The Police and Crime Commissioner for Lincolnshire

Financial Statements

2015/16

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Police and Crime Commissioner for Lincolnshire
PCC Group and PCC
Statement of Accounts 2015-16

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Police and Crime Commissioner for Lincolnshire

Introduction to the Financial Statements

The first Police and Crime Commissioner for Lincolnshire elections took place in November 2012. A second election took place in May 2016. The Commissioner's primary functions are to secure the maintenance of Lincolnshire Police and secure its efficiency and effectiveness. He must also hold the Chief Constable to account for a number of duties. The primary legislative provisions setting out the Commissioner's obligations are the Police Reform and Social Responsibility Act 2011 and the Police Act 1996.

All the financial transactions incurred during 2015/16 for policing Lincolnshire have been recognised and recorded in this Statement of Accounts. The statement sets out the financial performance and financial position of the Commissioner and the Group (Commissioner and Chief Constable) as at 31 March 2016 and how the financial position has changed over time.

It should be noted that whilst these statements are issued by the current Police and Crime Commissioner Marc Jones, Alan Hardwick held office as the Police and Crime Commissioner for Lincolnshire (PCC) during this period.

The PCC has the legal power and duty to set the strategic direction and objectives of Lincolnshire Police through the Police and Crime Plan. He must also scrutinise, support and challenge the overall performance of the Force against the priorities agreed within the Plan.

Mr Jones will issue a Police and Crime Plan for the period 2017 – 2021 as soon as practicable and must do so before 1 April 2017. However the Police and Crime Plan for Lincolnshire 2013 - 2017 contains three priorities:

- Reducing crime
- A fair deal for the people of Lincolnshire
- Police and services that are there when you need them

Overall crime has fallen over the last 5 years and is on a downward trend. This trend has slowed in the year to date with a 2% rise in recorded crimes. However, when compared to crime levels in other areas, Lincolnshire remains one of the safest places to live in the country.

The transformation of Lincolnshire Police continues at a rapid pace in order to ensure our communities have the services they need, when they need them. Police Officer and Police Community Support Officer (PCSO) numbers have been maintained at 1100 and 149 respectively. Work has been undertaken to reconfigure how these officers are deployed to maximise their efficiency in traditional areas of policing and create capacity to tackle new emerging crime types such as child sexual exploitation, cyber-crime and modern day slavery.

Whilst Lincolnshire Police's overall performance continues to be good when compared to other police forces, current central Government funding arrangements continue to present challenges. During the year, Government consulted on reform of police funding in England and Wales. A new, simplified allocation model was proposed which would have enabled funding to be provided sustainably to, and allocated fairly between, Police and Crime Commissioners in England and Wales. Both the PCC and Chief Constable supported these proposals and engaged proactively with Government to refine an approach which would have seen Lincolnshire benefit by around £8 million annually. Government's plans indicated the new formula would be implemented from 2017-18. However, due to technical issues with the data, the Home Office halted introduction of the new formula, pending further work. A date for further consultation and the introduction of any reform has yet to be set.

This has led the independent HMIC (Her Majesty's Inspectorate of Constabulary) to express concern over the ability of Lincolnshire Police to maintain its current level of service in future years.

However, despite this uncertainty and Lincolnshire Police's position as one of the lowest funded Forces in the country, it continues to innovate and look to secure best value for money from the available funds. A bid for £7.5 million funding from the Government's Police Innovation Fund was successful and will enable all emergency services in Lincolnshire to work more closely together to meet the needs of communities more efficiently and effectively.

In addition this year has seen cutting edge technology harnessed to improve the flexibility and efficiency of frontline officers. For example body worn video cameras have been introduced for all neighbourhood and response officers so that incidents can be recorded as they happen, making evidence gathering both more efficient and effective. Also frontline officers will be utilising new mobile technology allowing them direct and instant access to a wide range of policing information whilst out working across the county without the need to return to a police station.

For the victims of all crime, new services have been put in place, including support and help for the most vulnerable victims and those who require specialist help.

Lincolnshire Police remains one of the lowest cost police forces in the country providing value for money for the taxpayers of Lincolnshire and the communities it serves.

Roles and responsibilities

The Commissioner and the Chief Constable have specific roles and responsibilities as determined under the Police Reform and Social Responsibility Act 2011. The Commissioner provides a link between the police and the community, he sets out the strategic policing and crime priorities and objectives through the publication of a Police and Crime Plan and also sets the policing and crime precept. The Chief Constable is operationally independent of the Commissioner but must have regard to the Commissioner's Police and Crime Plan.

The Statement of Accounts

The 2015/16 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2015/16. The accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include:

- The Police Reform and Social Responsibility Act 2011 (the Act)
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2013
- The Commissioner's Governance Arrangements including Financial and Contract Regulations.

Further information about the Financial Statements is available from:

PCC's Chief Finance Officer
Police Headquarters
Deepdale Lane
Nettleham
Lincoln
LN2 2LT.

In addition interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection has been advertised in the local press.

Marc Jones
Police and Crime Commissioner for Lincolnshire

KPMG

Independent Auditor's Report to the Police and Crime Commissioner
for Lincolnshire

We have audited the financial statements of the Police and Crime Commissioner for Lincolnshire for the year ended 31 March 2016 on pages 30 to 108. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Police and Crime Commissioner's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner and the Group as at 31 March 2016 and of t the Police and Crime Commissioner's and the Group's expenditure and income for the year then ended;

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 11 to 21 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or

- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or

- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

The Police and Crime Commissioner's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

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

Certificate

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner for Lincolnshire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Andrew Cardoza

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

12 August 2016

Annual Governance Statement

This section details the Police and Crime Commissioner for Lincolnshire's governance arrangements in operation during 2015/16 including plans for the financial year 2016/17.

Introduction

Good governance is about how organisations ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open and accountable manner. It comprises the systems, processes, culture and values by which organisations are directed and controlled, and through which they account to, engage with and, where appropriate, lead their communities.

All Police and Crime Commissioners and Chief Constables are required by regulation to produce an Annual Governance Statement (AGS). This is a document which accompanies the statement of accounts and describes how good our governance arrangements have been over the last 12 months and sets out areas for development.

Scope of Responsibilities

The Police and Crime Commissioner for Lincolnshire ("the Commissioner") is responsible for ensuring the business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Commissioner has a duty under the Policing Protocol Order 2011 to secure value for money on behalf of the public that he serves.

In discharging this overall responsibility, the Commissioner is required to put in place proper arrangements for the governance of his affairs and which facilitate the exercise of his functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility the Commissioner places reliance on the Chief Constable of Lincolnshire Police to support the governance and risk management processes.

The Lincolnshire Police Annual Governance Statement is signed by the Chief Constable in the PCC set of accounts and supports the group governance arrangements.

The Commissioner has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. A copy is available on the Commissioner's website at http://www.lincolnshire-pcc.gov.uk/Transparency/Corporate-Governance.aspx or can be obtained from the Office of the Police and Crime Commissioner for Lincolnshire, Police Headquarters, Deepdale Lane, Nettleham, Lincoln, LN2 2LT. Telephone 01522 947192 or email lincolnshire-pcc@lincs.pnn.police.uk.

This statement explains how the Commissioner has complied with the Code and also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

In accordance with paragraph 3.7.4.3 of the Code of Practice on Local Authority Accounting for 2015/16; the Commissioner's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer (CFO) of the Commissioner and the CFO of the Chief Constable.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values utilised in the discharge of the Commissioner's statutory functions. It enables the Commissioner to monitor the achievement of the policies and strategic plans (as outlined in the Police and Crime Plan for Lincolnshire and associated strategies) and to consider whether those plans have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commissioner's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, to manage them effectively, efficiently and economically.

The governance framework has been in place for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

The Governance Framework

The governance regime introduced by the Commissioner gives effect to the provisions of the Police Reform and Social Responsibility (PR&SR) Act 2011. This framework was designed so that:

- Where statutory powers provide for non-operational decision making that rests with the Commissioner, the Commissioner may give consent for certain decisions to be reached by the Chief Constable
- There is clarity on which statutory powers of the Commissioner have been delegated to the Commissioner's staff
- The decision making structure provides for effective management of resources
- Proportionate control mechanisms are in place in order to secure probity in the use of public resources and value for money
- The Commissioner can be assured that the highest standards of openness, transparency, integrity, respect for others and corporate governance in the exercise of functions
- The Commissioner is seen to be accountable to the people of the area for the delivery of the service.

By law the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of Lincolnshire Police. It is however the Commissioner who is required to hold him to account for the exercise of those functions and those of the persons under his direction and control. This is done in a manner that recognises the commitment of the Commissioner and Chief Constable to abide by the working principles of the Policing Protocol as set out in the Schedule to the Policing Protocol Order 2011.

The key elements of the systems and processes that comprise the governance arrangements put in place for the Commissioner and the Chief Constable are measures for:

- Identifying and communicating the Commissioner's vision, purpose and intended outcomes;
- Reviewing the Commissioner's vision and its implications for governance arrangements;
- Measuring the quality of services for users, for ensuring they are delivered in accordance with the Commissioner's objectives and for ensuring that they represent the best use of resources;
- Defining and documenting the roles and responsibilities of the Commissioner and Force and the senior officers of each, setting out clear delegation arrangements and protocols

for effective communication, and arrangements for challenging and scrutinizing Force activity;

- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for officers and staff;
- Reviewing and updating standing orders, standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedure notes/ manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities; - Delivering good governance in local government: Guidance note for Police;
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- Whistle-blowing and for receiving and investigating complaints from the public and handling redress;
- Identifying the development needs of senior officers in relation to their strategic roles, supported by appropriate training;
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;
- Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Commissioner's overall governance arrangements.

The governance framework has been adopted by the Commissioner and the Chief Constable. The Commissioner's Code of Corporate Governance together with the Governance Framework is available at: http://www.lincolnshire-pcc.gov.uk/Transparency/Corporate-Governance.aspx.

Review of Effectiveness

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework including the system of internal control.

This review has been informed by the work of the Chief Executive (CE), Deputy Chief Executive (DCE) and the Chief Finance Officer (CFO), internal auditors, and also other members of the Commissioner's staff who have the responsibility for the development, maintenance and operation of the governance environment. In addition comments made by the internal and external auditors and other review agencies and inspectorates have informed this review.

Following an Internal Audit tender process, Mazars LLP were appointed internal auditors for the period April 2015 to March 2019.

The Commissioner and Chief Constable have a Joint Independent Audit Committee (JIAC) that meet at least four times a year. The JIAC provides advice on matters relating to the adequacy and effectiveness of the financial and other controls, corporate governance, financial and contract regulations and risk management arrangements operated by both the Commissioner and the Chief Constable. The JIAC is subject to an annual self-assessment.

The JIAC has received and considered independent reports from both Internal and External Audit and monitored the implementation of action plans drawn up to address identified internal control weaknesses. The Head of Internal Audit provides an opinion, based on the work undertaken in the year, on the adequacy and effectiveness of the assurance framework, risk management, internal control and governance. The External Auditor provides an opinion on the financial statements/value for money.

There are a number of internal groups that meet on a regular basis to enable the Commissioner to carry out effective monitoring and review of the Force's performance and assess progress made against the objectives stated in the Police and Crime Plan. The Performance Governance meetings consider police performance (crime) and the Resources Governance meeting considers financial, people, estates and ICT resources. The Professional Standards Governance meeting reviews matters relating to the conduct of police officers and staff. The Police and Crime Strategic (P&CS) Board consider long term strategy development, the assurance map, significant and emerging risk areas and the Chief Constable's report.

The effectiveness of the governance framework has been reviewed by the Commissioner's Executive Team[1] in the year 2015/16. The review has included the:

- Internal audit reports, including: governance (decision making) and delivery of the police and crime plan.
- Consideration of the Commissioner's approach to risk management,
- Code of corporate governance and the annotated code providing sources of evidence
- Commissioner's Decision Making Framework and practical application of the significant public interest policy statement
- Commissioner's Publication Scheme and approach to ensuring that information is publicly available and transparent
- Integrated Scheme of Governance (ISG) that includes the Scheme of Consent, Commissioner's and Chief Constable's Scheme of Delegation and the Financial and Contract regulations.
- Consideration of the Commissioner and Chief Constable's joint assurance map
- Ongoing development and review of the Commissioner's Operational Delivery Monitoring Plan
- Review and monitoring of Lincolnshire Police performance (both organisational and operational) through the governance meeting structure and written and oral briefings
- External auditors and their formal reporting.

Review of the ISG revealed that the Financial Contract Regulations element required some minor updating. This led to the formal adoption of the revised version in May 2016, the PCC decision notice, reference 011-2016, records this. Assurance on the effectiveness of the Commissioner's regulatory framework has been provided by the CE who, as Monitoring Officer, has a legal duty to ensure the lawfulness and fairness of decision-making. Specialist legal advice is available to the Monitoring Officer as required.

Assurance on the effectiveness of the Commissioner's financial controls has been provided by the CFO who was designated as the responsible officer for the administration of financial affairs under section 151 of the Local Government Act 1972. Systems are in place to ensure the lawfulness and financial prudence of decision-making and to fully discharge the responsibilities of the role. The financial arrangements in place conform to the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government (2010).

The ISG was first published in 2014 to reflect the new governance arrangements arising from the PRSR Act 2011. The JIAC has been consulted on the scheme and its content is reviewed annually. Prompted by internal audit, a mandatory ISG training package has been developed for all relevant staff. The training package is designed to allow staff positively to attest that they are cognisant of the policies relating to the scheme and the financial and contract regulations. This

[1] Chief Executive, Chief Finance Officer and Deputy Chief Executive

e-learning' package is delivered through the National Centre for Applied Learning Technologies (NCALT) and was completed by relevant staff during December 2015 and January 2016. Further action identified from this training will be progressed during 2016/17

The Commissioner's risk management arrangements are well developed and embedded. The JIAC reviews the Commissioner's risk management strategy on an annual basis and monitors the Commissioner's strategic risk register quarterly. The Executive team consider and review risks on a monthly basis through management meetings. Internal audit reported a "Green/Substantial Assurance" on the PCC's risk management arrangements in November 2015. The risk register and assurance framework are aligned and drive improvement activity where assurance on the effectiveness of controls needs to be strengthened.

The Commissioner is committed to promoting fairness and equality and ensuring that people are treated with respect and dignity at all times. The monitoring and review of equality and diversity issues is carried out on a quarterly basis through a member of the Commissioner's staff attending the Equality and Diversity Board. The Commissioner also has oversight of the Chief Constable's approach to stop and search. This is achieved through quarterly reporting from the Superintendent lead.

The Police and Crime Panel in Lincolnshire exist to scrutinise the Commissioner (not the Chief Constable), to promote openness in the transaction of PCC business and to support the Commissioner in the effective exercise of operations. In Lincolnshire, the Commissioner and the senior management have attended every meeting of the Police and Crime Panel.

The Commissioner published his Annual Report in June 2016 and presented it to the Panel. The Annual Report demonstrates how the Commissioner has carried out the legal duties, to set out what has been achieved over the year, reporting on the progress that has been made in meeting the objectives set out in the Police and Crime Plan. The audited Financial Statements are published on the PCC's website to complement the Annual Report. The report is available online at: http://www.lincolnshire-pcc.gov.uk/Transparency/Annual-report.aspx.

In addition to specific consultation as part of the development of the Police and Crime Plan, the Commissioner has set out a commitment to be accessible to the public through a range of channels. In the course of the year, the Commissioner received 705 pieces of correspondence, covering a wide range of issues. This has demonstrated that there is an effective link between the public and the directly elected individual charged with governance. All correspondence is carefully considered and responded to appropriately. The Commissioner is committed to openness and transparency and maintains a dedicated section on his website to meet his statutory obligations in this area, including the publication of expenses, salaries of senior staff and expenditure over £500 and a list of assets held. The Commissioner has received 51 Freedom of Information (FOI) Requests[2] in the last year. The Commissioner and Chief Constable have an engagement strategy which enables them to seek and act upon people's views about local policing and local issues.

Lincolnshire Police and the Commissioner have a joint Anti-fraud and Corruption Policy in place which has been reviewed during the year. Quarterly meetings of the Anti-Fraud and Corruption Board ensure that current and emerging risks and issues in relation to anti-fraud and corruption are regularly discussed and reviewed, keeping the JIAC informed of any issues arising.

The P&CS Board adopted the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption published in 2014 that will help both organisations to maintain their vigilance to tackle fraud.

The Commissioner has ensured that arrangements are in place for receiving and handling complaints from the public which are within the PCC's statutory remit.

[2] Total number of requests in the period April 2015 to March 2016

The Chief Constable has undertaken a review of governance and provided an Annual Governance Statement to inform and support the statement.

The Commissioner has been advised on the implications of the result of the review of the effectiveness of the governance framework by the executive team and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant Governance Issues

The Risk Register is a tool that identifies the risks that would prevent or distract the Commissioner from achieving the objectives.

The joint assurance map is recognised by the Commissioner and the Chief Constable as a vital tool for effective corporate governance. It provides timely and reliable information on the effectiveness of the management of major strategic risks and significant control issues; it also provides a cohesive and comprehensive view of assurance across the risk environment. The assurance map provides much of the evidence base for this annual governance statement. Independent assurance is also provided by the JIAC.

High level risks on the assurance map are considered on a quarterly basis to support the continuous assessment of the effectiveness of the management of risk and internal control. The Commissioner's significant governance issues are detailed below, sourced from the map, and include an outline of the actions taken or further work that is required to address the issues.

Risk of failure to persuade government of Lincolnshire's case for a fairer share of national funding.

During the year, Government consulted on reform of police funding in England and Wales. A new, simplified allocation model was proposed which would have enabled funding to be provided sustainably to, and allocated fairly between, Police and Crime Commissioners in England and Wales. Both the PCC and Chief Constable supported these proposals and engaged proactively with Government to refine an approach which would have seen Lincolnshire benefit by around £8 million annually. Government's plans indicated the new formula would be implemented from 2016-17. However, due to technical issues with the data, the Home Office halted introduction of the new formula, pending further work. A date for further consultation and the introduction of any reform has yet to be set.

The Chancellor announced in November 2015 that overall spending on police would be protected for 2016/17 providing precept income were maximised by each policing area. Although overall spending was protected, for Police and Crime Commissioners the settlement indicated a flat rate 0.6% reduction in cash terms, which in Lincolnshire equated to £337k less police Grant than was provided in 2015/16. This continued the trend of reduced Central Government grant to policing which in Lincolnshire has reduced 22% since 2010/11 equivalent to £16 million per annum.

In setting the budget for 2016/17, the PCC drew on financial reserves for the first time during his period in office and increased the police precept element of the Council Tax by 1.96%. This budget allows for the number of police officers and PCSOs to be maintained at 1,100 and 149 respectively. To achieve financial balance beyond 2016/17 it is clear that without a more equitable slice of the national grant or substantial precept rises, Lincolnshire will face a significant degradation of service. This financial situation would undoubtedly result in fewer police officers, PCSOs and supporting staff. Both the PCC and the Chief Constable remained supportive of Government's original proposals for reform of the funding formula and continued to make Lincolnshire's case to Government. The PCC's current medium term financial plans assume reform will result in a larger share of the police grant for Lincolnshire in the medium term.

Risk of a lack of effective succession planning (Chief Officer Team)

In September 2014, the Commissioner identified a risk that related to the Force's Chief Officer succession plans. Concern was expressed due to the short term temporary appointments of the Chief Officer Team. There has been some positive action with the permanent appointment of the Assistant Chief Officer (Resources) and more recently the Deputy Chief Constable. The Commissioner and his Executive Team continue to discuss this issue with the Chief Constable although the emphasis is now moving towards broader succession planning issues across other ranks. HMIC commented in their February 2016 leadership assessment that Lincolnshire Police, " …assesses the effectiveness of its leadership programme using workplace evaluations although we found limited formal analysis or audits of leadership capability" it also commented that "…developing talent takes place on a more informal basis, which is an area that the force could improve." Lincolnshire Police is developing a talent management strategy aimed at identifying and developing both officers and staff.

A further consideration is the imminent departure of a number of highly experienced senior officers in key roles across the force. In addition a recent Home Affairs Select Committee commented on the national difficulties PCCs and Forces are facing in being able to attract sufficient numbers of applicants for senior positions. The Chief Police Officers' Staff Association (CPOSA) carried out a survey covering the period April-October 2015 which received information from 25 forces. This found that there were five Chief Constable or equivalent recruitments over the period, which attracted a total of 11 applications; and that there were single applications for two of the recruitments. Similarly, eight deputy chief officer posts attracted a total of 17 applications. In an attempt to mitigate against this national problem the Commissioner will have due regard of the Home Affairs Select Committee recommendations on the recruitment of Chief Constables and the College of Policing guidance on the appointment of Chief Officers. The overall aim should be to ensure as wide a pool of applicants as possible is attracted through widespread advertisement of roles.

Risk of failure to achieve and demonstrate efficiencies and value for money

The Commissioner and Chief Constable both have a statutory duty to make the best use of resources available to them. The Police and Crime Plan commits to obtaining value for money from all funding and avoiding waste. Over the last year key work streams have furthered this commitment including: crime prevention; demand management/THRIVE[3]; the Policing Model Project[4] and the implementation of significant technical solutions such as Body Worn Video and Mobile Technology. Oversight is gained through the Resources Governance meeting and the Police and Crime Strategic Board; independent assurance is gained through HMIC via the Efficiency pillar of their PEEL inspection programme. The Commissioner continues to support the Force in maintaining project and programme discipline to ensure that anticipated benefits are realised.

Lincolnshire Police will advance their benefits realisation work into 2016/17 with workshops already held between Chief Officers and members of the PCC's Executive team. The Financial Strategy includes performance measures relating to both financial health and financial performance, supported by a number of plans and policies.

[3] 'THRIVE' (Mnemonic for 'Threat', 'Harm', 'Risk', 'Investigation', 'Vulnerability', 'Engagement') is our new operational model which seeks to appropriately respond to calls for service putting the needs of victims and service users at the heart of what will be a bespoke service

[4] Project to reshape the existing workforce to better meet the demand from emerging crime types (child sexual exploitation / cyber-crime / modern slavery) whilst continuing to service more traditional demands.

Risk of failure to deliver and demonstrate VfM in regional collaboration

The Commissioner and Chief Constable collaborate with the East Midlands region in many operational and back office areas. The Special Operations Unit, Major Crime Unit, Special Branch and Forensics Services have been in place for several years with Occupational Health and Legal Services, Criminal Justice and Operational Support more recently forming collaborative services. The region was successful in receiving a Home Office grant through the Police Innovation Fund. This has supported a major collaborative project led by Lincolnshire Police for the regional deployment of Niche[5].

It is acknowledged that the governance structure (monitoring and oversight) and financial governance needs to be strengthened in order to improve effective management of funds. Lincolnshire instigated a regional review commissioned by the Regional PCC Board and the Chief Officer Group to examine whether the benefits expressed in original business cases were being realised. The resulting recommendations have been acted on by the leads for each business area and progress reported to the Resource Governance Meeting on a quarterly basis. These action plans are nearing completion. In addition, Baker Tilly has been commissioned to conduct assurance mapping across a number of regional collaborations. The output from this will inform future internal audit plans. As an interim measure internal audit will conduct regional audits of, Officers in Kind, Forensics, Covert Payments and Terms of Reference for the regional PCC Board. These audits form part of the 2015/16 audit plan.

Updates are provided to the East Midlands PCC Board and there is a Regional Efficiency Board in place that has oversight of the implementation of the planned savings. Collaboration forms part of the draft joint internal audit strategy and audit plan which was presented to the March 2016 JIAC. This area of business remains under scrutiny via the risk register and assurance map.

Risk of failure to ensure that Strategic Partner/Partners' objectives are delivered

The Commissioner's strategic partnership with G4S continues to deliver service improvements and savings. The contract is overseen through a robust governance structure and through the Commercial Partnership Team who manage and monitor the contract on behalf of the Commissioner. The Performance and Delivery Board meet on a quarterly basis and their remit includes assuring compliance with service performance standards, oversight of transformation initiatives and benefits realisation. The Executive Board meets every 6 months and takes ownership of the vision for the partnership and strategic planning to deliver the vision.

Following internal audits carried out in 2013/14, there was concern raised about the number of opinions on Lincolnshire Police's financial controls that were RAG rated red/amber[6]. However, following subsequent audits the ratings in the March 2016 Internal Audit Progress Report are as follows; Cash, Bank and Treasury, Income and Debtors were all rated as "Green/Significant Assurance". The Payments & Creditors audit report rated the level of assurance as "Green/Satisfactory". The CIPFA Financial Management Review and self-assessment planned for 2015/16 has been completed. Work has commenced on the resulting action plan and will continue over the next two years.

The Firearms Licensing department continues to have difficulties in meeting the demands placed on it. Customers are experiencing lengthy waiting times for both licence renewals and new applications. A number of reviews of the department have been conducted by G4S and Lincolnshire Police to look for improved means of managing and administering the licensing process, work is ongoing. A longer term solution lies with a successful bid to the Police

[5] Niche is an electronic records management system used for the live time storage and retrieval of key policing information which can be shared by multiple forces.

[6] e.g. cash, banking and treasury management, payments and creditors, income and debtors

Innovation Fund made by the Firearms Licensing Transformation Programme. This venture consists of the national Police ICT Company and Hampshire Constabulary as the lead force. The aim is to deliver a national transactional licensing solution that could be offered to all police forces.

Inspectorate findings

HMIC's PEEL Inspection programme covers all 43 forces in England and Wales and examines Efficiency, Effectiveness and Legitimacy providing comparable grades for each force against these three "Pillars". Inspections are conducted throughout the year and at the end of each inspection year (February) an overall assessment is produced. HMIC introduced the PEEL framework in 2014 but did not provide grades for all three Pillars in this first year. However, in February 2015 Lincolnshire Police Efficiency was assessed as "Good" and the "extent to which the force has an affordable way of providing policing" was graded as "Outstanding". In February 2016 Lincolnshire achieved the following PEEL grades; Efficiency – "Requires Improvement"; Effectiveness –"Requires Improvement"; Legitimacy – "Good".

The reduced grade for Efficiency (I.e. from "Good" in 2015 to "Requires improvement" in 2016) reflects HMIC's view that the commitment to maintain current workforce numbers in the face of further savings requirements proposed by the Government was not achievable. HMIC did not accept the underlying assumptions made by the Commissioner in setting out the Force budget. In particular choosing to disregard the Commissioner's view that something needed to change in relation to funding from Government (in the light of the Home Office commitment to address the funding formula) if the Force were to avoid degradation of service to the public. The Commissioner made strong representations to HMIC that they had overstepped their remit in commenting on the Commissioner's view on funding and that it had led them mistakenly to refuse to accept the force's medium term financial plan as they believed it would result in a budget deficit, which could not be bridged by the use of reserves.

The legitimacy inspection examined Lincolnshire Police's use of the power to Stop and Search. Findings commented on a lack of understanding by frontline officers to what constitutes reasonable grounds for a search. The overall level of compliance with the Home Office "Best use of Stop and Search" scheme was found to be insufficient. Consequently the force was suspended from the scheme until a satisfactory re-inspection is achieved in 2016. The introduction of Body Worn Video and mobile technology to frontline officers will address many of the issues raised by HMIC.

Outside of the PEEL programme Lincolnshire Police also received a major inspection of its custody provision, by a joint team from HMIP and HMIC. Their findings were disappointing with some recommendations not having been fully addressed since the previous inspection in 2011. As a result of these findings and the PEEL grades of February 2016 the Commissioner sought greater assurance from the Chief Constable. Progress against the inspectorate's recommendations will be regularly reported to the Police and Crime Strategic Board. The JIAC have also requested a regular reporting tool be established to aid their monitoring of force activity in this area. The commissioner is required by law to respond to all force specific HMIC reports and these responses are published on the PCC's website.

Anti-Corruption operation “ARGO”

In January 2016, Lincolnshire Police began an investigation following our anti-corruption unit receiving internally, an allegation that staff within the Force Control Room were calling 999, at quiet times, to ensure calls were picked up quickly to improve perceived performance. The force engaged immediately with the Independent Police Complaints Commission and subsequently with the Crown Prosecution Service as the allegations were first covertly and then overtly (from May 2016) investigated. Evidence of inconsistencies were found and an internal disciplinary process (not criminal) remains underway.

Significant governance issues are reported to the JIAC at least four times each year.

Other issues relevant to good governance that are worthy of note but that do not arise from entries in either the joint Assurance Map or PCC Risk Register are outlined below.

Code of Ethics

The Code of Ethics has been produced by the College of Policing in its role as the professional body for policing. It sets and defines the exemplary standards of behaviour for everyone who works in policing. It aims to ensure that everyone in policing feels able to always do the right thing and is confident to challenge colleagues irrespective of their rank, role or position. The Commissioner has adopted the Code and Lincolnshire Police set up a formal project to introduce the Code across the force, incorporating widespread training. A primary concern was to ensure that it did not confuse or conflict with existing policies and protocols. This included consideration of the already well embedded values of “Policing with PRIDE” (professionalism, respect, integrity, dedication, and empathy). To help reinforce its introduction a personal Code of Ethics booklet was provided to every member of the workforce in April 2015.

CIPFA Guidance revised

In June 2016 CIPFA will publish revised guidance notes for the police service that supports the recently published CIPFA – SOLACE Good Governance Framework. The new guidance does not impact on preparations for the 2015/16 accounts. However, it will apply in the 2016/17 financial year. The implications of this revised guidance for the Police Service will be duly considered in advance of their implementation.

Transition planning

On the 12 November 2015 a transition plan co-ordination group met which consisted of senior OPCC and Lincolnshire Police representatives. Their aim was to consider the preparations required in the run up to the election of a PCC in May 2016. This work included all the elements required to achieve a smooth transition between any outgoing Commissioner and a newly elected one. A detailed plan was subsequently constructed including the creation of a joint force and OPCC staff protocol, consideration of Purdah, communications issues, and legal requirements. A large part of the transition work entailed the creation of a detailed handbook for the incoming PCC to help them understand the role, organisation, legal and day to day responsibilities. In addition, a series of verbal and written briefings were scheduled. These included an introduction and insight into key areas of operational policing, OPCC functions and governance mechanisms.

It should be noted that Alan Hardwick served as Police and Crime Commissioner throughout the financial year 2015/16 until 11 May 2016. Having been duly elected PCC on 5 May, Marc Jones has occupied the office of PCC since 12 May 2016.

We propose over the coming year to continue our plans to address the above matters to further enhance our governance arrangements. We will address the need for improvements that are identified during our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed:

Marc Jones	Malcolm Burch
Police and Crime Commissioner for Lincolnshire	Chief Executive to the Police and Crime Commissioner for Lincolnshire
Date 3 August 2016	Date 3 August 2016

Chief Finance Officer's Narrative Report

This section highlights the key issues that are reported in the Accounts. Commentary is included on any issues that have had a major effect on the Police and Crime Commissioner's finances during the year being reported upon together with factors that may impact in the future.

Introduction

I am pleased to present the Statement of Accounts for the Police and Crime Commissioner (PCC) for Lincolnshire and the PCC for Lincolnshire Group (the PCC Group) for the financial year 2015/16. This Statement of Accounts sets out the overall financial position of the PCC and the PCC Group for the year ended 31 March 2016.

The accounts presented in this document reflect the police governance reform arrangements agreed by the Home Secretary to commence on 1 April 2014. From 1 April 2014 (under the second stage of Police Governance reforms), all Police Officers and the majority of police staff (other than a small number relating to the PCC's Office and Corporate Communications) transferred to the Chief Constable's employment. The Financial Statements with effect from 2014/15 have therefore been prepared to reflect the cost of providing operational policing in the Chief Constable's accounts with the PCC's accounts showing a commensurate transfer of resources to the Chief Constable.

The PCC Group position reflects the consolidated accounts of the PCC and the Chief Constable. Where the PCC Group position differs from the PCC position this is made clear in the accounting statements and notes. A separate set of accounts is produced for the Chief Constable for Lincolnshire.

The PCC receives all funding and income and makes all payments for the Group. Under a detailed Scheme of Delegation an annual budget is provided for and following consultation with the Chief Constable for fulfilling requirements for policing Lincolnshire in accordance with the Police and Crime Plan.

The Strategic Partnership contract is formally held by the PCC for the provision of a wide range of operational and support functions to the Chief Constable. This has been accounted for in the Chief Constable's accounts in its entirety, as the amount which would relate to the PCC would, if apportioned, not be of sufficient size to warrant a separate disclosure.

All assets, liabilities and reserves continue to be held in the main by the PCC however, those specifically relating to accounting entries within the Chief Constable entity are included in the Chief Constable's accounts. Pension liabilities have been split between the PCC and CC accounts. These accounts have been compiled in accordance with, and as required by, the Accounts and Audit Regulations 2015, the Code of Practice on Local Authority Accounting 2015/16 and also the Service Reporting Code of Practice (SeRCOP). The accounts show the financial affairs of the PCC for Lincolnshire and the Lincolnshire PCC Group during 2015/16 and the financial position as at 31 March 2016.

The accounts are prepared to provide the reader with a "true and fair" view of the financial position at the year end and the income and expenditure for the year. In order to achieve this view the accounts are prepared in accordance with the codes detailed above. Group accounting was introduced in 2012/13 with the introduction of the PCC and is continued in the current year's financial statements.

These accounts are based on the requirements of International Financial Reporting Standards (IFRS). IFRS are primarily drafted for the commercial sector and are not designed to address all the accounting issues relevant to local authorities. The Code of Practice on Local Authority Accounting has therefore been developed based on a hierarchy of alternative standards including International Accounting Standards (IAS), Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and International Public Sector Accounting Standards (IPSAS).

This narrative provides a brief explanation of the main financial aspects of the PCC's Group activities.

Background

The PCC Group is responsible for providing policing services to a population in excess of 710,000 dispersed across a large geographical area of 590,000 hectares.

The PCC Group:

- Sets its own budget;
- Holds its own Reserves;
- Receives its share of Police Grant paid by the Home Office in accordance with a detailed formula;
- Also receives DCLG Formula Funding and Legacy Council Tax Grants from the Home Office;
- Receives precepts for the proportion of the budget to be met by the residents of Lincolnshire as part of the overall council tax collected by District Councils.

The Accounts

The Financial Statements for the PCC Group consist of:

Statement of Responsibilities

This explains the responsibilities for the financial affairs of the Group and how these responsibilities are carried out.

Annual Governance Statement

The PCC must prepare and publish an annual governance statement in accordance with the "Delivering Good Governance" guidance and in order to meet the statutory requirements set out in the Accounts and Audit Regulations 2015.

Accounting Statements

The main statements are as follows:

Movement in Reserves Statement

A summary of the different reserves held by the PCC Group, distinguishing between those that are usable and unusable. It shows the overall financial result for the year in terms of movement in the Group's reserves.

Group Comprehensive Income and Expenditure Statement

A summary of the resources generated and consumed by the PCC Group in accordance with accounting policies rather than the amount required from taxation in current year.

Group Balance Sheet

This represents the financial position of the PCC as at 31 March 2016. It shows the balances and reserves at the PCC Group's disposal together with the long term and current assets employed in its operation.

Group Cash Flow Statement

This summarises the movement of the PCC Group's cash balances arising from transactions during the year and has been produced by reference to the accompanying Financial Statements rather than directly from the cash account.

Notes to the Accounts

The notes show details supporting each of the main accounting statements for the PCC Group, together with additional information to explain the PCC financial transactions where this is necessary. Note 1 contains the Accounting Policies. The purpose of these policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

Police Officer Pensions – Home Office Memorandum Account

This summarises the transactions relating to retirement benefits paid to police officers and how these costs are paid for.

Relationship between accounting statements

The different accounting statements are linked in several important ways.

The relationship between the Comprehensive Income and Expenditure Statement and the movement in the PCC Group's total reserves is shown in the Movement in Reserves Statement;

The Cash Flow statement reconciles to the balance on the Comprehensive Income and Expenditure Statement for the year and the movement in the Balance Sheet cash and cash equivalents;

The Statement of Accounts provides an opportunity to present more information to support the details in the Police and Crime Plan.

The Police and Crime Plan is available from the PCC's website www.lincolnshire-pcc.gov.uk.

The PCC sets the budget, in consultation with the Chief Constable, and determines the Council Tax precept to be levied on Lincolnshire's District Councils. Expenditure on the day to day running costs of the service is charged against the Revenue Budget and is recorded in the Comprehensive Income and Expenditure Statement. This is analysed by type of spending in Note 41 to the accounts in order to aid the reader's understanding of the ways in which money is spent. IFRS also requires the disclosure of "Budget Accounting Information" which provides a link between the statements and the management accounting information normally used by the PCC for the monitoring and control of the revenue budget (Note 40).

Expenditure on assets, which will be of benefit over a period of years, is charged against the capital programme initially. The expenditure incurred is normally added to property, plant and equipment in the Balance Sheet; although the annual costs of financing capital expenditure is reflected in the Revenue Budget and the Comprehensive Income and Expenditure Statement. A desk top revaluation of the PCC Group's Property Assets was undertaken during the year, with the results of the revaluation being included in the Balance Sheet. These are detailed in the note 12 & 29.

The Comprehensive Income and Expenditure Statement includes the costs of depreciation for all long term assets used in the delivery of services. The depreciation costs are not identified separately on the face of the statement; rather they are included within the costs for each of the services provided. Depreciation costs are replaced by capital financing charges in the Movement in Reserves Statement. The total capital expenditure and how that has been financed is provided in Note 19. The presentation of these details serves to highlight the value of the PCC Group's asset portfolio and the cost of using them in the delivery of services.

Revenue Budget Outturn 2015/16

In February 2015, the PCC approved a net revenue budget of £111.1 million of which £102.3 million was funded from Police Grant and Council Tax receipts (the Budget Requirement). In making this decision the PCC increased the council tax by 1.94% resulting in a charge of £197.64 for a Band D property.

The PCC's grant settlement for 2015/16 reflected the overall reductions being experienced in public sector expenditure. In line with other PCC's the grant was reduced by 5.1% when compared to the 2014/15 figure, a cash reduction of £3.2 million. In order to deliver a balanced budget, savings of £2.5m were required.

Financial Performance

A summarised statement of the actual net expenditure for the year is set out below and compared to the approved original budget for the year:

	Original Budget	Actual	(Under) / Over Spend
	£m	**£m**	**£m**
Services			
PCC	27.6	33.9	6.4
Chief Constable Delegated Budget	81.8	81.2	(0.6)
Joint Services	1.8	1.6	(0.2)
Total Service Expenditure	**111.1**	**116.7**	**5.6**
Other operating costs			
Appropriation to Earmarked Reserves	-	3.9	3.9
Appropriation from Earmarked Reserves	-	(2.4)	(2.4)
Total Expenditure	**111.1**	**118.2**	**7.1**
Financed by:			
General Police Grant	59.1	59.1	-
Council Tax	43.2	43.2	0.0
Neighbourhood Policing Contribution	1.2	1.2	-
Innovation Funds	-	4.2	4.2
Other Specific and Non-specific Grants	7.6	10.5	2.9
Total Financing	**111.1**	**118.2**	**7.1**
Total Surplus	**(0.0)**	**(0.0)**	**0.0**

Income exceeded the original budget as a result of Innovation Fund Grant from the Home Office (£6m) for the delivery of a regional ICT platform for crime and intelligence information and a regional virtual courts project. Additionally, income from regional forces in respect of collaboration in the provision of custody services (£1.1m) was received. This additional income was offset by commensurate additional spend.

Actual spending for the Chief Constable in 2015/16 was £0.6 million lower than the original budget. This was mainly due to Police Officer numbers being lower than anticipated at the start of the year together with reductions in the running costs budget resulting from ongoing reviews of spend to drive out budget savings for the future. These savings were used to invest in capital developments, reduce borrowing costs and to help fund performance improvements in future through the PCC budget that includes additional capital financing costs and transfers to reserves in its £33.9 million expenditure for the year.

The Service Reporting Code of Practice (SeRCOP) requires the disclosure of Police Service Expenditure with nine divisions of service. This has been included within the Group Comprehensive Income and Expenditure Statement. In order to assign monetary values to each of the nine divisions of service, apportionments of expenditure have been necessary. Apportionments have been based primarily upon the allocation of officers and staff across services, together with a proportional share of their overheads. A further allocation of central support service costs has been made across all services based on an appropriate allocation method.

Reserves

CIPFA issued update Guidance on Local Authority Reserves and Balances (LAAP 77) in November 2008. CIPFA's Guidance makes clear that the adequacy of reserves should be assessed in the context of its strategic, operational and financial risks.

The PCC's Financial Strategy requires that "general reserves will be maintained around the mid-point of a target range based on the financial risk assessment in respect of residual financial risks."

The current financial risk assessment indicates that general reserves should be maintained around 5% of total annual expenditure. The amount which was assessed for 2015/16 is £5.2m and was unchanged from 2014/15. The current balance of £5.6m is in accordance with this requirement. There are no plans to use any of the general reserve in 2016/17.

Earmarked reserves total £12.8m, including regional reserves, and are held for specific expenditure or contingencies. Movements in reserves are detailed in note 7.

Pensions

The reporting requirement known as IAS 19 "Retirement Benefits" features in the PCC Group accounting statements. This is a complex accounting standard but is based on a simple principle, i.e. that an organisation should account for retirement benefits when the commitment to give them is made, even if the actual liability will be many years into the future.

The PCC Group operates two schemes, both of which have been approved by Parliament. The Local Government Pension Scheme (LGPS) is funded and has assets to meet the future liabilities. On 1 April 2014 a new LGPS was created, whilst remaining a defined benefit scheme, the way that pensions are calculated changed with a "new career average" pension scheme being introduced. The new arrangements maintain all service prior to this date on a final salary basis with future benefits being based on pay (which now also includes non-contractual overtime) each scheme year rather than final salary. Transitional arrangements and protections for those approaching retirement age were also implemented. The effect of these new arrangements is included within the pension disclosures of these accounts.

The other scheme for police officers is unfunded (or "pay as you go") with payments being made from the Home Office Police Officer Pensions Account as they become due. Major reform of this scheme occurred on 1 April 2015. The Police Pension Scheme is a defined benefit occupational pension scheme which is guaranteed and backed by law. The scheme changed from a final salary scheme to a Career Average Revalued Earnings (CARE) scheme. Members of the 1987 and 2006 final salary schemes received transitional protection.

Since 2004/05, there is a requirement to disclose in the financial statements the full effect of IAS 19. The Comprehensive Income and Expenditure Statement has been designed to include the cost of retirement benefits when they are earned by employees rather than when the benefits are eventually paid as pensions. The statement shows that the actuary has identified a significant decrease in the liabilities of both schemes during the year which results in a lower total pensions liability at 31st March 2016. The reason for this change in both schemes is a revision to the financial assumptions made by the actuary, specifically the rate for discounting scheme liabilities. Full details are given in Note 51 to the accounts.

The total pension liability for the two schemes is shown in the Balance Sheet and has a significant impact, in terms of the overall value of the Balance Sheet. As is common with pension funds the Local Government Pension Scheme and the Police Pension Scheme have a net liability balance at year end. That is, the present value of the fund obligations exceeds the fair value of the employer assets in the fund. The total reported pension liability of the two schemes (which is offset in the Balance Sheet by the Pensions Reserve) has decreased over the past year.

From 1 April 2006, a new method of financing the annual cost of police officer pensions was introduced by the Government with a separate Memorandum Pensions Account being created. All payments are made to retired officers out of this account, and income received from Government to offset the net cost of the account after serving officer contributions have been deducted. This has smoothed the burden on the PCC and Chief Constable of budgeting for the increasing costs of police officer pensions.

Capital Expenditure

Capital Expenditure during the year totaled £3.825 million, including regional capital spend. The breakdown of which is included in note 17.

Additional borrowing was not necessary in 2015/16 due to the level of cash balances being held. The sources of funding for the capital programme are detailed in note 19.

The Prudential Code for Capital Finance in Local Authorities came into being on 1 April 2004. Under this system, individual PCC's are responsible for deciding the level of their borrowing, having regard to the Prudential Code. Total debt outstanding at 31 March 2016 was £13.4 million.

Assets and Liabilities

The PCC has recognised £818k in provisions (liabilities with uncertain timing) in the financial statements at 31 March 2016. The provisions are detailed in note 26.

Within the Total Reserves the PCC holds usable reserves of £18,969k these are explained in the section above with the remainder relating to pensions and capital accounting entries and are not available to the PCC Group.

Prospects for 2016/17 and beyond

For the financial year 2016/17, the PCC set a budget of £117.1m which included provision for cost pressures of £4.8m partially offset by savings of £1.9m. The increase in the employers' national insurance contribution comprised £1.7m of the cost pressures.

Police Grant from the government reduced by £0.3m when compared with 2015/16. The council tax precept was increased by 1.96%; this, together with an increase in the council tax base of 2.3%, led to an increase in budgeted council tax precept income of £2.1m. To deliver a balance budget in 2016/17, a call on the earmarked reserve for budget flexibility of £1.6m was required.

With effect from the 1 April 2012 the then Police Authority entered into a Strategic Partnership with the private sector company G4S for the provision of mid and back office services. This was the largest commercial contract in UK Policing with a contract being signed for an initial 10 year period. This contract together with a major reorganisation of operational policing and a continuation of the realisation of significant savings in the revenue budget combined to meet a significant proportion of the savings requirement for 2016/17.

Lincolnshire continues to provide policing services at one of the lowest cost per head of population in the country.

Beyond 2016/17, the level of Police Grant for Lincolnshire is uncertain. Whilst the Spending Review 2015 settlement indicated the national level of police funding for future years, there remains uncertainty over the methodology that will be used to allocate this funding between police force areas.

During 2015/16 the Home Office undertook a review of the police funding formula. Exemplifications issued as part of this review indicated that Lincolnshire would receive an additional £8m per annum in Police Grant once the Home Office proposals were implemented. The Policing Minister subsequently announced that the formula review process would be paused as a result of the discovery of a data error in the exemplifications. Whilst this data error had a significant impact on a number of force areas, the impact on Lincolnshire was negligible.

The Medium Term Financial Plan provides for a balanced budget through to 2019/20 based upon a prudent assumption of an additional £6m of police grant by the end of the planning period together with annual 2% council tax precept increases. Nevertheless, the approved plan envisages further calls on reserves of £1.5m over the planning period. Subsequent to the budget decision, the decision by the Home Office not to award police innovation funding for the Policing Model project has led to a further call on reserves of £1.95m over 2016/17 and 2017/18. This will be met from the budget flexibility reserve.

The Home Office has yet to make a further announcement about the future of the funding formula review; this presents a key risk to the delivery of the Medium Term Financial Plan.

It is clear that, without a more equitable slice of the national police grant, or substantial precept rises in future years, Lincolnshire would see significant degradation of service from 2017 onwards. That would undoubtedly take the form of fewer Police Community Support Officers (PCSOs), police officers and the staff who support them.

The continuing challenge is to maintain performance by improving the productivity and effectiveness of police officers e.g. through providing them with improved tools to support their work, for example ICT

Nevertheless, achieving a fairer share of government funding for Lincolnshire will be critical to maintaining acceptable levels of policing. The Commissioner and the Chief Constable continue to give high priority to improving police productivity and achieving a fairer share of government funding for Lincolnshire.

The PCC has approved a capital programme of £7.2 million in 2016/17. The programme includes:

- Significant investment in the Force estate;
- Replacement programme for vehicles;
- ICT schemes;
- A major investment in Bluelight collaboration supported by Innovation Fund grant from the Home Office.

Asset and Treasury Management

A revaluation of the PCC’s asset portfolio has been undertaken, the revised valuations reflecting the current commercial property market. The total value of the estate is now £24m.

The PCC has reviewed the policy for the investment of cash flow funds and has confirmed that the security and liquidity of investments are the priority over the yield. The PCC has determined that he will only use approved counterparties from countries with a minimum sovereign credit rating of AAA from Fitch. This policy coupled with the continuation of historical low interest rates has however resulted in the continuance of lower returns from investments.

Julie Flint, CPFA MSc

Chief Finance Officer to the

Police and Crime Commissioner for Lincolnshire

Statement of Responsibilities for the Statement of Accounts

This section explains the Police and Crime Commissioner's responsibilities for the stewardship of the PCC's financial affairs.

The Police and Crime Commissioner's Responsibilities	Responsibilities of the Chief Finance Officer
The PCC is required to Make arrangements for the proper administration of the financial affairs of the PCC and to secure that one of its officers has the responsibility for the administration of those affairs, which for the PCC is the Chief Finance Officer; and To manage the affairs of the PCC to secure economic, efficient and effective use of resources and to safeguard its assets; To approve the Statement of Accounts.	The Chief Finance Officer is responsible for the preparation of the PCC's Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing this Statement of Accounts, the Chief Finance Officer is responsible for: • Consistently applying suitable accounting policies; • Ensuring judgements and estimates are reasonable and prudent; • Compliance with the Local Authority Code; • Ensuring proper accounting records are kept and processes are in place to prevent and detect fraud and other irregularities.

I approve these audited Statement of Accounts	I certify that the Financial Statements present a true and fair view of the financial position of the Police and Crime Commissioner for Lincolnshire as at 31 March 2016 and its income and expenditure for the year then ended.

Police and Crime Commissioner for Lincolnshire Marc Jones Date : 3 August 2016	Chief Finance Officer Julie Flint CPFA MSc Date: 3 August 2016

Police and Crime Commissioner for Lincolnshire

Group Movement in Reserves Statement

2015/16

The Movement in Reserves Statement shows the movement in the year on the reserves held by the PCC Group, analysed into usable reserves and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the PCC 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 Balance. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the PCC Group.

Group	Capital Receipts Reserve	Capital Grants Unapplied	Earmarked Reserves	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total PCC Group Reserves
	£000	£000	£000	£000	£000	£000	£000
Restated Balance at 31 March 2014	**-**	**779**	**9,080**	**5,699**	**15,558**	**(1,105,256)**	**(1,089,698)**
Movement in Reserves during 2014/15							
Deficit on the provision of services	-	-	-	(38,009)	(38,009)	-	(38,009)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(168,317)	(168,317)
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**(38,009)**	**(38,009)**	**(168,317)**	**(206,326)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	-	(389)	-	40,193	39,804	(39,804)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**-**	**(389)**	**-**	**2,184**	**1,795**	**(208,121)**	**(206,326)**
Net transfers (to)/from Earmarked Reserves (Note 7)	-		2,009	(2,009)	-	-	-
Increase/(Decrease) in 2014/15	**-**	**(389)**	**2,009**	**175**	**1,795**	**(208,121)**	**(206,326)**
Balance at 31 March 2015 carried forward	**-**	**390**	**11,089**	**5,874**	**17,353**	**(1,313,378)**	**(1,296,025)**
Movement in Reserves during 2015/16							
Deficit on the provision of services	-		-	(25,995)	(25,995)	-	(25,995)
Other Comprehensive Income and Expenditure	-		-	-	-	202,843	202,843
Total Comprehensive Income and Expenditure	**-**		**-**	**(25,995)**	**(25,995)**	**202,843**	**176,848**
Adjustments between accounting basis and funding basis under regulations (Note 6)	134	(26)	-	27,503	27,611	(27,611)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**134**	**(26)**	**-**	**1,510**	**1,618**	**175,232**	**176,848**
Net transfers (to)/from Earmarked Reserves (Note 7)	-		1,726	(1,726)	-	-	-
Increase/(Decrease) in 2015/16	**134**	**(26)**	**1,726**	**(216)**	**1,618**	**175,232**	**176,848**
Balance at 31 March 2016 carried forward	**134**	**364**	**12,815**	**5,658**	**18,969**	**(1,138,147)**	**(1,119,179)**

Police and Crime Commissioner for Lincolnshire

PCC Movement in Reserves Statement

2015/16

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the PCC, analysed into usable and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the PCC's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the PCC.

PCC	Capital Receipts Reserve	Capital Grants Unapplied	Earmarked Reserves	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total PCC Reserves
	£000	£000	£000	£000	£000	£000	£000
Restated Balance at 31 March 2014 carried forward	**-**	**779**	**9,080**	**5,699**	**15,558**	**307**	**15,865**
Movement in Reserves during 2014/15							
Deficit on the provision of services	-	-	-	2,629	**2,629**	-	2,629
Other Comprehensive Income and Expenditure	-	-	-	-	-	482	482
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**2,629**	**2,629**	**482**	**3,111**
Adjustments between accounting basis and funding basis under regulations (Note 6)	-	(389)	-	(445)	**(834)**	834	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**-**	**(389)**	**-**	**2,184**	**1,795**	**1,316**	**3,111**
Net transfers (to)/from Earmarked Reserves (Note 7)	-	-	2,009	(2,009)	-	-	-
Increase/(Decrease) in 2014/15	**-**	**(389)**	**2,009**	**175**	**1,795**	**1,316**	**3,111**
Balance at 31 March 2015 carried forward	**-**	**390**	**11,089**	**5,874**	**17,353**	**1,623**	**18,976**
Movement in Reserves during 2015/16							
Deficit on the provision of services	-	-	-	2,522	**2,522**	-	2,522
Other Comprehensive Income and Expenditure	-	-	-	-	-	1,394	1,394
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**2,522**	**2,522**	**1,394**	**3,917**
Adjustments between accounting basis and funding basis under regulations (Note 6)	134	(26)	-	(1,015)	**(907)**	907	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**134**	**(26)**	**-**	**1,508**	**1,616**	**2,301**	**3,917**
Net transfers (to)/from Earmarked Reserves (Note 7)	-	-	1,726	(1,726)	-	-	-
Increase/(Decrease) in 2015/16	**134**	**(26)**	**1,726**	**(218)**	**1,616**	**2,301**	**3,917**
Balance at 31 March 2016 carried forward	**134**	**364**	**12,815**	**5,656**	**18,969**	**3,924**	**22,891**

Police and Crime Commissioner for Lincolnshire

Group Comprehensive Income and Expenditure Statement 2015/16

The Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards. The PCC Group raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The effect of the transactions on the PCC's usable reserves is shown in the Movement in Reserve's statement.

2014/15					2015/16		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
53,096	(2,287)	50,809		Local Policing	49,816	(1,900)	47,916
7,535	(83)	7,452		Dealing with the Public	7,423	(161)	7,262
10,811	(391)	10,420		Criminal Justice	7,970	(372)	7,598
5,893	(1,224)	4,669		Road Policing	1,931	(1,133)	798
6,027	(654)	5,373		Specialist Operations	8,332	(598)	7,734
5,877	(64)	5,813		Intelligence	7,052	(58)	6,994
29,364	(572)	28,792		Investigation	29,178	(647)	28,532
2,676	(72)	2,604		Investigative Support	2,899	(67)	2,832
3,186	(868)	2,318		National Policing	2,200	(958)	1,242
1,282	-	1,282	**42**	Corporate and Democratic Core	1,226	-	1,226
5,337	(3,323)	2,014	**42**	Non Distributed Costs: Other	8,745	(5,435)	3,309
131,084	**(9,539)**	**121,545**	**41**	**Cost of Services**	**126,771**	**(11,329)**	**115,442**
2,851	(1,019)	1,832	**8**	Other Operating Expenditure	2,564	(709)	1,855
48,274	(265)	48,010	**9**	Financing and Investment Income and Expenditure	43,314	(257)	43,056
-	(133,378)	(133,378)	**10**	Taxation and Non-Specific Grant Income	-	(134,358)	(134,358)
182,210	**(144,201)**	**38,009**		**(Surplus) or Deficit on the Provision of Services**	**172,650**	**(146,654)**	**25,995**
-	(1,111)	(1,111)	**29**	(Surplus) / Deficit on Revaluation of Non-Current Assets	-	(738)	(738)
169,428	-	169,428	**51**	Actuarial (Gains) or Losses on Pension Assets and Liabilities	(202,105)	-	(202,105)
169,428	**(1,111)**	**168,317**		**Other Comprehensive Income and Expenditure**	**(202,105)**	**(738)**	**(202,843)**
351,638	**(145,312)**	**206,326**		**Total Comprehensive Income and Expenditure**	**(29,455)**	**(147,392)**	**(176,848)**

There were no acquisitions or discontinued operations in the current year or in the preceding year.

A significant change occurred in the analysis of service expenditure between 2014/15 and 2015/16. This is due to a redefinition of service expenditure analysis, undertaken in light of changes made by the Home Office to the officer and police staff Annual Data Return (ADR). It is not reflective of change in operational services provided.

The changes have resulted in a movement in the base numbers providing an improved allocation in 2015/16. However as this is an estimate, prior year adjustment is not required. For example there is a movement between road Policing and Specialist Operations which results from a redefinition of Firearms Officers rather than a reallocation of resources.

A further significant change occurred within Non Distributed costs. In 2015/16 the Force was successful on behalf of Regional Forces in receiving funding from the Home Office Innovation Grant Scheme towards the costs of implementing Niche, a Regional Criminal Justice system. The work to procure and implement the system was undertaken in accordance with the contract arrangements with the Strategic Partner, G4S. The Income and Expenditure relating to this grant have been recorded in the Non Distributed Costs section of the statement as these costs are not directly attributable to policing in Lincolnshire.

Police and Crime Commissioner for Lincolnshire
PCC Comprehensive Income and Expenditure Statement
2015/16

The Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards.

2014/15					2015/16		
Gross Expenditure	Gross Income	Net Expenditure	Note		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
-	-	-		Local Policing			-
-	-	-		Dealing w ith the Public			-
-	-	-		Criminal Justice			-
-	-	-		Road Policing			-
-	-	-		Specialist Operations			-
-	-	-		Intelligence			-
-	-	-		Investigation			-
-	-	-		Investigative Support			-
-	-	-		National Policing			-
807	-	807	**42**	Corporate and Democratic Core	648		648
5,230	(3,323)	1,907	**42**	Non Distributed Costs: Other	8,745	(5,435)	3,309
6,037	**(3,323)**	**2,714**	**41**	**Cost of Services**	**9,393**	**(5,435)**	**3,957**
1,696	(344)	1,352	**8**	Other Operating Expenditure	1,222	(118)	1,104
1,212	(265)	948	**9**	Financing and Investment Income and Expenditure	1,270	(257)	1,012
-	(133,378)	(133,378)	**10**	Taxation and Non-Specific Grant Income	-	(134,358)	(134,358)
125,735	-	125,735	**11**	Expenditure - Intra Group financing	125,763	-	125,763
134,680	**(137,310)**	**(2,629)**		**(Surplus) or Deficit on the Provision of Services**	**137,648**	**(140,169)**	**(2,522)**
-	(1,111)	(1,111)	**29**	(Surplus) / Deficit on Revaluation of Non-Current Assets	-	(738)	(738)
629		629	**51**	Actuarial (Gains) or Losses on Pension Assets and Liabilities	(656)		(656)
629	**(1,111)**	**(482)**		**Other Comprehensive Income and Expenditure**	**(656)**	**(738)**	**(1,394)**
135,309	**(138,421)**	**(3,111)**		**Total Comprehensive Income and Expenditure**	**136,991**	**(140,907)**	**(3,916)**

There were no acquisitions or discontinued operations in the current year or in the preceding year

Police and Crime Commissioner for Lincolnshire

Group and PCC Balance Sheet

As at 31 March 2016

The Balance Sheet shows the value of the assets & liabilities recognised by the PCC Group and the PCC. For each entity the net assets are matched by the reserves held. Reserves are reported as Usable and Unusable Reserves. Unusable reserves include reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2015				31 March 2016	
PCC	Group			PCC	Group
£000	£000	Note		£000	£000
30,087	30,087	12	Property, Plant and Equipment	30,656	30,656
970	970	14	Investment Property	1,025	1,025
3,745	3,745	15	Intangible Assets	3,249	3,249
-	-	12	Assets Held for Sale	58	58
34,802	**34,802**		**Long-Term Assets**	**34,987**	**34,987**
452	452	22	Inventories	408	408
13,909	13,909	23	Short-Term Debtors	18,956	18,956
4,605	4,605	24	Cash and Cash Equivalents	4,618	4,618
-	-	53	Short-Term Investments	4,000	4,000
18,966	**18,966**		**Current Assets**	**27,982**	**27,982**
(1,451)	(1,451)	53	Short-Term Borrowing	(1,189)	(1,189)
(8,692)	(8,692)	25	Short-Term Creditors	(16,787)	(16,787)
(1,068)	(1,068)	21	Other Short Term Liabilities	(1,236)	(1,236)
(938)	(955)	26	Short-Term Provisions	(665)	(681)
(740)	(740)	49	Capital Grants Receipts in Advance (< 1 yr)	(120)	(120)
(12,887)	**(12,904)**		**Current Liabilities**	**(19,996)**	**(20,013)**
(13,254)	(13,254)	53	Long-Term Borrowing	(12,193)	(12,193)
(2,246)	(1,317,081)	51	Pension Liabilities	(1,712)	(1,143,628)
(6,405)	(6,405)	21	Other Long-Term Liabilities	(6,178)	(6,178)
-	(149)	26	Long-Term Provisions	-	(136)
(21,905)	**(1,336,889)**		**Long-Term Liabilities**	**(20,083)**	**(1,162,135)**
18,976	**(1,296,025)**		**Net Assets**	**22,891**	**(1,119,179)**
17,353	17,353	27	Usable Reserves	18,968	18,969
1,623	(1,313,378)	28	Unusable Reserves	3,922	(1,138,147)
18,976	**(1,296,025)**		**Total Reserves**	**22,890**	**(1,119,179)**

Police and Crime Commissioner for Lincolnshire

Group and PCC Cash Flow Statement

2015/16

The Cash Flow Statement shows the changes in cash and cash equivalents of the PCC Group during the financial year. The statement shows the cash and cash equivalents by operating, investing and financing activities. The net cash flows arising from operating activities is a key indicator of the extent to which the operations of the PCC Group are funded by way of taxation and grant income or from the recipients of services provided by the PCC Group. Investing activities represent the cash outflows relating to resources that contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting commitments to future cash flows by providers of capital to the PCC Group.

2014/15				2015/16	
PCC £000	**Group £000**	**Note**		**PCC £000**	**Group £000**
(2,629)	38,009		**Net (Surplus) or Deficit on the Provision of Services**	(2,522)	25,995
(3,602)	(44,240)	**34**	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(8,225)	(36,742)
344	344	**35**	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	118	118
(5,887)	**(5,887)**		**Net Cash Outflows from Operating Activities**	**(10,627)**	**(10,627)**
3,815	3,815	**37**	Investing Activities	8,066	8,066
2,637	2,637	**38**	Financing Activities	2,548	2,548
565	**565**		**Net (Increase) or Decrease in Cash and Cash Equivalents**	**(13)**	**(13)**
5,170	5,170	**24**	Cash and Cash Equivalents at the Beginning of the Reporting Period	4,605	4,605
4,605	4,605	**24**	Cash and Cash Equivalents at the End of the Reporting Period	4,619	4,619

Police and Crime Commissioner for Lincolnshire

Notes to the Accounts

The notes below provide additional explanation or support for the information contained within the main financial statements for the PCC Group and PCC (Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement). Where the balances and transactions explained are the same between the PCC Group and PCC the note will only provide one explanation, where there are differences between the PCC Group and PCC balances, the notes will outline both in the required detail.

Values are rounded to nearest £1,000 unless specified otherwise. Please note some slight rounding differences may occur.

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the PCC's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The PCC is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require the statements to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Authority Accounting 2015/16, supported by International Financial Reporting Standards.

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

All accounting policies that are material to the production of the accounts are described in this section.

1.2 Prior period adjustments, Changes in Accounting Policies and Estimate 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 PCC '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.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.3 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the PCC 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 PCC;

- Revenue from the provision of services is recognised when the PCC can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the PCC;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.4 Non-Current Assets – Property, Plant and Equipment

Property, plant and equipment are tangible items that are:

- Held for operational use, for rental to others, or for administrative purposes; and
- Expected to be used during more than one period.

1.4.1 **Classification**

Property, plant and equipment is classified under the following headings in the PCC's balance sheet:

Operational Assets:

- Land and Buildings;
- Vehicles, Plant, Furniture and Equipment;

Non-Operational Assets:

- Surplus Assets; and
- Assets Under Construction.

1.4.2 **Initial Recognition**

To be recognised as an item of property, plant and equipment an asset must:

- Yield benefits to the PCC for more than a year; and
- Have a cost which can be measured reliably.

Assets are initially measured at cost on an accruals basis, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use and costs incurred subsequently to enhance, replace part of, or service it as long as the above criteria are met. This excludes expenditure on training, routine repairs and maintenance, which are charged directly to the Comprehensive Income & Expenditure Statement.

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

Further details relating to capital expenditure are set out in the PCC's Capitalisation Policy.

1.4.3 **De Minimis Level**

The PCC has a £10k de minimis level for recognising property, plant and equipment. This means that any item or scheme which meets the above criteria which is greater than £10k will be treated as capital. Items below £10k may also be considered for capital expenditure on a case by case basis. This relates to initial recognition and subsequent expenditure on assets.

1.4.4 **Subsequent Expenditure**

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value. Where subsequent expenditure is simply restoring the asset to the specification assumed by its economic useful life then the expenditure is charged to operating expenses. Where considered appropriate, the cost of the replacement is capitalised if it meets the criteria for recognition above.

Where material, the carrying value of the component replaced is de-recognised. Where the value is not known the value of the enhancement is used as a proxy. Indexation is used to deduce historic cost and a revaluation reserve. De-recognition costs are charged initially against any revaluation reserve for the asset and then to the Comprehensive Income and Expenditure Statement.

1.4.5 **Measurement after Recognition – Valuation Approach**

Property, Plant and Equipment assets are valued on the basis recommended by CIPFA and in accordance with the Practice Statements in the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors (RICS), in particular UK Practice Statement 1.1 – 1.3. Land and building valuations have been carried out by Lambert Smith Hampton, members of The Royal Institution of Chartered Surveyors. The PCC may rely on the advice of other relevant expert managers to value other assets.

Property, Plant and Equipment assets are classified into the groupings required by the Code of Practice on Local Authority Accounting. All operational and non-operational land and properties (including Investment Properties) were subjected to a full revaluation exercise at 1 April 2011. This valuation has been updated as at 31 March each year since, by way of a desktop revaluation of all assets.

All valuations are in accordance with the capital accounting rules.

1.5 Operational Assets

1.5.1 Land and Operational Properties:

Where the assets are considered by the valuers to be “specialist” in nature (for example custody suites in operational police stations) they are valued at depreciated replacement cost (DRC), reflecting their value to the PCC in their current use. Because of the specialist nature of these buildings, the DRC value is normally higher than open market value. Where the assets are not considered to be “specialist” in nature, they are valued at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms-length transaction. For this section of the Code, fair value (for land and buildings) is to be interpreted as the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of existing use value (EUV) in accordance with UKPS 1.3 of the RICS Valuation Standards. Also note that:

Vehicles, plant and equipment, where they are determined to have short asset lives, are measured at historic cost; and

Furniture and non-specialist equipment are valued as a proportion of the building and have also been revalued in accordance with the movement in value of the host building.

1.6 Non-Operational Assets

1.6.1 Surplus assets

Assets which the PCC no longer operates/are no longer used for service delivery, but are not investment properties or meet the definition for held for sale. They are valued, measured and depreciated in line with the operational asset class; and

1.6.2 Assets Under Construction

Assets Under construction are held at historical cost. When these assets are operationally complete they will be reclassified into the appropriate asset class and valued under the adopted approach.

1.7 Valuation Programme

In years when there is a full revaluation (every 5 years) the steps to account for assets involve valuing assets at the start of the financial year, and then considering impairment issues at the end of the year

In all other years (including the 2015/16 financial year) the year end valuation encompasses all changes in value, whether from additions, disposals, changes in market value, impairment or other consumption of economic benefits.

A full valuation will be carried out in 2016/17.

1.8 Component Accounting for Property, Plant and Equipment

The Code requires that assets included within property, plant and equipment are broken down into significant component parts. Where a large asset, for example a building, includes a number of components with significantly different asset lives then these components can be treated as separate assets and depreciated over their own useful economic lives. Only those components with material values and significantly different useful lives are classified as separate components in the asset register. Only assets with a value of at least £500k are reviewed for potential components.

Further details for component accounting are set out in the PCC's Componentisation Policy.

1.9 Revaluation Gains and Losses

Movements in value arising from revaluation of assets are reflected in the value of the assets held on the balance sheet.

1.9.1 Recognising a Revaluation Gain or Loss

Increases as a result of revaluations are debited to the appropriate asset account, with the opposite entry going to the Revaluation Reserve to recognise unrealised gains, except to the extent where it reverses a previous revaluation loss that was charged to a service revenue account within the Comprehensive Income & Expenditure Statement. In this case the revaluation gain will first be used to offset the previous loss and any further gain is then taken to the Revaluation Reserve. Component assets are treated as separate assets and therefore revalued separately. Revaluation gains charged to Surplus or Deficit on Provision of Services are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Decreases as a result of revaluation which are not specific to one asset but affect several are revaluations losses rather than impairments. The decrease is recognised in the Revaluation Reserve up to the balance in respect of each asset affected and then in Surplus or Deficit on Provision of Services. Any such charge taken to Surplus or Deficit on Provision of Services is then transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

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

1.10 Depreciation

Depreciation is charged on all assets with a finite useful life (which can be determined at the time of acquisition or revaluation). Depreciation is charged against assets from the month they are capitalised, to the month that they are disposed, decommissioned or reach the end of their useful life.

The policy on useful asset life is as follows:

- Operational buildings (other than temporary buildings) are depreciated over their estimated useful life of between 20 and 50 years as estimated by the valuer;
- Furniture and non-specialist equipment is depreciated over 15 years;
- Vehicles, plant and specialist equipment (including computing equipment) are depreciated over their estimated useful lives (between 3 and 8 years dependent on the asset).

Depreciation is calculated as the current value of the asset divided by the useful existing life of the asset. Hence, revaluation gains are depreciated as well as the historic cost of the asset, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on the historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

For surplus assets awaiting disposal, depreciation is not charged to services. Rather, it is charged to non-distributed costs in the Income & Expenditure Statement. No depreciation is charged on: land; assets under construction; and assets held for sale. Depreciation of an asset begins when the asset becomes available for use and ceases when the asset has been de-recognised.

1.11 Disposal of Property, Plant and Equipment

An item of property, plant and equipment shall be de-recognised on disposal; or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from disposals is shown in the Comprehensive Income and Expenditure Statement (netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Any receipt from the sale of an item on the asset register is categorised as capital receipts and can only be used for new capital investment or to repay the principal of any amounts borrowed.

1.12 Impairment of Non-Current Assets

If an asset's carrying amount is more than its recoverable amount, the asset is described as impaired. Circumstances that might indicate that an impairment has occurred include:

- Significant decline in an asset's market value during the period that is specific to the asset;
- Evidence of obsolescence or physical damage of an asset;
- Commitment by the PCC to undertake a significant reorganisation; or
- Significant change in the statutory environment in which the PCC operates.

1.12.1 **Recognising an Impairment**

Impairment losses are initially recognised against the revaluation reserve for that asset, up to the balance available. Any remaining loss is charged in the Surplus or Deficit on provision of services. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

1.13 Intangible Assets

Intangible assets are defined as an identifiable non-financial (monetary) asset without physical substance, but are under the control of the PCC, and expected to provide future economic or service benefits.

For the PCC , the most common classes of intangible assets are software licences. Software which is integral to the operation of hardware, e.g. an operating system, is capitalised as part of the relevant item of property, plant or equipment. Software which is not integral to the operation of hardware, e.g. application software, is capitalised as an intangible asset.

1.13.1 **Recognition and Measurement**

Recognition of assets that qualify as an intangible asset are measured initially at cost. Costs that are directly associated with the development of intangible assets for internal use by the PCC are recognised under this heading, including employee costs.

Intangible assets are determined to have short asset lives and are carried at amortised cost in the balance sheet after initial recognition.

1.13.2 **De Minimis Level**

The PCC has no de minimis level for recognising intangible assets. This relates to initial recognition and subsequent expenditure on assets.

1.13.3 **Subsequent Expenditure**

Costs associated with maintaining intangible assets are recognised as an expense when incurred in the Comprehensive Income and Expenditure Statement.

1.13.4 **Amortisation**

The carrying value of intangible assets with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. Amortisation is charged to the relevant service area in the Comprehensive Income and Expenditure Statement.

Intangible assets are all amortised over an estimated useful life of 5 years.

1.13.5 **Revaluation**

Increases as a result of revaluations are debited to the appropriate asset account, with the opposite entry going to the Revaluation Reserve to recognise unrealised gains, except to the extent where it reverses a previous revaluation loss that was charged to a service revenue account within the Comprehensive Income & Expenditure Statement. In this case the revaluation gain will first be used to offset the previous loss and any further gain is then taken to the Revaluation Reserve. Component assets are treated as separate assets and therefore revalued separately. Revaluation gains charged to Surplus or Deficit on Provision of Services are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Decreases as a result of revaluation which are not specific to one asset but affect several are revaluations losses rather than impairments. The decrease is recognised in the Revaluation Reserve up to the balance in respect of each asset affected and then in Surplus or Deficit on Provision of Services. Any such charge taken to Surplus or Deficit on Provision of Services is then transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

1.13.6 **Impairment**

Impairment losses are initially recognised against the revaluation reserve for that asset, up to the balance available. Any remaining loss is charged in the Surplus or Deficit on provision of services. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

1.14 Investment Properties

An investment property is defined as a property that is solely held to earn rental income or for capital appreciation or both.

1.14.1 **Initial Recognition**

Investment properties are measured initially at cost which includes the costs associated with the purchase.

1.14.2 **Measurement after Recognition**

Investment properties are measured subsequently at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction.

1.14.3 **Revaluation Gains and Losses**

A gain or loss arising from a change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.14.4 **Depreciation**

Depreciation is not charged on investment properties.

1.14.5 **Disposal of Investment Properties**

Gains or losses arising from the disposal of an investment property are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. As with all capital receipts, on de-recognition of an investment property the charge to the Surplus or Deficit on Provision of Services shall be reversed out of the General Fund and posted to the Capital Adjustment Account and (for any sales proceeds greater than £10k) the Capital Receipts Reserve.

1.14.6 **Rentals**

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance.

1.15 Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the following criteria are met as at the balance sheet date:

- The asset is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- The sale is highly probable (with management commitment to sell and active marketing of the asset initiated);
- It is actively marketed for a sale at a price that is reasonable in relation to its current fair value; and
- The sale should be expected to qualify for recognition as a completed sale within one year.

1.15.1 **Measurement**

Non-Current Assets Held for Sale are measured at the lower of carrying value and fair value less costs to sell (fair value here is the amount that would be paid for the asset in its highest and best use, i.e. market value).

1.15.2 **Depreciation**

Depreciation is not charged on non-current assets held for sale.

1.15.3 **Disposal**

Receipts from disposals are recognised in the Surplus or Deficit on provision of services.

Any receipt from the sale of an item on the asset register is categorised as capital receipts and can only be used for new capital investment or to repay the principal of any amounts borrowed.

1.16 Charges to Revenue for the use of Non-Current Assets

Police services and central support services are charged with a capital charge for all non-current assets used in the provision of services to record the real cost of holding fixed assets during the year. The total charge covers:

- The annual provision for depreciation;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible assets.

The PCC is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is known as the Minimum Revenue Provision.

1.17 Minimum Revenue Provision

The PCC makes provision for the repayment of debt in accordance with the Local Authorities (Capital Finance and Accounting, England, Amendment) Regulations 2008. This requires the PCC to set a Minimum Revenue Provision (MRP) which it considers to be prudent.

The accounts are charged with a capital charge for all non-current assets used in the provision of services. The total charge covers:

- The annual provision for depreciation;
- Impairment losses attributable to the clear consumption of economic benefits on non-current assets used by the PCC and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible assets attributable to the service;
- The annual contribution towards the reduction in overall borrowing, in accordance with the PCC's approved policy;
- 4% of the Capital Financing Requirement as at 31 March 2008, adjusted for repayments made since that date;
- 4% of any additional borrowing from 2008/09 onwards within our allocation of supported capital expenditure;
- Other borrowing from 2008/09 onwards, a repayment based on the asset life method.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by a revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

1.18 Revenue Expenditure Financed through Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset in the balance sheet has been charged as expenditure to the relevant service revenue account in the Comprehensive Income and Expenditure Statement in the year.

Statutory provision reverses these charges from the Surplus or Deficit on provision of services by debiting the Capital Adjustment Account and crediting the General Fund Balance through the Movement in Reserves Statement.

1.19 Classification of Leases

Leases are classified as a finance lease or an operating lease depending on the extent to which risks and rewards of ownership (substance of the transaction over its legal form) of a leased asset lie with the lessor (landlord) or the lessee (tenant).

Finance Lease

A Finance lease is when the lease arrangement transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Operating Lease

All other leases are determined to be operating leases.

1.20 Finance Leases

Lessee – Vehicles, Plant & Equipment

Where a lease arrangement is identified as a finance lease and where the PCC is the lessee, the asset is recognised on the balance sheet at cost, and depreciated on a straight line basis over the term of the lease (in line with the PCCs capitalisation and depreciation policy for Vehicles, Plant and Equipment).

Lessee – Property

Where a property lease arrangement is identified as a finance lease and where the PCC is the lessee, the asset is recognised on the balance sheet at an amount equal to the fair value of the property, or if lower, the present value of the minimum lease payments, determined at the inception of the lease.

In both cases above, a liability is also recognised at the asset value. This is reduced as lease payments are made.

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; and
- A finance charge charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

Lessor – Property

Where a property lease arrangement is identified as a finance lease and where the PCC is the lessor, an asset is recognised on the balance sheet as a debtor at an amount equal to the net investment in the lease. The lease payment is treated as repayment of principal and finance income (interest).

Initial direct costs are included in the initial measurement of the debtor and recognised as an expense over the lease term on the same basis as the income.

1.21 Operating Leases

Lessee – Property, Vehicles, Plant & Equipment

Where a lease arrangement is identified as an operating lease and where the PCC is the lessee, the lease payments are treated as revenue expenditure on a straight line basis over the term of the lease.

Lessor – Property, Vehicles, Plant & Equipment

Where a lease arrangement is identified as an operating lease and where the PCC is the lessor, an asset is shown within non-current assets according to the nature of the asset. (See above Property, Plant & Equipment policy.)

Lease income from operating leases shall be recognised as income on a straight line basis over the lease term.

1.22 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the PCC when there is reasonable assurance that:

- The PCC will comply with the conditions attached to the payments;
- The grants or contributions will be received.

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. 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.

1.23 Debtors

Debtors are recognised in the accounts when the ordered goods or services have been delivered or rendered by the PCC by the 31 March but the income has not yet been received. Debtors are recognised and measured at fair value in the accounts.

There is no de-minimis for capital or revenue income accruals.

Where there are differences between the Group and PCC balance at 31 March the note will show both balances.

1.24 Creditors

Creditors are recorded where goods or services have been supplied to the PCC by 31 March but payment is not made until the following financial year. Creditors are recognised and measured at fair value in the accounts.

There is no de-minimis for capital or revenue accruals.

Where there are differences between the Group and PCC balance at 31 March the note will show both balances.

1.25 Debt impairment

The PCC makes a provision for debts which may go bad or not be paid in full. Where it is doubtful that debts will be settled, the fair value of that debt is written down accordingly and a charge made to the Comprehensive Income and Expenditure Statement for the income that might not be collected.

The PCC's policy is to review outstanding debts annually in order to allow for debt impairment.

1.26 Inventories

Inventory assets include materials or supplies to be consumed or distributed in the rendering of services. This includes fuel, uniforms and general stores. These are carried at the lower of cost (calculated as an average price) or current replacement cost (at the balance sheet date for an equivalent quantity).

A de minimis of £5k is set before a group of stock items would need to be accounted for at the year end.

1.27 Investments and Cash and Cash Equivalents

Investments

The PCC will classify these as follows:

- Short-term deposits (due to be returned within 12 months after 31 March) held for investment purposes for the returns offered are classed as Short-term Investments;
- Deposits held for investment purposes for the returns offered which are due for return more than a year after 31 March are classed as Long Term Investments.

Cash and Cash Equivalents

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 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 the cash flow statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand or form an integral part of the Force's cash management.

1.28 Provisions

Provisions are made where an event has taken place that gives the PCC a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the PCC may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the PCC becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the PCC settles the obligation.

1.29 Contingent Liabilities

A contingent liability is where there is a possible obligation to transfer economic benefits due to a past event, but the possible obligation will only be confirmed by the occurrence or non-occurrence of one or more events in the future, not wholly be within the control of the PCC. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

The PCC discloses these obligations in the narrative notes to the accounts if greater than £100k.

These amounts are not recorded in the PCC's accounts because:

- It is not probable that an outflow of economic benefits or service potential will be required to settle the obligation, or
- The amount of the obligation cannot be measured with sufficient reliability at the year end.

1.30 Contingent Assets

A contingent asset is where there is a possible transfer of economic benefit to the PCC from a past event, but the possible transfer will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the PCC.

The PCC discloses these rights in the narrative notes to the accounts if greater than £100k.

1.31 Reserves

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

1.32 Events after the Reporting Period

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

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

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

1.33 Recognition of Revenue (Income and Expenditure)

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is recognised only when it is probable that the economic benefits or service potential associated with the transaction will flow to the PCC.

1.34 Costs of Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the PCC's status as a multifunctional organisation;
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early; impairment losses chargeable on Assets Held for Sale; and Innovation funding and income

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.35 Value Added Tax (VAT)

The PCC's Comprehensive Income & Expenditure Statement excludes VAT. All VAT must be passed on to (where output tax exceeds input tax) or repaid by (where input tax exceeds output tax) HM Revenue and Customs.

The net amount due to or from HM Revenue and Customs for VAT at the year-end shall be included as part of creditors or debtors balance.

1.36 Reserves

a) Usable Reserves

The PCC's general revenue balances are held in the General Fund. The PCC also maintains a number of specific 'earmarked' reserves for future expenditure on either target service areas or to cover contingencies. They are described in more detail in notes to the accounts.

b) Unusable Reserves

Certain reserves are kept to maintain the accounting processes for non-current assets, financial instruments and retirement benefits. These accounts do not represent usable resources for the PCC.

1.37 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the PCC . An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. 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 wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the PCC to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non-distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of, when the PCC can no longer withdraw the offer of those benefits; or when the PCC recognises costs for a restructuring.

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

Post-employment Benefits

Employees of the PCC Group are members of two separate pension schemes:

- The Police Officer Pension Scheme, for which the scheme manager is the Chief Constable;
- The Local Government Pensions Scheme, administered by West Yorkshire Pension Fund on behalf of Lincolnshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lincolnshire pension fund attributable to the PCC 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 projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (based on the indicative rate of return on high quality AA index corporate bonds;
- The assets of Lincolnshire pension fund attributable to the PCC are included in the Balance Sheet at their fair value as follows:
    - Quoted securities – current bid price;
    - Unquoted securities – professional estimate;

    - Unitised securities – current bid price;
    - Property – market value.

The Police Officer Pension Scheme

The police officer pension schemes (both the old and new schemes) are accounted for as a defined benefit scheme:

- The liabilities of the Lincolnshire pension fund attributable to the Chief Constable are included in the Balance Sheet on an actuarial basis using the projected unit method – ie 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 projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (based on the indicative rate of return on high quality AA index corporate bonds;

Pension Scheme Policies

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

- Service cost comprising:
    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - 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 – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
    - Net interest on the net defined benefit liability (asset), ie net interest expense for the PCC – 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 Comprehensive Income and Expenditure Statement – 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.
- Remeasurements comprising:
    - 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 Lincolnshire 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 PCC to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than when the benefits are earned by employees.

Discretionary Benefits

The PCC 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.

Police Officer Pensions – Home Office Memorandum Account

From 1 April 2006 the Home Office changed the methods of financing police pensions. Effectively the PCC has continued to make payments but accounts for these outside of the accounts in a separate memorandum account. This is included as supplementary statement to the accounts.

1.38 Joint Operations

Joint operations are joint arrangements in which the PCC and other venturers have joint control of the arrangement. The parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The PCC accounts for only its share of the joint operations assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint operation and income that it earns from the venture.

1.39 Financial Instruments

1.39.1 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. 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 all of the borrowings that the PCC has, this means that:

- The amount presented in the Balance Sheet is the outstanding principal repayable, plus accrued interest and;
- Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The PCC has not undertaken any repurchasing or early settlement of borrowing.

1.39.2 Financial Assets

Financial assets are classified into four 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; fair value through profit and loss – assets that are held for trading and derivatives with a positive value; and held for maturity – assets that have fixed or determinable payments and a fixed maturity.

The PCC only has loans and receivables.

1.39.3 Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the PCC 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 Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

The PCC's loans and receivables comprise: short term investments, trade debtors, accrued income and 'other receivables'.

2. Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the PCC Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. The significant judgements made in the Statement of Accounts are:

- There is uncertainty about service provision following government decisions to reduce future levels of funding for the PCC Group. However, the Group has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Group might be impaired as a result of a need to close facilities and reduce levels of service provision;
- As part of the strategic partnership with G4S, the transfer of some specialised equipment and intangible assets, have been treated as a disposal of assets. The subsequent use of the assets creates a finance lease under IFRIC 4. Hence, the transfer valuation appears in the asset register of the PCC and is depreciated and re-valued in line with accounting policies. There is a matching finance lease liability that is written down over the individual asset lives;
- For retirement benefits, the interpretation of CIPFA guidance differs from that of the Code itself. CIPFA guidance expects plan assets to be included in our financial statements, but the Code says not to include them. This means that by following the CIPFA guidance, the PCC has treated pension top up as an employers' contribution, reducing the overall pension liability. The impact of this on the General Reserve is reversed through the Movement in Reserves Statement, with a corresponding entry in the Pensions Reserve. The PCC and the Chief Finance Officer have concluded that this approach presents a true and fair view of the PCC's financial position, financial performance and cash flow;
- Masts are treated as investment properties as they are not used directly by the PCC for operational purposes. The Force may make incidental use of them via third party suppliers, but ownership and control of the assets is not relevant to our policing requirements;

- The Scheme of Arrangements within the PCC Group and the governance arrangements indicate that the Chief Constable controls police officers and most police staff, whilst the PCC controls income, assets and usable reserves.
- G4S joined Lincolnshire Pension Fund as a new Transferee Admission Body on 1 April 2012 on a “pass through” arrangement for a contract term of 10 years. Lincolnshire Police are considered to be the principal rather than merely an agent in these transactions as they retain responsibility for the liabilities. Hence, the IAS19 results as at 31 March 2016 reflect the combined G4S and Lincolnshire Police pension fund assets and liabilities.

3. PCC Post Balance Sheet Events

Adjusting Events

There have been no material post balance sheet events between the year end and the date of approval of these accounts which require adjustment to these financial statements.

4. Prior Period Adjustments

There have been no prior year adjustments identified for the Accounting Statements for the 2015/16 financial year.

5. Assumptions and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the PCC 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 items in the PCC’s Group Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are described below. The main area of fluctuation is the assessment of pensions assets and liabilities. Hence, these are considered separately.

Pension assumptions

Item	Uncertainties	Effect if actual results differ from assumptions
Pension liability (Group) £1,143,629k of which £1,712k relates to the PCC	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 PCC with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions have been measured and described in the tables below. The tables give an indication of the impact of changes in the main assumptions but are not an exhaustive list of the variables involved.
Actuarial Assumptions (Group) £1,143,629k of which £1,712k relates to the PCC	The actuaries have assumed that CPI will be approximately 1% p.a. below RPI on average.	As a market in CPI linked bonds does not exist the actuaries need to make an estimate of the long term gap between RPI and CPI in order to arrive at a CPI assumption for the accounts. The assumption that CPI will be 1% below RPI on average leads to future service costs being around 8% lower than if the RPI indicator was used.

The sensitivities regarding the Police Pension Scheme liabilities are set out below.

Change in financial & demographic assumptions	Approximate percentage increase likely to employer liability	Approximate monetary amount (£m)
0.1% decrease in the Real Discount Rate	9%	99.30
1 year increase in member life expectancy	3%	32.70
0.5% increase in the Salary Increase Rate	1%	13.70
0.5% increase in the Pensions Increase Rate (CPI)	8%	84.40

The sensitivities regarding the Police Pension Scheme current service costs are set out below.

Change in financial & demographic assumptions	Approximate percentage increase to projected current service cost	Approximate monetary amount (£m)
0.1% decrease in the Real Discount Rate	11%	2.23
1 year increase in member life expectancy	2%	0.44
0.5% increase in the Salary	2%	0.49

Increase Rate		
0.5% increase in the Pensions Increase Rate (CPI)	8%	1.70

The sensitivities regarding the principal assumptions used to measure the liabilities in the Local Government Pension Scheme are set out below.

Change in financial & demographic assumptions	Approximate percentage increase likely to employer liability	Approximate monetary increase (£m)
0.5% decrease in the Real Discount Rate	12%	18.15
1 year increase in member life expectancy	3%	4.37
0.5% increase in the Salary Increase Rate	4%	5.99
0.5% increase in the Pensions Increase Rate	8%	11.86

Other Areas of Estimation Uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment £30,657k	Valuations are provided at a specific date. Market conditions can change at short notice.	The last 5 years has seen a 25% drop in the general property market. However, much of this fall was anticipated by our annual desktop reviews, so the quinquennial revaluation only saw a fall of £1.1m. It is considered unlikely that there would be material reductions in value in future given the falls of recent years.
Classification of leases £7,413k	There is some subjective interpretation of contract information when classifying some arrangements as finance or operating leases. For some equipment, the nature of the agreement points to a finance lease, but the details in the contract do not allow accurate calculations to be performed.	We have treated some arrangements as operating leases in the absence of the necessary information to account for them as finance leases. Assets and liabilities may be understated in the Balance Sheet
Collection fund balances £1,015k	Estimates have been used to show the proportion of income due to the PCC for council tax, but held by the district councils in their collection fund account. Some councils have estimated their year-end surplus and the associated Balance Sheet figures, but have had to do so several months before the collection fund accounts are prepared.	There is no impact on the General Fund Balance. The surplus in the Comprehensive Income and Expenditure Statement and the associated Balance Sheet figures could vary by up to £200k.
Accumulated Absences (Group) £1,406k Reduction in year of £395k	The calculation is based on the balance of hours owed to or owing by each individual recorded in the Duty Management System which includes Annual Leave, Time Off In Lieu and Rest Days in Lieu. Adjustments have been made to remove negative balances and reduce high carry forward balances that significantly exceed policy. Annual Leave is restricted to 5 days, as per policy. The hourly rate used is based on the average pay from the March payroll files.	If we used the information directly from the system without adjustments the results would be £240k overstated.

6. Adjustments between Accounting Basis and Funding Basis Under Regulations

Adjustments are made to the total comprehensive income and expenditure recognised by both the PCC Group and the PCC in the year in accordance with accounting practice.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects, for which the force has met the conditions that would otherwise require repayment of the monies, but which yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

2014-15 Adjustment between Accounting Basis and Funding Basis

2014/15 Group Comparative Figures	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve)	40,685			(40,685)
Council tax (transferred to or from Collection Fund)	(439)			439
Unused Leave (transferred to the Accumulated Absences Reserve)	(833)			833
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	4,426			(4,426)
Total Adjustments to Revenue Resources	43,839			(43,839)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(344)	351		(7)
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve)				
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(3,219)			3,219
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(472)			472
Total Adjustments between Revenue and Capital Resources	(4,035)	351		3,684
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(351)		351
Application of capital grants to finance capital expenditure	389		(389)	-
Total Adjustments to Capital Resources	389	(351)	(389)	351
Total Adjustments	**40,193**	**-**	**(389)**	**(39,804)**

2014/15 PCC Comparative Figures	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve)	47			(47)
Council tax (transferred to or from Collection Fund)	(439)			439
Unused Leave (transferred to the Accumulated Absences Reserve)	(833)			833
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	4,426			(4,426)
Total Adjustments to Revenue Resources	3,201			(3,201)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(344)	351		(7)
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve)				
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(3,219)			3,219
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(472)			472
Total Adjustments between Revenue and Capital Resources	(4,035)	351		3,684
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(351)		351
Application of capital grants to finance capital expenditure	389		(389)	-
Total Adjustments to Capital Resources	389	(351)	(389)	351
Total Adjustments	**(445)**	**-**	**(389)**	**834**

2015-16 Adjustment between Accounting Basis and Funding Basis

2015/16 Group	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve)	28,639			(28,639)
Council tax (transferred to or from Collection Fund)	(297)			297
Unused Leave (transferred to the Accumulated Absences Reserve)	(395)			395
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	3,918			(3,918)
Total Adjustments to Revenue Resources	31,866			(31,866)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(134)	134		-
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve)				
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(3,214)			3,214
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,041)			1,041
Total Adjustments between Revenue and Capital Resources	(4,389)	134		4,255
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure				-
Application of capital grants to finance capital expenditure	26		(26)	-
Total Adjustments to Capital Resources	26	-	(26)	-
Total Adjustments	**27,503**	**134**	**(26)**	**(27,611)**

2015/16 PCC	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve)	122			(122)
Council tax (transferred to or from Collection Fund)	(297)			297
Unused Leave (transferred to the Accumulated Absences Reserve)	(395)			395
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	3,918			(3,918)
Total Adjustments to Revenue Resources	3,348			(3,348)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(134)	134		-
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve)				
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(3,214)			3,214
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,041)			1,041
Total Adjustments between Revenue and Capital Resources	(4,389)	134		4,255
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure				-
Application of capital grants to finance capital expenditure	26		(26)	-
Total Adjustments to Capital Resources	26	-	(26)	-
Total Adjustments	**(1,015)**	**134**	**(26)**	**907**

7. Transfers to / from Earmarked Reserves

Group / PCC	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Transfer Between Reserves 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Transfer Between Reserves 2015/16 £000	Balance at 31 March 2016 £000
Major Incidents	**1,850**		500		**2,350**	(408)		(92)	**1,850**
Insurance	**750**		153		**903**				**903**
Proceeds of Crime Act	**220**				**220**	(32)			**188**
Employee Welfare Reserve	**42**				**42**				**42**
Migration Impact	**54**				**54**			(54)	**-**
Budget Flexibility Reserve	**1,500**		1,057		**2,557**		2,031	425	**5,013**
CPT Consultancy	**60**	(60)			**-**				**-**
Victims commissioning grant	**264**	(264)			**-**				**-**
Carry forward reserve	**1,180**	(933)		(247)	**-**				**-**
Development & Partnership Working	**-**		188	411	**599**	(110)	488		**977**
Niche Data Quality & Regional Transformation	**-**		196		**196**	(20)			**176**
Regional Transformations	**174**			(174)	**-**				**-**
External Training	**105**	(105)			**-**				**-**
ANPR Funding	**300**	(300)			**-**				**-**
Partner Agency Funding	**249**	(109)	2		**142**			(21)	**121**
Performance & Productivity	**963**	(225)	206		**944**	(260)			**684**
Volunteers Initiative	**820**	(327)			**493**	(277)			**216**
Second Homes	**155**	(10)			**145**			(145)	**-**
DPMU Posts			185		**185**	(185)			**-**
Mobile Data			193		**193**	(139)			**54**
CATS / Niche Back Office			100		**100**				**100**
Hi-Tech Crime Computer Analysis			68		**68**	(39)			**29**
Mobile Data Capital scheme			280		**280**	(280)			**-**
PSN Capital scheme			220		**220**	(220)			**-**
Innovation Fund			76		**76**				**76**
Strategic Partnership Carry Forward			427		**427**				**427**
Home Office ICT Charges			102		**102**	(102)			**-**
Data Kiosk Project			31		**31**	(31)			**-**
IL4 Solution			140		**140**	(140)			**-**
Various Reserves under £40k			154	10	**164**	(150)		(14)	**0**
Blue Light Integration			100		**100**		147	(100)	**147**
Internships					**-**		52		**52**
Corporate Communications					**-**		30		**30**
East Midlands Operational					**-**		83		**83**
CSI Mileage for staff relocation					**-**		10		**10**
East Midlands Criminal Justice					**-**		25		**25**
Innovation Funds Carry Forward					**-**		749		**749**
Capital Financing Reserve					**-**		321		**321**
Subtotal	**8,686**	**(2,333)**	**4,378**	**-**	**10,731**	**(2,393)**	**3,936**	**(0)**	**12,274**
Regional Reserve	394	(35)	-		359		183		**542**
Total	**9,080**	**(2,368)**	**4,378**		**11,090**	**(2,393)**	**4,119**	**(0)**	**12,816**

Descriptions of the Earmarked Reserves

Earmarked Reserves - Group / PCC Balance at 31 March 2016	**£000**	**Description of Reserve**
Major Incidents	1,850	The requirements of operational policing vary significantly from year to year. The reserve ensures that the PCC Group has funds available to respond to the requirements of major incidents.
Insurance	903	To support the costs of on-going claims and for future unforeseen claims w hich have not yet arisen and for w hich revenue provision is insufficient.
Proceeds of Crime Act	188	The police share of assets recovered from the proceeds of crime is reserved for investing in further financial investigation w ork.
Employee Welfare Reserve	42	Reserved sum to improve the w orking environment of employees.
Budget Flexibility Reserve	5,013	Reserve to be used to support future revenue budgets
Development & Partnership Working	977	Reserve to be used for Victims commissioning, force Intranet, governance, and Channel Management.
Niche Data Quality team & Regional Transformati	176	Reserve to be used for funding of specific Regional Initiatives.
Partner Agency funding	121	Reserve for Funding received from NHS (custody transformation) & LCJB.
Performance & Productivity	684	Reserve to fund business change and efficiency projects.
Volunteers Initiative	216	Reserve to support and promote the recruitment and retention of volunteers.
Mobile Data	54	Reserve for additional costs of the Mobile Data implementation.
CATS / Niche Back Office	100	Reserve to support the CATS / Niche system record conversion.
Hi-Tech Crime Computer Analysis	29	Reserve to be used for the analysis of computers.
Innovation Fund	76	Reserve to fund purchase of Body Worn Cameras as part of Innovation Fund scheme.
Strategic Partnership C/Fw d	427	Reserve relating to service improvements for strategic partnership contract.
Blue Light Integration	147	Reserve to fund Blue light integration schemes
Internships	52	Reserve to cover the costs associated w ith an internship scheme
Corporate Communications	30	Reserve created in order to carry out business modernisation in the early part of 2016/17.
East Midlands Operational	83	Reserve created to ensure funding is carried over for the continuation of project w ork
CSI staff relocation mileage	10	Ringfenced funds to be used in 2016/17 due to restructuring.
East Midlands Criminal Justice	25	Earmarked reserve to fund Criminal Justice initiaitves in 2016/17.
Innovation Funds Carry Forw ard	749	Balance of funding from in-year transctions to be earmarked for use in 2016/17.
Capital Financing Reserve	321	Reserve allocation set aside to fund future capital programme items.
Sub-Total	**12,273**	
Regional Reserve	542	Reserves from surplus of funding relating to EMSOU regional expenditure.
Total	**12,815**	

8. Other Operating Expenditure

2014/15			Group	2015/16		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,696	(344)	1,352	(Gains) or Losses on the Disposal of Property, Plant & Equipment	1,222	(118)	1,104
430	-	430	Levies	660		660
725	(675)	50	Seconded Officers	682	(591)	91
2,851	**(1,019)**	**1,832**		**2,564**	**(709)**	**1,856**

2014/15			PCC	2015/16		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,696	(344)	1,352	(Gains) or Losses on the Disposal of Property, Plant & Equipment	1,222	(118)	1,104
1,696	**(344)**	**1,352**		**1,222**	**(118)**	**1,104**

Levies are the Chief Constables contributions towards national police computing systems provided by the Home Office.

9. Financing and Investment Income and Expenditure

2014/15			Group	2015/16		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
670	-	670	Interest Payable on Debt	616	-	616
515	-	515	Interest Element of Finance Lease (Lessee)	574	-	574
47,062	-	47,062	Pensions Interest Cost and Expected Return on Pensions Assets	42,117	-	42,117
-	(43)	(43)	Investment Interest Income	-	(62)	(62)
-	(127)	(127)	Rentals Received on Investment Properties		(140)	(140)
27	-	27	Expenses Incurred on Investment Properties	7	-	7
-	(95)	(95)	Changes in Fair Value of Investment Properties		(55)	(55)
48,274	**(265)**	**48,010**		**43,314**	**(257)**	**43,056**

2014/15			PCC	2015/16		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
670	-	670	Interest Payable on Debt	616	-	616
515	-	515	Interest Element of Finance Lease (Lessee)	574	-	574
-	-	-	Pensions Interest Cost and Expected Return on Pensions Assets	73	-	73
-	(43)	(43)	Investment Interest Income	-	(62)	(62)
-	(127)	(127)	Rentals Received on Investment Properties		(140)	(140)
27	-	27	Expenses Incurred on Investment Properties	7	-	7
-	(95)	(95)	Changes in Fair Value of Investment Properties		(55)	(55)
1,212	**(265)**	**948**		**1,270**	**(257)**	**1,013**

10. Taxation and Non-Specific Grant Income

2014/15			Group / PCC	2015/16		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
-	(1,405)	(1,405)	Recognised Capital Grants and Contributions	-	(1,442)	(1,442)
-	(62,656)	(62,656)	General Government Grants	-	(59,065)	(59,065)
	(5,776)	(5,776)	Council Tax Support Grant	-	(5,775)	(5,775)
-	(1,058)	(1,058)	Council Tax Freeze Grant	-	(1,059)	(1,059)
-	(41,612)	(41,612)	Council Tax Income	-	(43,527)	(43,527)
-	(20,872)	(20,872)	Home Office Grant Payable towards the Cost of Retirement Benefits	-	(23,490)	(23,490)
-	**(133,378)**	**(133,378)**		**-**	**(134,358)**	**(134,358)**

11. Intra-group Financing

An annual intra-group transfer of funds is made by the PCC to the Chief Constable. This intra-group transfer will equal the income requirement for the Chief Constable.

12. Property, Plant and Equipment

Movements and closing balances in 2014/15 Group / PCC	Land and Buildings £000	Vehicles, Plant, Furniture & £000	Assets Held for Sale £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & £000
Cost or Valuation						
At 1 April 2014	21,027	24,046	-	150	1,266	46,489
Additions	832	1,505	-		416	2,753
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	737	-	-	-	-	737
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(709)	-	-	-	-	(709)
Derecognition - Disposals	(110)	(593)	-	(150)	-	(853)
Derecognition - Leased assets	-	(716)	-	-	-	(716)
Assets reclassified to/from Assets Under Construction	100	747	-		(1,239)	(392)
Asset additions leased	-	700	-	-	-	700
At 31 March 2015	**21,877**	**25,689**	**-**	**-**	**443**	**48,009**
Depreciation and Impairment						
At 1 April 2014	-	(15,524)	-	-	-	(15,524)
Depreciation written out through the revaluation reserve	374	-	-	-	-	374
Derecognition - Disposals	3	592	-	-	-	595
Derecognition - G4S Finance Lease	-	16	-	-	-	16
Depreciation charge in year	(377)	(3,006)	-	-	-	(3,383)
At 31 March 2015	**-**	**(17,922)**	**-**	**-**	**-**	**(17,922)**
Net Book Value:						
At 31 March 2015	**21,877**	**7,767**	**-**	**-**	**443**	**30,087**
At 31 March 2014	**21,027**	**8,522**	**-**	**150**	**1,266**	**30,965**

Movements and closing balances in 2015/16 Group / PCC	Land and Buildings £000	Vehicles, Plant, Furniture & £000	Assets Held for Sale £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and £000
Cost or Valuation						
At 1 April 2015	21,877	25,689	-	-	443	48,009
Additions	1,010	1,806			880	3,696
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	336					336
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(532)		(11)			(543)
Derecognition - Disposals	(42)	(834)			-	(876)
Derecognition - Leased assets		(1,055)				(1,055)
Assets reclassified to/from Assets Under Construction	279	256	68		(603)	-
Assets reclassified to/from AUC to revenue					(2)	(2)
Assets reclassification	10	261				271
Asset additions leased		1,055				1,055
At 31 March 2016	**22,937**	**27,178**	**58**	**-**	**717**	**50,891**
Depreciation and Impairment						
At 1 April 2015	-	(17,922)		-	-	(17,922)
Depreciation written out through the revaluation reserve	402					402
Derecognition - Disposals		832				832
Revaluation increases/(decreases) recognised in CIES						-
Assets reclassified to/from Intangibles						-
Derecognition - G4S Finance Lease						-
Depreciation charge in year	(402)	(2,799)				(3,201)
Assets reclassification	(32)	(256)				(288)
At 31 March 2016	**(32)**	**(20,145)**	**-**	**-**	**-**	**(20,177)**
Net Book Value:						
At 31 March 2016	**22,905**	**7,034**	**58**	**-**	**717**	**30,714**
At 31 March 2015	**21,877**	**7,767**	**-**	**-**	**443**	**30,087**

13. Valuation of Non-Current Assets

Non-current assets have been revalued on the basis described in Note 1 and in accordance with the principles of the Accounting Code of Practice. Property, plant and equipment and investment properties were revalued as at the 31 March 2016 by Mr R Smalley BSc MRICS of the independent firm of Chartered Surveyors Lambert Smith Hampton.

Investment Properties are also valued by Lambert Smith Hampton as described above who are independent of the PCC and have recent experience of the location and category of our investment properties.

14. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

Group / PCC	**2014/15 £000**	**2015/16 £000**
Rental income from investment property	(127)	(140)
Direct operating expenses arising from investment property	27	7
Net (gain)/loss	**(100)**	**(133)**

There are no restrictions on the PCC's ability to realise the value inherent in its investment property or on the PCC's right to the remittance of income and the proceeds of disposal. The PCC has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

Group / PCC	**2014/15 £000**	**2015/16 £000**
Balance at start of the year	875	970
Net gains/(losses) from fair value adjustments	95	55
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	-	-
Balance at end of the year	**970**	**1,025**

15. Intangible Assets

The movement on Intangible Asset balances during the year is as follows:

Group / PCC	2014/15 £000	2015/16 £000
Balance at start of year:		
Gross carrying amounts	3,229	4,375
Accumulated amortisation	(203)	(630)
Net carrying amount at start of year	**3,026**	**3,745**
Amortisation for the period	(427)	(621)
Additions:		
Purchases	754	124
Additions leased	1,140	121
Transfer From Assets Under Construction	392	
Reclassified to Finance Leases	-	
Disposals	(1,140)	(121)
Net carrying amount at end of year	**3,745**	**3,249**
Comprising:		
Gross carrying amounts	4,375	4,499
Accumulated amortisation	(630)	(1,251)
	3,745	**3,249**

Intangible assets in the previous year were the business transformation and t-Police costs which have now been transferred to Finance Leases.

The PCC has no internally generated assets. All other assets have finite useful lives and amortised in line with the PCC's accounting policies, note 1.

16. Major Non-Current Assets

Analysis of the numbers of major non-current assets:

Group / PCC	2014/15 (Numbers)	2015/16 (Numbers)
Force Headquarters	1	1
Police Stations	39	38
Sexual Assault Referral Centre	1	1
Major Aerial sites	3	3
Vehicles	447	424
Police dog training establishment	1	1

Note – this excludes the share of regional buildings as these are not held on the PCC Fixed Asset Register.

17. Capital Expenditure

Capital expenditure during the year:

Group / PCC	£000
Mobile Data	898
Vehicles	743
Buliding Schemes - general	679
Speed Cameras	429
Phase one window replacement	194
VWI Accommodation	187
IL4 Solutions	121
Public Sector Network	117
Generator replacement	97
Regional	284
Other	78
Total capital expenditure additions	**3,825**

18. Capital Commitments

There is a £672k commitment to building projects which commenced during 2015/16 and will be finalised during 2016/17. Of this amount, £162k is NHS funded SARC extension work. Other programmes which commenced in the 2015/16 year were completed and so at this stage, there are no further commitments.

19. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is financed in future years by charges to revenue, the expenditure results in an increase in Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the PCC that has yet to be financed. The CFR is analysed in the second part of this note.

Group / PCC	2014/15 £000	2015/16 £000
Opening Capital Financing requirement	31,164	31,323
Capital Investment		
Land and Buildings	832	1,010
Plant & Equipment	1,505	1,806
Assets under Construction	416	880
Intangible Assets	754	124
G4S Leased Assets	1,448	1,055
Assets Held for Sale		58
Revenue Expenditure Funded from Capital Under Statute	2	-
Sources of Finance		
Capital Receipts	(351)	-
Government grants and other contributions	(1,823)	(1,632)
Minimum Revenue Provision	(2,100)	(1,927)
Revenue Provision	(524)	(2,014)
Closing Capital Financing Requirement	**31,323**	**30,683**
Explanation of Movements in Year		
Assets acquired under finance leases	1,448	1,055
Increase / (decrease) in underlying need to borrow	(1,289)	(1,695)
Increase/(decrease) in Capital Financing Requirement	**159**	**(640)**

20. Minimum Revenue Provision (MRP)

The PCC is required to adopt a “prudent” approach to the repayment of long term borrowing. Various methods are authorised for the calculation of the Minimum Revenue Provision. The PCC must set an annual policy describing its calculation.

For capital expenditure before 1 April 2008 or which forms part of its Supported Capital Expenditure, the PCC Group applies an MRP equal to 4% of these balances. For other capital borrowing on or after 1 April 2008 the Group applies option 2 of Local Authority Capital Regulations, calculating MRP over the life of the assets created.

MRP of £1,927k is included within the Revenue Provision.

21. Leases

PCC as Lessee - Finance Leases

The PCC Group has a Police dog training establishment with kennels and a radio mast under a 99-year finance lease. The asset acquired under this lease is carried as Property, Plant and Equipment in the Balance Sheet, and as Land & Buildings in the table below. There is no corresponding liability to recognise as the PCC paid the full costs of constructing the premises at the inception of the lease. If demanded the annual rent is one peppercorn per annum, so there are no minimum lease payments to disclose.

Net Carrying Amount - Group / PCC	2014/15 £000	2015/16 £000
Land and Buildings	169	185
Vehicles, Plant, Furniture and Equipment	7,473	11,476
	7,642	**11,661**

Minimum Lease Payments - Group / PCC	2014/15 £000	2015/16 £000
Not later than one year	1,068	1,236
Later than one year and not later than five years	4,270	4,942
Later than five years	2,135	1,236
	7,473	**7,413**

As part of the strategic partnership with G4S, ICT and furniture assets were transferred to G4S in 2012/13. Additional assets have since been added and are now valued at £11,476k. Under IFRIC 4 there is a finance lease for these assets. The associated minimum lease payments are shown above. There are no contingent rents or sublease payments.

The assets are carried in the PCC Group asset register and are subject to depreciation.

PCC as Lessee - Operating Leases

The PCC has acquired a number of assets by entering into operating leases, typically on a short-term basis. The future minimum lease payments due under non-cancellable leases in future years are:

Group / PCC	2014/15 £000	2015/16 £000
Not later than one year	29	27
Later than one year and not later than five years	102	100
Later than five years	47	-
	178	**127**

The expenditure charged against the cost of services section of the Comprehensive Income and Expenditure Statement during the year in relation to leases was:

Group / PCC	2014/15 £000	2015/16 £000
Minimum lease payments	131	51
	131	**51**

The PCC Group has additional licenses to occupy premises on a peppercorn rent basis, which are cancellable by either party at between 1 and 3 months' notice. These premises are typically utilised by Neighbourhood Police Teams. No payments are made for these licenses and as such no value is recorded in the tables above in relation to them.

PCC as Lessor

Operating Leases

The PCC leases out office accommodation and space on radio masts under operating leases for the following purposes:

- Office accommodation for the provision of probation services;
- Office accommodation for the provision of UK immigration services;
- Space on radio masts for telecommunication services.

The future minimum lease payments receivable under non-cancellable leases in future years are:

Group / PCC	2014/15 £000	2015/16 £000
Not later than one year	93	123
Later than one year and not later than five years	288	367
Later than five years	165	170
	546	**660**

22. Inventories

Group / PCC	Uniform and Equipment		Diesel		Fleet Maintenance		Other		Total	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Balance outstanding at start of year	**305**	**372**	**76**	**53**	**39**	**27**	**2**	**1**	**421**	**453**
Purchases	226	236	671	619	119	114	3	2	1,019	971
Recognised as an expense in the year	(159)	(285)	(694)	(622)	(131)	(107)	(4)	(3)	(988)	(1,017)
Written off balances	-	-	-	2	-	(1)	-	-	-	1
Balance outstanding at year-end	**372**	**323**	**53**	**52**	**27**	**33**	**1**	**-**	**452**	**408**

23. Debtors

Group PCC	2014/15 £000	2015/16 £000
Amounts falling due within one year:		
Central government bodies	7,488	6,806
Other local authorities	-	8,351
Other entities and individuals	6,421	3,799
Total Debtors falling due within one year	**13,909**	**18,956**

24. Cash and Cash Equivalents

	2014/15	2015/16
Cash held by the PCC	32	24
Bank current accounts	(38)	882
Insurance imprest account	-	38
Confiscated account	(39)	(25)
Short-term deposits	4,650	3,700
Total Cash & Cash Equivalents	**4,605**	**4,618**

25. Creditors

Other entities and individuals include supplies and services, pay accruals, receipts in advance, other creditors and employee benefits. Employee benefits are the theoretical value of annual leave/time owed to staff at the Balance Sheet date.

Group	2014/15 £000	2015/16 £000
Central government bodies	(1,359)	(1,496)
Other local authorities	(229)	(8,598)
Other entities and individuals	(7,104)	(6,693)
Total Short-Term Creditors	**(8,692)**	**(16,787)**

PCC	2014/15 £000	2015/16 £000
Central government bodies	(1,359)	(1,496)
Other local authorities	(229)	(8,598)
Other entities and individuals	(5,303)	(5,286)
Inter Group	(1,801)	(1,406)
Total Short-Term Creditors	**(8,692)**	**(16,787)**

26. Revenue Provisions

The Group has made provisions to meet the costs of the liabilities described below. They are classified as provisions because there is a present obligation to transfer economic benefit as a result of a past event, payment is probable and the amount can be reliably estimated.

All provisions are expected to be used in 2016/17.

Short Term Provisions - Group	Legal Services	Ill Health Retirements	Termination Benefits of Employment	Volume Crime Overtime Back Pay	Injury Award	Pension pay of forensic staff TUPE transferred	Obsolete Stock	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015	**(267)**	**-**	**(17)**	**(40)**	**-**	**(600)**	**(30)**	**(955)**
Additional Provisions Made In 2015/16	(128)	(139)	-	-	(130)	-	-	(397)
Amounts Used In 2015/16	-	-	1	40		540	30	611
Unused amounts reversed in 2015/16	-	-	-	-		60	-	60
Balance at 31 March 2016	**(395)**	**(139)**	**(16)**	**-**	**(130)**	**-**	**-**	**(681)**

Short Term Provisions - PCC	Legal Services	Ill Health Retirements	Termination Benefits of Employment	Volume Crime Overtime Back Pay	Injury Award	Pension pay of forensic staff TUPE transferred	Obsolete Stock	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015	**(267)**	**-**	**-**	**(40)**	**-**	**(600)**	**(30)**	**(938)**
Additional Provisions Made In 2015/16	(128)	(139)	-	-	(130)	-	-	(397)
Amounts Used In 2015/16	-	-	-	40		540	30	610
Unused amounts reversed in 2015/16	-	-	-	-		60	-	60
Balance at 31 March 2016	**(395)**	**(139)**	**-**	**-**	**(130)**	**-**	**-**	**(665)**

All provisions are held on the PCC balance sheet, with the exception of the termination benefits of employment provision, relating to pension payments and which are now held by the Chief Constable within its IAS19 Pension's liability.

Long Term Provisions Group	Termination Benefits of Employment £000	Total £000
Balance at 31 March 2015	**(149)**	**(149)**
Additional Provisions Made In 2015/16	-	-
Amounts Used In 2015/16	13	13
Unused amounts reversed in 2015/16	-	-
Balance at 31 March 2016	**(136)**	**(136)**

27. Usable Reserves

Movements in the PCC's Usable Reserves are detailed in the Movement in Reserves Statements. The PCC keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Usable Reserves - Group	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Earmarked Reserves (PCC) £000	Earmarked Reserves (Region) £000	Earmarked Reserves Total £000	General Fund Balance £000	General Fund Balance (Region) £000	General Reserve Total £000	Total Usable Reserves £000
Balance as at 31 March 2015	**-**	**390**	**10,731**	**359**	**11,090**	**5,629**	**243**	**5,873**	**17,353**
Movements during the year									
Surplus / (Deficit) on the provision of services	-	-	-	-	-	(25,961)	(34)	(25,995)	(25,995)
Adjustments between accounting basis and funding basis under regulations	134	(26)	-	-	-	27,503	-	27,503	27,611
Income and Expenditure contribution	-	-	3,936	183	4,119	(3,936)	(183)	(4,119)	0
Used in the year	-	-	(2,393)	-	(2,393)	2,393	-	2,393	-
Total reserve movements 2015/16	**134**	**(26)**	**1,543**	**183**	**1,726**	**(0)**	**(217)**	**(217)**	**1,616**
Balance as at 31 March 2016	**134**	**364**	**12,274**	**542**	**12,816**	**5,629**	**26**	**5,656**	**18,969**

Usable Reserves - PCC	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Earmarked Reserves (PCC) £000	Earmarked Reserves (Region) £000	Earmarked Reserves Total £000	General Fund Balance £000	General Fund Balance (Region) £000	General Reserve Total £000	Total Usable Reserves £000
Balance as at 31 March 2015	**-**	**390**	**10,731**	**359**	**11,090**	**5,629**	**243**	**5,873**	**17,353**
Movements during the year									
Surplus / (Deficit) on the provision of services	-	-	-	-	-	2,556	(34)	2,522	2,522
Adjustments between accounting basis and funding basis under regulations	134	(26)	-	-	-	(1,015)	-	(1,014)	(906)
Income and Expenditure contribution	-	-	3,936	183	4,119	(3,936)	(183)	(4,119)	-
Used in the year			(2,393)	-	(2,393)	2,393	-	2,393	-
Total reserve movements 2015/16	**134**	**(26)**	**1,543**	**183**	**1,726**	**-**	**(217)**	**(217)**	**1,617**
Balance as at 31 March 2016	**134**	**364**	**12,274**	**542**	**12,816**	**5,629**	**26**	**5,656**	**18,969**

28. Unusable Reserves

Unusable Reserves - Group	2014/15 £000	2015/16 £000
Revaluation Reserve	1,574	2,238
Capital Adjustment Account	3,379	3,788
Pensions Reserve	(1,317,247)	(1,143,781)
Collection Fund Adjustment Account	718	1,015
Accumulated Absences Account	(1,801)	(1,406)
Total Unusable Reserves	**(1,313,377)**	**(1,138,147)**

Unusable Reserves - PCC	2014/15 £000	2015/16 £000
Revaluation Reserve	1,574	2,238
Capital Adjustment Account	3,379	3,788
Pensions Reserve	(2,247)	(1,713)
Collection Fund Adjustment Account	718	1,015
Accumulated Absences Account	(1,801)	(1,406)
Total Unusable Reserves	**1,623**	**3,922**

29. Revaluation Reserve

The Revaluation Reserve records the accumulated gains on the long-term assets held by the PCC arising from increases in value. The Reserve is also debited with amounts equal to the part of depreciation charges on assets that have been incurred only because the asset has been re-valued. The balance is reduced when assets with accumulated gains are:

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

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

2014/15 £000		2015/16 £000
465	**Balance at 1 April**	**1,574**
1,113	Upward revaluation of Property, Plant and Equipment	957
(2)	Downward revaluation of Property Plant and Equipment, and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(219)
-	Downward revaluation of Assets Held for Sale and impairment losses not charged to the Surplus or Deficit on the Provision of Services	-
-	Upward valuation of Assets Held for Sale	-
-	Upward revaluation of Investment Properties	-
1,111	**Surplus / (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**738**
(2)	Difference between fair value depreciation and historical cost depreciation and adjustment on revaluation reserve	(30)
-	Historical revaluation written out of revaluation reserve	(33)
-	Accumulated gains on assets sold or scrapped	(11)
(2)	**Amount written off to the Capital Adjustment Account**	**(74)**
1,574	**Balance at 31 March**	**2,238**

30. Capital Adjustment Account

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

2014/15 £000	Group / PCC	2015/16 Movement £000	2015/16 £000
3,768	**Balance at 1 April**		**3,379**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(3,383)	Charges for depreciation and impairment on non-current assets	(3,212)	-
(112)	Market Rasen Station Prepayment	-	-
(709)	Revaluation losses on Property, Plant and Equipment	(543)	-
(427)	Amortisation of intangible assets	(621)	-
(2)	Revenue expenditure funded from capital under statute	-	-
(1,704)	Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(1,228)	-
(14)	Other movements debited/credited through CAA	-	-
(6,351)			**(5,605)**
2	Amounts written out of the Revaluation Reserve	72	
(6,349)	**Net written out amount of the cost of non-current assets consumed in the year**		**(5,532)**
	Capital financing applied in the year:		
351	Use of Capital Receipts Reserve to finance new capital expenditure	-	-
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing:		
472	Capital expenditure charged against the general fund	1,041	-
1,823	Application of capital grants and contributions to capital financing transferred to the CAA	1,632	-
2,646			**2,673**
95	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	55	
95			**55**
	Items not debited or credited to the Comprehensive Income and Expenditure Statement:		
3,219	Revenue provision for the repayment of debt	3,214	-
3,219			**3,214**
3,379	**Balance at 31 March**	**409**	**3,788**

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The PCC 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 a benefit earned to be financed, as the PCC Group 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 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 have been set aside by the time the benefits come to be paid.

2014/15 PCC £000	2014/15 Group £000	Group	2015/16 PCC £000	2015/16 Group £000
(1,571)	**(1,107,134)**	**Balance at 1 April**	**(2,247)**	**(1,317,247)**
(629)	(169,428)	Actuarial gains or (losses) on pensions assets and liabilities	656	202,105
(201)	(74,625)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(277)	(70,337)
154	33,938	Employer's pensions contributions and direct payments to pensioners payable in the year	155	41,684
-	2	Other unfunded termination benefits		14
(2,247)	**(1,317,247)**	**Balance at 31 March**	**(1,713)**	**(1,143,781)**

32. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2014/15 £000		2015/16 £000
279	**Balance at 1 April**	**718**
439	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	297
718	**Balance at 31 March**	**1,015**
	Represented by:	
2,094	Council tax arrears	2,610
(792)	Impairment for doubtful debts	(875)
(826)	Council tax overpayments and prepayments	(1,071)
242	Creditors, billing authorities	351
718	**Collection fund surplus / (deficit)**	**1,015**

33. Accumulated Absences Account

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

2014/15 £000		2015/16 £000
(2,634)	**Balance at 1 April 2015**	**(1,801)**
2,634	Settlement or cancellation of accrual made at the end of the preceding year	1,801
(1,801)	Amounts accrued at the end of the current year	**(1,406)**
833	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**395**
(1,801)	**Balance at 31 March 2016**	**(1,406)**

34. Cash Flow – Adjustments on Provision of Services for Non Cash Movements

2014/15 £000		Cash Flow - Non Cash Movements	2015/16 £000	
PCC	Group		PCC	Group
(3,383)	(3,383)	Depreciation of Non-Current Assets	(3,201)	(3,201)
(708)	(708)	Impairment and Downward Valuations of Non-Current Assets	(543)	(543)
(427)	(427)	Amortisation of Intangible Assets	(621)	(621)
(321)	(321)	Amortisation of Government Grant and Other Contributions	620	620
		(Increase)/Decrease in Impairment Provisions for Bad Debts	8	8
64	64	Increase/(Decrease) in Creditors	(8,470)	(8,470)
1,794	1,794	(Increase)/Decrease in Debtors	5,040	5,040
30	30	(Increase)/Decrease in Inventories	(44)	(44)
(47)	(40,688)	Pension Liability	(122)	(28,652)
(258)	(258)	Carrying Amount of Non-Current Assets Sold and Assets Held for Sale	(1,220)	(1,220)
(441)	(438)	Contributions to Provisions	273	286
95	95	Other Non-Cash Items Charged to the Net Deficit on the Provision of Services	55	55
(3,602)	**(44,240)**	**Non Cash Movements**	**(8,225)**	**(36,742)**

35. Cash Flow – Adjustment on Provision of Services for Investing and Financing Activities

2014/15 £000	Group / PCC	2015/16 £000
344	Proceeds from the Sale of Property, Plant and Equipment, Investment Property	118
344		**118**

36. Cash Flow – Operating Activities

2014/15 £000	Group / PCC	2015/16 £000
(43)	Interest received	(62)
680	Interest paid	626

37. Cash Flow Statement – Investment Activities

2014/15 £000	Group / PCC	2015/16 £000
4,159	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	4,184
18,900	Purchase of Short-Term and Long-Term Investments	18,000
(344)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(118)
(18,900)	Proceeds from Short-Term and Long-Term Investments	(14,000)
3,815	**Net Cash Flows from Investing Activities**	**8,066**

38. Cash Flow Statement – Financing Activities

2014/15 £000	Group / PCC	2015/16 £000
1,066	Cash Payments for the Reduction of the Outstanding Liability Relating to a Finance Lease	1,226
1,571	Repayments of Short and Long-Term Borrowing	1,322
2,637	**Net Cash Flow from Financing Activities**	**2,548**

39. Police Property Act Fund

2014/15 £000	Group / PCC	2015/16 £000
(27)	Balance as at 1st April	(12)
(24)	Income	(9)
38	Expenditure	17
(13)	**Balance as at 31 March**	**(4)**
(13)	**Cash balance held by Lincolnshire Police as at 31 March**	**(4)**

Police and Crime Commissioners are required under the Police Property Act 1997 to set aside any money received from the sale of property in connection with found or seized property. The net proceeds from this fund are either repaid to the individual; used to defray expenses incurred in the storage and safe custody of property; or distributed to local charities as directed by the Chief Constable.

40. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the PCC on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement;
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the PCC Group’s principal directorates recorded in the budget reports for the year is as follows:

Reconciliation of Directorate Income and Expenditure to Net Cost of Services in the Comprehensive Income and Expenditure Statement

Directorate Income and Expenditure 2014/15	Police & Crime Commissioner	Chief Constable	Joint Services	Total
	£000	£000	£000	£000
Fees, charges & other service income	(4,498)	(1,751)	(113)	**(6,362)**
Council Tax	(41,612)			**(41,612)**
Government grants	(69,302)			**(69,302)**
Total Income	**(115,412)**	**(1,751)**	**(113)**	**(117,276)**
Employee expenses	584	70,825	960	**72,369**
Other operating expenses	30,632	10,916	717	**42,265**
Support services	-	-		**-**
Total Expenditure	**31,216**	**81,741**	**1,677**	**114,635**
Net Expenditure	**(84,196)**	**79,990**	**1,564**	**(2,642)**

Directorate Income and Expenditure 2015/16	Police & Crime Commissioner	Chief Constable	Joint Services	Total
	£000	£000	£000	£000
Fees, charges & other service income	(9,068)	(3,050)	(246)	**(12,364)**
Council Tax	(43,230)			**(43,230)**
Government grants	(65,899)			**(65,899)**
Total Income	**(118,197)**	**(3,050)**	**(246)**	**(121,493)**
Employee expenses	1,086	69,699	1,230	**72,016**
Other operating expenses	32,848	14,513	574	**47,935**
Support services	-	-		**-**
Total Expenditure	**33,934**	**84,212**	**1,805**	**119,951**
Net Expenditure	**(84,263)**	**81,162**	**1,559**	**(1,542)**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Group	**2014/15 £000**	**2015/16 £000**
Net Expenditure in the Directorate Analysis	**(2,642)**	**(1,542)**
Net Expenditure of Services not included in the Segmental Analysis	**-**	
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis.	13,495	27,538
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement, Cost of Services.	110,692	89,445
Cost of Services in Comprehensive Income and Expenditure Statement	**121,545**	**115,442**

PCC	**2014/15 £000**	**2015/16 £000**
Net Expenditure in the Directorate Analysis	**(84,196)**	**(84,263)**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis.	86,910	88,220
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement, Cost of Services.	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	**2,714**	**3,957**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Directorate Income and Expenditure 2015/16	Directorate Analysis	Net Expenditure NOT in Analysis	Net Expenditure NOT in I&E	Total	Net Expenditure NOT in I&E	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(12,364)		8,275	(4,088)	(8,275)	(12,364)
Council Tax	(43,230)		43,527	297	(43,527)	(43,230)
Government Grants	(65,899)	(1,442)	82,555	15,215	(82,555)	(67,341)
Total Income	**(121,493)**	**(1,442)**	**134,358**	**11,424**	**(134,358)**	**(122,934)**
Employee expenses	72,016	28,213	-	100,229	-	100,229
Other Service Expenses	47,935	-	(1,856)	46,079	1,856	47,935
Depreciation, Amortisation and Impairment		952	-			-
Direct Revenue Financing		(921)	-			-
Gains on Disposal of Assets		1,085	-			-
Precepts and Levies		(297)	-			-
Net Movement in Reserves		-	-	-	-	-
Regional		(52)	-		-	-
Financing & Investment	-	-	(43,057)	(43,057)	43,057	-
Total Expenditure	**119,951** **-**	**28,980**	**(44,913)**	**103,251**	**44,913**	**148,164**
Net Expenditure	**(1,542)**	**27,538**	**89,445**	**115,442**	**(89,445)**	**25,229**

41. Gross Expenditure and Income

The Comprehensive Income and Expenditure Statement has been prepared using the service expenditure analysis for Police Services as detailed in the 2015/16 Service Reporting Code of Practice (SerCOP).

The following table details where the money is spent and aids comparisons between authorities in terms of the type of expenditure incurred.

Note that the prior year figures have been restated to ensure comparatives are consistent. There is no change overall to the total.

2014/15 £000	Operating Cost - Group	2015/16 £000
46,704	Police Pay and Allowances	47,843
16,616	Police Staff Pay and Allowances	18,661
833	Other Employee Expenses	858
898	Police Pensions - Ill Health Retirements	1,099
23,850	Pension costs	17,891
2,837	Premises	2,491
1,803	Transport	1,883
8,407	Supplies and Services	11,265
21,633	Third Party Payments	20,560
3,030	Support Services	-
4,472	Capital Financing	4,222
- 9,539	Income from Grants, Fees and Charges	(11,329)
121,545	**Net Cost of Services**	**115,442**

2014/15 £000	Operating Cost - PCC	2015/16 £000
	Police Pay and Allowances	-
1,026	Police Staff Pay and Allowances	1,511
39	Other Employee Expenses	28
-	Police Pensions - Ill Health Retirements	
-	Pension costs	
1	Premises	-
1	Transport	2
101	Supplies and Services	2,910
404	Third Party Payments	-
-	Support Services	720
4,465	Capital Financing	4,222
(3,323)	Income from Grants, Fees and Charges	(5,435)
2,714	**Net Cost of Services**	**3,957**

The Cost of Services is split across police services on the face of the Comprehensive Income & Expenditure Statement. The split is based on the “Police Objective Analysis” (POA), which has been developed by the Police Service. This method of allocating costs across services is based on a series of apportionments of expenditure in accordance with the actual functions carried out by police officers and staff. However, SerCOP also requires the allocation of central support service costs and other adjustments, which are not considered in the POA.

42. Corporate and Democratic Core and Non-Distributed Costs

Corporate and Democratic Core expenditure represents those costs of operating an organisation such as the PCC, which cannot be directly attributed to a particular function as defined in the Service Reporting Code of Practice.

Non-distributed costs are a classification from the Service Reporting Code of Practice. They are costs which do not require allocation as police service costs. These include the income and expenditure relating to the PCC as these costs are not allocated to the operational policing services analysis.

Group	**2014/15 £000**	**2015/16 £000**
Police Services	118,249	110,906
Corporate and Democratic Core	1,282	1,226
Non Distributed Costs	2,014	3,309
Net Cost of Services	**121,545**	**115,442**

PCC	**2014/15 £000**	**2015/16 £000**
Police Services	-	-
Corporate and Democratic Core	807	648
Non Distributed Costs	1,907	3,309
Net Cost of Services	**2,714**	**3,957**

43. Joint Operations

Sexual Assault Referral Centre

The SARC is a one stop location where victims of sexual assault can receive medical care and counselling whilst at the same time having the opportunity to assist the police investigation into alleged offences. It is a joint operation between Lincolnshire Police and Lincolnshire Partnership NHS Foundation Trust, with Lincolnshire Police acting as the lead body. The financial statements include the PCC Group's share of non-current assets, primarily the purchase and refurbishment costs associated with Spring Lodge (PCC Lincolnshire share is 65%). The financial statements also include the PCC's share of Income £11k and revenue expenditure £89k (PCC Lincolnshire is 50%).

Regional Collaboration

The East Midland Regional Collaboration consists of:

- East Midlands Special Operations Unit (EMSOU) – including Regional Asset Recovery Team, Regional Review Unit and Protected Persons Unit - Lead body Leicestershire;
- East Midlands Collaboration Team – Lead body Leicestershire;
- EMSOU Major Crime – Lead body Leicestershire;
- EMSOU Technical Support Unit (TSU)- Lead Body Derbyshire;
- Forensics – Lead body Derbyshire;
- Occupational Health Unit (OHU)– Lead body Leicestershire;
- East Midlands Operational Support Services (EMOPSS) including Armed Policing Training and Serious Collision Investigation Unit – Lead body Lincolnshire;
- East Midlands Regional Information and Co-ordination Centre (EMRICC) – Lead body Leicestershire;

- East Midlands Criminal Justice – Lead body Leicestershire – Finance Lincolnshire;
- East Midlands Legal Services – Lead body Derbyshire.

As all assets, liabilities and reserves are held by the PCC, only the operational policing costs have been shown in the Chief Constable's Comprehensive Income & Expenditure Statement. The PCC's share of assets and liabilities is included in the PCC Group accounts. The transactions relating to Lincolnshire's share of a five Force collaboration is set at 12.9%, in the case of 4 Force collaborations such as EMOpSS, Lincolnshire's share is 16.5% of revenue expenditure. These allocations from regional forces have been included in the Comprehensive Income and Expenditure Statement.

Lincolnshire share of Regional Balance Sheet as at 31 March 2016

2014/15 £000		2015/16 £000
748	Property, Plant & Equipment	959
5	Intangible Assets	7
-	Assets Held For Sale	58
173	Asset Under Construction	20
926	**Long Term Assets**	**1,043**
3	Payments In Advance	4
666	Cash and Cash Equivalents	649
120	Short-Term Debtors	100
789	**Current Assets**	**753**
(175)	Short-Term Creditors	(176)
(12)	Receipts In Advance	(10)
(35)	Employee Benefits	(66)
(222)	**Current Liabilities**	**(251)**
1,493	**Net Assets**	**1,546**
244	General Fund Balance	28
359	Earmarked Reserves	542
603	**Usable Reserves**	**569**
925	Capital Adjustment Account	1,042
(35)	Accumulated Absences Account	(66)
890	**Unusable Reserves**	**977**
1,493	**Total Reserves**	**1,546**

Lincolnshire share of Regional Comprehensive Income and Expenditure Statement

2014/15 £000		2015/16 £000
636	Police Pay and Allowances	1,261
1,470	Police Staff Pay and Allowances	1,662
40	Other Employee Expenses	73
27	Premises	40
110	Transport	368
441	Supplies and Services	547
0	Support Services	-
25	Agency and Contracted Services	16
59	Depreciation	68
-	Amortisation	1
2	Capital Financing	76
2,810	**Gross Operating Expenditure**	**4,113**
(83)	Other Income	(142)
	(Gains) or Losses on Revaluation of Non-Current Assets Held for Sale	19
-	(Gains) or Losses on Disposal of Non-Current Assets	0
2,727	**Amount to be met from Partners**	**3,991**
	Financed by:	
(2,474)	Contributions from Partners	(3,595)
(402)	External Grants	(400)
(175)	Capital Grants & Contributions	(47)
(324)	**Deficit on the Provision of Services**	**(52)**
-	(Surplus) or Deficit on the Provision of Services	-
-	**Other Comprehensive Income and Expenditure**	**-**
(324)	**Total Comprehensive Income and Expenditure**	**(52)**

44. Partnerships Outside Scope of Collaborative Arrangements

Lincolnshire Road Safety Partnership

Lincolnshire Road Safety Partnership (LRSP) was formed in order to reduce the number of people killed or injured on Lincolnshire's roads. LRSP is a unique multi-agency partnership that brings together road safety professionals from the Police, Lincolnshire County Council, Fire & Rescue, the NHS, the Highways Agency and the Probation Service. Roads Policing Officers provide their time as an integral part of the Partnership. Income in the year was £1,019k and expenditure £759k

Drug and Alcohol Action Team (DAAT)

The Lincolnshire DAAT is a voluntary partnership of all the statutory services in the area and some other significant organisations responsible for delivering the National Drugs Strategy. Previously named the Lincolnshire DAT (Drugs Action Team), the organisation's remit has been widened to incorporate responsibility for the National Alcohol Harm Reduction Strategy and is now called the Lincolnshire Drug and Alcohol Action Team. Drugs Referral Officers work in the Force's custody suites to provide support and advice to individuals and families affected by substance misuse. No contributions were made or received in relation to DAAT in 2015/16.

45. Audit Committee Allowances and Expenses

The amount paid to members of the Joint Independent Audit Committee equated to £5,045 for the year compared to £8,534 in 2014/15.

46. Remuneration of Senior Officers

Remuneration includes all sums paid to or receivable by an employee. Pension contributions payable by the employer are excluded.

The Accounting Code of Practice requires detailed disclosure for specific senior officers. These are disclosed in the tables below.

2014/15 Senior Officers' Remuneration	Notes	Salaries, fees or allowances	Performance related pay	Compensation for loss of office	Other benefits receivable in the role	Total remuneration excluding pension contributions 2014/15	Employer's pension contribution	Total remuneration including pension contributions 2014/15
		£	£	£	£	**£**	£	**£**
Police and Crime Commissioner		65,000	-	-	-	**65,000**	12,935	**77,935**
Office of the Police and Crime Commissioner								
Chief Executive		101,803	-	-	1,239	**103,042**	20,259	**123,301**
Chief Finance Officer		70,700	-	-	1,239	**71,939**	14,069	**86,008**
Police officers								
Chief Constable		145,581	-	-	2,344	**147,925**	33,956	**181,881**
Temporary Deputy Chief Constable	Left 29.10.14	65,591	-	-	2,344	**67,935**	15,351	**83,286**
Temporary Deputy Chief Constable*		108,474	-	-	10,255	**118,729**	24,991	**143,720**
						-		**-**
Assistant Chief Constable 1**		84,427	3,125	-	6,838	**94,391**	19,748	**114,138**
Temporary Assistant Chief Constable 2***		90,691	-	-	7,623	**98,314**	21,167	**119,481**
Police Staff of the Chief Constable								
Assistant Chief Officer (Resources)****		93,475	-	-	8,812	**102,288**	18,602	**120,889**
Chief Finance Officer		55,830	-	-	-	**55,830**	11,110	**66,940**

*	Was ACC until Temp promotion to DCC on 13/09/14	***	Returned to the rank of Ch. Supt from 01/09/14
**	Was on a career break and returned 30/06/14. Performance related pay related to whilst seconded to CEOP	****	Commenced 09/06/14

2015/16 Senior Officers' Remuneration	Notes	Salaries, fees or allowances £	Performance related pay £	Compensation for loss of office £	Other benefits receivable in the role £	**Total remuneration excluding pension contributions 2015/16 £**	Employer's pension contribution £	**Total remuneration including pension contributions 2015/16 £**
Police and Crime Commissioner		65,000	-	-	-	**65,000**	12,935	**77,935**
Office of the Police and Crime Commissioner								
Chief Executive		98,257	-	-	1,239	**99,496**	19,553	**119,049**
Chief Finance Officer		72,385	-	-	1,239	**73,624**	14,405	**88,029**
Police officers								
Chief Constable		146,986	-	-	3,244	**150,230**	33,756	**183,986**
Temporary Deputy Chief Constable		116,867	-	-	6,413	**123,280**	25,401	**148,681**
Assistant Chief Constable		111,799	-	-	8,496	**120,295**	-	**120,295**
Police Staff of the Chief Constable								
Assistant Chief Officer (Resources)		99,303	-	-	7,201	**106,504**	19,761	**126,265**
Chief Finance Officer		54,826	-	-	-	**54,826**	10,910	**65,737**

The table below highlights the employees within defined remuneration ranges. This excludes the senior employees who are shown in more detail in the tables above.

Remuneration Range	2014/15 Number of employees	2015/16 Number of employees
£50,000 to £54,999	1	-
£55,000 to £59,999	2	2
£60,000 to £64,999	-	2
£65,000 to £69,999	1	1
£70,000 to £74,999	-	1
£75,000 to £79,999	2	-
£80,000 to £84,999	1	1
£85,000 to £89,999	-	1
£90,000 to £94,999	-	-
£95,000 to £99,999	-	-
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-

47. Severance Costs

In 2014/15 there were no employee contracts terminated by the PCC Group. In 2015/16 eight employee contracts were terminated, incurring liabilities of £138k. This was made up of:

- £82k in compulsory redundancy payments
- £10k severance payment
- £46k for enhanced retirement benefits, this relates to 2 members who retired early due to being under 55 following redundancy.

Cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number by cost band		Total cost in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0,000 to £20,000	-	4	-	1	-	5	-	35
£20,001 to £40,000	-	3	-	-	-	3	-	103
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,000 to £150,000	-	-	-	-	-	-	-	-
Total	**-**	**7**	**-**	**1**	**-**	**8**	**-**	**138**

The PCC has recognised the potential liability of £153k for 11 employees who had their contracts terminated in the past under different accounting arrangements. For these employees, the impact on the General Fund is restricted to the £14k cash payment made in 2015/16.

48. Audit Costs

Group / PCC	2014/15 £000	2015/16 £000
Fees payable w ith regard to external audit services carried out by the appointed auditor for the year	59	44
Additional Audit fees relating to 2014/15	3	-
Total	**62**	**44**

PCC	2014/15 £000	2015/16 £000
Fees payable w ith regard to external audit services carried out by the appointed auditor for the year	39	29
Additional Audit fees relating to 2014/15	3	-
Total	**42**	**29**

49. Grant Income

The PCC Group credited the following grants to the Comprehensive Income and Expenditure Statement.

Group / PCC	2014/15 £000	2015/16 £000
Credited to Taxation and Non Specific Grant Income		
Central Government:		
Police Grant	(62,655)	(59,065)
Home Office Pension Grant	(20,872)	(23,490)
Capital Grants and Contributions	(1,405)	(1,442)
Council Tax Freeze Grant	(1,058)	(1,059)
Council Tax Support Grant	(5,776)	(5,775)
Regional Grant Contributions	-	
Total	**(91,766)**	**(90,831)**

Group	2014/15 £000	2015/16 £000
Credited to Services		
Central Government:		
Neighbourhood Policing Fund	-	
Counter Terrorism	-	
Proceeds of Crime Act	(146)	(100)
Innovation Fund Grants	-	(4,214)
Other Home Office Grants	-	(803)
Other Bodies:		
LCC Neighbourhood Policing	(1,500)	(1,200)
Total	**(1,646)**	**(6,316)**

PCC	2014/15 £000	2015/16 £000
Credited to Services		
Central Government:		
Other Home Office Grants	-	(803)
Total	**-**	**(803)**

Group / PCC	2014/15 £000	2015/16 £000
Capital Grants Receipts in Advance <1 year		
Mobile Data	(320)	(50)
Lincolnshire Road Safety Partnership	(420)	(70)
Total	**(740)**	**(120)**

Where the Group has received grants with conditions attached that it has not met at year-end, these are not be recognised in the income.

50. Related Party Transactions

The entity is required to disclose details of any material transactions with related parties - bodies or individuals that have the potential to control or influence the Force or, to be controlled or influenced by the Force. Disclosure of these transactions allows readers to assess the extent to which the entity might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

UK Central Government

The UK central government has effective control over the general operations of the PCC. It is responsible for establishing the statutory framework within which the PCC operates. It provides a large proportion of the PCC's funding in the form of grants and prescribes the terms of many of the transactions that the PCC has with other parties. Grants received from government departments are included in the subjective analysis in Note 41 on reporting for resources allocation decisions.

Chief Constable for Lincolnshire

Within the Group, the Chief Constable is accountable to the Police & Crime Commissioner for Lincolnshire. The PCC provides all funding to the Chief Constable for the discharge of his duties. The total funding is shown in the PCC's Comprehensive Income & Expenditure Statement.

Officers

The total remuneration to senior staff in 2015/16 is shown in Note 46. All senior officers employed by the PCC Group at the 31 March 2016 have completed a Related Party Transaction Declaration for the financial year in respect to themselves and close family members to identify any business dealings with the Group that fall into this category. No further disclosures are required.

Other Public Bodies

	Income 2015/16 £000	Expenditure 2015/16 £000
Boston Borough Council	3,544	72
City Of Lincoln Council	4,588	205
College Of Policing	29	74
East Lindsey District Council	8,349	117
Home Office		884
Lincolnshire County Council	1,614	509
Lincolnshire County Council Pension Fund		434
North Kesteven District Council	6,853	460
South Holland District Council	5,174	42
South Kesteven District Council	9,066	210
University Of Leicester		194
West Lindsey District Council	5,672	- 3

Joint operations and Partnerships are disclosed in Notes 43 and 44.

51. Retirement Benefits

51.1 Discretionary post-retirement benefits

As part of the terms and conditions of employment of its officers and other employees, the Group offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to disclose the cost of future pension liabilities at the time that employees earn their future entitlement.

The Group participates in two pensions schemes:

The Local Government Pension Scheme is for police staff, and is administered by West Yorkshire Pension Fund on behalf of Lincolnshire County Council. On 1 April 2014 a new LGPS was created, whilst remaining a defined benefit scheme, the way that pensions are calculated changed with a new career average pension scheme being introduced. The new arrangements maintain all service prior to this date on a final salary basis with future benefits being based on pay (which now also includes non-contractual overtime) each scheme year rather than final salary. Transitional arrangements and protections for those approaching retirement age were also implemented. The effect of these new arrangements is included within the pension disclosures of these accounts. A funded defined benefit final salary scheme, means that the PCC and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. G4S joined Lincolnshire Pension Fund as a new Transferee Admission Body on 1 April 2012 on a “pass through” arrangement for a contract term of 10 years. The IAS19 results as at 31 March 2016 reflect the combined G4S and Lincolnshire Police pension fund assets and liabilities.

The Police Pension Scheme for police officers is an unfunded defined benefit final salary scheme. There are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year are less than amounts payable, the PCC must transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, this cost is met by a central government pension top up grant.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

51.2. Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no scheme assets built up to meet these pension liabilities.

51.3. Transactions Relating to Retirement Benefits

In order to comply with IAS 19, employer’s pension contributions have been replaced with current service costs as estimated by the independent actuary. The Group recognise the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in

Reserves Statement. The reversal of the IAS 19 transactions ensures that there is no effect on the amounts to be met from government grant and the local taxpayers.

51.4. Transactions Relating to Retirement Benefits

Local Government Pension Scheme	2014/15		2015/16	
	PCC £000	Group £000	PCC £000	Group £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	(167)	(4,175)	(203)	(5,085)
Past service costs	(0)	(7)	(1)	(35)
Effect of settlements	21	518	-	-
Financing and Investment Income and Expenditure				
Net interest expense	(54)	(1,362)	(73)	(1,817)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(201)**	**(5,026)**	**(277)**	**(6,937)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Return on scheme assets (excluding the amount included in the net interest expense)	300	7,512	(83)	(2,085)
Actuarial gains and losses arising on changes in demographic assumptions	-		-	-
Actuarial gains and losses arising on changes in financial assumptions	(965)	(24,121)	678	16,951
Other (if applicable)	35	881	62	1,539
Subtotal Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(629)**	**(15,728)**	**656**	**16,405**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(830)**	**(20,754)**	**379**	**9,468**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	201	5,026	277	6,937
Actual Amount charged against the General Fund Balance for pensions in the year:	-			
Employers contributions payable to scheme	(154)	(3,838)	(155)	(3,884)
Retirement benefits payable to pensioners	-			
Movement from Comprehensive Income and Expenditure Statement to the General Fund	**48**	**1,188**	**122**	**3,053**

Police Pension Scheme	**2014/15**	**2015/16**
	Group £000	**Group £000**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	(23,800)	(22,600)
Past service costs	(100)	(500)
Effect of settlements	-	-
Financing and Investment Income and Expenditure		
Net interest expense	(45,700)	(40,300)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(69,600)**	**(63,400)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Return on scheme assets (excluding the amount included in the net interest expense)	-	-
Actuarial gains and losses arising on changes in demographic assumptions	-	3,300
Actuarial gains and losses arising on changes in financial assumptions	(153,700)	182,400
Other (if applicable)		
Subtotal Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(153,700)**	**185,700**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(223,300)**	**122,300**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	69,600	63,400
Actual Amount charged against the General Fund Balance for pensions in the year:	-	-
Employers contributions payable to scheme	-	-
Retirement benefits payable to pensioners	(30,100)	(37,800)
Movement from Comprehensive Income and Expenditure Statement to the General Fund	**39,500**	**25,600**

Total Pension Liability	**2014/15**		**2015/16**	
	PCC £000	**Group £000**	**PCC £000**	**Group £000**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	(167)	(27,975)	(203)	(27,685)
Past service costs	(0)	(107)	(1)	(535)
Effect of settlements	21	518	-	-
Financing and Investment Income and Expenditure				
Net interest expense	(54)	(47,062)	(73)	(42,117)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(201)**	**(74,626)**	**(277)**	**(70,337)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Return on scheme assets (excluding the amount included in the net interest expense)	300	7,512	(83)	(2,085)
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	3,300
Actuarial gains and losses arising on changes in financial assumptions	(965)	(177,821)	678	199,351
Other (if applicable)	35	881	62	1,539
Subtotal Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(629)**	**(169,428)**	**656**	**202,105**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(830)**	**(244,054)**	**379**	**131,768**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	201	74,626	277	70,337
Actual Amount charged against the General Fund Balance for pensions in the year:	-	-	-	-
Employers contributions payable to scheme	(154)	(3,838)	(155)	(3,884)
Retirement benefits payable to pensioners	-	(30,100)	-	(37,800)
Movement from Comprehensive Income and Expenditure Statement to the General Fund	**48**	**40,688**	**122**	**28,653**

51.5. Pensions Assets and Liabilities in relation to Retirement Benefits

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

LGPS	PCC £000	Group £000	PCC £000	Group £000
Present value of the defined benefit obligation	6,227	155,670	5,824	145,592
Fair value of scheme assets	(3,989)	(99,719)	(4,119)	(102,976)
Sub-total	**2,238**	**55,951**	**1,705**	**42,616**
Other movements in the liability (asset)	9	229	8	212
Net liability arising from the defined benefit obligation	**2,247**	**56,180**	**1,713**	**42,828**

Discretionary Benefits Police Pension Scheme	2014/15 Group £000	2015/16 Group £000
Present value of the defined benefit obligation	1,209,000	1,058,500
Fair value of scheme assets	-	-
Sub-total	**1,209,000**	**1,058,500**
Other movements in the liability (asset)	51,900	42,300
Net liability arising from the defined benefit obligation	**1,260,900**	**1,100,800**

51.6. Reconciliation of the movements in the fair value of the scheme assets

Local Government Pension Scheme	2014/15		2015/16	
	PCC £000	Group £000	PCC £000	Group £000
Opening fair value of scheme assets	3,530	88,239	3,989	99,719
Interest income	153	3,821	129	3,225
Remeasurement gain / (loss):				
The return on scheme assets, excluding the amount included in the net interest expense	300	7,512	(83)	(2,085)
Other	-	-	-	-
Effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	154	3,838	155	3,884
Contributions from employees in the scheme	47	1,177	45	1,122
Benefits paid	(121)	(3,027)	(116)	(2,889)
Other	(74)	(1,841)	-	-
31 March	**3,989**	**99,719**	**4,119**	**102,976**

51.7. Reconciliation of present value of the scheme liabilities (defined benefit obligation)

LGPS Liabilities	2014/15 PCC £000	2014/15 Group £000	2015/16 PCC £000	2015/16 Group £000
Opening balance at 1 April	5,100	127,503	6,236	155,899
Current service cost	167	4,175	203	5,085
Interest cost	207	5,183	202	5,043
Contributions from scheme participants	47	1,177	45	1,122
Re-measurement (gain) / loss:				
Actuarial gains / losses arising from changes in demographic assumptions	-	-	-	-
Actuarial gains / losses arising from changes in financial assumptions	965	24,121	(678)	(17,180)
Other	(35)	(881)	(62)	(1,539)
Past service cost	0	7	1	35
Losses / (gains) on curtailment	(94)	(2,359)	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	(121)	(3,027)	(115)	(2,878)
Liabilities extinguished on settlements (w here relevant)	-	-	-	5
31 March	**6,236**	**155,899**	**5,832**	**145,592**

Unfunded liabilities Police Pension Scheme	2014/15 Group £000	2015/16 Group £000
Opening balance at 1 April	1,067,700	1,260,900
Current service cost	23,800	22,600
Interest cost	45,700	40,300
Contributions from scheme participants	5,300	5,900
Re-measurement (gain) / loss:		
Actuarial gains / losses arising from changes in demographic assumptions	-	(3,300)
Actuarial gains / losses arising from changes in financial assumptions	153,600	(119,300)
Other	100	(63,100)
Past service cost	100	500
Losses / (gains) on curtailment	-	-
Liabilities assumed on entity combinations	-	-
Benefits paid	(35,400)	(43,700)
Liabilities extinguished on settlements (w here relevant)	-	-
31 March	**1,260,900**	**1,100,800**

51.8. Pension scheme assets

The police pension schemes have no assets to cover their liabilities.

The PCC Group's Local Government Pension Scheme assets consist of the following categories:

Fair value of scheme assets	2014/15 PCC £000	2014/15 Group £000	2015/16 PCC £000	2015/16 Group £000
Cash and cash equivalents	**57**	**1,426**	**44**	**1,112**
Equity instruments				
Consumer	762	19,045	853	21,334
Manufacturing	111	2,786	91	2,287
Energy and utilities	246	6,156	223	5,579
Financial institutions	473	11,817	444	11,109
Health and care	-	-	-	-
Information technology	151	3,776	153	3,820
Other	471	11,785	457	11,425
	2,215	**55,364**	**2,222**	**55,554**
Bonds by sector				
Corporate	393	9,820	402	10,043
UK Government	76	1,893	85	2,130
Other	52	1,301	58	1,441
	521	**13,014**	**545**	**13,614**
Property by type				
UK property	391	9,787	438	10,958
Overseas property	46	1,142	45	1,118
	437	**10,929**	**483**	**12,076**
Private equity	**170**	**4,259**	**150**	**3,762**
Other investment funds				
Equities	206	5,157	232	5,810
Bonds	-	-	-	-
Hedge funds	-	-	-	-
Commodities	-	-	-	-
Infrastructure	-	-	-	-
Other	383	9,570	442	11,049
	589	**14,727**	**674**	**16,859**
Derivatives	**-**	**-**	**-**	**-**
Total assets	**3,989**	**99,719**	**4,119**	**102,976**

51.9. Basis for Estimating Assets and Liabilities

Both the Police Scheme and the Local Government Scheme liabilities have been assessed by Hymans Robertson (an independent firm of actuaries). The value of the liabilities is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

For the Local Government Pension Scheme, liabilities have been assessed on an actuarial basis using the projected unit method. Estimates are based on the latest full valuation of the scheme as at 31 March 2013.

For the police schemes (both the 1987 Police Pension Scheme and the 2006 new Police Pension Scheme) liabilities have been assessed on an actuarial basis. The last formal valuations of the schemes were carried out as at 31 March 2013. The results of this valuation have been projected forward to 31 March 2016 using approximate methods. The roll forward allows for changes in financial assumptions, additional benefit accruals, estimate cash-flows over the period and updated membership information.

	Local Government Pension Scheme		Police Pension Scheme	
	2014/15	2015/16	2014/15	2015/16
Long term expected rate of return on assets in the scheme:	%	%		
Equity investments	3.3	3.5	n/a	n/a
Bonds	3.3	3.5	n/a	n/a
Other	3.3	3.5	n/a	n/a
Mortality assumptions	Longevity at 65		Longevity at 60	
	Years	Years	Years	Years
Longevity for current pensioners:				
Men	22.2	22.2	29.5	29.7
Women	24.2	24.4	31.7	31.6
Longevity for future pensioners:		-		-
Men	24.5	24.5	31.1	31.2
Women	26.8	26.8	33.2	33.2
Financial assumptions	%	%	%	%
Market derived RPI	3.2	3.2	3.3	3.2
Rate of increase in salaries	3.8	3.7	3.4	3.2
Rate of increase in pensions	2.4	2.2	2.4	2.5
Rate for discounting scheme liabilities	3.2	3.5	3.2	3.5

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analysis has been determined based on possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

51.10. Present Value of Liabilities

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Present value of liabilities						
Local government pension scheme	(84,230)	(95,281)	(117,898)	(127,503)	(155,899)	(145,804)
Police pension scheme	(785,200)	(839,500)	(969,500)	(1,067,700)	(1,260,900)	(1,100,800)
Fair value of assets in the local government pension scheme	68,028	71,990	85,271	88,239	99,719	102,976
Surplus / (deficit) in the sche	**(801,402)**	**(862,791)**	**(1,002,127)**	**(1,106,964)**	**(1,317,080)**	**(1,143,628)**
Local government pension scheme	(16,202)	(23,291)	(32,627)	(39,264)	(56,180)	(42,828)
Police pension scheme	(785,200)	(839,500)	(969,500)	(1,067,700)	(1,260,900)	(1,100,800)
Total surplus / (deficit) in the scheme	**(801,402)**	**(862,791)**	**(1,002,127)**	**(1,106,964)**	**(1,317,080)**	**(1,143,628)**

51.11. Impact on the PCC Group's cash flows

The liabilities show the underlying commitments for retirement benefits that the PCC Group has to pay in the long run. The total liability has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

The objectives of the local government scheme are to keep employers' contributions at as constant a rate as possible. The PCC Group has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. At the last triennial valuation it was agreed that in order to mitigate for the effect of fluctuations in membership numbers that a lump sum contribution towards meeting the deficit would also be paid alongside the percentage of pay contribution.

The minimum employer contributions payable over the next year for the PCC Group is 19.9% plus a £634k lump sum payment. Estimated employer's contribution for 2016/17 amount to £2.1m on the local Government Pension Scheme.

Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016, with the results known in the Autumn of 2016.

For police pensions, finance is only required to be raised to cover costs as they are paid. As described above, police pension costs are funded by a cash top-up from the Home Office. The top-up is received in July, providing resources for monthly payments to pensioners and lump sums to new pensioners for the remainder of the financial year.

Estimated employer contributions for 2016/17 at 24.2% of pensionable pay amount to £9.3m.

The Local Government Pension Scheme and the Police Pension Scheme take account of the national changes required under the Public Pensions Services Act 2013. Under the Act, the main public service pension schemes may not provide benefits on a final salary basis in relation to service after 31 March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new, career average, revalued earnings schemes to pay pensions and other benefits to certain public servants. For the Local Government Pension Scheme these changes came into operation on 1 April 2014 and for the Police scheme from 1 April 2015.

Maturity profile of the defined benefit obligation

	LGPS			Police Pension Scheme		
	Liability Split as at 31 March 2016 £000	Liability Split as at 31 March 2016 %	Weighted Average Duration at Previous Formal Valuation £000	Liability Split as at 31 March 2016 £000	Liability Split as at 31 March 2016 %	Weighted Average Duration at Previous Formal Valuation £000
Actice members	87,299	60.0%	26.1	371,200	35.1%	26.1
Deferred members	26,382	18.1%	27.1	30,900	2.9%	26.7
Pensioner members	31,911	21.9%	12.2	656,400	62.0%	12.1
Total	**145,592**	**100%**	**22.1**	**1,058,500**	**100%**	**17.5**
Contingent injuries				18,500	43.7%	26.1
Injury pension liabilities				23,800	56.3%	15.4
Total				**42,300**	**100%**	**20.1**

52. Contingent Liabilities

Legal claims against the PCC Group

A number of legal claims are being pursued against the Group. They are all being rigorously defended.

- The claims are motor, public liability, employer's liability and employment tribunal cases brought against the Group.
- It is not expected that any material awards will be made against the Group other than those already included in the Provisions.
- As with any legal claim, the final outcome and timing of each case will depend upon many factors, some of which had not been determined at the Balance Sheet date.
- The Group will be reimbursed for any costs which exceed the insurer's excess for an individual case.

There are also three other specific matters which currently have the potential to impact the Force;

- An Employment Tribunal ruling in relation to Source Handlers and overtime payments has been made. The period involved is between May 2009 and May 2012. The Force has identified 13 potential officers who are affected. Payment may have to be made for underpaid overtime in respect of taking phone calls out of hours. There is so far an unknown value of the potential costs likely to be incurred. This matter is currently with Legal Services.
- A national review of Undercover Policing is taking place. This relates to national issues and it is possible that significant costs will be incurred by the Force.
- The Chief Constable of Lincolnshire, (along with other Chief Constables and the Home Office), currently has 34 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum

and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

53. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Categories of Financial Instruments - Group / PCC	Long-term		Current	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Investments				
Loans and receivables - Short Term Investments	-	-	-	4,000
Total Investments	**-**	**-**	**-**	**4,000**
Cash				
Loans and receivables	-	-	3,945	3,932
Total cash	**-**	**-**	**3,945**	**3,932**
Debtors				
Loans and receivables	-	-	4,670	11,546
Total debtors	**-**	**-**	**4,670**	**11,546**
Borrowings				
Financial liabilities at amortised cost - PWLB	13,046	12,037	1,399	1,137
Financial liabilities at amortised cost - Deferred Liabilities	208	156	52	52
Total borrowings	**13,254**	**12,193**	**1,451**	**1,189**
Creditors				
Financial liabilities at amortised cost	-	-	5,856	13,992
Total creditors	**-**	**-**	**5,856**	**13,992**
Capital Grants / Receipts in advance				
Loans and receivables	-	-	-	-
Total capital grants / receipts in advance	**-**	**-**	**-**	**-**

The Police and Crime Commissioner is exposed to minimum risk. Any short-term deposits are included in the cash and cash equivalents note 24.

Financial Liabilities consists of borrowing with the Public Works Loan Board (PWLB) and Deferred Liabilities. Total PWLB outstanding at 31 March 2016 is £13.2m.

Total Deferred Liabilities outstanding at 31 March 2016 is £0.208m. These represent the balance of loans outstanding as at 31 March 1995 which were transferred to the new Police Authority as established under the Police and Magistrates' Court Act 1994. The loans are administered by Lincolnshire County Council on behalf of the PCC. Repayments of £52k were made in 2015/16.

No additional borrowing took place in 2015/16. After making normal repayments of principal totalling £1.312 million and a decrease in loan interest accrual of £0.009 million, this decreased the PCC's borrowing from £14.704 million to £13.383 million in the year.

The debtors and creditors figures have been adjusted for non-contractual obligations. For debtors these are VAT debtors, Statutory Maternity Pay debtors, payments in advance, grant income and collection fund adjustments. For creditors these are receipts in advance, tax and NI and collection fund adjustments. There are no concerns over the recoverability debtors that are past due and not impaired.

	Range of interest rates payable %	31 March 2015 £000	31 March 2016 £000
PWLB	1.60 - 8.25	(14,444)	(13,175)
Transferred Debt - Lincolnshire CC	Variable	(260)	(208)
		(14,704)	**(13,383)**

A full analysis of loans by maturity is shown in note 54 under ‘liquidity risk exposure’.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Income, Expense, Gains and Losses Group / PCC	31 March 2015			31 March 2016		
	Liabilities: Measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities: Measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	(670)	-	(670)	(616)	-	(616)
Total expense in Surplus or Deficit on the Provision of Services	**(670)**	**-**	**(670)**	**(616)**	**-**	**(616)**
Interest Income	-	43	43	-	62	62
Total income in Surplus or Deficit on the Provision of Services	**-**	**43**	**43**	**-**	**62**	**62**
Net gain/(loss) for the year	**(670)**	**43**	**(627)**	**(616)**	**62**	**(554)**

Fair Values of Assets and Liabilities

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 fair value of PWLB has been calculated by reference to the ‘premature repayment’ set of rates as at 31 March 2016;
- 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; and
- Deferred liabilities have been accounted for on the basis of outstanding principal amounts as defined by statutory arrangements.

Financial Liabilities

The fair values calculated are as follows:

Financial liabilities	31 March 2015		31 March 2016	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
PWLB	14,444	17,815	13,175	16,455
Deferred Liabilities	260	260	208	208
Current Creditors	5,856	5,856	13,992	13,992

The fair value of PWLB loans is more than the carrying amount because the PCC’s portfolio of loans is based on fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

The table above excludes other Financial Liabilities such as cash overdrawn and other liabilities. The carrying amount as shown in the Balance Sheet is assumed to approximate to fair value, as the instrument will mature in the next 12 months.

Financial Assets

The fair values calculated are as follows:

Loans and receivables	31 March 2015		31 March 2016	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Receivables - Investments	-	-	4,000	4,000
Receivables - Current Debtors	4,670	4,670	11,546	11,546
Receivables - Cash	3,945	3,945	3,932	3,932
Capital Grants / Receipts in Advance	-	-	-	-

54. Nature and Extent of Risks arising from Financial Instruments

Credit Risk Exposure

This is the risk that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party. Exposure to this risk is managed through the PCC's detailed Treasury Management Strategy, which is available at the following web address: www.lincolnshire-pcc.gov.uk/finance.

The PCC only invests in approved institutions with secure credit ratings, there are also limits in place on how much can be invested with counterparties. These counterparties are reviewed weekly, and the loan limits are detailed in the table below.

Specified Investments	Max % of total investments/£ limit per institution	Max. maturity period
DMADF - UK Government	100%	1 year
Money market funds	£4m each	1 year
Local Authorities	£4m each	1 year
Term deposits with banks and building societies	£4m each	3months - 1 year

The PCC does not allow extended credit for customers such that £259k of the £9,227k for 2015/16 balance is past its due date for payment. Due to the nature of the debtors that are neither past due nor impaired, being principally relating to Government funding, there are no concerns about their credit worthiness. The amounts not impaired can be analysed by age as follows:

Sales Ledger - Aged Debt Analysis	2014/15	2015/16
	£000	**£000**
Current	107	8,968
Up to one month	33	113
Up to six months	102	109
Up to one year	7	4
More than one year	38	32
Total:	**287**	**9,227**
Other debtors	4,383	2,319
Total:	**4,670**	**11,546**

Note that this table shows the aged debt analysis from the trade debtors account, with all other debtors included at the 'Other Debtor' line.

Liquidity Risk Exposure

This is the risk that a party will be unable to raise funds to meet its commitments associated with financial instruments. As the PCC currently has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the PCC will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The financial liabilities however all mature at different times. The maturity analysis of financial liabilities is as follows:

2014/15 long term borrowing	PWLB	Deferred Liabilities	Total
	£000	**£000**	**£000**
Less than 1 year	1,399	52	1,451
Between one and two years	1,008	52	1,060
Between two and five years	2,521	156	2,677
More than five years	9,516	-	9,516
Total	**14,444**	**260**	**14,704**

2015/16 long term borrowing	PWLB	Deferred Liabilities	Total
	£000	**£000**	**£000**
Less than 1 year	1,137	52	1,189
Between one and two years	840	52	892
Between two and five years	2,503	104	2,607
More than five years	8,695	-	8,695
Total	**13,175**	**208**	**13,383**

This excludes trade and other payables (creditors and other liabilities) which are due to be paid in less than one year.

Market Risk Exposure

Market risk is the risk that the value of an instrument will fluctuate because of changes in interest rates, market prices and foreign currency exchange rates. The PCC has limited risk. PWLB interest rates are fixed, and no short-term investments were held at the end of 2015/16. The PCC does not invest in equity shares and has no financial assets or liabilities in foreign currencies.

The following sensitivity analysis shows that as at 31 March 2015 and as at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2014/15 £000	2015/16 £000
Increase in interest payable on variable rate borrowings	3	2
Increase in interest receivable on variable rate investments	-	-
Impact on Surplus or Deficit on the Provision of Services	**3**	**2**
Decrease in fair value of fixed rate investment assets	-	-
Impact on Other Comprehensive Income and Expenditure	**3**	**2**
Decrease in fair value of fixed rate borrowings (no impact on the Surplus or Deficit on the Provision of Services)	**(332)**	**(1,360)**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The variable rate borrowings referred to are the deferred liabilities, transferred debt from Lincolnshire County Council and the variable rate investments are the short-term investments. The fixed rate borrowings are the PWLB borrowings. The sensitivity analysis for both years has been prepared using the same method.

55. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) has introduced a change in accounting policy which will be required from 1 April 2016. If these had been adopted for the financial year 2015/16 there would be no known material changes. Once further information becomes available, any 2015/16 changes will be restated in the 2016/17 financial statements.

These standards are:

- Amendments to IAS19 Employees Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introductions of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement

PCC for Lincolnshire

Police Officer Pensions - Home Office Memorandum Account

2015/16

This statement shows the transactions relating to retirement benefits paid to Police Officers and how those costs are paid for.

2014/15 £000	Fund account	2015/16 £000
	Contributions Receivable	
	From Employer:	
9,272	Normal	9,200
885	Early Retirements	376
143	Recovery from PCC for Humberside	132
	From Members:	
5,251	Contributions	5,226
222	Individual Transfers in from Other Schemes	760
15,773		**15,694**
	Benefits Payable	
28,665	Pensions	29,677
6,088	Commutations	4,914
-	Lump Sum Death Benefits	84
-	GAD Revised Commutations & Interest	4,305
	Payments To and On Account of Leavers	
-	Refunds of Contributions	4
1,892	Individual Transfers Out	15
-	Scheme Pays	185
-	Equivalent Premium	
36,645		**39,184**
20,872	**Sub-total for the year before transfer from the PCC Group for Lincolnshire of amount equal to the deficit**	**23,490**
(20,872)	**Additional funding payable by the PCC Group for Lincolnshire to meet deficit for the year**	**(23,490)**
-	**Net Amount payable/(receivable) by the PCC Group for Lincolnshire**	-

Disclosure Notes

1. The operation of the Pension Fund for Police and Crime Commissioners in England and Wales is controlled by the Police Pension Fund Regulations 2007 (SI 2007 No 1932). It covers both old, new and Career Average Revalued Earnings (CARE) Police Officer occupational pension schemes but has no impact on the benefit structure of either scheme. The CARE scheme was introduced from 1 April 2015. This is the only scheme open to new officers. Existing officers will be brought into the scheme on 1 April 2015 unless they have full transitional protection or tapered protection. Injury and ill health awards continue to be paid from the PCC's operating account. The employer contribution rate is 24.2% of pensionable pay. Employees' contributions in the 1987 old scheme are either 14.25% or 15.05% of pensionable pay. In the 2006 new scheme employees contribute either 11%, 12.05% or 12.75% of pensionable pay. In the 2015 CARE scheme employees contribute either 12.44%, 13.44% or 13.78% of pensionable pay.

2. The fund is administered locally by Lincolnshire Police. Salary deductions are made from members of the scheme, and payments are made to retiring officers and pensioners in accordance with Police Pension Fund Regulations 2007. Returns are made to the Home Office for the projected and actual costs in each year, and funds are transferred accordingly.

3. There are no investment assets; the fund is balanced to nil each year by receipt of a pension top up grant from the Home Office (via PCC for Lincolnshire). Payments are made monthly to pensioners, with the pension fund entries being kept separate, outside of the PCC's general ledger accounts. Details of the PCC's long-term pension obligations can be found in the main statements at Note 51.
4. The accounting policies followed are in accordance with Note 1 on pages 35 to 54.
5. The Police Officer Pensions - Home Office Memorandum Account does not take account of liabilities to pay pensions and benefits after the period end.
6. The net amount receivable of £4,030,347 is shown in PCC for Lincolnshire accounts as due from the Home Office.

2014/15 £000	Net Asset Statement as at 31 March	2015/16 £000
	Net Current Assets and Liabilities	
-	Pension benefits paid in advance	-
42	Receivable from PCC for Humberside	-
(42)	Creditors to the PCC for Lincolnshire	-
-	**Total**	-

Glossary of Terms

Term	Definition
Accrual	An adjustment to ensure that expenditure and income are reflected in the appropriate accounting period.
Actuary/Actuarial	A person professionally qualified to advise on pension matters and undertakes calculations on pension costs, allowing for risk and demographic factors.
Amortisation	The measure of the wearing out, consumption, or other reduction in the useful economic life of Intangible Assets.
Audit Report	The Audit Commission are an independent body charged with auditing public sector organisations to ensure that proper stewardship is undertaken.
Back Rest Days	Due to the rescheduling of rest days Police Officers may accrue untaken rest days which they may accumulated over a number of years.
Balances	The total revenue Reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.
Capital Adjustment Account	A reserve primarily designed to represent timing differences between the amount of the historical cost of Property Plant and Equipment that has been consumed and the amount that has been financed in accordance with statutory requirements.
Capital Expenditure	Expenditure on assets, which have a long term value. Includes the purchase of land, purchase or construction of new buildings and vehicles.
Capital Grants	Grants received towards capital outlay on a particular service or project.
Capital Receipts	Proceeds received from the sale of Property Plant and Equipment (assets which have value beyond one financial year).
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public service.
Collection Fund	A fund administered by each billing Authority. Council tax monies are paid into the fund. These are distributed to precepting and billing Authority's in proportion to the council tax set.
Creditors	Amounts owed by the PCC for work done, goods received or services rendered but for which payment has not been made at 31 March.
Debtors	Sums of money due to the PCC but unpaid at 31 March.
Depreciation	The measure of the wearing out, consumption, or other reduction in the useful economic life of Property, Plant and Equipment.
Direct Revenue Financing	This refers to financing of capital expenditure directly from revenue rather than loans or other sources.
Earmarked Reserves	The elements of total PCC's Reserves, which are retained for specific purposes.
EMSOU	East Midland Special Operations Unit
Finance lease	Where the conditions of the lease amount to recognising all the costs of an asset but legal title is with a third party.
Financial instruments	Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability of another. For local authorities, this will normally mean contracts which involve the right to transfer cash or other financial assets
Flexi Time	Police Staff may utilise the flexi time scheme to accrue additional hours worked that are held pending their utilisation at a future date.
FRS	Financial Reporting Standards, as agreed by the UK accountancy profession and the Accounting Standards Board.
Government Grants	Payments by Central Government towards the PCC's expenditure. They are receivable in respect of both revenue and capital expenditure.

IFRS	International Financial Reporting Standards: the accounting standards which determine the production and disclosure of financial statements.
Impairment	An adjustment to the value of long-term assets.
ISG	Integrated Scheme of Governance
JIAC	Joint Independent Audit Committee
Long Term Debtors	Sums of money due to the PCC originally repayable within a period in excess of twelve months and where payment is not due until future years.
Materiality	An item that is not material will not be relevant, cannot influence a user's decision and need not be reported in the financial statements.
Minimum Revenue Provision (MRP)	The statutory requirement to set aside a minimum revenue provision for the repayment of external loans.
Net Book Value	Long-term assets are depreciated in accordance with their asset life. The net book value is the value remaining after cumulative depreciation has been taken away.
Non Domestic Rates	Rates levied on business properties, collected by District Councils, which are then distributed amongst local authorities as income.
Non Operational Assets	Property, Plant and Equipment held by the PCC Group but not directly occupied, used or consumed in the delivery of services. These will include buildings under construction and surplus assets.
OJEU	Official Journal of the European Union
Operating lease	A lease where the asset is only used for part of its useful life, and lease payments amount to rental of the asset.
PCC Group	The Police and Crime Commissioner and the Chief Constable are separate legal entities. They are part of the same PCC Group whose combined accounts are presented collectively.
Precept	The amount levied by one authority which is collected by another. e.g. the PCC Group is the precepting authority and the District Councils are the collecting authorities.
PWLB	Public Works Loan Board, a body providing debt funding to local authorities.
Revaluation Reserve	A reserve designed to represent the amount by which the current value of long-term assets carried in the Balance Sheet is greater, because they are carried at revalued amounts rather than depreciated historical cost.
Revenue Contributions	The financing of capital expenditure directly from revenue rather than from loans or other sources.
Revenue Expenditure	The day to day expenditure of the PCC group on such items as employees and equipment.
Revenue Support Grant (RSG)	Grant paid by Central Government in aid of service provision.
Section 22 Agreement	Section 22 of the Police Act 1996 provides for joint working between police forces and/or Police & Crime Commissioners where, in the opinion of the Chief Constable or the Commissioner, collaboration would deliver greater efficiency or effectiveness.
SeRCOP	CIPFA's 'Service Reporting Code of Practice' which sets out the legislative requirements for consistent financial reporting of Local Authority services.
Straight Line Depreciation	The writing down of Property, Plant and Equipment values by an equal amount for each year of that asset's life.
TOIL	Time Off In Lieu may be accrued by both Police Officers and Staff when working additional hours for which payment is not made.
WYPF	West Yorkshire Pension Fund

Virement	Transfers between budget headings, in accordance with Financial Regulations, reflecting changes in the PCC's expenditure plans.