2018/19

GROUP STATEMENT OF ACCOUNTS

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

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SECTION 1

Narrative Report

1.1 FOREWORD BY THE POLICE AND CRIME COMMISSIONER (PCC)

The last 12 months has been challenging, but also very rewarding in respect of the changes that have taken place in policing and more broadly, the community safety environment with Fire and Rescue governance being part of the role from 1st August 2019.

The Fire and Rescue governance change creates opportunities for police and fire to work better together, collaborating more to ensure the services the public receive in Staffordshire and Stoke-on-Trent are efficient, effective and support public safety. This is not about police officers doing firefighters jobs, or vice versa, but about making sure that all opportunities are considered and taken advantage of where appropriate. My first priorities are to share support services such as finance, human resources and communications and to share our buildings, saving money that can be invested in frontline services.

For 2018/19, I made the decision to increase the council tax precept for policing by £11.40 for a Band D property, an increase of 6.3%. This was a significant increase and given my view that the public should not be asked for more unless absolutely essential, not a decision that came easily.

However, it is evident policing requires additional funding and strengthening the resources on the frontline, which I was able to do with your support, was the right thing to do. The additional funding meant that over two years, an additional 69 police constables would become available to neighbourhood teams, supplementing current numbers of warranted officers and PCSOs, which here in Staffordshire we have also maintained despite financial challenges.

As I have stated before and as we all become aware of through social media, the press, radio and television, the complexity of what policing faces today is immense. Crime has increased nationally and locally over recent years, but the numbers are not the only factor; crime has changed and will continue to change impacting on people in different ways. The most obvious aspect of this is online crime where the likelihood of being a victim is many times that of being a victim of what we may consider as traditional crime. However, there are many areas where the police service at a national, regional and local level has to adapt to major change.

Two years ago, I appointed Gareth Morgan as Chief Constable. Over that time, he has implemented a new operating model for Staffordshire Police, changing many aspects of how the service works so that it can adapt to the changing environment. I am pleased with the progress he has made, but the job is not finished and continues; for me in particular that means continuing to bolster resources for policing and community safety in Staffordshire, making sure that the Chief Constable has access to the resources he requires.

My Safer, Fairer, and United Communities Strategy for 2017 – 2020 and the Chief Constable's Policing

Plan continue to provide the focus for the changes required and I remain confident the services the people of Staffordshire and Stoke-on-Trent require and expect will be delivered in the future

Matthew Ellis

Police, Fire and Crime Commissioner for Staffordshire

1.2 NARRATIVE REPORT AND FINANCIAL REVIEW BY THE CHIEF FINANCE OFFICER (CFO)

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

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

The narrative report contains.

1.2.1 Introduction to Staffordshire

1.2.2 Organisation overview

1.2.3 Our priorities

1.2.4 Our service delivery

1.2.5 Risks

1.2.6 Financial performance

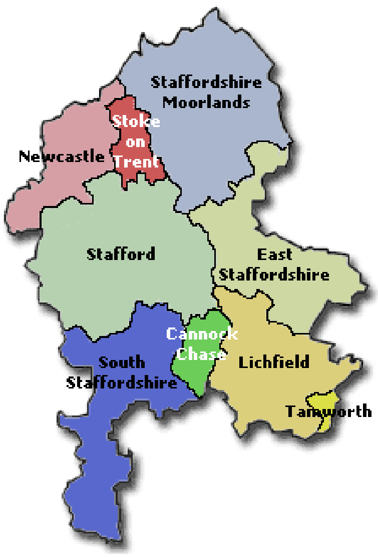
1.2.7 Non-financial performance

1.2.8 Outlook

1.2.9 Basis of preparation

1.2.1 INTRODUCTION TO STAFFORDSHIRE

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



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

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

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

1.2.2 ORGANISATION OVERVIEW

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

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

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

Each has specific roles and responsibilities under legislation.

The Police and Crime Commissioner:

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

The Chief Constable:

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

Our People

At the end of the financial year, Staffordshire Police employed 2,912 full time equivalent staff, consisting of 1,570 police officers, 225 police community support officers (PCSO's) and 1,117 police staff. The force is also supported by 225 volunteer Special Constables, who give up their own time to provide an enhanced service to Staffordshire communities.[2]

The Force has a strong track record, and continues to support and invest into the Learning and Development of its people as well as importantly focussing upon their welfare and wellbeing.

During the year, the Force launched the Our People First Strategy which will help build a modem and transformed police service, being an exceptional place to work that will in turn enable the Force to deliver a better service to the people of Staffordshire.

1.2.3 OUR PRIORITIES

The Staffordshire Commissioner has published a Safer, Fairer, United Communities strategy, which covers the period 2017–2020. The strategy is about making a sustained difference to tackling crime, harm and anti-social behaviour by improving community safety across Staffordshire and Stoke-on-Trent. This plan underpins the Commissioner's overarching ambitions for delivering positive and sustainable economic, social and environmental outcomes for Staffordshire and Stoke on Trent.

[2] Source: Staffordshire Police human resources stock take report 31.03.19.

The strategy was updated in May 2017 to reflect changes that have occurred since the PCC came into office in November 2012 and adds a fifth priority of 'Modern Policing' to the four priorities carried through from the previous strategy:

Modern Policing

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

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

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

Early Intervention

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

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

Early Intervention is therefore a vital part of our work and when successful can impact positively on individuals, families and communities alike as well as the other priorities within our strategy.

There are a number of factors which leave people more vulnerable to / at risk of becoming involved in crime or anti-social behaviour such as truancy, poor employment opportunities, aspirations and opportunities, poverty, family breakdown, substance misuse, mental health issues etc. Therefore, it makes sense to focus on providing help early, addressing the root causes of crime.

Victims and Witnesses

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

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

Public Confidence

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

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

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

Offenders

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

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

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

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

Policing and community safety challenges

These are becoming more complex and require different, more sophisticated responses. The environment has also changed with most public sector organisations have less money and have, or are, redesigning services to manage with less, whilst aiming to maintain good outcomes. There have been improvements in delivery in some areas, for instance, more victims of crime are now supported and supported better.

The Office of the Staffordshire Commissioner, Staffordshire Police alongside partners in Staffordshire and those at a regional and national level continue to towards a common goal to improve the delivery of public services, support continuous improvement and public safety, and ensure funding supports more efficient and effective service delivery. This 'whole system' approach to making people and places safer continues to support the on-going achievement of the Staffordshire Commissioner's ambition for a safer Staffordshire and Stoke-on-Trent.

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

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

1.2.4 OUR SERVICE DELIVERY

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

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

The Policing and Crime Act 2017 introduced a duty on police, fire and ambulance services to work together and enabled police and crime commissioners, where it was in the interests of economy, efficiency and effectiveness, or public safety, to take on responsibility for fire and rescue services. In Staffordshire, an independent business case was developed involving the Staffordshire Commissioner's Office, Staffordshire Fire and Rescue Service (SFARS) and Staffordshire Police.

Based on this strong and compelling business case, the Home Office agreed on March 26, 2018 to transfer governance of the fire and rescue service to Staffordshire's Police and Crime Commissioner.

The Governance of Staffordshire Fire and Rescue Service therefore changed during the financial year with Stoke on Trent and Staffordshire Fire and Rescue Authority ceasing to exist and replaced, under Statutory Instrument 2018.No 696 and in accordance with S4A(5)(a) of the Fire and Rescue Services Act 2004, by the Staffordshire Commissioner Fire and Rescue Authority.

The Staffordshire Commissioner is committed to delivering savings across both Staffordshire Police and Staffordshire Fire and Rescue Service as part of this collaboration work, which will help to protect front line provision across both the Force and the Service. Savings have already been achieved following the change in Governance on 1 August 2018, but the Staffordshire Commissioner is seeking to deliver further benefits of:

a) A more efficient use of the combined Fire and Police estate with this rationalisation delivering lower operating costs due to a reduced but more effective estate utilisation

b) The combining of back office functions across both Police and Fire. This includes shared departments such as Human Resources, Communications, Procurement and Finance.

1.2.5 RISKS

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

1.2.6 FINANCIAL PERFORMANCE

Revenue Expenditure and the General Reserves

The Group has a reported underspend of £1.2m against its budget of £182.2m, equating to and underspend of 0.65%. This outturn position is within the generally accepted financial health indicator in the sector of being within a two percent over or under tolerance compared to budget. This underspend will be added to the groups general fund reserve, allowing greater medium term resilience to offset some of the significant risks inherent in Policing. Major variances have arisen in the following areas:

- An underspend on staffing pay budgets, in part due to Proactive vacancy management of posts within the scope of future transformation activity
- An underspend on supplies and service due to effective internal controls on non-pay spend
- An underspend on capital financing costs due to revising the minimum revenue provision policy
- The use of capital receipts available to fund one off transformation costs
- Increases in costs in relation to the Strategic IT Partnership and Estates spend

The Group is required to prepare the accounts within the framework published by Chartered Institute of Public Finance and Accountancy (CIPFA), the International Financial Reporting Standards (IFRS) and the Government, the results of which are deficit for the year £0.017m (2017/18 was a deficit of £16,611m). However, this includes pensions and depreciation costs which are not chargeable to tax payers (nationally and locally) and the final position for the financial year is set out in the following table below:

Reserves	General Fund Actual £000	Earmarked Reserves Actual £000
General Reserves		
General Reserves Balance at 1st April 2018	2,856	999
(Over)/Underspend	1,204	0
Transfers In/(Out)	503	(93)
General reserves at 31st March 2019	**4,563**	**906**

This means the general reserve held at 31st March 2019 is for any unexpected or emergency events that are to be considered to be a medium or high risk by the Group. The reserves remains under 3% of the total revenue budget and is considered to be a reasonable provision for an emergency events that may occur.

This improvement in the general reserves position is in line with the approved MTFS and importantly is forecast to increase back to the recommended 3% by March 2020, a significant contributing factor for future financial resilience for the group.

Capital Investment

During 2018/19, £16.184m was invested in capital projects, summarised as follows.

Capital Expenditure Outturn 2018/19	Annual Budget £000	Actual £000	Actual %
Land and Buildings	3,296	1,683	10%
Information Technology	24,668	13,512	83%
Vehicles	1,000	929	6%
Plant and Equipment	294	60	1%
Total Capital Expenditure	**29,258**	**16,184**	**100%**

The table above shows the net capital position to the active capital budget for 2018/19. The variance of £13,074m is due to project slippage mainly due to delays in ICT projects. The capital programme is supported mainly by external borrowing and planned capital receipts, with very little basic capital grant funding from the government now being available. The programme slippage is also affected by our local contribution to national developments such as Automatic Number Plate Recognition (ANPR) and Emergency Service Network (ESN), where the impact on our costs and timescales is not clear.

Depending on the project, business case and life expectancy the Staffordshire Commissioner may borrow to fund the longer life assets. Any decision to borrow will be made, like all decisions, with value for money for the taxpayer in mind and only be done when it is cost effective way of delivering a project. The Staffordshire Commissioner approved a landmark investment of £16m in an ICT project to update the force core policing IT systems which is due for completion in 2020/21. This will enable them to make efficiencies throughout the way they operate, retain and use data. This platform is central to the Force Target Information Model (TIM) and will increase operational effectiveness through information available to support operational decision making to more quickly identify threat and risks as well as eliminating technology risks from current application which are being replaced.

Balance Sheet

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

	31st March 2018 £000	31st March 2019 £000
Long Term Assets	75,171	87,164
Current Assets	43,290	49,312
Current Liabilities	(33,755)	(41,852)
Long Term Liabilities	(2,053,224)	(2,142,978)
Net Liabilities	**(1,968,519)**	**(2,048,354)**
Usable Reserves	(4,187)	(10,669)
Unusable Reserves	1,972,706)	2,059,023
Total Reserves	**1,968,519**	**2,048,354**

As at 31st March the balance sheet shows the group had negative assets, fortunately this is not the case. The sole reason for this is the unfunded Police Pension Scheme and the funded Local Government Pension Scheme (LGPS) pension scheme. Excluding these pension labilities the Group Balance sheet has net assets of £21.086m including use able reserves of £10.669m. Usable Reserves have significantly increased by £6.482m, £5.199m of which is Capital grants and receipts. These will be used in future years to help finance capital expenditure.

Treasury Management

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

Cash Flow

	31st March 2018 £000	31st March 2019 £000
Cash and Cash Equivalents	2,710	3,936
Short Term Investments	0	14,000
Total	**2,710**	**17,936**

Overall, group cash flow has significantly improved due to the sale of the Old HQ and vacant Police Posts. The Commissioner is expected increase collaborative work on estates with our partners, particularly with Staffordshire Fire and Rescue Service and continue dispose of unused or underutilised police posts to deliver value for money to tax payers. The Staffordshire Commissioner is committed to a more efficient use of the combined Police and Fire estate, rationalising the use of buildings where possible, reducing operating costs and ensuring efficient and effective utilisation of all premises.

External Debt

Historically long term borrowing has been utilised to finance part of the overall capital programme. As at 31st March 2019 the Group had total external borrowing of £77.341m (£70.556m 2017/18). This is still under the Authorised limit for external debt.

Investments

As at 31st March 2019, £14m of cash was invested of which £3m was invested in the Bank of England Debt management account facility (DMO) and the remaining was invested in local authorities.

Pensions

Accounting standards require the full cost of pension benefits as they are earned to be reported in the accounts. The impact of this requirement on the accounts is significant with the total balance sheet liability for pensions amounting to £2,069m and this is the main reason for the excess of £2,048m worth of liabilities over assets. The amounts included within the balance sheet reflects an estimate of the total pension liability and incorporates a number of assumptions that change over time. This liability does not affect the ability to continue as a going concern as it refers to future liabilities that will be met by future contributions. Excluding the pension liability, the balance sheet shows net assets of £21.1m.

The police pension schemes are unfunded defined benefit schemes and any deficit on the scheme is met by Central Government through the Home Office and a top-up payment is received annually to cover any shortfall.). Contributions to the scheme at the rate of 21.3% of pay for current officers are funded from the current revenue budget which includes council tax funding. The cost of pension payments to pensioners is largely met from the Home Office top-up grant and is therefore not funded by Council Tax. The assessed liability overall of Staffordshire in the Police Pension Scheme as at 31st March 2019 was £1,917m (£1,870m 2017/18).

Staff working for Staffordshire Police, the Staffordshire Commissioner's Office and PCSOs are eligible to be members of the Local Government Pension Scheme (LGPS) administered by Staffordshire County Council and is a funded scheme: The current contribution rate for employees is 15.5% of pay, and this is met from the current revenue budget which includes council tax funds. The assessed liability overall of Staffordshire in the LGPS as at 31st March 2019 was £152 million (£122 million 2017/18).

Following the recent three year "triennial" review of the Local Government Pension Scheme (LGPS), the actuary, Hymans Robertson, proposed that a further deficit repair payments was required for the three year period to 2019/20 in order for the employer contribution rates to remain unchanged. The authority's agreed to make an upfront payment of £3.675m as a lump sum and receive a favorable discount rate offered by the actuary.

The Pension Reserve has increased at 31st March 2019 primarily due to the actuarial gains arising from changes in the financial assumptions. The discount rate is based on corporate bonds yields, these have increased during the year whereas in 2017/18 the rate was slightly lower.

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

1.2.7 NON-FINANCIAL PERFORMANCE

The picture in terms of non-financial performance is one of an increasing demand for our service such as the longer term trend of a 14% increase in 999 calls. The nature of crime continues to evolve and is varied across different localities within Staffordshire

However, incidents are down by 2% and 729 fewer crimes were committed over the last 12 months, with Staffordshire seeing a longer term trend of a 13% reduction in residential burglary.
Independent surveys show that overall public satisfaction has remained broadly stable over the last 12 months.

Over the last 12 months the Force has delivered on changes to the operating model that include:

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

1.2.8 OUTLOOK

The Commissioner's 2019/20 precept increased by £24 per annum from April 2019 is only the third proposed increase by the commissioner since 2013/14. For the period 2013/14 to 2016/17, the Commissioner maintained council tax levels at the same level as 2012/13. His view had been that efficiencies should be delivered within policing and community safety before he would consider asking council tax payers for more. The rise was then 1.99% in 2017/18 and 6.29% or £11.40 in 2018/19. The commissioner has used his reserves before asking the public for a further contribution in council tax. The proposed precept enables the Commissioner to provide an increase in funding of £9.299M in 2019/20 in order to build a sustainable base budget, maintain and safeguard policing and community safety services across Staffordshire and Stoke on Trent, and make additional investment in his Police and Crime Plan.

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

Table below shows precept increase 2017/18 to 2019/20

Council Tax (Police Element)	2017/18	2018/19	2019/20
Band D Council Tax Proposed	£181.16	£192.56	£216.56
Increase on Prior Year	£3.55	£11.40	£24.00
Percentage increase on Prior Years	1.99%	6.29%	12.46%
Council Tax Increase	£1,192,064	£3,892,934	£8,317,925
Total Precept Levied	**£60,832,222**	**£65,756,587**	**£75,055,560**

On the 13th December 2018, the Government announced the provisional 2019/20 police finance settlement grant. The table bellows confirms the Home Office Funding arrangements for 2019/20 for Staffordshire.

Funding Source	2018/19 £000	2019/20 £000
Home Office Police Grant	104,936	107,139
Revenue Support Grant (RSG)	8,423	8,423
Council Tax Freeze Grant	3,541	3,541
Specific Pensions Grant	0	1,825
Home Office Funding For Staffordshire Police	**116,900**	**120,928**

The Commissioner is the first in the country to be part of a business rates pilot scheme as both a Fire and Rescue and Police and Crime Commissioner. This will bring an additional £200,000 into the budget for 2019/20 and the Deputy Commissioner will be bringing forward a proposal to spend this money effectively to protect emerging businesses from crime. The Commissioner will use the money from Staffordshire Business Rates Pilot to engage with businesses and work with them to establish a support mechanism that protects and supports new businesses. The Pilot scheme is the first in the Country to include a Police and Crime Commissioner and this gives us a valuable opportunity to show that community policing is an activity which directly supports business growth.

1.2.9 BASIS OF PREPARATION

These accounts are prepared on a going concern basis, assuming that the Office of the Police and Crime Commissioner (OPCC) will continue in operation for the foreseeable future in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting 2018/19.

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

This document contains two sets of accounts:

- Group accounts, which incorporate the PCC single entity accounts for the Staffordshire Commissioner and the accounts produced by the Chief Constable [Section 3]
- PCC single entity accounts [Section 6]

Each set of statements comprise of the following:

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

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

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

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

Auditors Report gives the auditors opinion on whether the accounts provide a true and fair view of the financial position and operations for the year.

Statement of Responsibilities sets out the respective responsibilities of the PCC and his Chief Finance Officer.

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

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

David Greensmith

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

SECTION 2

Certifications

2.1 INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR STAFFORDSHIRE GROUP

2.2 STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Police and Crime Commissioner Responsibilities

The commissioner is required to:

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

  In this authority, that responsibility rests with the Director of Finance.

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

I accept the above responsibilities and approve these Statements of Accounts for 2018/19.

Matthew Ellis

Police, Fire and Crime Commissioner for Staffordshire

The Director of Finance Responsibilities

The Director of Finance is responsible for the preparation of the PCC single entity and OPCC Group Statement of Accounts, in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing this Statement of Accounts, I have:

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

I have also

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

These financial statements give a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31st March 2019.

David Greensmith

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

SECTION 3

Group Financial Statements

3.1 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This statement shows the net cost in the year of providing services in accordance with IFRS, rather than the amount to be funded from taxation (funding basis). Costs covered on the funding basis are calculated differently, in accordance with legislative requirements. The funding basis position is shown in the Movement in Reserves Statement and Section 4.

2017/18 Net Expenditure £000		Notes	2018/19 Net Expenditure £000
(7,776)	Grants and Contributions	5.1.2	(9,872)
(4,087)	Reimbursements		(4,473)
(1,661)	Sales, Fees and Charges		(1,056)
(94)	Other Income		(213)
(13,618)	**Total Income**		**(15,614)**
63,500	Police Officer Pay and Allowances		61,104
60,334	Police Staff Pay and Allowances		60,508
5,125	Other Employee Expenses		3,614
4,789	Police Pensions		5,172
4,134	Premises		4,171
3,157	Transport		3,531
17,040	Supplies and Services		14,328
19,706	Agency and Contracted Services		23,231
6,701	Depreciation, Amortisation and Impairment		7,396
2,492	Non Distributed Costs		529
186,978	**Total Expenditure**		**183,584**
173,360	**Cost of Services**		**167,970**
151	(Surplus) or Loss on disposals	5.1.7	(1,428)
63,872	Financing and Investment Income and Expenditure	5.1.1	59,509
(179,341)	Taxation and Non-Specific Grant Income	5.1.3	(184,575)
(41,431)	Grant Received from Home Office in respect of pension fund account	5.1.3	(41,459)
16,611	**(Surplus) or Deficit on Provision of Services**		**17**
(1,048)	(Surplus) or Deficit on revaluation of non-current assets	5.2.3	(3,578)
(143,452)	Re-measurement of the net defined benefit liabilities	8.3.1	83,396
(144,500)	**Other Comprehensive (Income) and Expenditure**		**79,818**
(127,889)	**Total Comprehensive (Income) and Expenditure**		**79,835**

3.2 MOVEMENT IN RESERVE STATEMENT (MIRS)

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

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Group Reserves £000
Balance as at 1st April 2017	**5,536**	**7,753**	**0**	**331**	**13,620**	**(2,110,028)**	**(2,096,408)**
Movement in reserves during 17/18							
Total Comprehensive Income and Expenditure *(Note 3.1)*	(16,611)	0	0	0	**(16,611)**	144,500	**127,889**
Adjustment between accounting basis and funding basis under regulations *(Note 5.2.1)*	7,178	0	0	0	**7,178**	(7,178)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(9,433)**	**0**	**0**	**0**	**(9,433)**	**137,322**	**127,889**
Transfers to/from Earmarked Reserves	6,754	(6,754)	0	0	**0**	0	**0**
Increase or (Decrease) in 2017/18	**(2,679)**	**(6,754)**	**0**	**0**	**0**	**0**	**0**
Balance at 31st March 2018	**2,857**	**999**	**0**	**331**	**4,187**	**(1,972,706)**	**(1,968,519)**
Balance as at 1st April 2018	2,857	999	0	331	**4,187**	(1,972,706)	**(1,968,519)**
Movement in reserves during 18/19							
Total Comprehensive Income and Expenditure *(Note 3.1)*	(17)	0	0	0	**(17)**	(79,818)	**(79,835)**
Adjustment between accounting basis and funding basis under regulations *(Note 5.2.1)*	1,631	0	4,868	0	**6,499**	(6,499)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**1,614**	**0**	**4,868**	**0**	**6,482**	**(86,317)**	**(79,835)**
Transfers to/from Earmarked Reserves	93	93	0	0	**0**	0	**0**
Increase or (Decrease) in 2018/19	1,707	(93)	4,868	0	**6,482**	(86,317)	**(79,835)**
Balance at 31st March 2019 *(Note 3.3)*	**4,564**	**906**	**4,868**	**331**	**10,669**	**(2,059,023)**	**(2,048,354)**

3.3 BALANCE SHEET

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

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

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

31st March 2018 £000		Notes	31st March 2019
53,004	Land and Buildings	5.3.1	54,790
17,459	Vehicles, Plant and Equipment	5.3.1	16,603
2,052	Intangible Assets	5.3.2	3,396
2,381	Assets under construction	5.3.1 & 5.3.2	12,183
276	Long-Term Debtors	5.3.4	192
75,171	**Long Term Assets**		**87,164**
10,238	Assets Held for Sale	5.3.5	0
500	Inventories	5.3.6	501
0	Short Term Investments	5.3.12	14,000
29,842	Short Term Debtors	5.3.8	30,874
2,710	Cash and Cash Equivalents	5.3.8	3,936
43,290	**Current Assets**		**49,312**
(0)	Bank Overdraft	5.3.8	(0)
(11,756)	Short Term Borrowing	5.3.12	(5,541)
(22,000)	Short Term Creditors	5.3.9	(36,311)
(33,756)	**Current Liabilities**		**(41,852)**
(2,073)	Provisions	5.3.10	(1,738)
(58,800)	Long-Term Borrowing	5.3.12	(71,800)
(271)	Other Long Term Liabilities	5.3.11	(0)
(1,992,081)	Liability Related to Defined Benefit Pension Scheme	8.3.3	(2,069,440)
(2,053,224)	**Long Term Liabilities**		**(2,142,978)**
(1,968,519)	**Net Liabilities**		**(2,048,354)**
	Financed by:		
	Usable Reserves		
(2,857)	General Fund	5.2.2	(4,564)
(999)	Earmarked Reserves	5.2.2	(906)
(331)	Capital Grant Unapplied	5.2.2	(331)
0	Capital Receipt Reserve	5.2.2	(4,868)
1,972,706	Unusable Reserves	5.2.3	2,059,023
1,968,519	**Total Reserve**		**2,048,354**

3.4 CASH FLOW STATEMENT

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

2017/18 £000		Notes	2018/19 £000
16,611	Net (Surplus) or Deficit on the provision of services	3.1	17
(16,110)	Adjustments to net (Surplus) or Deficit on the provision of services for non-cash movements	5.4.1	(26,249)
1,281	Adjustment for items included in the net (Surplus) or Deficit on the provision of services that are investing and financing activities.	5.4.3	26,821
1,782	**Net cash flow Operating Activities**		**588**
11,294	Investing Activities	5.4.2	16,184
(13,500)	Financing Activities		(18,000)
(424)	**Net Increase or decrease in cash and cash equivalents**		**(1,228)**
(2,286)	Cash and cash equivalents at the beginning of the reporting period		(2,710)
(2,710)	**Cash and cash equivalent at the end of the reporting period**	5.3.8	**(3,936)**

SECTION 4

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis (EFA) is to demonstrate to council tax payers how the funding available to the PCC Group (i.e. government grants, and council tax) for the year has been used in providing services in comparison with those resources consumed or earned by forces in accordance with generally accepted accounting practices. This analysis brings together performance reported on the basis of expenditure measured under proper accounting practices, with statutorily defined charges to the General Fund. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The EFA is a note to the Financial Statements rather than a primary statement itself, however, the Group and PCC EFA's are positioned here as they provide a link from the figures reported in the CIES to the General Fund Balance and Usable Revenue Reserves.

4.1 EXPENDITURE AND FUNDING ANALYSIS (EFA)

2017/18 Net Expenditure charged to General Fund £000	2017/18 Adjustments between Funding Basis and IFRS Basis £000	2017/18 Net Expenditure in the CIES £000		2018/19 Net Expenditure charged to General Fund £000	2018/19 Adjustments between Funding Basis and IFRS Basis £000	2018/19 Net Expenditure in the CIES £000
90,305	(26,805)	63,500	Police Officer Pay and Allowances	89,173	(28,069)	61,104
52,923	7,411	60,334	Police Staff Pay and Allowances	53,061	7,447	60,508
5,125	0	5,125	Other Employee Expenses	3,279	335	3,614
4,789	0	4,789	Police Pensions	5,172	0	5,172
4,134	0	4,134	Premises	4,171	0	4,171
3,157	0	3,157	Transport	3,531	0	3,531
17,040	0	17,040	Supplies and Services	14,328	0	14,328
19,706	0	19,706	Agency and Contracted Services	23,231	0	23,231
0	6,701	6,701	Depreciation and Impairment	0	7,397	7,397
151	2,341	2,492	Non Distributed Costs	0	529	529
197,330	**(10,352)**	**186,978**	**Expenditure**	**195,946**	**(12,361)**	**183,585**
(7,776)	0	(7,776)	Grants and Contributions	(9,872)	0	(9,872)
(4,087)	0	(4,087)	Reimbursements	(4,473)	0	(4,473)
(1,661)	0	(1,661)	Sales, Fees and Charges	(1,056)	0	(1,056)
(94)	0	(94)	Other Income	(213)	0	(213)
(13,618)	**0**	**(13,618)**	**Total Income**	**(15,614)**	**0**	**(15,614)**
183,712	**(10,352)**	**173,360**	**Net Cost of Services**	**180,332**	**(12,361)**	**167,971**
0	151	151	(Surplus)/ Deficit on disposal of assets	0	(1,428)	(1,428)
4,304	59,568	63,872	Financing and Investment Income and Expenditure	1,524	57,985	59,509
(178,583)	(42,189)	(220,772)	Taxation and Non-Specific Grant Income	(183,471)	(42,563)	(226,034)
9,433	**7,178**	**16,611**	**(Surplus) or Deficit on Provision of Services**	**(1,614)**	**1,632**	**18**
0	(1,048)	(1,048)	(Surplus) or Deficit on revaluation of non-current assets	0	(3,578)	(3,578)
0	(143,452)	(143,452)	Re-measurement of the net defined benefit liabilities	0	83,396	83,396
(6,754)	4,358	**0**	Transfers To/(From) Earmarked Reserves	410	(410)	0
(2,679)	**(132,964)**	**(127,889)**	**Net (Surplus)/Deficit Funded from General Fund**	**(1,204)**	**81,040**	**79,836**
5,536			Opening General Fund	**2,857**		
0			Transfers In/(Out)	**503**		
(2,679)			Net Surplus/(Deficit)	**1,204**		
2,857			**Closing General Fund**	**4,564**		

4.2 ANALYSIS OF EFA ADJUSTMENTS

Capital £000	Pensions £000	Other £000	Total Adjustments £000	Adjustments from General Fund to arrive at the CIES	Capital £000	Pensions £000	Other £000	Total Adjustments £000
0	0	395	395	Police Officer Pay and Allowances	0	0	59	59
0	(32,930)	0	(32,930)	Officers Pension Service Costs Unfunded	0	(32,950)	0	(32,950)
0	(8,120)	0	(8,120)	Officers Pension Service Costs Funded	0	(8,000)	0	(8,000)
0	67,460	0	67,460	Pensions Paid	0	68,960	0	68,960
0	0	53	53	Police Staff Pay and Allowances	0	0	(333)	(333)
0	(15,302)	0	(15,302)	Staff Pension Service Costs	0	(15,090)	0	(15,090)
0	7,765	0	7,765	Staff Pension Payments Employer Contributions	0	7,902	0	7,902
0	73	0	73	Staff Pension Payments Unfunded Benefits	0	74	0	74
0	0	0	0	Other Employee Expenses	0	(335)	0	(335)
(6,701)	0	0	(6,701)	Depreciation and Impairment	(7,397)	0	0	(7,397)
0	(2,341)	0	(2,341)	Non Distributed Costs	0	(529)	0	(529)
(6,701)	**16,605**	**448**	**10,352**	**Net Cost of Services**	**(7,397)**	**20,032**	**(274)**	**12,361**
2,485	0	0	2,485	Other Income and Expenditure	(607)	0	0	(607)
(150)	0	0	(150)	Loss or Gain on disposal of fixed assets	1,428	0	0	1,428
0	(58,880)	0	(58,880)	Pension Interest on Liabilities-Officers	0	(54,030)	0	(54,030)
0	(8,524)	0	(8,524)	Pension Interest on Liabilities-Staff	0	(9,220)	0	(9,220)
0	5,351	0	5,351	Pension Return on Assets	0	5,856	0	5,856
0	0	0	0	Financing and Investment Income and Expenditure	16	0	0	16
737	41,431	21	42,189	Grants and Contributions	660	41,459	444	42,563
(3,629)	**(4,017)**	**469**	**(7,178)**	**(Surplus) or Deficit on Provision of Services**	**(5,900)**	**4,097**	**170**	**(1,632)**
(1,048)	0	0	(1,048)	(Surplus) or Deficit on revaluation of non-current assets	(3,578)	0	0	(3,578)
0	143,452	0	143,452	Re-measurement of the net defined benefit liability	0	(83,396)	0	(83,396)
(4,677)	**139,435**	**469**	**135,227**	**Difference between General Fund and CIES (Surplus) or Deficit on the provision of services**	**(9,478)**	**(79,299)**	**170**	**(88,606)**

Note (i) Adjustments for Capital Purposes

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

Note (ii) Net Change for Pensions Adjustments

This column reflects the net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

• For services this represents the removal of the employer pension contributions made by the Group as allowed by statute and the replacement with current service costs and past service costs;

• For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Note (iii) Financing and Investment Income and Expenditure Adjustments

This column adjusts for investment income and borrowing costs that are charged to the Police Fund but are not included in the Net Costs of Policing Services.

Note (iv) Other Adjustments

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

SECTION 5

Notes to the Financial Statements- Index

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

5.1 Comprehensive income and expenditure statement (CIES) notes

- 5.1.1 Financing and Investment Net Expenditure
- 5.1.2 Specific Grants
- 5.1.3 Taxation and Non-Specific Grant Income
- 5.1.4 Audit Fees
- 5.1.5 Operating Leases
- 5.1.6 Material Items of Income and Expenditure
- 5.1.7 Loss on Disposal of Non-Current Assets and Intangible Assets

5.2 Movement in reserves statement (MIRS) notes

- 5.2.1 Adjustment between IFRS Basis and Funding Basis
- 5.2.2 Earmarked and Usable Reserves
- 5.2.3 Unusable Reserves

5.3 Balance sheet notes

- 5.3.1 Property, Plant & Equipment
- 5.3.2 Intangible Assets
- 5.3.3 Capital Financing
- 5.3.4 Long Term Debtors
- 5.3.5 Asset Held for Sale
- 5.3.6 Inventories
- 5.3.7 Short Term Debtors
- 5.3.8 Cash and Cash Equivalents
- 5.3.9 Short Term Creditors
- 5.3.10 Provisions
- 5.3.11 Other Long Term Liabilities
- 5.3.12 Financial Instruments (Including Borrowing)

5.4 Cash flow statement notes

- 5.4.1 Operating activities
- 5.4.2 Investing activities
- 5.4.3 Financing activities

5.5 Other notes

- 5.5.1 Termination Benefits and Exit Packages
- 5.5.2 Officers Remuneration
- 5.5.3 Disclosure of Remuneration for Senior Executives
- 5.5.4 Related Party Transactions
- 5.5.5 Pooled Budgets and Joint Operations
- 5.5.6 Members and PCC Allowances
- 5.5.7 Proceeds of Crimes Act 2002 (POCA)
- 5.5.8 Contingent Liabilities
- 5.5.9 Events after the Balance Sheet date

5.1 COMPREHENSIVE INCOME AND EXPENDITURE (CIES) NOTES

5.1.1 FINANCING AND INVESTMENT NET EXPENDITURE

Financing and Investment includes the following items,

Group 2017/18 £000	PCC 2017/18 £000		Group 2018/19 £000	PCC 2018/19 £000
1,835	1,835	Interest Payable and Similar Charges	2,226	2,226
62,053	50	Pension Net Interest Cost	57,394	54
(16)	(16)	Interest Receivable and Similar Income	(111)	(111)
63,872	**1,869**	**Total**	**59,509**	**2,169**

5.1.2 SPECIFIC GRANTS

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

Group 2017/18 £000	PCC 2017/18 £000	Body		Group 2018/19 £000	PCC 2018/19 £000
1,306	1,306	Victim Service Grant	Ministry of Justice	1,302	1,302
1,044	0	Safer Roads Partnership	Staffordshire County Council	1,217	0
388	0	Counter Terrorism	Home Office	401	0
153	153	Loan Charges	Home Office	147	147
0	0	FGM Grant	Home Office	123	123
0	0	Other Grants	Home Office	786	0
61	0	Operation Temper	PCC	0	0
2,952	**1,459**	**Total Specific Grants**		**3,976**	**1,572**
4,824	937	Contributions		5,896	650
7,776	**2,396**	**Total Grants and Contributions**		**9,872**	**2,222**

5.1.3 TAXATION AND NON-SPECIFIC GRANT INCOME

2017/18 £000		2018/19 £000
(61,704)	Precepts	(66,992)
(65,558)	Police Revenue Grant	(65,558)
(39,378)	Non-Domestic Rates Redistribution	(39,378)
(8,423)	Localisation of Council Tax	(8,423)
(3,541)	Council Tax Freeze Grant	(3,541)
(737)	Capital Grants and Contribution	(683)
(179,341)	**Taxation and Non-Specific Grant Income OPCC**	**(184,575)**
(41,431)	Home Office Top Up Grant	(41,459)
(220,772)	**Taxation and Non-Specific Grant Income Group**	**(226,034)**

5.1.4 AUDIT FEES

The audit fees payable in 2018/19 to the Auditors in relation to the audit of OPCC Group accounts were as follows: The 18/19 audit fees disclosed included additional fee for Value for Money in the 17/18 audit following approval by Public Sector Audit Appointment.

Group 2017/18 £000	PCC 2017/18 £000		Group 2018/19 £000	PCC 2018/19 £000
55	40	External Audit Fees	40	24
34	23	Additional External Audit Fees PSAA Approved	6	4
89	**63**	**Total**	**46**	**28**

5.1.5 OPERATING LEASES

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

2017/18 £000		2018/19 £000
31	No Later Than One Year	0
32	Later Than one Year and Not Later Than Five Years	219
6,601	Later Than Five Years	6,200
6,664	**Total**	**6,419**

5.1.6 MATERIAL ITEMS AND INCOME AND EXPENDITURE

There are no material items of Income or Expenditure in 2018/19 that require specific disclosure.

5.1.7 LOSS ON DISPOSAL OF NON-CURRENT ASSETS AND INTANGIBLE ASSETS

	Receipts for Sale of Assets £000	Carrying Amount £000	Less Depreciation £000	Less Cost of Sale £000	Total PCC and Group Net (Surplus)/ Loss £000
31st March 2019	11,995	(11,071)	543	(39)	**1,428**
31St March 2018	544	(1,431)	741	(4)	**(151)**
31st March 2017	222	(730)	560	0	**52**
31st March 2016	146	(2,602)	2,301	0	**(155)**

5.2 MOVEMENT IN RESERVES (MIRS) NOTES

5.2.1 ADJUSTMENT BETWEEN IFRS BASIS AND FUNDING BASIS

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

GROUP 2018/19	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources *Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:*				
Pension Costs (transferred to or from pension reserve)	(4,098)	0	0	4,098
Council tax (transfer to or from collection fund)	(444)	0	0	444
Holiday pay (transfer to the Accumulated Absences Account)	274	0	0	(274)
Reversal of entries included in the Surplus or Deficit on the provision of Services in relation to Capital expenditure (these items charged to the CAA)	21,974	0	0	(21,974)
Total Adjustments to Revenue Resources	***17,706***	***0***	***0***	***(17,706)***
Adjustments between Revenue and Capital Resources				
Transfer of non-current assets sale proceeds from revenue to the Capital receipt reserve	12,055	(12,055)	0	0
Statutory provision for the repayment of debt MRP (transfer from the CAA)	(1,905)	0	0	1,905
Capital expenditure financed from revenue balances (transfer to the CAA)	(1,538)	0	0	1,538
Total Adjustment between Revenue and Capital Resources	***(15,498)***	***12,055***	***0***	***3,443***
Adjustment to Capital Resources				
Application of capital receipts to finance capital expenditure	0	(4,370)	0	4,370
Application of capital receipts to finance transformation expenditure	0	(2,817)	0	2,817
Application of capital grants to finance capital expenditure	(660)	0	0	660
Cash payments to deferred capital receipts	83	0		(83)
Total Adjustments to Capital Resources	***(577)***	***(7,187)***	***0***	***7,764***
Total Group Adjustments	**1,632**	**4,868**	**0**	**(6,499)**
Less: Chief Constable only adjustments				
Pension Costs	4,239	0	0	(4,239)
Holiday Pay	(274)	0	0	274
Total PCC Adjustments	**5,596**	**4,868**	**0**	**(10,464)**

Group 2017/18	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources *Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:*				
Pension Costs (transferred to or from pension reserve)	4,018	0	0	(4,018)
Council tax (transfer to or from collection fund)	(21)	0	0	21
Holiday pay (transfer to the Accumulated Absences Account)	(448)	0	0	448
Reversal of entries included in the Surplus or Deficit on the provision of Services in relation to Capital expenditure (these items charged to the CAA)	4,831	0	0	(4,831)
Total Adjustments to Revenue Resources	***8,380***	***0***	***0***	***(8,380)***
Adjustments between Revenue and Capital Resources				
Transfer of non-current assets sale proceeds from revenue to the Capital receipt reserve	(544)	544	0	0
Statutory provision for the repayment of debt MRP (transfer from the CAA)	(2,204)	0	0	2,204
Capital expenditure financed from revenue balances (transfer to the CAA)	1,783	0	0	(1,783)
Total Adjustment between Revenue and Capital Resources	***(965)***	***544***	***0***	***421***
Adjustment to Capital Resources				
Application of capital receipts to finance capital expenditure	0	36	0	(36)
Application of capital receipts to finance transformation expenditure	500	(500)	0	0
Application of capital grants to finance capital expenditure	(737)	0	0	737
Cash payments to deferred capital receipts	0	(80)	0	80
Total Adjustments to Capital Resources	***(237)***	***(544)***	***0***	***781***
Total Group Adjustments	**7,178**	**0**	**0**	**(7,178)**
Less: Chief Constable only adjustments				
Pension Costs	(3,842)	0	0	3,842
Holiday Pay	446	0	0	(446)
Total PCC Adjustments	**3,782**	**0**	**0**	**(3,782)**

5.2.2 EARMARKED AND USEABLE 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 2018/19. All Usable Reserves are held by the PCC.

PCC and Group Earmarked Reserves	Balance at 1st April 2017	Transfers Out	Transfers In	Balance as 31st March 2018	Transfers Out	Transfers In	Balance at 31st March 2019
	£000	£000	£000	£000	£000	£000	£000
General Fund	5,536	(2,679)	0	2,857	0	1,707	4,564
Reshaping the Future	4,182	(4,167)	0	15	0	0	15
Aris (POCA)	373	(39)	169	503	(503)	202	202
Insurance Reserve	839	(785)	0	54	0	0	54
Pension Reserve	1,611	(1,611)	0	0	0	0	0
Crash Course	296	(107)	0	189	0	0	189
Early Adopter Income	190	(176)	0	14	0	0	14
Bikesafe	0	0	0	0	0	23	23
Seized Vehicle Fund	177	0	42	219	0	98	317
MDA Forfeiture Fund	85	(80)	0	5	0	87	92
Total Earmarked Reserves	**13,289**	**(9,644)**	**211**	**3,856**	**(503)**	**2,117**	**5,470**
Capital Receipts Reserve	0	0	0	0	(7,187)	12,055	4,868
Unapplied Capital Grants Reserve	331	0	0	331	0	0	331
Total Usable Reserves	**13,620**	**(9,644)**	**211**	**4,187**	**(7,690)**	**14,172**	**10,669**

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

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

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

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

- **Other Earmarked reserves** – the OPCC has other funding sources which are restricted in terms of the purpose or timing of their use and these have been established on the balance sheet during 2018/19.

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

5.2.3 UNUSABLE RESERVES

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

Group 31st March 2018	PCC 31ST March 2018		Group 31st March 2019	PCC 31ST March 2019
9,946	9,946	Revaluation Reserve	10,960	10,959
10,818	10,818	Capital Adjustment Account	2,688	2,688
364	364	Deferred Capital Receipt Reserve	291	291
1,623	1,623	Collection Fund Adjustment Account	2,067	2,067
(1,992,081)	(1,951)	Pension Reserve	(2,071,379)	(2,435)
(3,376)	(19)	Accumulated Absences Account	(3,650)	(19)
(1,972,706)	**20,781**	**Total Unusable Reserves**	**(2,059,023)**	**13,551**

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

Revaluation Reserve

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

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

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

2017/18 £000		2018/19 £000
8,940	**Group and PCC Balance as at 1st April**	**9,946**
0	Prior year adjustment	841
658	Upwards revaluation of assets	3,153
(155)	Downward revaluation of assets and impairments losses not charged to the surplus/deficit on the provision of services	(415)

0	Reversal of impairment which should have been charged to the CIES	0
545	Additional adjustment to depreciation as a result of restatement of impairments	0
0	Reversal of previous impairments written out to capital	0
1,048	**Surplus or Deficit on revaluation of non-current assets**	**3,579**
0	Prior year adjustment	(276)
(42)	Difference between fair value depreciation and historical cost depreciation	(322)
0	Accumulated gains on assets sold or scrapped	(1,967)
9,946	**Total Group and PCC Balance as at 31st March**	**10,960**

Capital Adjustment Account (CAA)

The CAA absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with amounts set aside by The Group as finance for the cost of acquisition, construction and enhancement.

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

2017/18 £000		2018/19 £000
14,325	**Group and PCC Balance as at 1st April**	**10,818**
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
(300)	Adjustment	1,525
(3,744)	Charges for depreciation and impairment of non-current assets	(7,164)
(179)	Revaluation (losses) or gains on PPE	(1,060)
(643)	Amortisation of intangible assets	(674)
771	Revenue expenditure funded capital under statue (REFCUS)	(2,567)
(694)	Amount of non-current assets written off on disposal or sale as part of gain/loss on disposal to the CIES	(10,530)
0	Adjusting amounts written down out of the revaluation reserve	2,565
(4,789)	**Net written out amount of the cost of non-current assets consumed in the year**	**(17,905)**
	Capital financing in the year:	
0	Prior year adjustments	(33)
124	Use of capital receipt reserve to finance new capital expenditure	7,187
737	Capital grant and contribution credited to the CIES that have been applied to capital financing	683
0	Application of grants to capital financing from capital grants unapplied account	0
2,204	Statutory provision for the financing of the capital investment charged against the general fund	1,905
(1,783)	Capital expenditure charged against the general fund	33
1,282		**9,775**
10,818	**Total Group and PCC Balance as at 31st March**	**2,688**

Deferred Capital Receipt Reserve

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

2017/18 £000		2018/19 £000
444	**Group and PCC Balance as at 1st April**	**364**
(80)	Transfer to the capital receipts reserve upon receipt of cash	(73)
364	**Total Group and PCC Balance as at 31st March**	**291**

Collection Fund Adjustment Account

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

2017/18 £000		2018/19 £000
1,602	**Group and PCC Balance as at 1st April**	**1,623**
21	Amount by which council tax income credited to CIES is different from council tax income calculated for the year in accordance with statutory requirements	444
1,623	**Total Group and PCC Balance as at 31st March**	**2,067**

Pension Reserve

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

Group 2017/18 £000	PCC 2017/18 £000		Group 2018/19 £000	PCC 2018/19 £000
(2,131,516)	**(1,773)**	**Group Balance as at 1st April**	**(1,992,081)**	**(1,951)**
143,452	(3)	Re-measurement of the net defined benefit liability	(83,396)	(343)
(120,746)	(300)	Reversal of items relating to retirement benefits debited or credited to CIES	(114,298)	(299)
75,298	125	Employers pension contribution and direct payments to pensioners payable in the year	78,875	158

0	0	LGPS deficit contribution prepayment 1 year	(1,938)	0
41,431	0	Additional contribution to the pension fund balance the deficit on the fund account	41,459	0
(1,992,081)	**(1,951)**	**Total Balance as at 31st March**	**(2,071,379)**	**(2,435)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

The majority of the Reserve relates to Police Officers and Staff who are under the direction and control of the Chief Constable. Therefore the Opening Balance of the Reserve as at 1st April 2012 was transferred to the CC Single Entity with effect from that date. The entries for the PCC Single Entity below relate to the balances on the Reserve that relate to those staff that were under the direct control of the PCC as at 31st March 2018 and 31st March 2019.

Group 2017/18 £000	PCC 2017/18 £000		Group 2018/19 £000	PCC 2018/19 £000
(3,824)	**(21)**	**Group Balance as at 1st April**	**(3,376)**	**(19)**
3,824	21	Settlement of cancellation of accrual made at the end of the preceding year	3,376	19
(3,376)	(19)	Amounts accrued at the end of the current year	(3,650)	(19)
448	2	Amount by which officer remuneration charged to the CIES on accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(274)	0
(3,376)	**(19)**	**Total Balance as at 31st March**	**(3,650)**	**(19)**

5.3 BALANCE SHEET NOTES

5.3.1 PROPERTY PLANT AND EQUIPMENT (PPE)

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

PCC and Group Movements in 2018/19	Land and Building £000	Surplus Assets £000	Assets Under Construction £000	Vehicles, Plant and Equipment £000	Total Property, Plant and Equipment £000
Cost or Valuation	**54,652**	**2,250**	**897**	**49,699**	**107,498**
Adjustment	2,072	0	(612)	0	**1,460**
Additions	498	(8)	387	3,809	**4,686**
Transfer In	(42)	930	0	0	**888**
Revaluation increase/(decrease) recognised in revaluation reserve	(789)	226	0	0	**(563)**
Derecognition disposals	0	0	0	(675)	**(675)**
Derecognition other	0	0	0	(94)	**(94)**
Assets reclassified	(888)	0	0	0	**(888)**
Other movements in cost or valuation	(574)	8	0	7	**(559)**
As at 31st March	**54,929**	**3,406**	**672**	**52,746**	**111,753**
Accumulated depreciation and impairment					
As at 1st April	**(3,685)**	**(213)**	**0**	**(32,240)**	**(36,138)**
Adjustments	(25)	65	0	0	**40**
Depreciation charge	(1,486)	(45)	0	(4,502)	**(6,033)**
Depreciation written out to the revaluation reserve	1,728	117	0	0	**1,845**
Derecognition disposals	0	0	0	595	**595**
Derecognition other	0	0	0	4	**4**
Other movements in depreciation and impairment	42	(42)	0	0	**0**
As at 31st March	**(3,426)**	**(118)**	**0**	**(36,143)**	**(39,687)**
Net Book Value 2019	**51,503**	**3,288**	**672**	**16,603**	**72,066**
Net Book Value 2018	**50,967**	**2,037**	**897**	**17,459**	**71,360**

PCC and Group Movements in 2017/18	Land and Building	Surplus Assets	Assets Under Construction	Vehicles, Plant and Equipment	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation	**52,404**	**2,290**	**2,097**	**45,177**	**101,968**
Additions	3,179	0	286	5,513	**8,978**
Donations	0	0	0	86	**86**
Revaluation increase/(decrease) recognised in revaluation reserve	(48)	(40)	0	0	**(88)**
Revaluation increase/(decrease) recognised in the surplus/ deficit of the provision of services	(179)	0	0	0	**(179)**
Derecognition disposals	0	(500)	0	(783)	**(1,283)**
Derecognition other	0	0	0	(294)	**(294)**
Assets reclassified	(704)	500	(1,486)	0	**(1,690)**
Other movements in cost or valuation	0	0	0	0	**0**
As at 31st March	**54,652**	**2,250**	**897**	**49,699**	**107,498**
Accumulated depreciation and impairment					
As at 1st April	**(3,294)**	**(123)**	**0**	**(30,453)**	**(33,870)**
Depreciation charge	(1,184)	(58)	0	(2,624)	**(3,866)**
Adjustments	0	0	0	143	**143**
Depreciation written out to the revaluation reserve	545	0	0	(22)	**523**
Derecognition disposals	0	25	0	645	**670**
Derecognition other	0	0	0	71	**71**
Assets reclassified	248	(57)	0	0	**191**
Other movements in depreciation and impairment	0	0	0	0	**0**
As at 31st March	**(3,685)**	**(213)**	**0**	**(32,240)**	**(36,138)**
Net Book Value 2018	**50,967**	**2,037**	**897**	**17,459**	**71,360**
Net Book Value 2017	**49,110**	**2,167**	**2,097**	**14,724**	**68,098**

Depreciation
The following useful lives and depreciation rates have been used in the calculation of depreciation in 2018/19.

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 2018/19 a number of contracted schemes which were not completed before 31st March 2019. The potential budgeted capital commitment arising from those schemes is estimated to be £1.271m (£4.2m in 2017/18).

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 1st April 2009. Valuations of Assets under Construction are valued at current cost until the asset becomes operational and is then valued externally by Drivers Jonas Deloitte. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

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

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

	Land and Building £000	Surplus Assets £000	Assets Under Construction £000	Assets Held for Sale £000	Vehicles, Plant and Equipment £000	Total PCC and Group £000
Carried at Historical Cost:	0	0	12,183	0	52,746	64,929
Valued at Fair Value as at:						
31st March 2019	278	1,156	0	(10,249)	0	(8,815)
31st March 2018	2,247	(40)	0	1,749	0	3,956
31st March 2017	8,817	0	0	1,000	0	9,817
Up to 31st March 2016	43,587	2,290	0	7,500	0	53,377
Total Gross Cost or Valuation	**54,929**	**3,406**	**12,183**	**0**	**52,746**	**123,264**

5.3.2 INTANGIBLE ASSETS
The OPCC accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences and 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 £0.674m was charged to revenue in 2018/19, (£0.643m in 2017/18).

2017/18 £000		2018/19 £000
	Group and PCC Balance at Start of Year	
10,308	Gross Carrying Amount	10,541
(7,846)	Accumulated Amortisation	(8,489)
2,462	**Net Carrying Amount at Start of Year**	**2,052**

233	Additions- Purchases	2,019
(643)	Amortisation for the Period	(674)
(410)	**Net Carrying Amount at End of Year**	**1,345**
	Comprising:	
10,541	Gross Carrying Amounts	12,559
(8,489)	Accumulated Amortisation	(9,162)
2,052	**Total Group and PCC Balance at end of the year**	**3,397**

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

Intangible Assets under Construction

2017/18 £000		2018/19 £000
0	**Group and PCC Balance at Start of Year**	1,484
0	Prior year adjustment	612
1,484	Assets Under Construction	9,415
1,484	**Total Group and PCC Balance at end of the year**	**11,511**

5.3.3 CAPITAL FINANCING

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

2017/18 £000		2018/19 £000
55,184	**Opening Capital Financing Requirement- PCC and Group**	**60,823**
0	Adjustment	3,583
	Capital Investment	
6,942	Property Plant & Equipment (PPE)	4,342
232	Intangible Assets	2,019
1,769	Non Operational Assets	9,802
(271)	Revenue Expenditure Funded from Capital Under Statue (REFCUS)	2,567
	Sources of Finance:	
(715)	Capital Grants Received in Year	(683)
0	Capital Grants from Earmarked Reserves	0
(115)	Capital Receipts	(7,187)
	Sums Set Aside from Revenue:	
0	Direct Revenue Contributions	(33)
0	Direct Revenue Contribution from Earmarked Reserves	0
(2,204)	Minimum Revenue Provision	(1,905)
60,823	**Closing Capital Financing Requirement- PCC and Group**	**73,327**
	Explanation of movements in year:	
5,639	Increase in underlying need to borrowing(supported by government financial assistance)	12,505
5,639	**Increase/(Decrease) in Capital Financing Requirement**	**12,505**

5.3.4 LONG TERM DEBTORS

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

As the payment of the capital receipt is deferred it has been discounted at a rate of 3.5% to illustrate the ‘real’ loss from the disposal of the helicopter and the remaining balance of this is shown in Note 5.2.3 as an unusable reserve of £0.291m.

This is balanced by the debtor for these payments which are shown as £0.192m here as a debtor due in more than 12 months with the remaining payment expected being shown as a short term debtor of £0.099m included in the figures in Note 5.3.7.

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

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

5.3.5 ASSET HELD FOR SALE

2017/18 £000		2018/19 £000
8,500	**Balance outstanding at start of year- PCC and Group**	**10,238**
	Assets newly classified as held for sale	
0	Prior year adjustment	122
1,488	Property, Plant & Equipment (PPE)	44
250	Revaluation Increase/(Decrease) recognised in the revaluation reserve	0
0	Assets sold	(10,360)
0	Other movements	(44)
10,238	**Balance outstanding at end of year- PCC and Group**	**0**

5.3.6 INVENTORIES

During 2018/19 the increase in prices due to currency fluctuations made the acquisition and holding certain stocks a more material item for the OPCC. The closing stock adjustment of £0.501m does however reflect the value of a number of different stock types including ammunition, protective clothing and uniform as at 31st March 2019 (£0.500m 2017/18).

5.3.7 SHORT TERM DEBTORS

A breakdown of the Debtors figure in the balance sheet is provided below. The balance per debtor category is shown net of any impairment. All Debtors were held on the Balance Sheet of the PCC and the Group during 2017/18 and 2018/19.

Group 31st March 2018 £000	PCC 31st March 2018 £000		Group 31st March 2019 £000	PCC 31st March 2019 £000
15,059	15,059	Central government bodies	14,691	14,691
7,375	7,375	Other local authorities	10,360	10,360
226	226	NHS bodies	22	22
0	0	Public corporations	7	7
7,182	7,182	Other entities and individuals	5,794	5,794
29,842	**29,842**	**Total short term debtors**	**30,874**	**30,874**

5.3.8 CASH AND CASH EQUIVALENTS

A breakdown of the cash figure in the Balance Sheet is provided below. All cash was held by the PCC and the OPCC Group during 2017/18 and 2018/19.

31st March 2018 £000		31st March 2019 £000
	Current assets:	
189	Cash in hand and Bank current account	336
2,521	Short term deposits	3,600
2,710	**Total current cash and equivalents**	3,936
	Current liabilities	
0	Bank overdraft	0
2,710	**Total current cash and equivalents- PCC and Group**	**3,936**

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

5.3.9 SHORT TERM CREDITORS

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

Group 31st March 2018 £000	PCC 31st March 2018 £000		Group 31st March 2019 £000	PCC 31st March 2019 £000
3,716	1,000	Central government bodies	4,088	998
5,796	5,796	Other local authorities	8,889	6,951
111	111	NHS bodies	15	15
0	0	Public corporations	0	0
12,377	9,020	Other entities and individuals	23,319	19,688
0	4,789	Intra group funding	0	4,827
22,000	**20,716**	**Total short term creditors**	**36,311**	**32,479**

5.3.10 PROVISIONS

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

Long Term Liabilities

Insurance Provision

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

31st March 2018 £000		31st March 2019 £000
1,921	**Balance as at 1st April- Group**	**2,073**
785	Contributions to provision in year	504
(633)	Net expenditure in year	(840)
2,073	**Balance as at 31st March- Group**	**1,738**

5.3.11 OTHER LONG TERM LIABILTIES

Other Long Term Liabilities in the Balance Sheet of £0 (£0.271m 31st March 2018) relate to loans outstanding as at 31st March 2019 which are administered by Staffordshire County Council on behalf of the OPCC. Principal repayments of £0.271m have also been made in 2018/19 (£0.271m in 2017/18) and £0.271m (£0.271m in 2017/18) moved to short term borrowing to recognise that this will be paid within 12 months.

31st March 2018 £000		31st March 2019 £000
542	**Balance as at 1st April- Group**	**271**
(271)	Payment of loan	(271)
0	Transfer to short term creditors	0
271	**Balance as at 31st March- PCC and Group**	**0**

5.3.12 FINANCIAL INSTRUMENTS

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

The new borrowing interest rates at the 31st March 2019 for all Public Works Loan Board (PWLB) loans and the market rate applicable at the 31st March 2019 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 5.3.7 and 5.3.9.
- The fair values in 2018/19 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.

	31ST MARCH 2018		31ST MARCH 2019	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities				
PWLB Long Term Borrowing	58,800	73,413	71,800	86,527
	58,800	**73,413**	**71,800**	**86,527**
PWLB Short Term Borrowing	1,250	1,273	2,000	2,132
Short Term Borrowing OLAS	10,271	10,005	3,271	3,000
Interest due within one year	235	235	270	270
	11,756	**11,513**	**5,541**	**5,402**
Creditors which are financial instruments	12,922	12,922	26,006	26,006
Total Liability	**83,478**	**97,848**	**103,347**	**117,935**

	31ST MARCH 2018 Carrying Amount £000	31ST MARCH 2018 Fair Value £000	31ST MARCH 2019 Carrying Amount £000	31ST MARCH 2019 Fair Value £000
Financial Assets				
Short Term Investments				
Fixed Term Deposits	0	0	14,000	14,100
Total Short Term Investments	**0**	**0**	**14,100**	**14,100**
Cash Equivalents				
Cash equivalents	210	210	344	344
Fixed Term deposits	2,500	2,500	3,600	3,600
Money Market Funds	0	0	0	0
Total Cash and Cash Equivalents	**2,710**	**2,710**	**3,944**	**3,944**
Debtors which are financial instruments	7,148	7,148	8,994	8,994
Total Assets	**9,858**	**9,858**	**26,930**	**26,930**

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

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

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

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

Credit risk

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

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

	As at 31st March £000	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions %	Estimated Maximum Exposure to default and Collectability £000
Deposits with Banks and other Financial Institutions	3,600	N/A	N/A	N/A
Customers	3,000	2.8%	2.9%	0

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

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

The Group allows credit to some customers and £2.531m of the £3.000m balance (£1,135m of £3.035m in 2017/18) is past its due date for payment but has not been impaired. The past due amount can be analysed by age as follows:

	31st March 2018 £000	31st March 2019 £000
Less than three months	409	1,820
Three to six months	424	1
Six months to one year	302	710
More than one year	0	0
Total	**1,135**	**2,531**

Liquidity risk

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

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

	31st March 2018 £000	31st March 2019 £000
Analysis by lender		
Public Work Loan Board (PWLB)	60,050	73,800
Other Local Authorities	10,271	3,271
	70,321	**77,071**
Analysis by Maturity		
Less than one year	11,521	5,271
Between one to two years	2,000	1,000
Between two to five years	10,300	7,700
More than five years	46,500	63,100
Total	**70,321**	**77,071**

Market risk

Interest rate risk

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

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

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

At 31st March 2019, 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	61
Impact on CIES	**61**
Decrease in fair value of fixed rate borrowing liabilities	14,080
(No impact on CIES)	0

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

Foreign exchange risk

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

5.4 CASH FLOW NOTES

5.4.1 OPERATING ACTIVITIES

Group 2017/18 £000	PCC 2017/18 £000		Group 2018/19 £000	PCC 2018/19 £000
(3,744)	(3,744)	Depreciation	(6,561)	(6,561)
(179)	(179)	(Downward valuation)/Upward Valuation	(1,060)	(1,060)
(643)	(643)	Amortisation of intangible assets	(674)	(674)
(352)	(352)	Enhancement spend	(606)	(606)
(1,783)	(1,783)	Deferred charges	1,505	1,505
42	42	Difference between depreciation on a historic cost and fair value basis	520	520
(3,277)	(3,708)	(Increase)/ decrease in revenue creditors	(14,312)	(11,727)
(1,396)	(1,563)	Increase/ (decrease) in revenue debtors	1,032	994
84	84	Increase/ (decrease) in inventories	2	2
(4,017)	(175)	Movement in pension liability	4,098	(2,079)
(152)	0	Movement in provisions	335	0
(694)	(694)	Carrying amount of non-current assets sold	(10,528)	(10,528)
(16,110)	**(12,715)**	**Adjustment to net (surplus) or deficit on the provision of services for non-cash movements**	**(26,249)**	**(30,214)**

5.4.2 INVESTING ACTIVITIES

2017/18 £000		2018/19 £000
11,294	Purchase of PPE and Intangible assets	16,184
0	Other receipts from investing activities	0
11,294	**Total Investing Activities PCC and Group**	**16,184**

5.4.3 FINANCING ACTIVITIES

2017/18 £000		2018/19 £000
544	Proceeds from the sale of PPE	12,138
0	Short term investments	14,000
737	Capital grants	683
1,281	**Total Adjustment for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities PCC and Group**	**26,821**

5.5 OTHER NOTES

5.5.1 TERMINATION BENEFITS AND EXIT PACKAGES

During 2018/19 the Group approved 6 voluntary redundancies and early retirements (22 in 2017/18) at a total cost of £0.141m (£0.606m 2017/18). 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	
	2017/18	2018/19	2017/18 £	2018/19 £
£0- £20,000	5	2	57,097	29,413
£20,001 - £40,000	16	4	463,939	111,168
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	1	0	84,527	0
£100,001 – £120,000	0	0	0	0
Total	**22**	**6**	**605,563**	**140,581**

5.5.2 OFFICERS REMUNERATION

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

Group 2017/18 Number of employees	PCC 2017/18 Number of employees	Remuneration Band	Group 2018/19 Number of employees	PCC 2018/19 Number of employees
126	0	£50,000 - £54,999	124	2
42	0	£55,000 - £59,999	68	0
17	0	£60,000 - £64,999	13	1
5	1	£65,000 - £69,999	7	0
6	1	£70,000 - £74,999	4	1
6	1	£75,000 - £79,999	4	2
4	1	£80,000 - £84,999	5	0
1	0	£85,000 - £89,999	3	0
1	1	£90,000 - £94,999	0	0
0	0	£95,000 - £99,999	1	1
1	0	£100,000 - £104,999	0	0
1	0	£105,000 - £109,999	1	0
0	0	£110,000 - £114,999	1	0
1	0	£115,000 - £119,999	0	0
1	0	£120,000 - £124,999	1	0
0	0	£125,000 - £129,999	0	0
0	0	£130,000 - £134,999	0	0
0	0	£135,000 - £139,999	0	0
0	0	£140,000 - £144,999	0	0
0	0	£145,000 - £149,999	0	0
0	0	£150,000 - £154,999	1	0
212	**5**	**Total**	**233**	**7**

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

5.5.3 DISCLOSURE OF REMUNERATION FOR SENIOR EXECUTIVES

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

Notes

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

2017/18									
Post Holder Information	Notes	Salary £	Bonuses and Allowances £	Benefits in Kind (BIK) £	Other Payments £	Total Remuneration Excluding Pension Contribution £	Pension Contribution £	Total Remuneration £
Senior Executives of the Chief Constable								
Chief Constable (A)	2,3,6	114,247	0	4,225	2,402	120,874	24,335	145,208
Chief Constable (B)	2	37,089	0	516	767	38,372	0	38,372
Deputy Chief Constable	2,3	120,127	0	2,080	2,635	124,842	2,120	126,962
Assistant Chief Constable (A)	2,3	105,995	0	3,061	2,635	111,691	22,577	134,268
Assistant Chief Constable (B)	2,3	101,212	0	2,055	2,635	105,902	21,803	127,704
Director of People and Resources	4	48,266	0	0	0	48,266	7,481	55,747
Chief Finance Officer	1,5	1,626	0	0	0	1,626	0	1,626
Sub Total Chief Constable		**528,562**	**0**	**11,938**	**11,073**	**551,572**	**78,315**	**629,888**
Senior Executives of the OPCC								
Police and Crime Commissioner		75,000	0	0	0	75,000	0	75,000
Deputy Police and Crime Commissioner		35,000	0	0	0	35,000	5,425	40,425
Chief Executive		94,509	0	0	0	94,509	14,649	109,158
Director of Finance and Performance		83,054	0	0	0	83,054	12,873	95,928
Sub Total OPCC		**287,564**	**0**	**0**	**0**	**287,564**	**32,947**	**320,511**
Total- Group		**816,125**	**0**	**11,938**	**11,073**	**839,163**	**111,263**	**950,399**

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

5.5.4 RELATED PARTY TRANSACTIONS

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

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

Details of our related party transactions are as follows:

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

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

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

- Partnerships, Trusts, and Associated Organisations – three members of the PCC management team, the PCC, Deputy PCC and Chief of Staff are on the governing body of the Staffordshire Social Responsibility Fund. During 2018/19 the PCC made a grant of £25,000 to this organisation which supported its work including the operation of the Staffordshire Police cadet force.

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

2017/18 £000		2018/19 £000
11,330	Stoke-on-Trent City Council	13,046
8,348	Stafford Borough Council	9,027
6,867	South Staffordshire District Council	7,366
6,735	Lichfield District Council	7,263
6,850	Newcastle-under-Lyme Borough Council	7,026
6,597	East Staffordshire Moorlands District Council	7,155
5,969	Staffordshire Moorlands District Council	6,383
5,089	Cannock Chase District Council	5,508
3,919	Tamworth Borough Council	4,218
61,704		**66,992**

5.5.5 POOLED BUDGETS AND JOINT OPERATIONS

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

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

As from 1st October 2013, the joint arrangement with West Mercia Police for the provision of air support ceased to exist. This service is now provided by NPAS the National Police Aviation Service. The charges for the service in 2018/19 amounted to £209k (2017/18 £344k).

Central Motorway Police Group with West Midlands Police

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

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

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

The revenue account for the Unit covers all operating costs. The details for 2018/19 are as follows:

2017/18 £000		2018/19 £000
	Contributions to the Pooled Budget	
(3,910)	West Midlands PCC	(4,274)
(1,961)	West Mercia PCC	0
(1,847)	Staffordshire PCC	(1,938)
(85)	Other Income	0
(7,803)	**Total Income**	**(6,212)**
	Expenditure met from Pooled Budget	
7,195	Pay and Allowances	5,737
52	Premises Cost	0
402	Transport Costs	407
154	Supplies and Services and Communications and Computing	68
7,803	**Total Expenditure**	**6,212**
0	**Net Surplus/(Deficit) arising during the year**	**0**
0	Staffordshire PCC share (30%) of (Surplus)/Deficit	0

Regional Organised Crime Unit (ROCU) with West Midlands Police

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

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

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

2017/18 £000		2018/19 £000
	Funding provided to West Midlands ROCU	
(11,787)	Contribution from West Midlands Police	(13,475)
(3,619)	Contribution from West Mercia Police	(3,789)
(3,515)	Contribution from Staffordshire Police	(3,681)
(1,758)	Contribution from Warwickshire Police	(1,840)
(2,399)	WMROCU Grant	(2,399)
(270)	National Cyber Security Programme funding	(270)
(155)	Regional Asset Recovery Team Grant	(165)
(135)	ROCU Reserves	(532)
(1,000)	Additional Home Office funding	(625)
(0)	PTF Funding	(1,784)
(24,638)	**Total Income**	**(28,560)**
	WM ROCU Expenditure	
1,138	Regional Asset Recovery Team (RART)	1,056
155	RART- ACE team	165
678	Regional Cyber Crime Unit	645
248	Regional Fraud Team	315
999	Regional Prisons Intelligence Unit	927
968	UKPPS (Protected Persons)	943
18	Operational Security (OPSY)	56
34	Regional Government Agency Intelligence Network	46
1,378	Command Team	1,181
4,903	Regional Confidential Unit	5,484
813	TIDU- Technical Intelligence	716
108	Enabling Services	180
3,954	SOCU	4,473
6,970	Regional Surveillance Unit (FSU)	7,850
1,274	Other Regional Operations	3,165
1,000	Additional Contribution to Reserves	625
0	ROCTA	259
0	Disruption	474
24,638	**Total Expenditure**	**28,560**
0	**Total Net Expenditure**	**0**

Joint Emergency Transport Services (JETS)
The Joint Emergency Transport Service delivers all aspects of fleet services for Fire and Police vehicles in Staffordshire. JETS was established in April 2016 and is located at the Staffordshire Fire Workshop's at Trentham Lakes. Some overheads costs are shared at a 51:49 split Police: Fire respectively. Other costs are direct to each Service. All the stock is held separately with identifiable stock control. The cost to Staffordshire Police for the transport service in 2018/19 £2,957,308 (2017/18 £2,644,503).

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 2018/19 a contribution of £0.170m (£0.119m in 2017/18) was made to West Midlands Police towards the cost of legal services and this figure is included in the Comprehensive Income and Expenditure Statement of the Group.

Firearms Licensing
On 1st August 2013 a collaborative working arrangement commenced with West Midlands Police for the joint delivery of a Firearms Licensing Department based in Staffordshire and with all Police Staff being employed by Staffordshire Police. A contribution of £0.156m has been made by West Midlands Police towards the cost of the service during 2018/19 (£0.154m in 2017/18). This figure is included in the CIES of the Group. A formal agreement is in place.

5.5.6 MEMBERS AND PCC ALLOWANCES

Allowances and expenses for Ethics, Transparency & Audit Panel members, the PCC and the Deputy PCC in 2018/19 amounted to £34,610 (£29,599 in 2017/18).

5.5.7 PROCEEDS OF CRIMES ACT 2002 (POCA)

The Group has separate bank accounts for temporarily holding third party funds seized as suspected proceeds of crime. At 31st March 2019 the balance on this account was £961,688 (£1,031,843 at 31st March 2018). This sum does not appear on the Balance Sheet of the OPCC Group accounts.

5.5.8 CONTINGENT LIABILITIES

The Chief Constable of Staffordshire Police, along with other Chief Constables and the Home Office, currently has 189 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.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sergeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. The Government is seeking permission to appeal this decision. It is envisaged that if this is unsuccessful, the Court will require steps to be taken to compensate employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would to lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions have estimated the potential increase in scheme liabilities as a result of the judgment to be approximately 5.4% of national pension scheme liabilities as at March 2018. This estimate is based on one potential remedy and depending on the outcome of the appeal, the remedy calculation and its applicability to the Police Pension Scheme will need to be revisited in the light of further direction from the courts.

The impact of an increase in scheme liabilities arising from McCloud / Sergeant Judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sergeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.''

5.5.9 EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the balance sheet date.

SECTION 6

PCC SINGLE ENTITY FINANCIAL STATEMENTS AND NOTES

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

The following pages include:

- 6.1 PCC Comprehensive Income and Expenditure Statement (CIES)
- 6.2 PCC Movement in Reserves Statement (MIRS)
- 6.3 PCC Balance Sheet
- 6.4 PCC Cash Flow Statement
- 6.5 PCC Expenditure and Funding Analysis (EFA)
- 6.6 Intra-Group Funding

6.1 PCC SINGLE ENTITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The purpose of this statement is shown in section 3 of the Group Accounts.

2017/18 Net Expenditure £000		Notes	2018/19 Net Expenditure £000
(2,396)	Grants and Contributions	5.1.2	(2,222)
0	Reimbursements		0
0	Sales, Fees and Charges		0
0	Other Income		0
(2,396)	**Total Income**		**(2,222)**
0	Police Officer Pay and Allowances		0
1,330	Police Staff Pay and Allowances		1,421
12	Other Employee Expenses		27
0	Police Pensions		0
0	Premises		0
22	Transport		23
507	Supplies and Services		531
5,471	Agency and Contracted Services		6,291
0	Depreciation, Amortisation and Impairment		0
5	Non Distributed Costs		4
7,347	**Total Expenditure**		**8,297**
4,951	**Cost of Services before Intra-group Funding**		**6,075**
185,585	Intra-group Funding	6.6	181,741
190,536	**Cost of Services**		**187,816**
151	(Surplus) or Loss on disposals	5.1.7	(1,428)
1,869	Financing and Investment Income and Expenditure	5.1.1	2,169
(179,341)	Taxation and Non-Specific Grant Income	5.1.3	(184,575)
13,215	**(Surplus) or Deficit on Provision of Services**		**3,982**
(1,048)	(Surplus) or Deficit on revaluation of non-current assets	5.2.3	(3,578)
3	Re-measurement of the net defined benefit liabilities	8.3.11	343
(1,045)	**Other Comprehensive (Income) and Expenditure**		**(3,235)**
12,170	**Total Comprehensive (Income) and Expenditure**		**747**

6.2 PCC SINGLE ENTITY MOVEMENT IN RESERVES STATEMENT (MIRS)

The purpose of this statement is shown in section 3 of the Group Accounts

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Group Reserves £000
Balance as at 1st April 2017	**5,536**	**7,753**	**0**	**331**	**13,620**	**23,518**	**37,136**
Movement in reserves during 17/18							
Total Comprehensive Income and Expenditure *(Note 6.1)*	(13,215)	0	0	0	**(13,215)**	1,045	**(12,170)**
Adjustment between accounting basis and funding basis under regulations *(Note 5.2.1)*	3,782	0	0	0	**3,782**	(3,782)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(9,433)**	**0**	**0**	**0**	**(9,433)**	**(2,737)**	**(12,170)**
Transfers to/from Earmarked Reserves	6,754	(6,754)	0	0	**0**	0	**0**
Increase or (Decrease) in 2017/18	**(2,679)**	**(6,754)**	**0**	**0**	**(9,433)**	**(2,737)**	**(12,170)**
Balance at 31st March 2018	**2,857**	**999**	**0**	**331**	**4,187**	**20,781**	**24,966**
Balance as at 1st April 2018	2,857	999	0	331	**4,187**	20,781	**24,966**
Movement in reserves during 18/19							
Total Comprehensive Income and Expenditure *(Note 3.1)*	(3,982)	0	0	0	**(3,982)**	3,235	**(747)**
Adjustment between accounting basis and funding basis under regulations *(Note 5.2.1*	5,596	0	4,868	0	**10,464**	(10,464)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**1,614**	**0**	**4,868**	**0**	**6,482**	**(7,229)**	**(747)**
Transfers to/from Earmarked Reserves	93	(93)	0	0	**0**	0	**0**
Increase or (Decrease) in 2018/19	1,707	(93)	4,868	0	**6,482**	(7,229)	**(747)**
Balance at 31st March 2019 *(Note 6.3)*	**4,564**	**906**	**4,868**	**331**	**10,669**	**13,552**	**24,221**

6.3 PCC SINGLE ENTITY BALANCE SHEET

The purpose of this statement is shown in section 3 of the Group Accounts

31st March 2018 £000		Notes	31st March 2019
53,004	Land and Buildings	5.3.1	54,790
17,459	Vehicles, Plant and Equipment	5.3.1	16,603
2,052	Intangible Assets	5.3.2	3,396
2,381	Assets under construction	5.3.1 & 5.3.2	12,183
276	Long-Term Debtors	5.3.4	192
75,171	**Long Term Assets**		**87,164**
10,238	Assets Held for Sale	5.3.5	0
500	Inventories	5.3.6	500
0	Short Term Investments	5.3.12	14,000
29,842	Short Term Debtors	5.3.7	26,047
2,710	Cash and Cash Equivalents	5.3.8	3,936
43,290	**Current Assets**		**44,484**
(0)	Bank Overdraft	5.3.8	(0)
(11,756)	Short Term Borrowing	5.3.12	(5,541)
(20,716)	Short Term Creditors	5.3.9	(27,653)
(32,472)	**Current Liabilities**		**(33,194)**
(58,800)	Long-Term Borrowing	5.3.12	(71,800)
(271)	Other Long Term Liabilities	5.3.11	(0)
(1,950)	Liability Related to Defined Benefit Pension Scheme	8.3.13	(2,435)
(61,021)	**Long Term Liabilities**		**(74,235)**
24,968	**Net Assets**		**24,219**
	Financed by:		
	Usable Reserves		
(2,857)	General Fund	5.2.2	(4,563)
(999)	Earmarked Reserves	5.2.2	(907)
(331)	Capital Grant Unapplied	5.2.2	(331)
0	Capital Receipt Reserve	5.2.2	(4,868)
(20,781)	Unusable Reserves	5.2.3	(13,550)
(24,968)	**Total Reserve**		**24,219**

6.4 PCC SINGLE ENTITY CASH FLOW STATEMENT

The purpose of this statement is shown in section 3 of the Group Accounts.

2017/18 £000		Notes	2018/19 £000
13,215	Net (Surplus) or Deficit on the provision of services	6.1	3,982
(12,714)	Adjustments to net (Surplus) or Deficit on the provision of services for non-cash movements	5.4.1	(30,214)
1,281	Adjustment for items included in the net (Surplus) or Deficit on the provision of services that are investing and financing activities.	5.4.3	26,821
1,782	**Net cash flow Operating Activities**		**589**
11,294	Investing Activities	5.4.2	16,184
(13,500)	Financing Activities		(18,000)
(424)	**Net Increase or decrease in cash and cash equivalents**		**(1,226)**
(2,286)	Cash and cash equivalents at the beginning of the reporting period		(2,710)
(2,710)	**Cash and cash equivalent at the end of the reporting period**	5.3.8	**(3,936)**

6.5 PCC SINGLE ENTITY EXPENDITURE AND FUNDING ANALYSIS (EFA)

The purpose of this disclosure note is shown in section 4 of the Group Accounts.

2017/18 Restated Net Expenditure charged to General Fund £000	2017/18 Restated Adjustments between Funding Basis and IFRS Basis £000	2017/18 Restated Net Expenditure in the CIES £000		2018/19 Net Expenditure charged to General Fund £000	2018/19 Adjustments between Funding Basis and IFRS Basis £000	2018/19 Net Expenditure in the CIES £000
0	0	0	Police Officer Pay and Allowances	0	0	0
1,231	99	1,330	Police Staff Pay and Allowances	1,338	83	1,421
12	0	12	Other Employee Expenses	27	0	27
0	0	0	Police Pensions	0	0	0
0	0	0	Premises	0	0	0
22	0	22	Transport	23	0	23
507	0	507	Supplies and Services	531	0	531
5,471	0	5,471	Agency and Contracted Services	6,291	0	6,291
0	0	0	Depreciation and Impairment	0	0	0
0	5	5	Non Distributed Costs	0	4	4
7,243	**104**	**7,347**	**Expenditure**	**8,210**	**87**	**8,297**
(2,396)	0	(2,396)	Grants and Contributions	(2,222)	0	(2,222)
0	0	0	Reimbursements	0	0	0
0	0	0	Sales, Fees and Charges	0	0	0
0	0	0	Other Income	0	0	0
181,371	4,214	185,585	Intra-group Funding	177,054	4,687	181,741
186,218	**4,318**	**190,536**	**Net Cost of Services**	**183,042**	**4,774**	**187,816**
0	151	151	(Surplus)/ Deficit on disposal of assets	0	1,428	(1,428)
1,819	50	1,869	Financing and Investment Income and Expenditure	2,115	54	2,169
(178,604)	(737)	(179,341)	Taxation and Non-Specific Grant Income	(183,915)	(660)	(184,575)
9,433	**3,782**	**13,215**	**(Surplus) or Deficit on Provision of Services**	**1,242**	**5,596**	**3,982**
0	(1,048)	(1,048)	(Surplus) or Deficit on revaluation of non-current assets	0	(3,578)	(3,578)
0	3	3	Re-measurement of the net defined benefit liabilities	0	343	343
(6,754)	6,754	0	Transfers To/(From) Earmarked Reserves	410	(410)	0
2,679	**9,491**	**12,170**	**Net (Surplus)/Deficit Funded from General Fund**	**1,652**	**1,951**	**747**
5,536			Opening General Fund	**2,857**		
0			Transfers In/(Out)	**503**		
(2,679)			Net Surplus/(Deficit)	**1,204**		
2,857			**Closing General Fund**	**4,564**		

Analysis of EFA Adjustments

Capital £000	Pensions £000	Other £000	Total Adjustments £000	Adjustments from General Fund to arrive at the CIES	Capital £000	Pensions £000	Other £000	Total Adjustments £000
0	(120)	21	(99)	Police Staff Pay and Allowances	0	(83)	0	(83)
0	(5)	0	(5)	Non Distributed Costs	0	(4)	0	(4)
0	**(125)**	**21**	**(104)**	**Net Cost of Services**	**0**	**(87)**	**0**	**(87)**
(4,216)	0	2	(4,214)	Intra-group Funding	(5,131)	0	444	(4,687)
(151)	0	0	(151)	Loss or Gain on disposal of fixed assets	(1,428)	0	0	(1,428)
0	(50)	0	(50)	Financing and Investment Income and Expenditure	0	(54)	0	(54)
737	0	0	0	Taxation and Non-Specific Grant Income	660	0	0	660
(3,630)	**(175)**	**23**	**(3,782)**	**Difference between General Fund and CIES (Surplus) or Deficit on the provision of services**	**(5,899)**	**(141)**	**444**	**(5,596)**

6.6 INTRA-GROUP FUNDING ARRANGEMENTS BETWEEN THE PCC AND THE CHIEF CONSTABLE

The Intra-Group funding arrangement is eliminated on consolidation of the Group Accounts, a treatment adopted for any transactions between the PCC and Chief Constable. The guarantee from the PCC in respect of the resources consumed by the Chief Constable in 2018/19 amounts to £181.741m £185.586m in 2017/18). This has been re-presented in the CIES and is now included within the Net Cost of Policing Services, in line with current best practice for the preparation of Police Accounts.

2017/18 £000		2018/19 £000
168,410	Chief Constable’s cost of service	161,895
62,003	Interest on the net defined benefit liability	57,340
(41,431)	Home Office grant towards cost of retirement	(41,459)
(143,455)	Re-measurement of the net defined benefit liability	83,053
45,527	**Resources consumed**	**260,829**
	Items removed through the MIRS	
139,613	Movement in pension liability	(78,814)
446	Movement in accumulated absences liability	(274)
185,586	**Total resources consumed for the year by the Chief Constable and funded by the PCC**	**181,741**

SECTION 7
(APPENDIX A)
7.1 ACCOUNTING POLICIES

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

General Principles (IAS 8)

Statutory Guidance and Accounting Standards used

The Statement of Accounts summarises the Group’s transactions for the 2018/19 financial year and its position at 31st March 2019. It provides the reader with information about the Group's financial position and its stewardship of public funds. The accounting policies are the specific principles, bases, conventions, rules and practices applied by the Group and the PCC when preparing and presenting the financial statements. The annual Statement of Accounts is a legal requirement under the Accounts and Audit Regulations 2015 and must comply with proper accounting practices. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and the Service Reporting Code of Practice 2018/19 which is based on approved accounting standards. The accounts are supported by International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

Changes in Accounting Policies

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

Group Accounts

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

Income and Cost Recognition and Intra-group Adjustment

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

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

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

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

Revenue from Contracts with Customers (IFRS 15)

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

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

Accruals of Income and Expenditure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Events after the Balance Sheet Date (IAS 10)

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

For any material events after the balance sheet date which provide additional evidence regarding conditions existing at the balance sheet date, an adjustment has been made to the Statement of Accounts.

Material events after the balance sheet date which concerned conditions not existing at 31 March have been disclosed as a separate note to the accounts.

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

Government Grants and Contributions (IAS 20)

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

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

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

Leases (IAS 17)

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

Operating Lease - Receivable (Group as lessor)

Where the Group has granted an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight line basis over the life of the lease and any direct costs incurred in negotiating and arranging the lease are added to the carrying amount and charged as an expense over the lease term on the same basis as rental income.

Operating Lease - Payable (Group as lessee)

Rentals paid under operating leases are charged to the service benefiting from use of the leased asset in the CIES. Charges are made on a straight-line basis over the life of the lease, regardless of the pattern of payments.

Finance Lease – (Group as lessor)

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

Lease payments are apportioned between:

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

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

Employee Benefits (IAS 19)

Benefits Payable during Employment

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

Termination Benefits

This policy only applies to members of police staffs including PCSOs. Termination benefits are amounts payable as a result of a decision by the Group to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy. These benefits are charged on an accruals basis to the Non Distributed Costs line in the Group's CIES. They are charged when the Group is demonstrably committed to the termination of the employment of an employee or making an offer to encourage voluntary redundancy.

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

Defined Benefit Schemes (Post-Employment Benefits)

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

- <u>Police Officers – Police Pension Scheme (PPS)</u>

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

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

International Accounting Standard (IAS) 19 requires the nominal discount rate to be set by reference to market yields on high quality corporate bonds or where there is no deep market in such bonds then by reference to government bonds. The PPS liabilities are discounted using the nominal discount rate based or government bond yield of appropriate duration plus an additional margin. Discount rates used by the actuaries and other assumptions are sent out in Appendix XX in the accounts.

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

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

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

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

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

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

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

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

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

<u>The re-measurements comprise of:</u>

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

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

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

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

Discretionary Benefits

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

Injury Awards

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

Charges to Service Revenue Accounts for Non-Current Assets

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

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

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

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

Jointly Controlled Operations (IAS 31)

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

Exceptional Items

Normally any material exceptional items are separately identified on the face of the CIES, in order to give a fair presentation of the accounts. Where these items are less significant they are included within the relevant line of the CIES, however, details of all exceptional items are given in the Explanatory Foreword.

Cash and Cash Equivalent (IAS 39)

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

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

Financial Instruments (IAS 32 & IFRS7 & IFRS9)

Financial liabilities

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and receivables are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans the Group has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest, and the interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

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

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

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

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

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

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

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

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

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

Any gain and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES along with any accumulated gains or losses previously recognised in the 'Available for sale' Reserve.

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

Property, Plant and Equipment (PPE) (IAS 16) and Intangible Assets (IAS 38)

PPE - Recognition

General

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

Surplus Assets

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

Intangible assets

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

De Minimis

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

Measurement

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

The Group does not capitalise borrowing costs.

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

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

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

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

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

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

Impairment (IAS 39)

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

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

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

Depreciation and Amortisation (IAS 16/38)

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

Depreciation is calculated on the following bases:

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

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

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

Disposals

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

Gains and Losses on Sale of Assets

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

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

Assets Held for Sale (IFRS 5)

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

Depreciation is not charged on Assets Held for Sale.

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

Inventories/Stocks (IAS 2)

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

Provisions (IAS 37)

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

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

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

Contingent Liabilities

Where a potential provision cannot be accurately estimated or an event is not considered sufficiently certain, it has not been included in the accounts but is instead disclosed in the notes as a contingent liability. A contingent liability also occurs where a liability may arise but is dependent upon the outcome of future events before it can be confirmed.

Contingent Assets

A contingent asset occurs where a possible asset may arise but is dependent upon the outcome of future events before it can be confirmed Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Value Added Tax

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

Assumptions about the Future and other Major Sources of Estimation Uncertainty

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation would increase and the carrying amount of the assets would fall, however, the assets are revalued on a rolling three year basis so the lives of the assets are regularly adjusted to allow for actual maintenance schedules. This, along with the increase in disposals, should negate the need to reduce lives further in the coming year.
Insurance Reserve	The Insurance Fund was subject to a full revaluation in 2018/19. This review confirmed that there were sufficient funds for future liabilities. The only uncertainly is the potential increase in claims as a result of the current economic climate, e.g. increase in fraud claims.	The fund evaluation in 2018/19 reassured OPCC that there were sufficient funds in the insurance reserves for outstanding current and potential liabilities.
Insurance Provisions	The insurance provision is based on estimates for all claims/liabilities known to the Group. Each claim is assessed and estimated based on experience and knowledge from previous similar claims and from information provided by the insurance company. These insurance provisions are updated for any known changes as and when required internally and on a monthly basis by the insurance company.	It is difficult to predict the actual outcome of most claims until they are finalised, however for these items the risk is clearly identified to the Group. A bigger risk is for any unforeseen, unusual insurance claims successfully made against the force. However, the Group has a £100,000 limit on each and every incident before the insurance company will then cover all other costs. Therefore, this is the maximum risk for every incident.

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Group with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured and are shown in section 10.

Accounting Policies not relevant or not material

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

- Acquisitions and Discontinued Operations
- Restructuring of loan portfolios and treatment of bonds
- Use of capital receipts to fund disposal costs
- Foreign Currency Translation
- Intangible Assets – Recognition of website development and other internally generated assets
- Long term contracts
- Interests in companies and other entities
- Investment properties (IAS 40)
- Private Finance Initiatives and Similar Contracts.
- Heritage Assets
- Financial Instruments – soft loans

SECTION 8

(APPENDIX B)

PENSION FUND ACCOUNTS

8.1 POLICE PENSION SCHEME FOR ENGLAND AND WALES- PENSION FUND ACCOUNT

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

Fund Account 2017/18 £000			Fund Account 2018/19 £000	
		Contributions Receivable:		
		From employer		
(12,734)		Contributions at 21.3%	(12,592)	
(1,907)		Early retirements	(1,342)	
(17)		Other- Pre 1974 recharge receipts	(15)	
(8,125)		Officers contributions	(8,006)	
	(22,783)			(21,955)
	(483)	**Transfers in from Other Schemes**		(582)
		Benefits Payable:		
49,648		Pensions	52,330	
12,143		Commutations and lump sum retirement benefits	13,263	
2,691		Ill-health commutations and lump sum retirement benefits	0	
313		Lump sum death benefits	0	
	64,795			65,593
		Payment to and on Account of Leavers		
9		Refund of contributions	6	
0		Individual transfers out to other schemes	111	
	9			117
	41,538	**Sub-total for the year before transfer from the Group of amount equal to the deficit**		43,173
	(41,538)	**Net Amount payable/ receivable for the year**		(43,173)
	107	Additional of 2.9% to the cash flow due to a reduction in the employer contribution rate from 24.2% to 21.3% that is reflected in a reduction in the Home Office pension to up funding		1,714
	(41,431)	**Actual Home Office top up funding**		**(41,459)**

8.2 NOTES TO THE POLICE PENSION FUND ACCOUNT

Note 1
The annual cost of police pensions is met, in part, by contributions from the employer and serving police officers and other minor sources of income. Under the Police Pension Fund Regulations 2007. Due to the fact that the Chief Constable does not hold assets or liabilities, no cash is transacted by the Chief Constable. The fund is be balanced to nil at the end of each financial year either by paying over any surplus to the Home Office or by receiving cash in the form of pension top-up grant from the Home Office to make up any deficit. The OPCC acts as intermediary where grant payment/receipt takes place – the grant is therefore shown on the OPCC's CIES (Intra-group funding) but is transferred to the Chief Constable through the Intra-Group funding. The fund does not hold any investment assets and follows the accounting policies of the Group.

Note 2
The Account collects the costs and income relating to retired police officers that are in receipt of pensions and income associated with serving police officers that are members of the Police Pension Scheme 1987 (OPPS), the New Police Pension Scheme 2006 (NPPS) or the Police Pension Scheme 2015 (PPS). There are certain exceptions to this arrangement, such as pension's payable under the Police Injury Pension Regulations, which are charged directly to the Cost of Services in the CIES;

Note 3
The Account includes the relevant payments made to pension scheme members following the Ombudsman decision in Milne v GAD and also the additional Top Up funding reimbursed by the Home Office to fund these payments;

Note 4
This Account does not take account of long-term liabilities to pay future pension benefits after the year end, details of the Group's pension liability can be found in Appendix B.

Note 5
Employers' contributions, which are set by the Home Office subject to the Government Actuary's Department triennial valuation, are calculated at 21.3% of police officer pensionable pay from 1st April 2015. However, the difference between the old employer contribution rate of 24.2% and the new rate will be retained by the Exchequer, reducing Pensions Top Up as shown at the foot of the Pension Fund Account. In both years the force therefore budgeted as though there were an employer contribution rate of 24.2%;

Accounting Policies

(a) Transfer values

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

(b) Debtors and creditors

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

(c) IAS 19

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

8.3 PENSION SCHEME

Participation in Pension Schemes

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

The OPCC participates in two post-employment schemes:

- The Local Government Pension Scheme for Police Staff (LGPS), administered by Staffordshire County Council. This is a funded defined benefit scheme, meaning that the OPCC and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. With effect from 1st April 2014, the LGPS became a career average (CARE) scheme rather than a final salary scheme.
- The Police Pension Scheme 1987 (OPPS), the New Police Pension Scheme 2006 (NPPS) and the Police Pension Scheme 2015 (PPS) are administered by Kier Business Services Limited. These are unfunded defined benefit final salary schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet the actual pensions payments as they eventually fall due. Further details of this scheme are given in the Supplementary Financial Statement.

Transactions Relating to Retirement Benefits

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

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

8.3.1 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	LGPS		PPS	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Cost of services:				
Current service costs (Inc. employee contribution)	(15,302)	(15,090)	(41,050)	(40,950)
Past service cost (Inc. curtailments)	(341)	(274)	(1,520)	0
Pension transfer in	0	0	(480)	(590)
Financing and investment income and expenditure				
Interest Cost on defined benefit obligation	(8,524)	(9,220)	(58,880)	(54,030)
Interest income on plan assets	5,351	5,856	0	0
Total post-employment benefit charges to the surplus or deficit on provision of services	**(18,816)**	**(18,728)**	**(101,930)**	**(95,570)**
Re-measurement of the net defined benefit liability				
Return on plan assets (excluding the amount included in the net interest expense)	(612)	14,012	0	0
Re-measurement of the net defined benefit liability- demographic assumptions	0	0	70,880	0
Re-measurement of the net defined benefit liability- financial assumptions	7,844	(35,430)	(66,300)	(65,120)
Actuarial gains and losses on liabilities experience	20	(18)	131,620	3,160
Total post-employment benefit charges to the CIES	**7,252**	**(21,436)**	**136,200**	**(61,960)**

8.3.2 MOVEMENT IN RESERVES STATEMENT

	LGPS		PPS	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Reversal of net changes made to the surplus or deficit for the provision of services for the post-employment benefits charged against the general fund balance for pensions in the year.	18,816	18,728	101,930	95,570
Employers contributions payable to scheme	(7,838)	(9,915)	(67,460)	(68,960)
Retirement benefits payable to pensioners	0	0	0	0
Total	**10,978**	**8,813**	**34,470**	**26,610**

8.3.3 PENSION ASSETS AND LIABILTIES RECOGNISED IN THE BALANCE SHEET

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

	2018/19 £000	2017/18 £000	2016/17 £000	2015/16 £000	2014/15 £000
Present value of the defined benefit obligation					
PPS	(1,917,236)	(1,870,126)	(2,013,287)	(1,719,695)	(1,946,229)
LGPS	(392,749)	(335,406)	(321,487)	(272,053)	(288,122)
Fair value of LGPS assets	240,545	213,451	203,258	186,079	180,087
Deficit in the scheme					
PPS	(1,917,236)	(1,870,126)	(2,013,287)	(1,719,695)	(1,946,229)
LGPS	(152,204)	(121,955)	(118,229)	(85,974)	(108,035)
Total	**(2,069,440)**	**(1,992,081)**	**(2,131,516)**	**(1,805,669)**	**(2,054,264)**

8.3.4 RECONCILIATION OF PRESENT VALUE OF THE SCHEME LIABILTIES (DEFINED BENEFIT OBLIGATION):

	Funded Liabilities LGPS		Unfunded Liabilities PPS	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Opening balance 1st April	(321,487)	(335,406)	(2,013,287)	(1,870,126)
Current service cost	(15,302)	(15,090)	(32,930)	(32,950)
Interest cost	(8,524)	(9,220)	(58,880)	(54,030)
Contributions by scheme participants	(2,501)	(2,558)	(8,120)	(8,000)
Re-measurement gain/(loss)	7,864	(35,448)	136,200	(61,960)
Pension transfer in	0	0	(480)	(590)
Benefits paid	4,885	5,246	67,460	68,960
Past service costs (including curtailments)	(341)	(274)	(1,520)	0
Top-up grant	0	0	41,431	41,459
Closing balance 31st March	**(335,406)**	**(392,750)**	**(1,870,126)**	**(1,917,236)**

8.3.5 RECONCILIATION OF THE MOVEMENT IN THE FAIR VALUE OF THE SCHEME ASSETS

	LGPS	
	2017/18 £000	2018/19 £000
Opening balance 1st April	203,258	213,451
Interest income	5,351	5,856
Re-measurement gain/(loss)		
The return on the plan assets, excluding the amount included in the net interest expenses	(612)	14,012
Employer contributions	7,838	9,915
Contributions by scheme participants	2,501	2,558
Benefits paid	(4,885)	(5,246)
Closing balance 31st March	**213,451**	**240,546**

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 2018/19 and the potential effect of changes in these assumptions are set out below. The total net liability of £2,069m has a substantial impact on the net assets of the OPCC as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the OPCC remains healthy. The deficit on the local government scheme will be made good by increased contributions over the working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. Finance is only required to be raised to cover police officer pensions when the pensions are actually paid.

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

8.3.6 THE LOCAL GOVERNEMNT PENSION SCHEME ASSETS COMPRISE:

	31st March 2018		31st March 2019	
	Fair Value of Scheme Assets £m	Age of Total Assets %	Fair Value of Scheme Assets £m	Age of Total Assets %
Equity securities:				
Consumer	9.2508	4	10.8428	5
Manufacturing	8.9143	4	8.5335	4
Energy and Utilities	2.6137	1	3.5339	1
Financial Institutions	8.6633	4	8.6182	4
Health and Care	6.3188	3	7.8281	3
IT	6.0470	3	6.6617	3
Other	0.2316	0	0.2223	0
Debt Securities:				
Corporate Bonds (investment grade)	16.1957	8	18.5109	8
Corporate Bonds (non-investment grade)	0.0000	0	0.0000	0
UK Government	0.0000	0	0.0000	0
Other	0.0000	0	0.0000	0
Private Equity:				
All	6.2324	3	8.5112	4
Real Estate:				
UK Property	16.5124	8	21.9251	9
Overseas Property	0.0000	0	0.0000	0
Investment Funds and Unit Trusts:				
Equities	100.8729	46	105.7094	42
Bonds	12.5602	6	18.2940	8
Hedge Funds	3.7477	2	4.3829	2
Commodities	0.0000	0	0.0000	0
Infrastructure	0.0000	0	0.0000	0
Other	5.5071	3	9.4329	4
Derivatives				
Inflation	0.0000	0	0.0000	0
Interest Rate	0.0000	0	0.0000	0
Foreign Exchange	0.0000	0	0.0000	0
Other	0.0000	0	0.0000	0
Cash and Cash Equivalents:				
All	9.7831	5	7.5381	3
Total:	**213.451**	**100**	**240.545**	**100**

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

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

Source: Hymans Robertson LLP

8.3.7 BASIS FOR ESTIMATING ASSETS AND LIABILITIES

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

The principal assumptions used by the actuary have been:

	LGPS		PPS	
	2017/18	2018/19	2017/18	2018/19
Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	22.1 years	22.1 years	22.6 years	22.7 years
Women	24.4 years	24.4 years	24.2 years	24.3 years
Longevity at 65 for future pensioners				
Men	24.1 years	24.1 years	24.5 years	24.6 years
Women	26.4 years	26.4 years	26.1 years	26.2 years
Rate of inflation	2.30%pa	2.35%pa	2.30%pa	2.35%pa
Rate of increase in salaries	2.80%pa	2.90%pa	4.30%pa	4.35%pa
Rate of short term increase in salaries (to 2020)			1.00%pa	1.00%pa
Rate of increase in pensioners	2.40%pa	2.50%pa	2.30%pa	2.35%pa
Rate for discounting scheme liabilities	2.70%pa	2.40%pa	2.55%pa	2.45%pa
Take up of option to convert annual pension into retirement grant				
Pre-April 2008 service	50%	50%	N/A	N/A
Post-April 2008 service	75%	75%	N/A	N/A

8.3.8 SENSITIVITY ANALYSIS

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

LGPS Change In Assumptions at 31st March	Approximate % Increase in Employer Liability	Approximate Monetary Amount £000
0.5% decrease in real discount rate	13.00%	49,753
0.5% increase in the salary increase rate	3.00%	10,221
0.5% increase in the pension increase rate	10.00%	38,472
PPS Change In Assumptions at 31st March		
0.5% decrease in real discount rate	(10.00)%	(221,000)
1 year increase in member life expectancy	2.50%	56,000
0.5% increase in the salary increase rate	1.00%	25,000
0.5% increase in the pension increase rate	8.00%	176,000

8.3.9 PENSIONS FOR THE PCC SINGLE ENTITY

The tables below set out the estimated Pensions Charges, Assets and Liabilities relating to the 20 Staff (21 Staff in 2017/18) directly under the control of the PCC as at 31st March 2019 (based on the agreed transfer of Staff under Stage 2) that were LGPS members at this date. These amounts have been calculated using an estimate based on the PCC's Staff as a proportion of the total OPCC Group membership of the Scheme, that is 1.6% in 2018/19 (1.6% in 2017/18) of the amounts shown below.

8.3.10 TRANSACTION RELATING TO RETIREMENT BENEFITS

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

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

8.3.11 PCC SINGLE ENTITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	LGPS	
	2017/18 £000	2018/19 £000
Cost of services:		
Current service costs (Inc. employee contribution)	(245)	(241)
Past service cost (Inc. curtailments)	(5)	(4)
Financing and investment income and expenditure		
Interest cost on defined benefit obligation	(136)	(148)
Interest income on plan assets	86	94
Total post-employment benefit charges to the surplus or deficit on provision of services	**(300)**	**(299)**
Re-measurement of the net defined benefit liability		
Return on plan assets (excluding the amount included in the net interest expense)	(10)	224
Actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	126	(567)
Actuarial gains and losses on liabilities experience	0	0
Obligation relating to: staff previously under control of the Chief Constable and new staff in the year	(119)	0
Total post-employment benefit charges to the CIES	**(3)**	**(343)**

8.3.12 PCC SINGLE ENTITY MOVEMENT IN RESERVES STATEMENT

	LGPS	
	2017/18 £000	2018/19 £000
Reversal of net changes made to the surplus or deficit for the provision of services for the post-employment benefits charged against the general fund balance for pensions in the year.	300	299
Employers contributions payable to scheme	(125)	(158)
Total	**175**	**141**

8.3.13 PCC SINGLE ENTITY PENSION ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

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

	2017/18 £000	2018/19 £000
Present value of the defined benefit obligation	(5,366)	(6,284)
Fair value of LGPS assets	3,415	3,849
Deficit in the scheme	**(1,951)**	**(2,435)**

8.3.14 PCC SINGLE ENTITY RECONCILIATION OF PRESENT VALUE OF THE SCHEME LIABILITIES (DEFINED BENEFIT OBLIGATIONS):

	Funded Liabilities LGPS	
	2017/18 £000	2018/19 £000
Opening balance 1st April	(4,822)	(5,366)
Obligations relating to staff previously under control of the Chief Constable and new staff in the year	(321)	0
Current service cost	(245)	(241)
Interest cost	(136)	(148)
Contributions by scheme participants	(40)	(41)
Re-measurement gain/(loss)	126	(567)
Benefits paid	77	83
Past service costs (including curtailments)	(5)	(4)
Closing balance 31st March	**(5,366)**	**(6,284)**

8.3.15 PCC SINGLE ENTITY RECONCILIATION OF THE MOVEMENTS IN THE FAIR VALUE OF THE SCHEME ASSETS

	2017/18 £000	2018/19 £000
Opening balance 1st April	3,049	3,415
Obligations relating to staff previously under control of the Chief Constable and new staff in the year	202	0
Interest Income	86	94
Re-measurement gain/(loss)		
The return on plan assets, excluding the amount included in the next interest expense	(10)	224
Employer contributions	125	158
Contributions by scheme participants	40	41
Benefits paid	(77)	(83)
Closing balance 31st March	**3,415**	**3,849**

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 2018/19 and the potential effect of changes in these assumptions are set out above. However, statutory arrangements for funding the deficit mean that the financial position of the PCC remains healthy. The deficit on the local government scheme will be made good by increased contributions over the working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

SECTION 9

GLOSSARY OF TERMS

9.1 ABBREVIATIONS

OPCC	-	Office of the Police and Crime Commissioner for Staffordshire Group
PCC	-	Police and Crime Commissioner
CIES	-	Comprehensive Income and Expenditure Statement
CFR	-	Capital Financing Requirement
IAS	-	International Accounting Standard
IFRS	-	International Financial Reporting Standards
LGPS	-	Local Government Pension Scheme
GAD	-	Government Actuary Department
NPAS	-	National Police Aviation
MIRS	-	Movement in Reserves Statement
MTFO	-	Medium Term Financial Outlook
MTFP	-	Medium Term Financial Plan
NNDR	-	National Non-Domestic Rates
PPE	-	Property Plant and Equipment
PWLB	-	Public Works Loan Board
REFCUS	-	Revenue Expenditure Financed from Capital under Statute
RSG	-	Revenue Support Grant
ROCU	-	Regional Organised Crime Unit
PCCWM	-	Police and Crime Commissioner West Midlands
CCAOU	-	Central Counties' Air Operations Unit
VFM	-	Value for Money
PCSO	-	Police Community Support Officer
CMPG	-	Central Motorway Patrol Group
HMIC	-	Her Majesty's Inspectorate of Constabulary
CFO	-	Chief Finance Officer
CIPFA	-	Chartered Institute of Public Finance & Accountancy
EFA	-	Expenditure and Funding Analysis
ETAP	-	Ethics, Transparency and Audit Panel

1.2 GLOSSARY OF FINANCIAL TERMS

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

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

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

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

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

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

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

Appropriations
Amounts transferred to or from revenue or capital reserves.

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

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

Bad (and doubtful) Debts
Debts which may be uneconomical to collect or unrecoverable.

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

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

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

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

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

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

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

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

Code of Practice on Local Authority Accounting (UK)
Publication produced by CIPFA that provides detailed guidance on the proper accounting treatment to be used in the preparation of local authority statement of accounts.

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

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

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

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

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

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

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

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

Current Value
The current value of an asset is a measurement of the assets service potential and can be measured at:
- Existing Use Value – where an active market exists,
- Depreciated Replacement Cost– for assets where there is no market and / or the assets are specialised.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IAS19
The objective of International Accounting Standard (IAS) 19, Accounting for Retirement Benefits in Financial Statements of Employers is to prescribe the accounting and Disclosure for employee benefits (that is, all forms of consideration given by an entity in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

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

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

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

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

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

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

Medium Term Financial Plan (MTFP)

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

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

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

Net Revenue Expenditure
This represents the OPCC budget requirement and use of reserves.

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

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

Outturn
Actual income and expenditure in an accounting period.

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

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

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

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

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

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

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

Remuneration

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

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

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

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

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

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

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

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

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

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

Single Entity Financial Statements
The main financial statements for the OPCC.

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

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