas on behalf of the MO and acts as the MO in his absence.

12. Ensuring effective arrangements are in place for the discharge of the head of paid service function (PCC function only)**

The Chief of Staff is the designated 'Head of Paid Service' as well as the MO for the purposes of the Local Government and Housing Act 1989, as amended by the Police Reform and Social Responsibility Act 2011.

The 'Head of Paid Service' aspect of this means taking responsibility for the coordination and discharge of the PCC's functions and managing the office and the PCC's staff.

There is a team of 20 FTE officers in the Office of the PCC, working within a structure and job descriptions / person specifications that both assure legal and statutory obligations and the PCCs strategy and priorities. All post holders have been recruited through an appropriate

process and have the skills, experience and qualifications required to undertake their role. Key posts include: -

- Chief Financial Officer
- Head of Policy, Performance and Assurance (and Deputy Monitoring Officer)
- Head of Commissioning and Partnerships
- Head of Transformation
- Communications and Engagement Manager
- Executive Assistant (PA's, Complaints and Correspondence)

All staff have access to learning and development opportunities and attend seminars and other events that ensure that they are up to date and aware of changes to guidance, legislation and practice.

13. Providing induction and identifying the development needs of leadership and senior officers in relation to their strategic roles, supported by appropriate training

The statutory posts within the OPCC and Chief of Staff are continuously developed through the support mechanisms that are available at a national level (APACE/PACCTS). These provide specific development opportunities and enhance shared learning – an APACE leadership development programme is currently in the middle of its programme and picks up salient issues that are impacting upon senior OPCC leaders. In addition, regular seminars are available that provide for more specific development needs.

All staff have access to learning and development opportunities, supported by a norm of one to one supervision and team meetings.

14. Reviewing the effectiveness of the framework for identifying and managing risks and for performance, demonstrating clear accountability

It is the ambition of the PCC for Staffordshire to have the most robust system of public accountability. To this end, he has established open and transparent lines of accountability including 'live' webcasts of the Public Performance meetings, publication of decisions on the OPCC website and ETAP meetings held in public. Consequently, he is committed to the most effective methods of community engagement. Scrutiny will always be undertaken in public unless there are good reasons for confidentiality. Arrangements are in place to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the PCC including the innovative use of the website and social media.

Effective risk management is assured in a number of different ways: -

- Quarterly Joint Strategic Risk Management Group chaired by the Deputy Chief Constable;
- A Joint Strategic Risk Register and an OPCC programme based register
- Internal audit reports that identify risks in the areas examined;

- Financial risks identified by the two section 151 officers as part of the budget setting exercise and the development of the medium-term financial plan;
- The Governance Framework, Financial Regulations, Standing Orders and the development of appropriate policy and procedure.

Significant risks monitored through the Joint Group are reported on a regular basis to ETAP. Systems of internal control are key to managing the risk of fraud within the Office of the PCC and Force and these are annually audited and reported to management and ETAP where risks are managed and monitored.

15. Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained

The Office of the PCC has a published Anti-Fraud and Corruption Policy. This applies to the PCC, the Deputy PCC and all staff that work within the Office. The policy is designed to prevent, promote detection and identify a clear route for investigation. The approach set out in the policy also demands that organisations that the Office of the PCC work with act in the same manner.

In line with the policy and through the one to one supervision sessions with senior officers of the Office of the PCC and with Staffordshire Police senior officers, the Chief of Staff and Chief Financial Officer are made aware of any specific or potential risks of fraud. The Chief Superintendent for Professional Standards will bring any specific knowledge or intelligence to their attention and that of the PCC.

Staff are able to report matters in a number of different ways, as may be appropriate and these include external reporting e.g. to Internal Audit.

There are also other policies in place within the Office of the PCC and the Force in relation to identifying and responding to risks of fraud. These include the 'Bad Apple' reporting portal for whistle-blowing and anti-corruption.

The Office of the PCC and the Force participate in the national Fraud Initiative programme on an annual basis and the outcome is reported and actioned where necessary by the PCC's CFO and the CC's CFO.

The annual internal audit plan is prepared based on an assessment of current issues, key financial controls and the risks e.g. fraud, facing the Office of the PCC and the Force and controls and policies are reviewed on a regular basis. The organisation receives and disseminates notices of potential and/or emerging fraud through a number of sources, including internal audit, other Police Forces and national bodies such as PACCTS.

In furtherance of the PCC's strategy, the Office of the PCC makes available grants to organisations through the People Power Fund and the Proceeds of Crime Fund. The Office of the PCC has put in place strict application, award and vetting arrangements to ensure that monies that are awarded deliver the outcomes identified, has been able to identify potential risks of fraud and take action to mitigate this.

Systems of internal control are key to managing the risk of fraud within the Office of the PCC and Force and these are annually audited and reported to management and ETAP where risks are managed and monitored.

16. Ensuring an effective scrutiny function is in place

The Police and Crime Panel scrutinise the performance of the PCC at regular quarterly meetings. They have a Work Programme that is aligned with the Safer, Fairer, United Communities Strategy and have a statutory role in scrutinising the strategy (the Police and Crime Plan), the Annual Report and the proposed budget and precept. The Panel also hold the PCC to account on specific policing linked matters, such as his performance management, post HMIC inspections.

The Ethics, Transparency and Audit Panel (ETAP) also contribute to there being an effective scrutiny function. ETAP which consists of members of the public, expanded the role of the Audit Committee and was launched in January 2014 by the PCC and the Chief Constable. ETAP's remit includes a statutory audit function and the scrutiny of a number areas of operational policing including the use of Taser functions, stop search and the way police complaints are handled.

The Internal and External Audit functions also provide scrutiny across the OPCC and Force. Their conclusions and recommendations will always form an important aspect of the organisations improvement plans.

17. Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit and, where they do not, explain why and how they deliver the same impact

The Head of Internal Audit plays a critical role in delivering the organisation's strategic objectives by:-

- championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

The service to the OPCC and to Staffordshire Police is provided under contract by Staffordshire County Council. The Head of Internal Audit ensures that there is an annual strategy and plan and audit opinion. She presents these and individual audit outcomes to management and ETAP.

Weaknesses identified in 2015/16 audits have been reviewed and action taken, reported to management and to ETAP.

18. Undertaking the core functions of an audit committee, as identified in the CIPFA statement: Audit Committees: Practical Guidance for Local Authorities and Police Bodies

ETAP undertakes the core functions of an audit committee and operates in accordance with the Financial Management Code of Practice for the Police Service and CIPFA's Practical Guidelines for Local Authorities.

This panel continues to advise the PCC and the Chief Constable according to good governance principles, including the monitoring of the strategic risk framework, the approval of the AGS and the Statement of Accounts as well as putting decisions made by the PCC and Staffordshire Police under the spotlight.

Since 31 March 2016 and in line with best practice, an Effectiveness Review has been carried out on ETAP with support from the OPCC's Internal Auditors. The review followed the CIPFA's publication on Practical Guidance. The review produced an action plan which will inform future training sessions for the panel. The results of this review will be reflected in the AGS 2016/2017.

19. Ensuring that the organisations provide timely support, information, and responses to external auditors, and properly consider audit findings and recommendations

The OPCC's external auditors, (Ernst and Young), provide regular reports at ETAP's formal panel meetings. At these meetings, ETAP panel members are given the opportunity to consider the audit findings, to challenge and ask for further clarification where necessary and also to make recommendations on their findings.

The external auditors, PWC, on the 2014/2015 Annual Audit letter, commented that they did not identify any significant weaknesses in internal controls during the 2014/2015 audit. These findings were considered by ETAP during their formal meeting in September 2015 following the annual audit. The letter recommended that Staffordshire Police should review the resilience of their finance team, given the demands and resource constraints that were being felt. Of particular note was a specific recommendation to review procedures and the detailed accounts production timetable, so that staff are able to pick up key tasks with limited handover, or understanding.

Staffordshire Police have reviewed their finance team structure but are yet to implement this given a force-wide transformation programme that is being developed. Structural gaps are being filled with interim management in the meantime.

20. Incorporating good governance arrangements in respect of partnerships and other joint working, and ensuring they are reflected across the overall governance structures of the PCC and the Force.

The PCC has promoted partnership working as a key facet of delivering his strategy. This involves the OPCC working closely with a wide range of partners; local authorities, CJS agencies, NHS bodies, private and voluntary sector organisations etc.

The OPCC both leads and attends multi-agency governance arrangements with its partners / stakeholders. In these instances, the OPCC either develops or adheres to agreed terms of reference in terms of expectations. An example of OPCC led governance structures is the Offender Management Commissioning and Development Board; and an example of an attended governance group is the Child Sexual Abuse Forum. These structures assist partnership working and provide opportunities for streamlining planning, commissioning and delivery whilst offering the opportunity for stakeholders to hold each other to account and challenge / address any deficits in actions / performance.

During 2015/16 the OPCC and Force have developed a Joint Governance Working Group whose terms of reference include a continual review of governance arrangements to ensure best practice.

Overall Level of Assurance

The PCC can provide overall an adequate level of assurance that appropriate stewardship is being applied to the use of resources by the OPCC in order to serve the public interest and to adhere to legislation and policy, and ethical values and respect of the law. In doing so there is evidence to demonstrate that the force is providing value for money.

Actions

Issue 1:

The OPCC and the Force both have a track record of achieving a balanced budget through effective change management. The MTFS identifies a budget gap of around £6 million up until 2019/2020 and although this is significantly less than in previous years, to continue to be efficient and to achieve the budget gap, efficiency savings will be needed through transforming services.

Action

The transformation programme is moving into new governance arrangements and to achieve the budget gap, to continuously improve and achieve efficiencies the transformation programmes will need to release sufficient savings.

Issue 2:

A recent review has taken place on the internal audit service to Staffordshire Police and the OPCC. The review highlighted areas for improvement and these are being implemented alongside the effectiveness review of ETAP.

Action

It was agreed that Staffordshire County Council will continue to offer this service with a further review in 12 months. Both the internal audit service and the improvement work on ETAP will be subject to further review later in 2016/17.

Issue 3:

The governance arrangements of the OPCC come into sharp focus each year in order to produce the Annual Governance Statement. It is intended for 2016/2017 that this document will be used broadly across the force to evaluate how the organisation is achieving against its objectives.

Action

The Annual Governance Statement will be elevated in status across the OPCC and be used as a 'living document' to highlight throughout the year what is working effectively and where there may be need for improvement.

Conclusion

The detail given within this statement represents a sound approach to ensuring that appropriate governance arrangements are in place for the OPCC and that for 2015/16 these have been on the whole effective. There are a number of areas where further review and implementation of recommendations will continue as part of ongoing continuous improvement and transformational change. A refresh of internal audit arrangements and enhancement of ETAP's skills and capabilities will add further robust scrutiny to the OPCCs arrangements over the forthcoming year and beyond.



Signed:

PCC

Signed:



Chief of Staff

THE SINGLE ENTITY FINANCIAL STATEMENTS**PCC Single Entity Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000		2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000
25	(774)	(749)	Local Policing	22	(848)	(826)
5	(173)	(168)	Dealing with the Public	5	(181)	(176)
12	(131)	(119)	Criminal Justice Arrangements	14	(151)	(137)
2	(1,165)	(1,163)	Road Policing	2	(58)	(56)
3	(75)	(72)	Specialist Operations	3	(88)	(85)
2	(61)	(59)	Intelligence	2	(78)	(76)
9	(292)	(283)	Specialist Investigation	9	(806)	(797)
2	(48)	(46)	Investigative Support	2	(63)	(61)
1	(929)	(928)	National Policing	1	(29)	(28)
2,791	0	2,791	Corporate and Democratic Core	2,055	0	2,055
0	0	0	Non Distributed Costs	0	0	0
2,852	(3,648)	(796)	Cost of Services Before Intra-group Funding	2,115	(2,302)	(187)
		183,681	Intra-group Funding			187,358
		182,885	Total Cost of Services			187,171
		813	Losses on the Disposal of Non-Current Assets (<i>Note 18</i>)			155
		1,734	Financing and Investment Net Expenditure (<i>Note 5</i>)			1,777
		(184,608)	Taxation and Non-Specific Grant Income (<i>Note 7</i>)			(179,779)
		824	Deficit on Provision of Services (<i>Note 8</i>)			9,324
		(467)	Deficit / (surplus) on Revaluation of Non-Current Assets (<i>Note 4ii</i>)			(1,954)
		439	Re-measurement of the net defined benefit Liabilities (<i>Note 33</i>)			(542)
		(28)	Other Comprehensive Net Expenditure			(2,496)
		796	Total Comprehensive Net Expenditure			6,828

Movement in Reserves Statement for the PCC Single Entity

This statement shows the movement in the year on the different reserves held by the PCC, 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 PCC'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 PCC.

	<u>General Fund</u>	<u>Earmarked General Fund Reserves Restated</u>	<u>Capital Receipts Reserve</u>	<u>Capital Grants Unapplied</u>	<u>Total Usable Reserves Restated</u>	<u>Unusable Reserves Restated</u>	<u>Total PCC Reserves</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balance as at 1 April 2014	6,309	13,888	0	0	20,197	30,362	50,556
<i>Movement in Reserves During 2014/15:</i>							
Deficit on the Provision of Services	(824)	0	0	0	(824)	0	(824)
Other Comprehensive Income and Expenditure	0	0	0	0	0	28	28
Total Comprehensive Income and Expenditure	(824)	0	0	0	(824)	28	(796)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	3,349	0	0	0	3,349	(3,349)	0
Net increase / (decrease) before Transfers to Earmarked Reserves	2,525	0	0	0	2,525	(3,321)	(796)
Transfers To/From Earmarked Reserves	(2,552)	2,552	0	0	0	0	0
(Decrease) / Increase in 2014/15	(27)	27	0	0	0	(3,321)	(796)
Balance at 31 March 2015 Carried Forward	6,282	16,440	0	0	22,722	27,041	49,760
<i>Movement in Reserves During 2015/16:</i>							
Deficit on the Provision of Services	(9,324)	0	0	0	(9,324)	0	(9,324)
Other Comprehensive Income and Expenditure	0	0	0	0	0	2,496	2,496
Total Comprehensive Income and Expenditure	(9,324)	0	0	0	(9,324)	2,496	(6,828)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	3,667	0	0	0	3,667	(3,667)	0
Net increase / (decrease) before Transfers to Earmarked Reserves	(5,657)	0	0	0	(5,657)	(1,171)	(6,828)
Transfers To/From Earmarked Reserves	5,657	(5,657)	0	0	0	0	0
(Decrease) / Increase in 2015/16	0	(5,657)	0	0	(5,657)	(1,171)	(6,828)
Balance at 31 March 2016 Carried Forward	6,282	10,783	0	0	17,065	25,870	42,932

Balance Sheet for the PCC Single Entity

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the PCC. The net assets of the PCC (assets less liabilities) are matched by the reserves held by the PCC. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the PCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the PCC is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statements line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2015 Restated £000			31 March 2016 £000
51,370	Land and Buildings	Note 18	51,155
13,287	Vehicles, Plant and Equipment	Note 18	16,663
1,750	Intangible Assets	Note 19	2,776
444	Long-Term Debtors	Note 20	444
66,851	Long Term Assets		71,038
7,000	Assets Held for Sale	Note 21	7,500
11,051	Short Term Investments	Note 23	2,100
29,649	Short Term Debtors	Note 24	21,478
1,515	Cash and Cash Equivalents	Note 25	3,162
49,215	Current Assets		34,240
(661)	Bank Overdrafts	Note 25	0
(500)	Short Term Borrowing	Note 23	(2,000)
(23,865)	Short Term Creditors	Note 26	(21,757)
0	Provisions	Note 27	0
(25,026)	Current Liabilities		(23,757)
(2)	Provisions	Note 27	0
(38,300)	Long Term Borrowing	Note 23	(36,300)
(1,356)	Other Long Term Liabilities	Note 28	(1,085)
(1,621)	Liability Related to Defined Benefit Pension Schemes	Note 33	(1,204)
(41,279)	Long Term Liabilities		(38,589)
49,761	Net Assets		42,932
	Financed by:		
	Usable Reserves:		
(6,282)	General Fund	Note 3	(6,282)
(16,440)	Earmarked Reserves	Note 3	(10,783)
(27,041)	Unusable Reserves	Note 4	(25,867)
(49,761)	Total Reserves		(42,932)

Cash Flow Statement for the PCC Single Entity

2014/15		2015/16	
£000	£000	£000	£000
		Cash Flows from Operating Activities:	
		Cash Outflows	
1,024		Cash Paid To and On Behalf of Employees	1,077
1,272		Other Operating Cash Payments	1,850
175,643		Intra-Group Funding	178,092
1,798		Interest Paid	1,763
	179,737		182,782
		Cash Inflows	
(57,236)		Precepts Received	(58,731)
(41,571)		National Non-Domestic Rate Receipts	(40,166)
(8,423)		Revenue Support Grant / Localisation of Council Tax	(8,423)
(79,261)		Other Government Grants and Reimbursements (<i>Note 32</i>)	(74,875)
(494)		Cash Received For Goods and Services	(456)
(60)		Interest Received	(38)
	(187,045)		(182,689)
	(7,308)	Net Cash Flows From Operating Activities	93
		Cash Flows from Investing Activities:	
		Cash Outflows	
6,615		Purchase of Non-Current Assets	7,975
11,051		Purchase of short-term and long-term investments	2,100
	17,666		10,075
		Cash Inflows	
(226)		Sale of Non-Current Assets	(146)
(2,406)		Capital Grants Received	(2,049)
(9,234)		Proceeds from short-term and long-term investments	(11,051)
0		Other Capital Cash Receipts	0
	(11,866)		(13,246)
	5,800	Net Cash Flows from Investing Activities	(3,171)
		Cash Flows from Financing Activities:	
0		Cash Receipts of Short Term and Long Term Borrowing	0
0		Other Receipts from Financing Activities	0
1,271		Repayments of Short Term and Long Term Borrowing	771
0		Other Payments for Financing Activities	0
	1,271	Net Cash Flows from Financing Activities	771
	(237)	Net Decrease/(increase) in Cash and Cash Equivalents	(2,307)
	(617)	Cash and Cash Equivalents at the beginning of the Reporting Year	(854)
	(854)	Cash and Cash Equivalents at the end of the Reporting Year	(3,161)

The Cash Flow Statement shows the changes in cash and cash equivalents of the PCC during the reporting period. The statement shows how the PCC generates and uses cash and cash equivalents 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 the operations of the PCC are funded by the way of taxation and grant income or from the recipients of services provided by the PCC. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCC's 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) to the PCC.

Adjustments between Accounting Basis and Funding Basis under Regulation

This details the adjustments that are made to the total comprehensive income and expenditure recognised by the PCC in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the PCC to meet future capital and revenue expenditure. A description of the reserves that the adjustments are made against follow;

General Fund (GF) Balance – The GF is the statutory fund into which all the receipts are required to be paid and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the GF Balance, which is not necessarily in accordance with proper accounting practice. The GF balance therefore summarises the resources the PCC is statutorily empowered to spend on services or on capital investment at the end of the financial year.

Capital Receipts Reserve (CRR) – The CRR holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

PCC – 2014/15 COMPARATIVES Restated	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments Primarily Involving the Capital Adjustment Account:				
<i>Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement</i>				
Charges for Depreciation and Impairment of Non-Current Assets	8,477	0	0	(8,477)
Amortisation of Intangible Assets	725	0	0	(725)
Revenue Expenditure Funded from Capital Under Statute	(271)	0	0	271
<i>Insertion of items not Debited or Credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory Provision for the Financing of Capital Investment	(1,690)	0	0	1,690
Capital Expenditure Charged Against the General Fund	(4,119)	0	0	4,119
Adjustments Primarily Involving the Capital Receipts Reserve:				
Transfer of Cash Sale Proceeds Credited as Part of the Gains/Loss on Disposal to the Comprehensive Income and Expenditure Statement	813	226	0	(1,039)
Use of the Capital Receipts Reserve to Finance New Capital Expenditure	0	(226)	0	226
Adjustments Primarily Involving the Pensions Reserve:				
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income and Expenditure Statement	400	0	0	(400)
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(134)	0	0	134
Additional Contribution to the Pension Fund to the Deficit on the Fund Account	0	0	0	0
Adjustments Involving the Collection Fund Adjustment Account:				

Statement of Accounts 2015/16

Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	(857)	0	0	857
Adjustment Involving the Accumulated Absences Account				
Amount by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements	7	0	0	(7)
Total Adjustments	3,351	0	0	(3,351)

PCC – 2015/16	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments Primarily Involving the Capital Adjustment Account:				
<i>Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement</i>				
Charges for Depreciation and Impairment of Non-Current Assets	7,271	0		(7,271)
Amortisation of Intangible Assets	859	0		(859)
Revenue Expenditure Funded from Capital Under Statute	(271)	0	0	271
<i>Insertion of items not Debited or Credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory Provision for the Financing of Capital Investment	(1,640)	0	0	1,640
Capital Expenditure Charged Against the General Fund	(2,895)	0	0	2,895
Adjustments Primarily Involving the Capital Receipts Reserve:				
Transfer of Cash Sale Proceeds Credited as Part of the Gains/Loss on Disposal to the Comprehensive Income and Expenditure Statement	155	146	0	(301)
Use of the Capital Receipts Reserve to Finance New Capital Expenditure	0	(146)	0	146
Adjustments Primarily Involving the Pensions Reserve:				
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income and Expenditure Statement	207	0	0	(207)
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(86)	0	0	86
Additional Contribution to the Pension Fund to the Deficit on the Fund Account	0	0	0	0
Adjustments Involving the Collection Fund Adjustment Account:				
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	76	0	0	(76)
Adjustment Involving the Accumulated Absences Account				
Amount by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements	(8)	0	0	8
Total Adjustments	3,667	0	0	(3,667)

Service Expenditure Analysis

The Net Cost of Services shown in the Comprehensive Income and Expenditure Statement is analysed in line with CIPFA's Service Reporting Code of Practice (SeRCOP). The tables below analyse the Expenditure and Income by the subjective heading. The subjective analysis is used by management to make day to day decisions whereas the SeRCOP shows the cost of each type of policing activity.

Service Expenditure Analysis – PCC Single Entity Statement

The table below shows income and expenditure incurred by the PCC. This excludes the intra-group transfer of expenditure incurred by the Chief Constable at the request of the PCC.

2014/15 £000		2015/16 £000
	Expenditure	
0	Police Officer Pay and Allowances	0
949	Police Staff Pay and Allowances	925
84	Other Employee Expenses	36
0	Police Pensions	0
1	Premises	0
16	Transport	22
1,334	Supplies and Services	642
468	Third Party Payments	490
2,852	Total Expenditure	2,115
(3,648)	Total Income	(2,302)
(796)	Net Expenditure	(187)

THE GROUP FINANCIAL STATEMENTS

OPCC Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The OPCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000		2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000
74,997	(1,687)	73,310	Local Policing	76,976	(1,886)	75,090
15,287	(269)	15,018	Dealing with the Public	16,738	(229)	16,509
14,162	(1,196)	12,966	Criminal Justice Arrangements	15,535	(1,548)	13,987
6,418	(1,532)	4,886	Road Policing	5,005	(1,310)	3,695
10,138	(1,314)	8,824	Specialist Operations	10,174	(563)	9,611
6,533	(92)	6,441	Intelligence	7,446	(111)	7,335
31,850	(802)	31,048	Specialist Investigation	34,139	(1,240)	32,899
7,460	(75)	7,385	Investigative Support	8,565	(112)	8,453
3,545	(2,216)	1,329	National Policing	2,870	(1,238)	1,632
2,791	0	2,791	Corporate and Democratic Core	2,055	0	2,055
343	0	343	Non Distributed Costs	1,097	0	1,097
173,524	(9,183)	164,341	Total Cost of Services	180,599	(8,237)	172,362
		813	Losses on the Disposal of Non-Current Assets (<i>Note 18</i>)			155
		85,506	Financing and Investment Net Expenditure (<i>Note 5</i>)			74,007
	(184,608) (29,838)		Taxation and Non-Specific Grant Income (<i>Note 7</i>) Grant received from the Home Office in respect of the pension fund account (<i>Note 33</i>)			(179,779) (33,894)
		36,214	Deficit on Provision of Services (<i>Note 8</i>)			32,851
	(467)		(Surplus) on Revaluation of Non-Current Assets (<i>Note 4ii</i>)			(1,954)
	220,544		Re-measurement of the net defined benefit Liabilities (<i>Note 33</i>)			(272,290)
		220,077	Other Comprehensive (Income) / Net Expenditure			(274,244)
		256,291	Total Comprehensive (Income) / Net Expenditure			(241,393)

Movement in Reserves Statement for the OPCC Group

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.

	<u>General Fund Restated</u>	<u>Earmarked General Fund Reserves Restated</u>	<u>Capital Receipts Reserve</u>	<u>Capital Grants Unapplied</u>	<u>Total Usable Reserves Restated</u>	<u>Unusable Reserves Restated</u>	<u>Total OPCC Group Reserves</u>
	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2014	6,309	13,888	0	0	20,195	(1,770,344)	(1,750,147)
<i>Movement in Reserves During 2014/15:</i>							
Deficit on the Provision of Services	(36,214)	0	0	0	(36,214)	0	(36,214)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(220,077)	(220,077)
Total Comprehensive Income and Expenditure	(36,214)	0	0	0	(36,214)	(220,077)	(256,291)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	38,740	0	0	0	38,740	(38,740)	0
Net increase/(decrease) before Transfers to Earmarked Reserves	2,526	0	0	0	2,526	(258,817)	(256,291)
Transfers To/From Earmarked Reserves (Note 3)	(2,552)	2,552	0	0	0	0	0
Increase in 2014/15	(26)	2,552	0	0	2,526	(258,817)	(256,291)
Balance at 31 March 2015 Carried Forward	6,282	16,440	0	0	22,722	(2,029,158)	(2,006,434)
<i>Movement in Reserves During 2015/16:</i>							
Deficit on the Provision of Services	(32,851)	0	0	0	(32,851)	0	(32,851)
Other Comprehensive Income and Expenditure	0	0	0	0	0	274,244	274,244
Total Comprehensive Income and Expenditure	(32,851)	0	0	0	(32,851)	274,244	241,393
Adjustments Between Accounting Basis and Funding Basis Under Regulations	27,194	0	0	0	27,194	(27,194)	0
Net increase/(decrease) before Transfers to Earmarked Reserves	(5,657)	0	0	0	(5,657)	247,050	241,393
Transfers To/From Earmarked Reserves (Note 3)	5,657	(5,657)	0	0	0	0	0
Increase in 2015/16	0	(5,657)	0	0	(5,657)	247,050	241,393
Balance at 31 March 2016 Carried Forward	6,282	10,783	0	0	17,065	(1,782,106)	(1,765,041)

Balance Sheet for the OPCC Group

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the OPCC Group. The net assets of the OPCC Group (assets less liabilities) are matched by the reserves held by the OPCC Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the OPCC Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the OPCC Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statements line 'Adjustments between accounting basis and funding basis under regulations.

Restated 31 March 2015 £000			31 March 2016 £000
51,370	Land and Buildings	Note 18	51,155
13,287	Vehicles, Plant and Equipment	Note 18	16,663
1,750	Intangible Assets	Note 19	2,776
444	Long-Term Debtors	Note 20	444
66,851	Long Term Assets		71,038
7,000	Assets Held for Sale	Note 21	7,500
11,051	Short Term Investments	Note 23	2,100
29,649	Short Term Debtors	Note 24	21,478
1,515	Cash and Cash Equivalents	Note 25	3,162
49,215	Current Assets		34,240
(661)	Bank Overdrafts	Note 25	0
(500)	Short Term Borrowing	Note 23	(2,000)
(25,962)	Short Term Creditors	Note 26	(23,865)
0	Provisions	Note 27	0
(27,123)	Current Liabilities		(25,865)
(1,461)	Provisions	Note 27	(1,400)
(38,300)	Long Term Borrowing	Note 23	(36,300)
(1,356)	Other Long Term Liabilities	Note 28	(1,085)
(2,054,264)	Liability Related to Defined Benefit Pension Schemes	Note 33	(1,805,669)
(2,095,881)	Long Term Liabilities		(1,844,454)
(2,006,438)	Net Liabilities		(1,765,041)
	Financed by:		
	Usable Reserves:		
(6,282)	General Fund	Note 3	(6,282)
(16,440)	Earmarked Reserves	Note 3	(10,783)
2,029,158	Unusable Reserves	Note 4	1,782,106
2,006,438	Total Reserves		1,765,041

Cash Flow Statement for the OPCC Group

2014/15		2015/16	
£000	£000	£000	£000
		Cash Flows from Operating Activities:	
		Cash Outflows	
140,981		Cash Paid To and On Behalf of Employees	144,974
70,885		Other Operating Cash Payments	78,379
1,798		Interest Paid	1,763
	213,664	Cash Inflows	225,116
(57,236)		Precepts Received	(58,731)
(41,571)		National Non-Domestic Rate Receipts	(40,166)
(8,423)		Revenue Support Grant / Localisation of Council Tax	(8,423)
(110,789)		Other Government Grants and Reimbursements (Note 32)	(106,851)
(2,893)		Cash Received For Goods and Services	(10,815)
(60)		Interest Received	(38)
	(220,972)		(225,024)
	(7,308)	Net Cash Flows From Operating Activities	92
		Cash Flows from Investing Activities:	
		Cash Outflows	
6,615		Purchase of Non Current Assets	7,975
11,051		Purchase of short-term and long-term investments	2,100
	17,666		10,075
		Cash Inflows	
(226)		Sale of Non Current Assets	(146)
(2,406)		Capital Grants Received	(2,049)
(9,234)		Proceeds from short-term and long-term investments	(11,051)
0		Other Capital Cash Receipts	0
	(11,866)		(13,246)
	5,800	Net Cash Flows from Investing Activities	(3,171)
		Cash Flows from Financing Activities:	
0		Cash Receipts of Short Term and Long Term Borrowing	0
0		Other Receipts from Financing Activities	0
1,271		Repayments of Short Term and Long Term Borrowing	771
0		Other Payments for Financing Activities	0
	1,271	Net Cash Flows from Financing Activities	771
	(237)	Net Decrease/(increase) in Cash and Cash Equivalents	(2,308)
	(617)	Cash and Cash Equivalents at the beginning of the Reporting Year	(854)
	(854)	Cash and Cash Equivalents at the end of the Reporting Year	(3,162)

The Cash Flow Statement shows the changes in cash and cash equivalents of the OPCC Group during the reporting period. The statement shows how the OPCC Group generates and uses cash and cash equivalents 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 the operations of the OPCC Group are funded by the way of taxation and grant income or from the recipients of services provided by the OPCC Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the OPCC's future service delivery.

Adjustments between Accounting Basis and Funding Basis under Regulation

OPCC Group – 2014/15 COMPARATIVES Restated	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments Primarily Involving the Capital Adjustment Account:				
<i>Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement</i>				
Charges for Depreciation and Impairment of Non-Current Assets	8,477	0	0	(8,477)
Amortisation of Intangible Assets	725	0	0	(725)
Revenue Expenditure Funded from Capital Under Statute	(271)	0	0	271
<i>Insertion of items not Debited or Credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory Provision for the Financing of Capital Investment	(1,690)	0	0	1,690
Capital Expenditure Charged Against the General Fund	(4,119)	0	0	4,119
Adjustments Primarily Involving the Capital Receipts Reserve:				
Transfer of Cash Sale Proceeds Credited as Part of the Gains/Loss on Disposal to the Comprehensive Income and Expenditure Statement	813	226	0	(1,039)
Use of the Capital Receipts Reserve to Finance New Capital Expenditure		(226)	0	226
Adjustments Primarily Involving the Pensions Reserve:				
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income and Expenditure Statement	133,357	0	0	(133,357)
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(67,582)	0	0	67,582
Additional Contribution to the Pension Fund to the Deficit on the Fund Account	(29,838)	0	0	29,838
Adjustments Involving the Collection Fund Adjustment Account:				
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	(858)	0	0	858
Adjustment Involving the Accumulated Absences Account				
Amount by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements	(273)	0	0	273
Total Adjustments	38,741	0	0	(38,741)

OPCC Group – 2015/16	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments Primarily Involving the Capital Adjustment Account:				
<i>Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement</i>				
Charges for Depreciation and Impairment of Non-Current Assets	7,271	0	0	(7,271)
Amortisation of Intangible Assets	859	0	0	(859)
Revenue Expenditure Funded from Capital Under Statute	(271)	0	0	271
<i>Insertion of items not Debited or Credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory Provision for the Financing of Capital Investment (MRP)	(1,640)	0	0	1,640
Capital Expenditure Charged Against the General Fund	(2,895)	0	0	2,895
Adjustments Primarily Involving the Capital Receipts Reserve:				
Transfer of Cash Sale Proceeds Credited as Part of the Gains/Loss on Disposal to the Comprehensive Income and Expenditure Statement	155	146	0	(301)
Use of the Capital Receipts Reserve to Finance New Capital Expenditure	0	(146)	0	146
Adjustments Primarily Involving the Pensions Reserve:				
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income and Expenditure Statement	121,001	0	0	(121,001)
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(63,412)	0	0	63,412
Additional Contribution to the Pension Fund to the Deficit on the Fund Account	(33,894)	0	0	33,894
Adjustments Involving the Collection Fund Adjustment Account:				
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	76	0	0	(76)
Adjustment Involving the Accumulated Absences Account				
Amount by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements	(55)	0	0	55
Total Adjustments	27,195	0	0	(27,195)

Service Expenditure Analysis

The Net Cost of Services shown in the Comprehensive Income and Expenditure Statement is analysed in line with CIPFA's Service Reporting Code of Practice (SeRCOP). The tables below analyse the Expenditure and Income by the subjective heading. The subjective analysis is used by management to make day to day decisions whereas the SeRCOP shows the cost of each type of policing activity.

Service Expenditure Analysis – Group Statement

The table below shows income and expenditure incurred by the group, including expenditure incurred by the Chief Constable at the request of the OPCC.

2014/15 £000		2015/16 £000
	Expenditure	
75,541	Police Officer Pay and Allowances	73,259
45,876	Police Staff Pay and Allowances	54,723
2,723	Other Employee Expenses	3,074
4,577	Police Pensions	4,961
5,476	Premises	4,778
4,025	Transport	3,891
19,840	Supplies and Services	21,874
6,264	Third Party Payments	5,910
9,202	Depreciation, Amortisation and Impairment Losses	8,130
173,524	Total Expenditure	180,600
(9,183)	Total Income	(8,237)
164,341	Net Expenditure	172,362

**Notes to the Financial Statements for the Police and Crime Commissioner
for Staffordshire and the OPCC Group**

1. The Creation of the Single Entities of the Police and Crime Commissioner for Staffordshire and The Chief Constable of Staffordshire Police

The Police Reform and Social Responsibility Act 2011 came into effect on 22 November 2012. On this date, Staffordshire Police Authority ceased to exist and two distinct corporation soles were created: The Police and Crime Commissioner for Staffordshire (PCC) and the Chief Constable of Staffordshire Police (CC).

The 2015/16 Statement of Accounts is the fourth to be presented under this arrangement. In accordance with the CIPFA Code of Practice on Local Authority Accounting 2015/16, the CIPFA LAAP Bulletin 98a and guidance from the Audit Commission, the transactions for 2014/15 and 2015/16, opening balances as at 1 April 2015 and closing balances as at 31 March 2016 are presented under the Group accounts of the OPCC and the single entity accounts of the PCC and CC.

On the 22 November 2012 all of the property, rights and liabilities of Staffordshire Police Authority transferred to and now vest in the Office of the Police and Crime Commissioner Staffordshire: this was called Stage 1 transfer. On 1 April 2014, Stage 2 transfer took effect whereby PCCs and CCs agreed a clear division of responsibility between the Chief Constable and the governing body (the PCC) and set out arrangements for who will employ which staff, who will own property and other assets, and who holds associated rights and liabilities. The model that was agreed in Staffordshire was that "all assets, liabilities and contractual arrangements will remain in the control of the PCC after 1 April 2014.

The Comprehensive Income and Expenditure Statement reflects the fact that resources are consumed by the OPCC at the request of the Chief Constable, however this expenditure is funded by an intra-group transfer back to the Comprehensive Income and Expenditure Statement of the PCC to demonstrate that all funding is provided by the PCC. The Group statement shows the position net of any intra-group funding.

2. Critical Assumptions

Upon the creation of two separate corporation soles under the Police Reform and Social Responsibility Act 2011, Chief Constables were not recognised as having Local Authority Status, however the Anti-social Behaviour, Crime and Policing Act 2014 addressed this issue and received Royal Assent on 13 March 2014. The Local Authority Status for Chief Constables was backdated to commence with effect from 22 November 2012.

3. Transfers to / from Earmarked 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 2015/16. All Usable Reserves are held by the PCC.

PCC	Balance 1 April 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance 31 March 2016 £000
General Fund	6,282	0	0	6,282
Earmarked Reserve Pensions	2,909	0	0	2,909
Net Operational Underspends	539	0	156	695
Capital Reserve	788	(788)	0	0
Insurance Reserve	2,373	(265)	0	2,108
PCC Requests	315	0	0	315
Operational Development	1,601	(1,601)	0	0
Reshaping the Future	7,915	(3,159)	0	4,756
Total	22,722	(5,813)	156	17,065

- **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.
- **Earmarked pensions reserve** – This reserve absorbs the timing difference arising from different arrangements for accounting for past employment benefits and for funding benefits in accordance with statutory provisions.
- **Underspends / carry forwards** arise as a result of the outturn being less than the budgeted spend in the year. These underspends are carried forward in reserves to help fund future years. These underspends can be earmarked by departments for which the underspend occurs.
- **Capital reserve** may be used to fund future capital expenditure or to repay debt, and capital grants will be used to fund future capital expenditure.
- **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.
- **PCC requests Reserve** is an amount set aside in order to meet any additional requests the PCC require in order to meet his objectives that are outside the operational running of the force.
- **Operational Development Reserve** is to compliment the reshaping the future reserves, in order to ensure that the operations of the force are developed each year to meet operational demands.

- **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.

4. Unusable Reserves

PCC	Balance 1 April 2015 Restated £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance 31 March 2016 £000
Accumulated Absences Account	(21)	8	0	(13)
Revaluation Reserve	5,152	(625)	1,954	6,481
Capital Adjustment Account	21,413	(7,959)	5,110	18,562
Deferred Capital Receipts	444	0	0	444
Pensions Reserve	(1,621)	(211)	628	(1,204)
Collection Fund Adjustment Account	1,674	(76)	0	1,597
Total	27,041	(8,863)	7,692	25,867

OPCC Group	Balance 1 April 2015 Restated £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance 31 March 2016 £000
Accumulated Absences Account	(3,577)	55	0	(3,522)
Revaluation Reserve	5,152	(625)	1,954	6,481
Capital Adjustment Account	21,415	(8,082)	5,228	18,562
Deferred Capital Receipts	444	0	0	444
Pensions Reserve	(2,054,264)	369,596	(121,001)	(1,805,669)
Collection Fund Adjustment Account	1,673	(76)	0	1,597
Total	(2,029,157)	360,868	(113,819)	(1,782,106)

(i) 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 2015 and 31 March 2016.

PCC:

2014/15			2015/16	
£000	£000		£000	£000
	(14)	Balance as at 1 April		(21)
14		Settlement or Cancellation of Accrual Made at the End of the Preceding Year	21	
(21)		Amounts Accrued at the End of the Current Year	(13)	
	(7)	Amount by Which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements.		8
	(21)	Balance as at 31 March		(13)

OPCC Group:

2014/15			2015/16	
£000	£000		£000	£000
	(3,850)	Balance as at 1 April		(3,577)
3,850		Settlement or Cancellation of Accrual Made at the End of the Preceding Year	3,577	
(3,577)		Amounts Accrued at the End of the Current Year	(3,522)	
	(273)	Amount by Which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements.		55
	(3,577)	Balance as at 31 March		(3,522)

(ii) Revaluation Reserve

The Revaluation Reserve contains the gains made by the PCC and 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.

2014/15			2015/16	
£000	£000		£000	£000
	4,685	Balance as at 1 April		5,152
467		Upward Revaluation of Assets	1,863	
0		Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus/Deficit on the Provision of Services	(22)	
0		Reversal of Impairment Which Should have been Charged to Income and Expenditure Statement Following Restatement		
0		Additional Adjustment to Depreciation as a Result of Restatement of Impairments		
0		Reversal of Previous Impairments Written Out to the Capital Adjustment Account Following Restatement		
	467	Surplus or Deficit on Revaluation of Non Current Assets		1,954
	0	Adjustment for last year	(410)	
	0	Difference Between Fair Value Depreciation and Historical Cost Depreciation	(158)	
	0	Accumulated Gains on Assets Sold or Scrapped	(57)	
	5,152	Balance as at 31 March		6,481

(iii) 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 PCC and 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.

2014/15			2015/16	
£000	£000		£000	£000
	25,347	Balance as at 1 April		21,415
		<i>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:</i>		
0		Adjustment from 2014/15	413	
(5,874)		Charges for Depreciation and Impairment of Non-Current Assets	(6,591)	
874		De-recognition and Write Off of Impairments of Non-Current Assets using Revaluation Gains in Year	0	
(3,477)		Revaluation Losses on Property, Plant and Equipment	(680)	
(725)		Amortisation of Intangible Assets	(859)	
271		Revenue Expenditure Funded from Capital Under Statute	271	
(1,039)		Amounts of Non-Current Assets Written Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the CIES	(244)	
0		Adjusting Amounts Written Out of the Revaluation Reserve	158	
	(9,970)	Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year		(7,533)
		<i>Capital Financing Applied in the Year:</i>		
226		Use of Capital Receipts Reserve to Finance New Capital Expenditure	146	
2,475		Capital Grant and Contributions Credited to the CIES that have been Applied to Capital Financing	2,049	
0		Application of Grants to Capital Financing from the Capital Grants Unapplied Account	0	
1,690		Statutory Provision for the Financing of Capital Investment Charged Against the General Fund	1,640	
1,644		Capital Expenditure Charged Against the General Fund	846	
	6,035			4,680
	21,412	Balance as at 31 March		18,562

(iv) 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 PCC and 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 PCC and 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.

Restated PCC 2014/15 £000	Restated Group 2014/15 £000		PCC 2015/16 £000	Group 2015/16 £000
(915)	(1,797,783)	Balance as at 1 April	(1,617)	(2,054,264)
(439)	(220,544)	Re-measurement of the net defined benefit Liability	542	272,290
(400)	(133,357)	Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income and Expenditure Statement	(207)	(121,001)
133	67,582	Employers Pensions Contributions and Direct Payments to Pensioners Payable in the Year	86	63,412
0	29,838	Additional Contribution to the Pension Fund to Balance the Deficit on the Fund Account	0	33,894
(1,621)	(2,054,264)	Balance as at 31 March	(1,204)	(1,805,669)

(v) 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.

2014/15 £000		2015/16 £000
815	Balance as at 1 April	1,673
859	Amount by which Council Tax Income Credited to the Comprehensive Income and Expenditure Statement is Different From Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	(76)
1,674	Balance as at 31 March	1,597

Material Items of Income and Expenditure

There are no material items of Income or Expenditure in 2015/16 that require specific disclosure.

5. Financing and Investment Net Expenditure

PCC 2014/15 £000	Group 2014/15 £000		PCC 2015/16 £000	Group 2015/16 £000
1,793	1,793	Interest Payable and Similar Charges (loan interest paid)	1,766	1,766
	83,772	Pensions Net Interest Cost	49	72,279
(59)	(59)	Interest Receivable and Similar Income (investment interest)	(38)	(38)
1,734	85,506	Total	1,777	74,007

6. Specific Grants

Included within the Gross income figure in the Net Cost of Services for the OPCC Group are specific grants and contributions of £4.603m (PCC Single Entity £3.779m). A breakdown of these by awarding body is listed below:

PCC 2014/15 £000	Group 2014/15 £000	Grant	Awarding Body	PCC 2015/16 £000	Group 2015/16 £000
643	643	Counter Terrorism	Home Office	542	542
187	187	Loan Charges	Home Office	164	164
106	106	True-vision	Ministry of Justice	0	0
0	0	Drug Testing Enforcement	Home Office	24	24
1,113	1,113	Safety Roads Partnership	Staffordshire County Council	912	912
923	923	Victim Service Grant/ Competed Fund	Ministry of Justice	1,230	1,230
379	379	MASH Innovation Fund	Home Office	0	0
0	0	CSE Innovation Fund		448	448
3,351	3,351	Total Specific Grants		3,320	3,320
340	1,586	Contributions		459	1,283
3,691	4,937	Total Grants and Contributions		3,779	4,603

7. Taxation and Non Specific Grant Income

2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000
	(58,095)	Precepts		(58,731)
(2,884)		Council Tax Freeze Grant	(3,541)	
(71,227)		Police Revenue Grant	(66,868)	
(8,423)		Localisation of Council Tax	(8,423)	
(41,571)		Non-Domestic Rates Redistribution	(40,166)	
(2,408)		Capital Grants and Contributions (Note 17)	(2,049)	
	(126,513)	Total Non-specific Grant Income		(121,047)
	(184,608)	Taxation and Non-Specific Grant Income- OPCC		(179,779)
	(29,838)	Home Office grant towards the cost of retirement benefits (Note 33)		(33,894)
	(214,446)	Taxation and Non-Specific Grant Income- The Group		(213,673)

8. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocations are taken by the PCC, CC and the OPCC Group on the basis of budget reports structured in a different way. In addition to the difference in presentation, the budget reports presented to the PCC, CC and the OPCC Group are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement;
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- Other accounting adjustments such as the charge for short-term accumulating compensated absences are not reported to the PCC, CC or OPCC Group but are included in the Net Cost of Services.

The tables below show how the figures reported to the PCC, CC and the OPCC Group in the budget reports relate to the figures reported in the Comprehensive Income and Expenditure Statement (along with prior year comparatives).

2015/16 Income and Expenditure as Reported to the PCC, CC and OPCC Group

	CC			PCC			Group Total
	Operational	Pensions	Total Force	PCC	Capital	Total PCC	
	£000	£000	£000	£000	£000	£000	£000
Grants and Contributions	(4,602)	0	(4,602)	0	0	0	(4,602)
Reimbursements	(1,909)	0	(1,909)	0	0	0	(1,909)
Sales, Fees and Charges	(1,592)	0	(1,592)	0	0	0	(1,592)
Other Income	(26)	0	(26)	0	0	0	(26)
Total Income	(8,129)	0	(8,129)	0	0	0	(8,129)
Employee Expenses	142,759	4,961	147,720	1,311	0	1,311	149,031
Other Operating Expenses	36,701	0	36,701	1,155	3,418	4,572	41,273
Carry Forwards	(3,360)	0	(3,360)	0	0	0	(3,360)
Total Expenditure	176,100	4,961	181,061	2,465	3,418	5,883	186,944
Net Expenditure	167,971	4,961	172,932	2,465	3,418	5,883	178,815

2014/15 Income and Expenditure as reported to the PCC, CC and the OPCC Group

	CC			PCC			Group Total
	Operational	Pensions	Total Force	OPCC	Capital	Total OPCC	
	£000	£000	£000	£000	£000	£000	£000
Grants and Contributions	(4,935)	0	(4,935)	0	0	0	(4,935)
Reimbursements	(2,822)	0	(2,822)	0	0	0	(2,822)
Sales, Fees and Charges	(1,428)	0	(1,428)	0	0	0	(1,428)
Other Income	(39)	0	(39)	0	0	0	(39)
Total Income	(9,224)	0	(9,224)	0	0	0	(9,224)
Employee Expenses	139,805	4,577	144,382	1,033	0	1,033	145,415
Other Operating Expenses	35,877	0	35,877	1,817	3,710	5,527	41,404
Carry Forwards	(448)	0	(448)	0	0	0	(448)
Total Expenditure	175,234	4,577	179,811	2,850	3,710	6,560	186,371
Net Expenditure	166,010	4,577	170,587	2,850	3,710	6,560	177,147

Reconciliation of Income and Expenditure Reported to the PCC to Cost of Services in the Comprehensive Income and Expenditure Statement

2014/15			2015/16	
£000	£000		£000	£000
	6,560	Net Expenditure as Reported to the OPCC		5,883
	0	Reported to Management, Not Included in Net Cost of Services		0
		Not Reported to Management for Decision Making:		
11		IAS 19 – Retirement Benefits	(101)	
0		Depreciation, Amortisation and Impairment	0	
(7)		Employee Benefits	(8)	
(7,360)		Reported elsewhere in the Group	(5,962)	
0		Other	0	
	(7,356)			(6,071)
	(796)	Cost of Services in Comprehensive Income and Expenditure Statement		(187)

Reconciliation of Income and Expenditure Reported to OPCC Group to Cost of Services in the Comprehensive Income and Expenditure Statement

2014/15			2015/16	
£000	£000		£000	£000
	177,147	Net Expenditure as Reported to the OPCC		178,815
	(3,761)	Reported to Management, Not Included in Net Cost of Services		(117)
		Not Reported to Management for Decision Making:		
(17,997)		IAS 19 – Retirement Benefits	(14,689)	
9,204		Depreciation, Amortisation and Impairment	8,130	
(273)		Employee Benefits	(55)	
21		Other	278	
	(9,045)			(6,337)
	164,341	Cost of Services in Comprehensive Income and Expenditure Statement		172,362

Reconciliation to Subjective Analysis 2014/15 PCC

	As Per Service Analysis	Not Included in Net Cost of Services	Not Reported to Management for Decision Making	Net Cost Of Services	Intra- Group Funding	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Employee Expenses	1,033	0	4	1,037	144,726	0	145,763
Other Service Expenses	5,527	0	(3,712)	1,815	35,286	0	37,101
Depreciation, Amortisation and Impairment	0	0	0	0	9,204	0	9,204
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	813	813
Interest Payments	0	0	0	0	0	1,794	1,794
Pensions Interest and Expected Return on Pensions Assets	0	0	0	0	0	0	0
Total Expenditure	6,560	0	(3,708)	2,852	189,216	2,607	194,675
Government Grants and Contributions	0	0	(3,689)	(3,689)	(1,246)	(126,512)	(131,447)
Fees, Charges and Other Service Income	0	0	41	41	(4,289)	0	(4,248)
Income from Council Tax	0	0	0	0	0	(60)	(60)
	0	0	0	0	0	(58,096)	(58,096)
Total Income	0	0	(3,648)	(3,648)	(5,535)	(184,668)	(193,851)
Deficit on the Provision of Services	6,560	0	(7,356)	(796)	183,681	(182,061)	824

Reconciliation to Subjective Analysis 2014/15 OPCC Group

	As Per Service Analysis	Not Included in Net Cost of Services	Not Reported to Management for Decision Making	Net Cost Of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Employee Expenses	145,415	21	(18,217)	127,219	0	127,219
Other Service Expenses	40,956	(3,783)	(69)	37,104	(3)	37,101
Depreciation, Amortisation and Impairment	0	0	9,204	9,204	0	9,204
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	813	813
Interest Payments	0	0	0	0	1,794	1,794
Pensions Interest and Expected Return on Pensions Assets	0	0	0	0	83,772	83,772
Total Expenditure	186,371	(3,762)	(9,082)	173,527	86,376	259,903
Government Grants and Contributions	(4,935)	0	0	(4,935)	(156,350)	(161,285)
Fees, Charges and Other Service Income	(4,289)	1	40	(4,248)	0	(4,248)
Income from Council Tax	0	0	0	0	(60)	(60)
	0	0	0	0	(58,096)	(58,096)
Total Income	(9,224)	1	40	(9,183)	(214,506)	(223,689)
Surplus or Deficit on the Provision of Services	177,147	(3,761)	(9,042)	164,344	(128,130)	36,214

Reconciliation to Subjective Analysis 2015/16 PCC

	As Per Service Analysis	Not Included in Net Cost of Services	Not Reported to Management for Decision Making	Net Cost Of Services	Intra- Group Funding	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Employee Expenses	1,311	0	(352)	959	147,515	0	148,474
Other Service Expenses	4,572	0	(3,418)	1,155	37,647	0	38,802
Depreciation, Amortisation and Impairment	0	0	0	0	8,130	0	8,130
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	155	155
Interest Payments	0	0	0	0	0	1,766	1,766
Pensions Interest and Expected Return on Pensions Assets	0	0	0	0	0	49	49
Total Expenditure	5,883	0	(3,770)	2,113	193,293	1,970	197,376
Government Grants and Contributions	0	0	(2,301)	(2,301)	(2,301)	(121,048)	(125,650)
Fees, Charges and Other Service Income	0	0	0	0	(3,635)	(38)	(3,673)
Interest & Investment Income	0	0	0	0	0	0	0
Income from Council Tax	0	0	0	0	0	(58,731)	(58,732)
Total Income	0	0	(2,301)	(2,301)	(5,935)	(179,817)	(188,055)
Deficit on the Provision of Services	5,883	0	(6,071)	(187)	187,358	(177,847)	9,324

Reconciliation to Subjective Analysis 2015/16 OPCC Group

	As Per Service Analysis	Not Included in Net Cost of Services	Not Reported to Management for Decision Making	Net Cost Of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Employee Expenses	149,031	0	(15,362)	133,668	0	133,668
Other Service Expenses	37,913	(115)	1,004	38,802	0	38,802
Depreciation, Amortisation and Impairment	0	0	8,130	8,130	0	8,130
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	155	155
Interest Payments	0	0	0	0	1,766	1,766
Pensions Interest and Expected Return on Pensions Assets	0	0	0	0	72,279	72,279
Total Expenditure	186,944	(115)	(6,228)	180,599	74,200	254,800
Government Grants and Contributions	(4,602)	0	0	(4,602)	(154,942)	(159,544)
Fees, Charges and Other Service Income	(3,527)	0	(108)	(3,635)	(38)	(3,673)
Interest and Investment Income	0	0	0	0	0	0
Income from council tax	0	0	0	0	(58,731)	(58,731)
Total Income	(8,129)	0	(108)	(8,237)	(213,711)	(221,948)
Deficit on the Provision of Services	178,815	(115)	(6,336)	172,362	(139,511)	32,851

9. Audit Fees

The audit fees payable in 2015/16 to the Auditors in relation to the audit of the PCC Single Entity and OPCC Group accounts were as follows:

PCC 2014/15	Group 2014/15		PCC 2015/16	Group 2015/16
£	£		£	£
42,310	62,310	External Audit Fees	42,202	60,757
42,310	62,310	Total Before Rebate	42,202	60,757
(6,404)	(6,404)	Rebate from Audit Commission	0	0
35,906	55,906	Total Audit Fees within Net Cost of Services	42,202	60,757

10. 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:

2014/15		2015/16
£000		£000
41	No Later Than One Year	6
1,075	Later Than One Year and Not Later Than Five Years	65
671	Later Than Five Years	2,169
1,787	Total Leasing Commitments	2,240

11. Termination Benefits and Exit Packages

During 2015/16 the Group approved 37 voluntary redundancies and early retirements (23 in 2014/15) at a total cost of £0876m (0.798m 2014/15). 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	
	2014/15	2015/16	2014/15	2015/16
			£	£
£0 - £20,000	4	17	61,651	143,948
£20,001 - £40,000	11	14	323,410	455,248
£40,001 - £60,000	7	6*	329,922	250,086
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	1	0	83,689	0
Total	23	37	798,672	849,282

*In 2015/16 one of the above packages related to staff under the direction and control of the PCC.

12. 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		PCC	
	Number of Employees		Number of Employees	
	2014/15	2015/16	2014/15	2015/16
£50,000 - £54,999	66	98	0	1
£55,000 - £59,999	46	46	1	0
£60,000 - £64,999	10	16	1	1
£65,000 - £69,999	10	14	1	2
£70,000 - £74,999	3	1	2	0
£75,000 - £79,999	1	4	1	1
£80,000 - £84,999	2	3	0	0
£85,000 - £89,999	0	2	0	1
£90,000 - £94,999	1	0	0	0
£95,000 - £99,999	1	0	0	0
£100,000 - £104,999	0	1	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	1	0	0	0
£115,000 - £119,999	0	0	0	0
£120,000 - £124,999	0	1	0	0
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £139,999	1	0	0	0
£140,000 - £144,999	0	0	0	0
£145,000 - £149,999	0	1	0	0
Total	142	187	6	6

13. Disclosure of Remuneration for Senior Executives 2015/16

Post Holder Information	Note	Salary £	Bonuses and Expense Allowance s £	Benefits in Kind £	Other Payments £	Total Remuneration Excluding Pension Contributions 2015/16 £	Pension Contributions £	Total Remuneration Including Pension Contributions 2015/16 £
Senior Executives of the Chief Constable								
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		534,427	1,239	5,757	10,970	552,393	89,590	641,983
Senior Executives of the OPCC								
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 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		234,459	1,239	0	932	236,630	24,860	261,490
Group Total		768,886	2,478	5,757	11,902	789,023	114,450	903,473

Note (1): Promoted from Temporary Chief Constable on 8th June 2015

Note (2): Promoted from Temporary Deputy Chief Constable on 16th September 2015

Note (3): Temporary Assistant Chief Constable until 3rd January 2016

Note (4): Promoted to Assistant Chief Constable until 4th 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 1st April to 10th May 2015

Note (9): Voluntary Resignation on 13th November 2015

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

Disclosure of Remuneration for Senior Executives 2014/15

Post Holder Information	Note	Salary	Bonuses and Expense Allowances	Benefits in Kind	Other Payments	Total Remuneration Excluding Pension Contributions 2015/16	Pension Contributions	Total Remuneration Including Pension Contributions 2014/15
		£	£	£	£	£	£	£
Senior Executives of the Chief Constable								
Chief Constable	1 & 5	58,546	0	1,350	1,476	61,372	14,168	75,540
Temporary Chief Constable	2 & 5	132,604	0	2,214	3,066	137,884	32,090	169,974
Assistant Chief Constable A	3 & 5	16,571	0	424	537	17,532	4,010	21,542
Temporary Deputy Chief Constable	4 & 5	109,063	0	2,940	2,635	114,638	26,393	141,031
Assistant Chief Constable B	5 & 6	95,245	540	630	2,635	99,050	23,049	122,099
Temporary Assistant Chief Constable	5 & 8	61,662	0	0	1,700	63,362	12,973	76,335
Head of Business Services		74,336	0	0	0	74,336	11,522	85,858
Sub Total Chief Constable		548,027	540	7,558	12,049	568,174	124,205	692,379
Senior Executives of the OPCC								
Police and Crime Commissioner		75,000	0	0	0	75,000	0	75,000
Deputy Police and Crime Commissioner		25,000	0	0	0	25,000	3,875	28,875
Chief of Staff	7	86,520	1,239	0	0	87,759	13,414	101,173
Chief Finance Officer		79,386	0	0	0	79,386	12,305	91,691
Sub Total OPCC		265,906	1,239	0	0	267,145	29,594	296,739
Group Total		813,933	1,779	7,558	12,049	835,319	153,799	989,118

Note (1): Left employment on 31st August 2014.Note (2): Promoted to Temporary Chief Constable on 9th August 2014.Note (3): Left employment on 3rd June 2014.Note (4): Promoted to Temporary Deputy Chief Constable on 9th August 2014.

Note (5): Other payments represent housing allowance.

Note (6): Expense allowance represents Essential Car Lump Sum, prior to taking delivery of force vehicle.

Note (7): Expense allowance represents Essential Car Lump Sum.

Note (8): Promoted to Temporary ACC on 9th August 2014.

14. 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 – there has not been a contribution to the charitable trust.

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

2014/15		2015/16
£000		£000
4,701	Cannock Chase District Council	4,773
6,135	East Staffordshire Borough Council	6,297
6,408	Lichfield District Council	6,463
6,315	Newcastle-under-Lyme Borough Council	6,314
6,598	South Staffordshire District Council	6,620
7,701	Stafford Borough Council	7,783
5,705	Staffordshire Moorlands District Council	5,760
10,818	Stoke-on-Trent City Council	10,954
3,714	Tamworth Borough Council	3,768
58,095		58,731

15. 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:

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

As from 1st October 2013, the joint arrangement with West Mercia Police for the provision of air support ceased to exist. This service is now provided by NPAS the National Police Aviation Service. The charges for the service in 2015/16 amounted to £531k (2014/15 £531k).

(ii) Central Motorway Police Group with West Midlands Police and West Mercia Constabulary

The 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 2015/16 are as follows:

2014/15 £000		2015/16 £000
	Funding Provided to the Pooled Budget:	
3,953	Contribution from West Midlands PCC	3,965
1,971	Contribution from West Mercia PCC	1,989
1,858	Contribution from Staffordshire PCC	1,873
7,782	Total Funding Provided to the Pooled Budget	7,827
	Expenditure Met from the Pooled Budget:	
7,140	Pay and Allowances	7,032
58	Premises Costs	68
466	Transport Costs	539
127	Communication & Computing	125
89	Supplies and Services	71
7,880	Total Expenditure	7,835
(98)	Income Received to the Pooled Budget	(8)
(98)	Total Income	(8)
7,782	Total Net Expenditure	7,827
0	Net Surplus/(deficit) arising during the year	0
0	Staffordshire PCC share of 23.9% of net surplus / (deficit) arising during the year	0

(iii) 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 2016. Details of the expenditure are as follows:

2014/15		2015/16
£000		£000
	Funding Provided to the Pooled Budget:	
50	Contribution from West Midlands Police	0
0	Contribution from Staffordshire Police	0
50	In Year Funding Provided to the Pooled Budget	0
68	Surplus carried forward from previous year	199
118	Total Funding to the Pooled Budget	199
	Expenditure Met from the Pooled Budget:	
(2)	Premises	0
34	Contracted Professional Support	0
(1)	Administration	1
31	Total Expenditure	1
50	Income Received to the Pooled Budget	0
199	Net Surplus/(deficit) arising during the year	198
(199)	Surplus carried forward as a creditor on the balance sheet of OPCC Staffordshire	(198)
0	Closing Net Surplus/(deficit)	0

(iv) 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 2015/16 a contribution of £0.171m (£0.358m in 2014/15) 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.

(v) 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 £0.163m has been made by West Midlands Police towards the cost of the service during 2015/16 (£0.122m in 2014/15). This figure is included in the Comprehensive Income and Expenditure Statement of the Group. A formal agreement is in place.

16. Member and PCC Allowances

Allowances and expenses for Ethics, Transparency & Audit Panel members, the PCC and the Deputy PCC in 2015/16 amounted to £36,761 (£39,008 in 2014/15). 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 13.

17. Capital Expenditure and Capital Financing

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

2014/15		2015/16
£000		£000
47,613	Opening Capital Financing Requirement	47,532
	Capital Investment	
5,543	Property, Plant and Equipment	9,278
683	Intangible Assets	1,160
(271)	Revenue Expenditure Funded from Capital Under Statute	(271)
	Sources of Finance:	
(2,407)	Capital Grants Received in Year	(2,049)
0	Capital Grants from Earmarked Reserves	0
(226)	Capital Receipts	(146)
	Sums Set Aside From Revenue:	
(50)	Direct Revenue Contributions	(58)
(1,663)	Direct Revenue Contribution from Earmarked Reserves	(788)
(1,690)	Minimum Revenue Provision	(1,640)
47,532	Closing Capital Financing Requirement	53,018
	Explanation of Movements in Year:	
0	Increase in Underlying Need to Borrow (Supported by Government Financial Assistance)	0
(81)	Decrease in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	(5,486)
(81)	Decrease in Capital Financing Requirement	(5,486)

18. Property, Land and Equipment - Movement on Balances

Movements in 2015/16

	Total Land and Buildings				Vehicles, Plant and Equipment	Total Property Plant and Equipment
	Land and Buildings	Surplus Assets	Assets Under Construction	Total Land and Buildings		
Cost or Valuation	£000	£000	£000	£000	£000	£000
At 1 April 2015	53,788	577	0	54,365	39,001	93,366
Additions	2,013	0	0	2,013	7,265	9,278
Adjustment from 2014/15	0	2	0	2	(685)	(683)
Donations	0	0	0	0	0	0
Revaluation Increases Recognised in the Revaluation Reserve	1,169	285	0	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 on the Provision of Services	(680)	0	0	(680)	0	(680)
De-recognition - Disposals	(1,618)	0	0	(1,618)	(2,226)	(3,844)
Assets Reclassified To Held for Sale	(420)	420	0	0	0	0
Other Movements in Cost or Valuation	(1,106)	1,104	0	(2)	2	0
As at 31 March 2016	52,390	2,289	0	54,679	43,357	98,036
Accumulated Depreciation and Impairment						
As at 1 April 2015	(2,964)	(31)	0	(2,995)	(25,714)	(28,709)
Depreciation Charge	(1,355)	(52)	0	(1,407)	(3,686)	(5,093)
Adjustment from 2014/15	0	0	0	0	683	683
Depreciation Written Out to the Revaluation Reserve	755	99	0	854	0	854
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
De-recognition – Disposals	0	0	0	0	0	0
De-recognition – Other	4	0	0	4	2,041	2,045
Other Movements in Depreciation and Impairment	86	(67)	0	19	(17)	2
As at 31 March 2016	(3,474)	(51)	0	(3,525)	(26,693)	(30,218)
Net Book Value 2016	48,917	2,238	0	51,155	16,663	67,818
Net Book Value 2015	50,824	546	0	51,370	13,287	64,657

Movements in 2014/15

	Total Land and Buildings				Vehicles, Plant and Equipment	Total Property Plant and Equipment
	Land and Buildings	Surplus Assets	Assets Under Construction	Total Land and Buildings		
Cost or Valuation	£000	£000	£000	£000	£000	£000
At 1 April 2014	55,622	819	0	56,441	41,173	97,614
Additions	1,851	0	0	1,851	4,300	6,151
Donations	0	0	0	0	0	0
Revaluation Increases Recognised in the Revaluation Reserve	467	0	0	467	0	467
Revaluation Decrease as a Result of Depreciation Written Out Through the Revaluation Reserve	(2,026)	(3)	0	(2,029)	0	(2,029)
Revaluation (Decreases) Recognised in the Surplus / Deficit on the Provision of Services	(1,918)	0	0	(1,918)	0	(1,918)
De-recognition - Disposals	0	(240)	0	(240)	(6,472)	(6,712)
De-recognition – Other	(219)	0	0	(219)	0	(219)
Assets Reclassified To Held for Sale	0	0	0	0	0	0
Other Movements in Cost or Valuation	11	1	0	12	0	12
As at 31 March 2015	53,788	577	0	54,365	39,001	93,366
Accumulated Depreciation and Impairment						
As at 1 April 2014	(3,539)	(31)	0	(3,570)	(26,990)	(30,560)
Depreciation Charge	(1,329)	(17)	0	(1,346)	(4,528)	(5,874)
Depreciation Written Out to the Revaluation Reserve	1,904	0	0	1,904	0	1,904
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
De-recognition – Disposals	0	14	0	14	5,782	5,796
De-recognition – Other	0	0	0	0	0	0
Other Movements in Depreciation and Impairment	0	3	0	3	22	25
As at 31 March 2015	(2,964)	(31)	0	(2,995)	(25,714)	(28,709)
Net Book Value 2015	50,824	546	0	51,370	13,287	64,657
Net Book Value 2014	52,083	788	0	52,871	14,183	67,054

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation in 2015/16.

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 2015/16 a number of contracted schemes which were not completed before 31 March 2015. The potential budgeted capital commitment arising from those schemes is estimated to be £5.2m (£0.347m in 2014/15).

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 Buildings	Surplus Assets	Assets Held for Sale	Assets Under Construction	Vehicles, Plant, Furniture and Equipment	Total
	£000	£000	£000	£000	£000	£000
Carried at Historical Cost	0	0	0	0	43,357	43,357
Valued at Fair Value as at:						
31 March 2016	13,300	2,230	7,500	0	0	23,030
31 March 2015	21,255	0	0	0	0	21,255
31 March 2014	9,032	60	0	0	0	9,092
Up to 31 March 2013	8,803	0	0	0	0	8,803
Total Gross Cost or Valuation	52,390	2,290	7,500	0	43,357	105,537

Loss on Disposal of Non-Current Assets and Intangible Assets

	Receipts for Sale of Assets	Carrying Amount	Less Depreciation	Net Loss
	£000	£000	£000	£000
31 March 2016	146	(2,602)	2,301	(155)
31 March 2015	226	(1,742)	703	(813)
31 March 2014	1,087	(4,395)	2,276	(1,032)
31 March 2013	980	(2,228)	1,125	(123)

19. 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 £0.859m was charged to revenue in 2015/16, (£0.725m in 2014/15), but it is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

2014/15		2015/16
£000		£000
	Balance at Start of Year:	
8,403	Gross Carrying Amounts	8,342
(5,886)	Accumulated Amortisation	(6,592)
2,517	Net Carrying Amount at Start of Year	1,750
0	Adjustment for 2014/15	725
683	Additions – Purchases	1,160
0	Assets Reclassified as Held for Sale	0
(744)	Other Disposals	(256)
0	Revaluation Increases or Decreases	0
0	Impairment Losses Recognised in the Revaluation Reserves	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
(725)	Amortisation for the Period	(859)
19	Write Out Amortisation on Disposal	256
(767)	Net Carrying Amount at End of Year	1,026
	Comprising:	
8,342	Gross Carrying Amounts	9,971
(6,592)	Accumulated Amortisation	(7,195)
1,750		2,776

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

20. Long-Term Debtors

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

All future receipts have been discounted at a rate of 3.5% to illustrate the 'real' loss from the disposal of the helicopter from the accounts and have been shown as a deferred capital receipt of £0.444m on the balance sheet. A corresponding long-term debtor is also shown on the balance sheet.

This balance has not moved during the year ended 31st March 2016.

As future capital receipts are received the long-term debtor 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. It is expected that the next payment in relation to the helicopter will not be received until 2017/18, hence there is no short term liability in the accounts for 2015/16.

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.

21. Assets Held for Sale

2014/15	Assets Held for Sale – Non Current	2015/16
£000		£000
8,150	Balance Outstanding at Start of Year	7,000
	Assets Newly Classified as Held For Sale:	
0	Property, Plant and Equipment	0
0	Intangible Assets	0
0	Other	0
(1,150)	Revaluation Losses	0
0	Revaluation Gains	500
0	Impairment Losses	0
	Assets Declassified as Held For Sale:	
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
7,000	Balance Outstanding at Year-End	7,500

22. Statement of Major Non-Current Assets

Number as at 31 March 2015		Number as at 31 March 2016
24	Police Stations / Posts	24
1	Headquarter Sites	1
7	Police Houses	7
8	Other Buildings	7
1	Radio Aerial Sites	1
564	Vehicles	550

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.

23. 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 2016 for all Public Works Loan Board (PWLB) loans and the market rate applicable at the 31 March 2016 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 24 and 26.
- The fair values in 2015/16 are calculated under IFRS 13 which under the definition the fair value is calculated as the price that would be received to sell an asset or paid to transfer its liability.

	31 March 2015 (Restated)		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities				
PWLB Long Term Borrowing	38,300	55,094	36,300	48,014
PWLB Short Term Borrowing	500	507	2,000	2,097
Interest Owed on Loan	188	0	191	0
Creditors	8,593	8,593	11,099	11,099
Total Liability	47,581	64,194	49,590	61,209

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 (see note 25). 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.

	31 March 2015		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets				
Short Term Investments				
Fixed Term Deposits	11,051	11,051	2,100	2,100
Total Short Term Investments	11,051	11,051	2,100	2,100
Cash Equivalents				
Cash	64	64	501	501
Fixed Term Deposits	1,451	1,451	2,661	2,661
Money Market Funds	0	0	0	0
Total Cash and Cash Equivalents	1,515	1,515	3,162	3,162
Debtors	331	331	1,092	1,092
Asset held for sale			7,500	7,500
Total Assets	12,897	12,897	13,854	13,854

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.

Customers are assessed, taking into account their financial position, past experience and other factors. The OPCC was instructed by the Co-operative Bank that they were pulling out of the Local Authority banking market and consequently a procurement exercise was carried out during 2014 which resulted in the appointment of Lloyds Bank as the new bankers for the OPCC and Chief Constable.

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.

	31 March 2016	Historical Experience of Default	Historical Experience Adjusted for Market Conditions as 31 March 2015	Estimated Maximum Exposure to Default and Uncollectability
	£000	%	%	£000
Deposits with Banks and Other Financial Institutions	4,700	N/A	N/A	N/A
Customers	634	0.4%	0.3%	3

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 £0.219m of the £0.634m balance (£0.093m of £1.564m in 2014/15) is past its due date for payment but has not been impaired. The past due amount can be analysed by age as follows:

	31 March 2015	31 March 2016
	£000	£000
Less than Three Months	47	68
Three to Six Months	64	64
Six Months to One Year	(3)	18
More Than One Year	(15)	69
Total	93	219

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:

	31 March 2015 £000	31 March 2016 £000
Analysis by lender		
Public Works Loan Board	38,800	38,300
	31 March 2015 £000	31 March 2016 £000
Analysis by maturity		
Less Than One Year	500	2,000
Between One and Two Years	2,000	1,750
Between Two and Five Years	5,000	4,250
More Than five years	31,300	30,300
Total	38,800	38,300

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 2016, 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	87
Impact on Comprehensive Income and Expenditure Statement	87
Decrease in Fair Value of Fixed Rate Borrowing Liabilities	6,813
(No Impact on Comprehensive Income and Expenditure Statement)	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.

24. 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 2014/15 and 2015/16.

31 March 2015		31 March 2016
£000		£000
14,071	Central Government Bodies	12,405
4,211	Other Local Authorities	2,910
0	NHS Bodies	26
11,367	Other Entities and Individuals	6,137
29,649	Total Short Term Debtors	21,478

25. 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 2014/15 and 2015/16.

31 March 2015		31 March 2016
£000		£000
	Current Assets:	
64	Cash in Hand and Bank Current Accounts	501
1,451	Short Term Deposits	2,661
1,515	Total Current Cash and Cash Equivalents	3,162
	Current Liabilities:	
(661)	Bank Overdraft	0
854		3,162

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

26. Creditors

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

PCC 2014/15 Restated	Group 2014/15 Restated		PCC 2015/16	Group 2015/16
£000	£000		£000	£000
546	3,083	Central Government Bodies	546	3,076
2,958	2,958	Other Local Authorities	4,137	4,137
3,996	0	Intra-Group Funding not yet paid over to the CC in cash ¹	3,929	0
0	0	NHS Bodies	214	214
1	1	Public Corporations and Trading Funds	0	0
16,364	19,920	Other Entities and Individuals	12,931	16,438
23,865	25,962	Total Short Term Creditors	21,757	23,865

27. Provisions

Provisions fall into two categories depending on when the related payments are expected to be made. Provisions with expected payouts within one year are classed as current liabilities and those expected to be paid out in excess of one year are long term liabilities. Both types of 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.

(a) Current Provisions***Force Restructuring Provision***

This provision was established to meet the costs of voluntary redundancies and early retirement.

PCC 2014/15 £000	Group 2014/15 £000		PCC 2015/16 £000	Group 2015/16 £000
0	802	Balance as at 1 April	0	0
0	0	Contribution to Provision in Year	0	0
0	(802)	Net Expenditure in Year	0	0
0	0	Balance as at 31 March	0	0

(b) 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.

Group 2014/15 £000		Group 2015/16 £000
1,336	Balance as at 1 April	1,461
919	Contribution to Provision in Year	867
15	Interest on balances transferred to the Provision	13
(809)	Net Expenditure in the Year	(941)
1,461	Balance as at 31 March	1,400

28. Other Long Term Liabilities

Other Long Term Liabilities in the Balance Sheet of £1.085m (£1.356m 31 March 2015) relate to loans outstanding as at 31 March 2016, which are administered by Staffordshire County Council on behalf of the OPCC. Principal repayments of £0.271m have also been made in 2015/16 (£0.271m in 2014/15).

29. 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 2016 the balance on this account was £843,833 (£951,463 at 31 March 2015). This sum does not appear on the Balance Sheet of the OPCC Group accounts.

30. 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 2017. 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 2015/16 Accounting Statements.

31. Events after the Balance Sheet Date

There are no events after balance sheet date

32. 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 and 7, which are shown on an accruals basis.

PCC 2014/15 £000	Group 2014/15 £000		PCC 2015/16 £000	Group 2015/16 £000
71,228	71,228	Police Revenue Grant	66,868	66,868
0	31,528	Police Pension Scheme Grant (now shown in CC Cash Flow)	0	31,976
0	0	Police Community Support Officer	0	0
2,884	2,884	Council Tax Freeze Grant	3,541	3,541
1,894	1,894	Community Safety Fund	1,010	1,010
1,360	1,360	Safety Camera	960	960
646	646	Counter Terrorism	560	560
170	170	Loan Charges	203	203
973	973	Victim Support Service Grant	1,230	1,230
0	0	Drug Testing Enforcement Funding	24	24
0	0	CSE Innovation Fund	479	479
106	106	True-vision Grant	0	0
79,261	110,789	Total	74,875	106,851

33. 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:

Comprehensive Income and Expenditure Statement

	LGPS		PPS	
	£000		£000	
	2014/15	2015/16	2014/15	2015/16
Cost of Services:				
<i>Service cost comprising:</i>				
Current Service Cost (including Employee Contributions)	(7,992)	(11,175)	(41,250)	(36,450)
Past Service Cost (including curtailments)	(203)	(127)	0	(570)
Pension Transfers In	0	0	(140)	(400)
Financing and Investment Income and Expenditure:				
Interest Cost on defined benefit obligation	(9,870)	(9,367)	(80,510)	(68,740)
Interest Income on Plan Assets**	6,608	5,828	0	0
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on Provision of Services</i>	(11,457)	(14,841)	(121,900)	(106,160)

Re-measurement of the net defined benefit Liability:

	LGPS £000		PPS £000	
	2014/15	2015/16	2014/15	2015/16
Return on plan assets (excluding the amount Included in the net interest expense)	16,426	(3,949)	n/a	N/A
Re-measurement of the net defined benefit liability - demographic assumptions	0	0	83,650	32,960
Re-measurement of the net defined benefit liability - financial assumptions	(46,990)	32,577	(321,230)	180,420
Actuarial gains and losses on liabilities - experience	1,320	2,132	46,330	28,150
<i>Total Post-employment Benefits charged to the CIES:</i>	(29,244)	30,760	(191,250)	241,530

Movement in Reserves Statement

	LGPS £000		PPS £000	
	2014/15	2015/16	2014/15	2015/16
Reversal of Net Charges Made to the Surplus or Deficit for the Provision of Services for Post-Employment Benefits in Accordance with the Code	11,457	14,841	121,900	106,160
<i>Actual Amounts Charged Against the General Fund Balance for Pensions in the Year:</i>				
Employers' Contributions Payable to Scheme	(8,952)	(6,142)	(58,630)	(57,270)
Retirement Benefits Payable to Pensioners				
Total	2,505	8,699	63,270	48,890

Pensions 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:

	2015/16 £000	Restated 2014/15 £000	2013/14 £000	2012/13 £000	2011/12 £000
Present Value of defined benefit obligations					
PPS*	(1,719,695)	(1,946,229)	(1,721,497)	(1,760,536)	(1,524,317)
LGPS	(272,053)	(288,122)	(226,859)	(202,514)	(162,917)
Fair Value of LGPS Assets	186,079	180,087	150,573	140,986	118,858

Deficit in the Scheme					
PPS*	(1,719,695)	(1,946,229)	(1,721,497)	(1,760,536)	(1,524,317)
LGPS (Net)	(85,974)	(108,035)	(76,286)	(61,528)	(44,059)
Total	(1,805,669)	(2,054,264)	(1,797,783)	(1,822,064)	(1,568,376)

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

	Funded Liabilities: LGPS		Unfunded Liabilities: PPS	
	£000		£000	
	2014/15	2015/16	2014/15	2015/16
Opening Balance at 1 April	(226,859)	(288,122)	(1,721,497)	(1,946,229)
Current Service Cost	(7,992)	(11,175)	(32,350)	(28,540)
Interest Cost	(9,870)	(9,367)	(80,510)	(68,740)
Contributions by Scheme Participants	(2,261)	(2,462)	(8,900)	(7,910)
Re-measurement gain/(loss)	(45,670)	34,709	(191,250)	241,530
Pension Transfers In	0	0	(140)	(400)
Benefits Paid	4,733	4,491	58,630	57,270
Past Service Costs (including curtailments)	(203)	(127)	0	(570)
Top-up Grant	0	0	29,788	33,894
Closing Balance at 31 March	(288,122)	(272,053)	(1,946,229)	(1,719,695)

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

	LGPS	
	£000	
	2014/15 Restated	2015/16
Opening Balance at 1 April	150,573	180,087
Interest Income*	6,608	5,828
Premeasurement gain/(loss): The return on plan assets, excluding the amount included in the net interest expense*	16,426	(3,949)
Employer Contributions	8,952	6,142
Contributions by Scheme Participants	2,261	2,462
Benefits Paid	(4,733)	(4,491)
Closing Balance at 31 March	180,087	186,079

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 2015/16 and the potential effect of changes in these assumptions are set out below. The total net liability of £1,809m 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.

The Local Government Pension Scheme's assets comprised:

Asset Category	Year Ended 31 March 2015		Year Ended 31 March 2016	
	Fair Value of Scheme Assets £'000	%age of Total Assets	Fair Value of Scheme Assets £'000	%age of Total Assets
Equity Securities:				
Consumer	15,443.7	9	13,260.0	7
Manufacturing	0	0	10,848.1	6
Energy and Utilities	4,682.0	3	4,243.5	2
Financial Institutions	11,493.7	6	11,999.9	6
Health and Care	7,558.1	4	9,999.7	5
IT	6,985.6	4	11,332.7	6
Other	13,844.1	8	220.3	0
Debt Securities:				
Corporate Bonds (investment grade)	13,670.3	8	9,363.4	5
Corporate Bonds (non-investment grade)	0	0	0	0
UK Government	0	0	0	0
Other	0	0	0	0
Private Equity:				
All	5,721.4	3	5,822.8	3
Real Estate:				
UK Property	14,656.9	8	16,518.0	9
Overseas Property	0	0	0	0
Investment Funds and Unit Trusts:				
Equities	59,679.7	33	63,245.8	34
Bonds	9,627.2	5	9,503.2	5
Hedge Funds	4,304.9	2	4,355.2	2
Commodities	0	0	0	0
Infrastructure	0	0	0	0
Other	5,303.8	3	5,206.9	3
Derivatives:				
Inflation	0	0	0	0
Interest Rate	0	0	0	0
Foreign Exchange	0	0	0	0
Other	0	0	0	0
Cash and Cash Equivalents:				
All	7,115.6	4	10,162.5	5
Totals:	180,087	100	186,079	100

Approximately 1.4% of the value of these Assets relates to the PCC Single Entity and 98.6% 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

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	
	2014/15	2015/16	2014/15	2015/16
Mortality Assumptions				
Longevity at 65 for Current Pensioners				
Men	22.1yrs	22.1yrs	23.3yrs	23.1yrs
Women	24.3yrs	24.3yrs	25.7yrs	25.1yrs
Longevity at 65 for Future Pensioners				
Men	24.3yrs	24.3yrs	25.4yrs	25.1yrs
Women	26.6yrs	26.6yrs	27.9yrs	27.2yrs
Rate of Inflation	2.4%pa	2.2%pa	2.2%pa	2.2%pa
Rate of Increases in Salaries	4.3%pa	4.2%pa	4.2%pa	1.0%pa
Rate of Increases in Pensions	2.4%pa	2.2%pa	2.2%pa	0.0%pa
Rate for Discounting Scheme Liabilities	3.2%pa	3.5%pa	3.3%pa	3.55%pa
Take Up of Option to Convert Annual Pension into Retirement Grant:				
Pre-April 2008 Service	50%	50%	N/A	N/A
Post-April 2008 Service	75%	75%	N/A	N/A

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 2016	Approximate % Increase in Employer Liability	Approximate monetary amount ('000's)
0.5 decrease in Real Discount Rate	13%	35,591
1 year increase in member life expectancy	3%	8,162
0.5% increase in the salary Increase rate	5%	14,454
0.5% increase in the pension Increase Rate	7%	20,266

PPS

Change in assumptions at 31 March 2016	Approximate % Increase in Employer Liability	Approximate monetary amount ('000's)
0.5 decrease in Real Discount Rate	10.9%	200,400
1 year increase in member life expectancy	2.4%	44,600
0.5% increase in the salary Increase rate	0.8%	15,300
0.5% increase in the pension Increase Rate	8.9%	20,266

Pensions for the PCC Single Entity

The tables below set out the estimated Pensions Charges, Assets and Liabilities relating to the 20 Staff (20 Staff in 2014/15) directly under the control of the PCC as at 31 March 2016 (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 1.4% in 2015/16 (1.5% in 2014/15) of the amounts shown in note 37.

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:

Comprehensive Income and Expenditure Statement

	2014/15 £000	2015/16 £000
Cost of Services:		
<i>Service cost comprising:</i>		
Current Service Cost (including Employee Contributions)	(120)	(156)
Past Service Cost (including curtailments)	(3)	(2)
Financing and Investment Income and Expenditure:		
Interest Cost on defined benefit obligation	(148)	(131)
Interest Income on Plan Assets	99	82
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on Provision of Services</i>	(172)	(207)
<i>Other Post-employment Benefits charged to the CIES Service cost</i>		
<i>:</i>		
Remeasurement of the net defined benefit Liability comprising:		
Obligations relating to: staff previously under control of the Chief Constable; and new staff in the year	(551)	64
Return on plan assets (excluding the amount included in the net interest expense)	247	(55)
	(88)	(63)

Actuarial gains and losses arising on changes in demographic assumptions		
Actuarial gains and losses arising on changes in financial assumptions	(44)	(456)
Actuarial gains and losses on liabilities – experience	(3)	(32)
<i>Total Post-employment Benefits charge to the CIES:</i>	(439)	(542)

Movement in Reserves Statement

	2014/15 £000	2015/16 £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	172	207
<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	(134)	(86)
Total	38	121

Pensions 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:

	2014/15 £000 Restated	2015/16 £000
Present Value of defined benefit obligations	(4,322)	(3,809)
Fair Value of Assets	2,701	2,605
Deficit in the Scheme	(1,621)	(1,204)

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

	Funded Liabilities: LGPS £000	
	2014/15	2015/16
Opening Balance at 1 April	(2,722)	(4,322)
Transfer of responsibility for the Liabilities from PCC to CC	0	0
Obligations relating to: staff previously under control of the Chief Constable; and new staff in the year	(681)	287
Current Service Cost	(120)	(156)
Interest Cost	(148)	(131)

Contributions by Scheme Participants	(34)	(34)
Remeasurement gain / (loss)	(685)	486
Benefits Paid	71	63
Past Service Costs (including curtailments)	(3)	(2)
Top-up Grant	0	0
Closing Balance at 31 March	(4,322)	(3,809)

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

	2014/15 £000 Restated	2015/16 £000
Opening Balance at 1 April	1,807	2,701
Assets relating to: staff previously under control of the Chief Constable; and new staff in the year	451	(223)
Interest Income	99	82
Remeasurement (loss) / gain: The return on plan assets, excluding the amount included in the net interest expense	247	(55)
Employer Contributions	134	129
Contributions by Scheme Participants	34	34
Benefits Paid	(71)	(63)
Closing Balance at 31 March	2,701	2,605

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 2015/16 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.

34. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

Under the CIPFA Code of Practice 2015/16 in the United Kingdom, there is a requirement to disclose information setting out the impact of an accounting change required by the new accounting standard that has been issued but not yet adopted by the Code.

The CIPFA Code of Practice on Transport Infrastructure Assets takes effect from 1 April 2016. The code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustments to the accounts. Under the infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost.

35. Assumptions Made 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 falls, however, the assets have reduced in value and are now componentised, so the lives of the assets have already been reduced. This, along with the increase in disposals, should negate the need to reduce lives further in the coming year.
Insurance Reserve	The Insurance Fund review was subject to a full revaluation in 2014/15. 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 2014/15 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 as long as the risk has been identified this poses a smaller risk to the Group. A bigger risk is for any unforeseen, unusual insurance claims successfully made against the force. However, the Group has a £100,000 limit on each and every incident before the insurance company will then cover all other costs. Therefore, this is the maximum risk for every incident.

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Group with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured and are shown in note 33.
--------------------	---	--

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

36. Prior Period Restatements

Prior period restatements are as a result of the financial instruments and pensions liability.

Schedules affected are the MiRS, Balance Sheet, Debtors & Creditors, financial instruments and Pensions.

37. Statement of Accounting Policies

I. General Principles

The OPCC Group is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations. The Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practice. The Statement of Accounts summarises the PCC's and OPCC Group's transactions for the financial year and its position at the year end. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the CIPFA Service Reporting Code of Practice standard classification of expenditure at the mandatory level, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The principal accounting policies have been applied consistently throughout the year.

II. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the PCC provides the relevant service.
- Revenue from the provision of services is recognised when the PCC can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the OPCC Group.
- Expenses in relation to services received (including services by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the

PCC and OPCC Group's Balance Sheet. 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.

- Precept income included in the PCC and OPCC Group's Income and Expenditure Account is the accrued income for the year. The difference between the amount shown in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement and the amount required to be transferred to the Group under regulation is taken to the Collection Fund Adjustment Account on the PCC and OPCC Group's Balance Sheet. A reconciling item is also included on the PCC and OPCC Group's Movement in Reserves Statement.

III. 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

In the PCC and OPCC Group's Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the OPCC's cash management.

IV. Charges to Revenue for Non-Current Assets

Service revenue accounts and support services 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 on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the loss can be written off
- Amortisation of intangible assets attributable to the service.

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.

V. Contingent Assets and Liabilities

Contingent Assets

A contingent asset arises where an event has taken place that gives the Group a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised in the PCC and OPCC Group's Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

VI. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and 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 holiday entitlements and time off in lieu (TOIL) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the PCC and OPCC Group's Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs but do not impact on Council Tax.

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 PCC and OPCC Group's Comprehensive Income and Expenditure Statement. They are charged when the Group is demonstrably committed to the termination of the employment of an employee or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Group to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the PCC and OPCC Group's Movement in Reserves

Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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**

Officers who have joined the Force since 1 April 2006 are entitled to become members of the New Police Pension Scheme 2006. Prior to that date Officers were entitled to become members of the Police Pension Scheme, in which benefits and contributions are determined by 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 PCC and OPCC Group's Comprehensive Income and Expenditure Statement 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 PCC and OPCC Group's Comprehensive Income and Expenditure Statement now represents the increase in the benefits earned by employees in the current period, including the related finance costs and any changes in the value of the assets and liabilities of the scheme. The new policies better reflect the Group's commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

Both schemes are accounted for as defined benefit schemes:

- The liabilities of the schemes attributable to the Group are included in the PCC and OPCC Group's Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of the Local Government Pension Scheme fund attributable to the Group are included in the PCC and OPCC's Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – average of the bid and offer rates
 - Property – market value

The change in the net pensions liability is analysed into seven components:

- (i) Current service cost: the increase in liabilities arising from employee service in the current year, debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.
- (ii) Past service cost: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- (iii) Interest cost: the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to the Financing and Investment Income and Expenditure line in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement.
- (iv) Expected return on assets: the annual investment return on the fund assets attributable to the Group, based on an average of the expected long term return; credited to the Financing and Investment Income and Expenditure line in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement (not applicable to the unfunded Police Pension Schemes).
- (v) Gains/losses on settlements and curtailments: the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to the Net Cost of Services in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- (vi) Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions are debited to the Pensions Reserve.
- (vii) Contributions paid to the pension schemes: cash paid as employer's contributions to the pension funds.

Statutory provisions limit the PCC to raising Council Tax to cover the amounts payable by the Group to the pension funds in the year. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension funds and any amounts payable to the funds but unpaid at the year end.

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.

VII. Events after the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the PCC and OPCC Group's Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the PCC and OPCC Group's Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the PCC and OPCC Group's Statement of Accounts.

VIII. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the financial statements, depending on how significant the items are to an understanding of the Group's financial performance.

IX. Financial Instruments

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the PCC and OPCC Group's Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Group has, this means that the amount presented in the PCC and OPCC Group's Balance Sheet is the outstanding principal repayable and interest charged to the PCC and OPCC Group's Comprehensive Income and Expenditure Statements the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan, and the write-down to the PCC and OPCC Group's Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the PCC and OPCC Group's Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund to be spread over future years. The Group has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was

payable or discount receivable when it was repaid. The reconciliation of amounts charged to the PCC and OPCC Group's Comprehensive Income and Expenditure Statement to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account in the PCC and OPCC Group's Statement of Movement on the General Fund.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market. These are initially measured at fair value and carried at their amortised cost. Annual credits to the PCC and OPCC Group's Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.
For most of the loans that the Group has made this means that the amount presented in the PCC and OPCC Group's Balance Sheet is the outstanding principal receivable and interest credited to the PCC and OPCC Group's Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

X. Foreign Currency Translation

Where the Group has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, monetary assets and liabilities are retranslated at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement.

XI. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the PCC when there is reasonable assurance that the PCC will comply with the conditions attached to the payments and the grants or contributions will be received.

Amounts recognised as due to the PCC are not credited to the PCC and OPCC Group's Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the PCC and OPCC Group's Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line in Net Cost of Services (if ring-fenced revenue grants and contributions) or to Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the PCC and OPCC Group's Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund in the PCC and OPCC Group's Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the PCC and OPCC Group's Capital Grants

Unapplied Reserve. Where it has been applied, it is posted to the PCC and OPCC Group's Capital Adjustment Account. Amounts in the PCC and OPCC's Group's Capital Grants Unapplied Reserve are transferred to the PCC and OPCC Group's Capital Adjustment Account once they have been applied to fund capital expenditure.

XII. Intangible Assets

Intangible assets are assets that do not have physical substance, but are identifiable and controlled by the PCC. e.g. software licences. Expenditure is capitalised at cost when it will bring benefits to the Group for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Intangible assets, which are currently represented by software licences are amortised on a straight line basis over the life of the licences ranging over a number of years dependent on the license agreement. The PCC does not amortise assets in the year of acquisition, but a full year's charge is made in the year of disposal. The PCC does not have any internally generated intangible assets.

XIII. Inventories

All inventories are charged directly to the PCC and OPCC Group's Comprehensive Income and Expenditure Account on an accruals basis and are not held on the PCC and OPCC Group's Balance Sheet as stock.

XIV. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations under IFRS 11 are activities undertaken by the Group in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Group recognises on the PCC and OPCC Group's Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the PCC and OPCC's Group's Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Group and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Group accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint ventures and income that it earns from the venture.

XV. 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.

The PCC as a Lessee

The PCC may hold capital assets under operating leases. Rentals paid under operating leases are charged to the PCC and OPCC's Group's Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments.

The PCC does not have any finance leases.

The PCC as a Lessor

Where the PCC grants an operating lease over a property or an item of plant or equipment, the asset is retained in the PCC and OPCC Group's Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The PCC does not grant any finance leases.

XVI. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCoP). The total absorption costing principle is used; the full costs of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core; costs relating to the Group's status as a democratic organisation.
- Non Distributed Costs; the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCoP and accounted for as separate headings in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement, as part of Cost of Services.

XVII. Property, Plant and Equipment.

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

Recognition

Expenditure over the de-minimus level of £10,000 on the acquisition creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

The Group does not capitalise borrowing costs incurred whilst assets are under construction.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the PCC and OPCC Group's Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the PCC and OPCC Group's Comprehensive Income and Expenditure Statement, they are reversed out of the PCC and OPCC Group's General Fund to the PCC and OPCC Group's Capital Adjustment Account in the PCC and OPCC Group's Movement in Reserves Statement.

Assets are then carried in the PCC and OPCC Group's Balance Sheet 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 PCC and OPCC Group's Balance Sheet at fair value are revalued where there have been material changes in the value, but as a minimum every 5 years. Increases in valuations are matched by credits to the PCC and OPCC Group's Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the PCC and OPCC Group's Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement.

The PCC and OPCC Group's 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 PCC and OPCC Group's Capital Adjustment Account.

Impairment

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

Where impairment losses are identified, they are accounted for by:

- Where there is balance in the revaluation gains for the asset in the PCC and OPCC Group's Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement, 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

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).

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 PCC and OPCC Group's Balance Sheet, as advised by a suitably qualified officer.

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 depreciated separately.

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

Disposals and Non-current 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.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the PCC and OPCC Group's Balance Sheet is written off to the Other Operating Expenditure line in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any receipts from disposals are credited to the same line in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the PCC and OPCC Group's Revaluation Reserve are transferred to the PCC and OPCC Group's Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the PCC and OPCC Group's Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Group's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the PCC and OPCC Group's General Fund in the PCC and OPCC Group's Movement in Reserves Statement.

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 General Fund in the PCC and OPCC Group's Movement in Reserves Statement.

XVIII. Prior Period Adjustments and Changes in Accounting Policies

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Group's financial position or financial performance. A change may also be made to accounting policies if the Group encounters a transaction that has never arisen in the past, therefore requiring a policy to be introduced.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

XIX. Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are made where an event has taken place that gives the Group an obligation that probably requires settlement by a transfer of economic benefits and a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service revenue account in the year that the Group becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the PCC and OPCC Group's Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes more likely than not, that a transfer

of economic benefits will not be required, the provision is reversed and credited back to the relevant service revenue account.

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.

XX. Reserves

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund in the PCC and OPCC Group's Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund in the PCC and OPCC Group's Movement on Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, employee and retirement benefits and do not represent usable resources for the Group. These reserves are explained in the relevant policies that follow.

XXI. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service revenue account in the year. Where the Group has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the PCC and OPCC Group's Movement in Reserves Statement from the General Fund to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

XXII. VAT

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

Supplementary Financial StatementPolice Pension Scheme for England and WalesPensions Fund Accounts 2015/16

FUND ACCOUNT 2014/15 £000			FUND ACCOUNT 2015/16 £000	
		Contributions Receivable:		
(15,381)		Contributions at 24.2% of Pensionable Pay	(13,309)	
(1,468)		Early Retirements	(1,689)	
(40)		Other – Pre 1974 Recharge Receipts	0	
(8,908)		Officers' Contributions	(8,638)	
	(25,797)			(23,636)
	(145)	Transfers in from Other Schemes		(143)
		Benefits Payable:		
44,211		Pensions	45,932	
11,016		Commutations and Lump Sum Retirement Benefits	11,692	
112		Lump Sum Death Benefits	75	
	55,339			57,699
		Payments to and on Account of Leavers:		
17		Refunds of Contributions	(26)	
424		Individual Transfers Out to Other Schemes	0	
	441			(26)
	29,838	Net Amount Payable for the Year		33,894
	(29,838)	Additional Contribution from the OPCC		(33,894)
	0			0
		<u>NET ASSETS STATEMENT AS AT 31 MARCH 2016</u>		
	5,589	Recoverable from the Home Office via the OPCC		0
	(5,589)	Additional Lump sums due		0
	0	Net (Liabilities)		0

Notes to Supplementary Financial Statements

1. 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 employers 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
2. 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 2016 the OPCC transferred £34.531m into the Fund to meet the excess expenditure in the year (£29.838m in 2014/15). 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 2015/16 was £34.531m (£29.838m in 2014/15).
3. **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.

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising
- Selecting measurement bases for, and
- Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or Balance Sheet it is to be presented.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or
- (b) the actuarial assumptions have changed.

Agency Services

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

Amortisation

The measure of the cost of the benefits of the intangible assets that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of an intangible 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. A corresponding concept for tangible assets is known as depreciation (see definition).

Appropriations

Amounts transferred to or from revenue or capital reserves.

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 Expenditure

Expenditure on the acquisition of a non current asset or expenditure which adds to and not merely maintains the value of an existing non current asset.

Capital Receipts

Proceeds from the sale of an asset, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government.

CIPFA

The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public services.

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.

Contingent Liabilities

A contingent liability is either:

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Group's control, or
- (b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

These represent the costs of delivering public accountability and representation in policy making and meeting our legal responsibilities.

Creditors

Amounts owed by the PCC for work done, goods received or services rendered which have not been paid for by the end of the financial year.

Current Service Cost (Pensions)

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

Debtors

Sums of money due to the PCC for work done or services supplied but not received at the end of the financial year.

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 Scheme

A pension or other retirement benefit scheme, other than a defined contribution scheme, with rules that usually define the benefits independently of the contributions payable and where 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.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The key principle is that a fair value measurement represents an exit price of an asset or liability from the perspective of market participants at the measurement date.

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.

Financial Year

The period of time commencing on the 1 April covered by the accounts.

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.

IFRS

International Financial Reporting Standards, as agreed by the UK accountancy profession and the Accounting Standards Board.

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.

Impairment

A reduction in the value of a non current asset below the amount shown on the PCC's and OPCC's Group Balance Sheet.

Leasing

A method of financing capital expenditure where a rental charge is paid for a specified period of time. There are two main types of leasing arrangements:

- (a) finance leases which transfer all of the risks and rewards of ownership of a non current asset to the lessee and such assets are included within the non current assets in the balance sheet.
- (b) operating leases where the ownership of the asset remains with the leasing company and the annual rental is charged direct to the service revenue accounts.

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.

Minimum Revenue Provision

The minimum amount that the Group is statutorily required to set aside from revenue each year as a provision to meet credit liabilities. For the PCC this relates to a principal sum based on a prudent assessment of the useful life of the asset, which is used for the redemption of external debt.

Medium Term Financial Strategy (MTFS)

A statement setting out a forecast of possible spending and government support for a forward three year period and used as a basis for planning.

Net Book Value

The amount at which non current assets are included in the PCC and OPCC Group's Balance Sheet and being their historical cost or current value, less the cumulative amounts provided for depreciation.

Non Current Assets

Tangible and intangible assets that yield benefits to the Group for a period of more than one year.

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.

Precept

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

Present Value

The value of an asset or liability as at the Balance Sheet date.

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).

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
- (b) the head of staff for a relevant body which does not have a designated head of paid service; or

- (c) any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

