Appendix D

Chief Constable for Lincolnshire

Financial Statements

Subject to Audit

2013/14

Version 0.2

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Chief Constable for Lincolnshire

Annual Financial Report

2013/14

The statements are made up of separate elements: the Foreword by the Force Chief Finance Officer; the Statement of Responsibilities; the Annual Governance Statement; the Statement of Accounts; the Independent Auditor's Report; and the Glossary of Terms. The 'true and fair' audit view only applies to the Statement of Accounts.

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Chief Constable for Lincolnshire

APPROVAL OF ACCOUNTS

I approve the Statement of Accounts on 2x September 2014.

…….
Neil Rhodes
Chief Constable

Dated : …….

DATE OF ISSUE OF ACCOUNTS

The entity is required to disclose the date that the financial statements are authorised for issue. This establishes the date after which events will not have been recognised in the Statement of Accounts.

Date of Issue of Accounts

2x September 2014

Chief Constable for Lincolnshire

Introduction to the Financial Statements

Chief Constable Neil Rhodes

In November 2012 police authorities were split into 2 entities, one under the leadership of the Police and Crime Commissioner, the other under the Chief Constable. Under the PCC's Scheme of Arrangements, the Chief Constable has direction and control over the force's police officers.

The organisation consists of three operational commands, each led by a Chief Superintendent, two are territorial based, (East and West), responsible for Local Policing and Investigation, and combined Crime and Operations Support, responsible for specialised services such as Public Protection, Roads Policing and Criminal Justice.

Executive officers of Lincolnshire Police on 31st March 2014 were:

Neil Rhodes	Chief Constable
Keith Smy	Deputy Chief Constable
Heather Roach	Assistant Chief Constable
Lee Freeman	Temporary Assistant Chief Constable
Tony Tomlinson	Force Chief Finance Officer

Joint Independent Audit Committee

The role of the Joint Independent Audit Committee is to:

- provide independent assurance to the Police and Crime Commissioner and the Chief Constable regarding the adequacy of the risk management framework and the associated control environment
- provide Independent scrutiny of the Police and Crime Commissioner's and Force's financial performance
- oversee financial reporting processes.

The membership is as follows:

Mr David Finch (Chairman)
Mr John Cawdell
Mr James Evans
Mr James Gallagher

Mr Ian Haldenby

The Statement of Accounts
The 2013/14 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting. 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 2012;
- Scheme of Delegation
- Financial Regulations;
- Contract Regulations.

Further Information

The Statement of Accounts 2013/14 is published as an internet document at
www.lincs.police.uk

Further information about the financial statements is available from the Force 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.

Force Chief Finance Officer's Foreword to the Statement of Accounts

This section highlights some of the more important issues that are reported in the Accounts. Commentary is included on any issues that have had a major effect on the entity's finances during the year being reported and the factors that may impact in the future.

Introduction

I am pleased to present the Statement of Accounts for the Chief Constable of Lincolnshire for the financial year 2013/14. These accounts set out the overall financial position of the Chief Constable for Lincolnshire, for the year ended 31st March 2014.

On 15th September 2011 the Police Reform and Social Responsibility Act 2011 was approved by Parliament. This Act introduced a major change to the way the Police Service in England and Wales is governed and held accountable. This legislation replaced the Lincolnshire Police Authority with the Police and Crime Commissioner and at the same time established the Chief Constable of Lincolnshire as a separate body. The primary responsibility of the Chief Constable is for operational policing duties. The Police and Crime Commissioner sets the priorities for policing and is responsible for securing the maintenance of an efficient and effective police force in Lincolnshire and must hold the Chief Constable to account for the provision of operational policing in the county.

These are the second set of statutory accounts to be prepared under the new arrangements, although they cover the first full accounting year of the new entity.

This set of accounts has been produced for the single entity Chief Constable. A separate set of accounts has been published for the Police and Crime Commissioner and the Police and Crime Commissioner Group to recognise all of the transactions incurred during 2013/14 for policing in Lincolnshire.

The accounts have been compiled in accordance with, the Accounts and Audit Regulations 2011, the Code of Practice on Local Authority Accounting 2013/14 and also the Service Reporting Code of Practice (SeRCOP) 2013/14.

The Government's intention was to implement the police service reforms over a period of time. The first stage resulted in the PCC holding directly the finances of the whole Group, including controlling directly the assets, liabilities and reserves of the Group in their entirety. 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 in consultation with the Chief Constable for fulfilling requirements for policing Lincolnshire in accordance with the Police and Crime Plan. The accounts for 2012/13 were presented under the stage 1 transfer arrangements with no entries being included in the formal statements for the Chief Constable, with costs being reflected in the notes to the accounts.

Under the second stage of the 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 entity. Revised guidance has been provided by the governing accounting body to indicate that in the light of this the approach taken in 2012/13 is no longer acceptable for 2013/14 and that the accounts should be prepared on the principle that costs should be accounted for to reflect the incidence of the transaction. The Financial Statements

have therefore been prepared which reflect in the Chief Constables accounts the cost of providing operational policing.

Following this approach it has been decided to include the full effect of the Local Government Pension scheme accounting entries within the Chief Constables accounts as the amounts relating to the PCC's staff would not be of sufficient size to warrant separate disclosure. Similarly the Strategic Partnership contract which while formally held by the PCC is for the provision of a wide range of operational and support functions to the Chief Constable and has been accounted for in the Chief Constables 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 the Chief Constable entity (for example those relating to accounting for Pensions) are included in these accounts. The accounts presented in this document reflect the Stage 2 arrangements agreed by the Home Secretary to commence on 1st April 2014 and in order to provide for a prior year comparator the accounts in relation to 2012/13 have been restated to reflect this position in accordance with accounting requirements.

The Accounts

The Financial Statements for the Chief Constable for Lincolnshire consist of:

- Statement of Responsibilities;
- Annual Governance Statement;
- Accounting Statements;
- Notes to the Accounts including Accounting Policies.

Statement of Responsibilities – Page 10
This explains the responsibility for the financial affairs of the Chief Constable and how these responsibilities are carried out.

Annual Governance Statement – Page 11
The Chief Constable must prepare and publish an annual governance statement in accordance with the "Good Governance Framework" and in order to meet the statutory requirements set out in the Accounts and Audit Regulations 2011.

The Accounting Statements are as follows:

Movement in Reserves Statement – Page 25
A summary of the different reserves held, distinguishing between those that are usable and unusable. As the Chief Constable does not manage any usable reserves this statement does not show any movements in this area. Movements are however included which relate to Pension accounting. All movements are shown in the Police and Crime Commissioner's Group Accounts.

Comprehensive Income and Expenditure Statement – Page 26
This statement shows the income and expenditure transactions under the principal control of the Chief Constable. These relate to the costs of Operational Policing and are detailed in accordance with the requirements for analysing Police Spend.

Balance Sheet – Page 27
This represents the financial position as at 31st March 2014; it shows the balances and reserves available for disposal together with the long term and current assets employed. As the Chief Constable does not own assets or liabilities or hold any reserves this statement does

not show any of these balances. However, accruals relating to the costs of operational policing together with balances in relation to the pension schemes for police officers and staff have been included.

Cash Flow Statement – Page 28
This summarises the movement of cash balances arising from transactions during the year. As the Chief Constable does not manage any of these transactions the statement does not show any movement in overall funds, however in accordance with accounting requirements a statement has been prepared which shows the movement in the deficit and how this relates to non-cash movements.

Notes to the Accounts – Page 29
Notes supporting each of the main accounting statements, together with additional information to help in describing the Chief Constable's financial transactions. 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 – Page 50 to 51
This summarises the transactions relating to retirement benefits paid to police officers and how these costs are paid for.

Financial Performance

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

Chief Constable for Lincolnshire	**£M**
Original Delegated Budget 2013/14	84.6
Outturn 2013/14	81.8
Underspend 2013/14	2.8

Actual spending for 2013/14 was significantly less than the original budget. High turnover and changes to the pay structure led to underspends against police officer budgets. Elsewhere, careful and prudent management of the budget enabled significant reductions in expenditure to be achieved. Savings were used to invest in capital developments, reduce borrowing costs and to help fund performance improvements in future.

The Service Reporting Code of Practice requires the disclosure of Police Service Expenditure with nine divisions of service. This has been included within the Income and Expenditure Statement at Note 5.

Apportionments of expenditure have been necessary in order to assign monetary values to each of the nine divisions of service these have been undertaken in accordance with Service Reporting Code of Practice.

Performance Information

Overall, the Force's performance in 2013/14 continued to be good following a significant reduction in overall crime of 14% in 2012/13, with further reductions in the number of victims and a continued improving trend in both satisfaction and confidence levels. The overall crime rate in Lincolnshire dropped by 2.7% over the year amounting to 1,000 fewer offences and at least 1,000 fewer victims of crime. With 256 fewer burglaries, 195 less violent crimes and

4,850 fewer victims of anti-social behaviour recorded. There were also encouraging trends in how many crimes were detected during the year with just over 31% of crime resolved.

In comparison with all other forces in March 2014, Lincolnshire was nationally ranked 11th out of 43 forces, an improvement from 14th position in March 2013.

Further information about Force performance together with a detailed local breakdown is available through the Chief Constables website at www.linc.police.uk and the crime mapper website Police.uk.

Pensions

The reporting requirement known as IAS 19 "Retirement Benefits" features in the accounting statements. This is a complex accounting standard, but is based on a simple principle; 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 Chief Constable operates two schemes, one of which is funded and has assets to meet the future liabilities; the other 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.

From 1st 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 Chief Constable of budgeting for the increasing costs of police officer pensions. As the cost of police officers is shown in the Chief Constable's Accounts the Home Office Memorandum Account has been included within these accounts.

Capital Expenditure

Capital expenditure is undertaken as part of the Police and Crime Commissioner Group as the Chief Constable does not hold any assets. Information relating to assets held, capital expenditure incurred during the year together with the historical debt position is included within those accounts.

Assets and Liabilities

Under stage 1 of the governance arrangements, the Chief Constable's accounts did not show any transactions in relation to assets and liabilities. These were all held in the Police and Crime Commissioner's Group Accounts. Specific accruals relating to the costs of operational policing and the Police and Local Government Pensions Schemes have been included within the Chief Constables accounts following revised guidance received in May 2014. These are shown within the Chief Constables Balance Sheet.

Prospects for 2014/15 and beyond

For the financial year 2014/15, the PCC set a budget against the background of continued organisational change and the Government's programme of significant reductions in public sector spending. With effect from the 1st 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 forecast deficit for 2014/15. In order to provide for a balanced budget the PCC determined a precept increase of 1.99%. In doing so the PCC considered the Government's one year only offer of grant in return for a council tax freeze. The decision was taken in the light of future reductions in central government grant and the impact accepting the freeze would have, resulting in a significant increase in precept the following year and/or further reductions in police officer numbers.

The Government has not formally announced a grant settlement for the period beyond 2014/15. Indicative grant allocations for 2015/16 have not been published. However, overall police funding was planned to reduce by a further 3.2% in 2015/16 and so this has been used as the working assumption. Combining this with current cost projections lead to a planned use of £1.5 million of earmarked reserves to give a balanced budget in 2015/16. Forecasting beyond this year has been undertaken up to 2017/18. Further funding reductions and cost pressures are expected, leading to a forecast deficit of £10m by 2017/18. This medium term financial plan will refined throughout the year as more information becomes known. Plans are being developed in response to the potential forecast deficit.

The Police & Crime Plan sets out the PCC's aim to secure a fairer deal for the people of Lincolnshire. Whilst Lincolnshire is the lowest spending Force in England and receives the third lowest level of Government funding, the people of Lincolnshire make an above average contribution to the cost of policing, contributing 41% of the total spend compared with an average contribution of 31% by council tax payers in England. .

The PCC has approved a capital programme of £3.8 million in 2014/15. The programme includes:

- significant investment in the Force estate;
- replacement programme for vehicles;
- expenditure to improve performance and productivity.

The planned investment in performance and productivity projects increases to £1m in 2015/16.

Impact of the current economic climate

As part of the budget process the Chief Constable has consulted with the Police and Crime Commissioner on the inclusion of provision to allow for changes in specific items such as inflation and, where due, pay awards.

Police and Crime Commissioner

The introduction of the Police and Crime Commissioner has resulted in significant changes to the accounting and governance arrangements for policing. These Statements of Account, for the Chief Constable, reflect the changes in governance and the significant revised accounting guidance received on the preparation of the accounts. The accounts presented have been developed in the light of the Stage 2 transfers agreed by the Home Secretary in March 2014. They are based upon the clear foundation of all assets, investments, contracts and liabilities being controlled by the PCC, and operational policing being under the direction of the Chief Constable. There has been no transfer of assets, liabilities or reserves into the Chief

Constable's accounts other than those required to reflect the change in operational cost incidence and Pensions accounting.

Tony Tomlinson BA CPFA
Chief Finance Officer to the Chief Constable

Statement of Responsibilities for the Statement of Accounts

This section explains the Chief Constable's responsibilities for the entity's financial affairs and how he makes sure he carries out his responsibilities properly.

Responsibilities of the Chief Constable

The Chief Constable is required to

- make arrangements for the proper administration of the financial affairs of Lincolnshire Police and to secure that one of its officers has the responsibility for the administration of those affairs, which for the Chief Constable is the Force Chief Finance Officer;
- to manage affairs of Lincolnshire Police to secure economic, efficient and effective use of resources and to safeguard its assets; and
- approve the Statement of Accounts.

I approve these Statements of Accounts

Neil Rhodes, Date: …….
Chief Constable

Responsibilities of the Force Chief Finance Officer

The Force Chief Finance Officer is responsible for the preparation of the Chief Constable's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Chief Finance Officer has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Chief Constable for Lincolnshire at the accounting date and of the income and expenditure for the year ended 31st March 2014.

Tony Tomlinson, Date: …….
Force Chief Finance Officer

Annual Governance Statement

This section details the Chief Constable for Lincolnshire's governance arrangements in operation during 2013/14 including plans for the financial year 2014/15.

1. SCOPE OF RESPONSIBILITIES

The Chief Constable of the Lincolnshire Force is responsible for the direction and control of the Force. In discharging his functions, the Chief Constable shall have regard to the local policing plan issued by the Police and Crime Commissioner for his area. In addition the Chief Constable will have responsibility where the Police and Crime Commissioner delegates his functions in respect of securing an efficient and effective police force. In this regard the Chief Constable is responsible for ensuring the Force's 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 Chief Constable is also responsible for putting in place proper arrangements for the governance of the Force and facilitating the exercise of its role, which includes ensuring that arrangements are in place for the management of risk.

The Financial Management arrangements of the Chief Constable conform to the governance requirements detailed in the CIPFA statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable as required by paragraph 3.7.4.3 of the Code of Practice on Local Authority Accounting 2013/14.

The Chief Constable 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 on the Force website at www.lincs.police.uk or can be obtained from:

Chief Constable,
Police Headquarters,
Deepdale Lane,
Nettleham,
Lincoln,
LN2 2LT.
Telephone 01522 558001

This statement explains how the Chief Constable has complied with the Code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of an annual governance statement.

Audit Committee

Arrangements have been made for the establishment of a Joint Independent Audit Committee in conjunction with the Commissioner. There was an Interim Committee established as a non-executive body with no executive powers. In the autumn of 2013 a process to appoint a substantive Audit Committee was undertaken. The Committee's primary purpose is to provide independent advice about the adequacy and effectiveness of the financial and other controls, corporate governance, financial and contract regulations and risk management arrangements

operated by the Commissioner and Chief Constable. The Committee meets on a quarterly basis.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values through which the Force manages its activities. It enables the Chief Constable to monitor the achievement of Force objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving 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 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 Force's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The governance framework has been in place at the Force for the year ended 31st March 2014 and up to the date of approval of the Statement of Accounts.

The Chief Constable is legally required to produce an Annual Governance Statement. The statement helps the PCC to hold the Chief Constable to account for efficient and effective policing and gives assurance to the PCC of the Chief Constable's governance arrangements. In addition, the PCC produces his own Governance Statement.

3. THE GOVERNANCE FRAMEWORK

This section describes the key elements of the systems and processes of the governance arrangements that have been put in place for the Force. In doing so it reflects the overarching structures that have been developed to deliver objectives and manage risk.

- Processes for setting objectives and targets that support the policing priorities outlined in the Police and Crime Plan, including reporting to the Police and Crime Commissioner. 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:

    - an operational policing plan is produced in response to the PCC's plan;
    - daily management meetings of frontline officers in accordance with the National Intelligence Model;
    - Tactical Tasking and Coordinating Group aligns day to day work with strategic objectives;
    - Interim Service Delivery meetings;
    - Operational Commander's conference where operational matters can be discussed, risks identified and solutions found;
    - Strategic Policing requirement.

- Decision making structures for establishing priorities and considering strategic issues facing the Force:

    - internal departmental management teams establishing business plans;

- Chief Officer Group and Senior Leadership Team;
- Chief Officers share and discuss key issues with senior staff;
- reporting to the Office of the Police and Crime Commissioner Boards, including monthly monitoring of financial plans to COG and PCC Resource Governance and an annual governance report is provided to the PCC describing the years activity with regard to financial and contract regulations, procurement, insurance, debtors and treasury management providing an overview of decisions made and their justification. Also the Procurement, ICT, HR and Asset Strategies are examined by this Board;
- Policing Transformation programme;
- feedback from the public and other local stakeholders.

- The monitoring processes by which performance against operational, financial and other strategic plans are considered and key issues identified and tasked:

  - departmental meetings monitoring business plans for the year;
  - Force performance meetings;
  - performance indicators;
  - Strategic Workforce Planning Board, controlling the police officer and staff establishments;
  - Force Transformation Board, includes planning capital developments and monitoring their completion and working jointly with the PCC to develop programmes of work to make the Force more economic, efficient and effective.
  - There is a variety of tactical and operational meetings and interactions between the strategic partner G4S and the Commercial Partnership Team, made up of retained Force employees. Governance arrangements, for managing the G4S contract, are in place involving senior PCC and G4S employees attending a number of formal strategic meetings such as the Transactional Management Board, Performance and Delivery Board and the Executive Board;
  - the Force is engaged in a sophisticated and developing set of regional collaboration arrangements. Senior officers form part of the management and governance of these arrangements.

- **Risk Management**

Lincolnshire Police has a risk management process in place that effectively manages risk against its business in order to ensure it operates under the sound principles of Corporate Governance.

Risk registers are a key tool in providing assurance to the force and to the PCC demonstrating that risks are being managed effectively through the regular and continued review of the force risk register at the Risk Management Board, Senior Leadership Team meetings and the Joint Independent Audit Committee.

In addition to these internal assurances, there are external organisations such as Internal and External Auditors as well as Her Majesty's Inspectorate of Constabulary (HMIC) that work with the force and the PCC to ensure that the risk management process is effective and robust.

Any negative outcome of internal or external audit is reviewed by the force and plans are put into place to address the issues and ensure improvements are made. These are also overseen by the Joint Independent Audit Committee.

The force risk register and process is owned by the Deputy Chief Constable of Lincolnshire Police with delegated responsibility to the Head of Strategic Development to manage the policy and processes on behalf of the Deputy Chief Constable.

The Risk Policy and Review Officer is responsible for managing the risk management process on behalf of the Head of Strategic Development and will maintain the policy and processes on their behalf.

It is the responsibility of all heads of departments and business areas to ensure they manage risks within their own areas of authority.

They are responsible for identifying risks in their individual business areas and for assessing them in terms of their impact and probability of occurring.
Each department and business area as well as all force projects will maintain a risk register.

The force risk management process focuses on five levels of risk which can pass through a process of escalation depending on the scale of risk and effect it may have at either: project, programme, department or force level.

Risk Level	Description
Force	• Risks at the highest level. • They are so significant that they threaten or enhance the long-term achievement of corporate objectives. • Will be discussed at Risk Management Boards, Senior Leadership Team meetings and the Joint Independent Audit Committee. • Departments/Business Areas will escalate risks from their departmental risk register which have become force risks, through the Risk Management Board, for inclusion on the Force Risk Register.
Department/ Business Area	• Risks that threaten or enhance the delivery of department or business area objectives. • Will be discussed at Senior Management Team meetings. • Escalated up through the Risk Management Board if they pose a threat to corporate objectives and the Head of Department's limit of authority to manage the risk has been reached.
Programme	• Risks that threaten or enhance the delivery of a programme. Will be analysed and scored in relation to the programme. • Will be discussed at Programme Board meetings. • Escalated through the Risk Management Board if they pose a threat to corporate objectives, and the Programme Managers limit of authority to manage the risk has been reached.
Project	• Risks that threaten or enhance the delivery of a specific project. Will be analysed and scored in relation to the project. • If they are serious enough to impact on the Programme and the Project Manager's limit of authority has been reached, they should be escalated to Programme level.
Operational	• Risks concerning the day-to-day issues that Lincolnshire Police is confronted with as it strives to deliver its objectives.

	• Only escalated to the Force Risk Register if they pose a threat to corporate objectives

In implementing risk management the force has produced a Risk Management Strategy which details the roles and responsibilities of those involved in the undertaking risk management in the force. It also follows a set standard and process for risk management to ensure a consistent approach is adopted across the whole organisation.

Consistent risk management will allow the force to plan effectively in the delivery of its outputs by knowing what circumstances that could prevent it from achieving its aims, and by putting in to place measures to prevent risk form occurring, therefore, saving time and resources.

The Force Risk Management Board is responsible for the following:

- Determining if risks are critical to the force
- Managing and developing the Risk Management Process.
- Review risk assessments of potential force risks.
- Monitor red and amber risks on a quarterly basis.
- Assigning Risk Owners to a risk depending on the risk assessment score.
- Providing visible leadership and commitment to the force risks and Risk Management Process throughout the organisation.
- Ensuring Programme and Project Assurance.

Membership and terms of reference of the Force Risk Management Board are set out within the Force Risk Management Policy. Lincolnshire Police has an established post of Force Risk Officer whose duties include maintaining the Force Strategic Risk Register and to advise on the total risk to which the Force is exposed. Individuals who act as risk focal points within each area of the Force's operation have also been nominated.

The Chief Constable's Risk Management arrangements are also considered by the Joint Independent Audit Committee.

- Developing, communicating and embedding codes of conduct and defining the standards of behaviour for officers and staff:

    - regular publications;
    - sharing best practice and case studies;
    - setting standards for new staff at their induction;
    - PRIDE and leadership charters;
    - Professional Standards Department independently reviewing the behaviour and conduct of officers;
    - Health and safety policies.

- Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks and resources:

    - review by Internal Audit;
    - scrutiny by the Office of the Police and Crime Commissioner;

    The Police and Crime Commissioner approved a new Scheme of Arrangements (including Finance and Contract regulations) in November 2012. These have been further reviewed as part of the Stage 2 transfer arrangements.

- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:

- review by Internal Audit and External Audit;
- appointment of professionally qualified staff throughout the organisation;
- promotion of a culture of professionalism and integrity through the staff charter and the PRIDE values;
- advice from our own Legal Services department ;
- monitoring and oversight through the Professional Standards Department.

- Processes for receiving, investigating, and reporting upon complaints from the public, and other stakeholders:

  - clear communication with the public through the Neighbourhood Policing model, and through the Force Control Room;
  - customer service teams to respond to feedback from the public;
  - Professional Standards Department to follow up complaints against police officers;
  - G4S HR to lead and advise on disciplinary issues relating to police staff;
  - compliance with national standards and processes.

- Determining the conditions of employment and remuneration of officers and staff, within appropriate national frameworks:

  - professional advice from G4S from qualified HR and Finance staff.

- Identifying the development needs of officers, staff and members of G4S staff working on the Lincolnshire Police contract in relation to their roles, supported by appropriate training and linked to the priorities of the Force:

  - Personal Development Reviews for all staff;
  - ensuring that training needs are fully integrated into project implementation plans.

- Establishing clear channels of communication with all sections of the community and other stakeholders on priorities and plans:

  - clear communication with the public through the Neighbourhood Policing model;
  - partnership working to find the best agency for interacting with the public;
  - use of Key Individual Networks to direct the work of Neighbourhood Policing Teams;
  - use of Problem Solving Plans to record priorities for local communities;
  - use of social media.

- Incorporating good governance arrangements in respect of partnerships and other group working:

  - established terms of reference, minutes and delivery plans;
  - multi-agency boards for managing partnerships;
  - scrutiny by all members, local and central government;
  - regional collaboration through the Chief Constables' and Deputy Chief Constables' Board;
  - the Force has extended its collaboration within the East Midlands region. This includes various specialist crime areas and more recently in respect of specialist operations and legal services. These are all established with extensive monitoring and tasking arrangements including standing Governance Boards involving the relevant Force leads.

- Preparedness for dealing with emergency situations:

    - use of risk registers across the public sector in Lincolnshire;
    - Business Continuity Management Policy;
    - dedicated resources allocated to Emergency Planning, working to develop and maintain relationships with other Lincolnshire based organisations and regional colleagues;
    - All departments have both a Business Continuity Management Plan and an Incident Plan which have been tested in a Force wide training exercise.

- Management of the Strategic Partnership Contract with G4S is performed by the Commercial Partnership Team. This forms part of the Joint Services arrangement with the PCC post 1st April 2014.

    - Ensuring compliance with all relevant legislation and commitments/obligations;
    - Performance scrutiny of the G4S contract is subject to it's own legal schedule (Price Performance Mechanism – schedule 13);
    - 200 indicators used to monitor performance;
    - Financial monitoring is reviewed against Schedule 14 (Pricing);
    - Performance is reviewed by the Transformation Management Board or the Performance and Delivery Board on a monthly basis.

- The Force is committed to an effective anti-fraud and corruption strategy based around the following strands:

    - Honest culture
    - Encourage prevention
    - Promote detection and timely reporting
    - Identify a clear pathway for investigation
    - Training
    - Provide support and guidance for staff that may be in financial difficulty. These staff members are most at risk of fraudulent or corrupt practices.
    - Record of Lincolnshire Police and staff who have been subject of any County Court Judgements or who have been declared bankrupt for example. These notices are securely stored in the Professional Standards Department (PSD).
    - Completion of counter corruption strategy training is mandatory for all staff.

  There is a high level of external scrutiny of organisational affairs by a variety of bodies including:

    - Her Majesty's Inspector of Constabulary (HMIC)
    - External Audit
    - HM Revenue and Customs
    - Internal Audit
    - Local Communities
    - The Media

- A Code of Ethics for the Police Services has been drafted by the College of Policing and is expected to be laid before Parliament as a Code of Practice in the summer of 2014. The code:

    - combines Policing principles and standards of behaviour in a single document;
    - applies to everyone in policing;
    - is a guide for day to day ethical behaviour and decision making.

This code will have implications for Governance arrangements which will be examined as part of its implementation.

4. REVIEW OF EFFECTIVENESS

The Chief Constable has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework and the system of internal control within the Force. The review of effectiveness has been informed by the work of the Deputy Chief Constable and Force Chief Finance Officer together with managers within the Force who have the responsibility for the development and maintenance of the governance environment. In addition, comments made by the internal and external auditors and other review agencies and inspectorates informed the review.

On an on-going basis governance is monitored and reviewed via a range of mechanisms. These range from formal meetings (in areas such as Force performance, project management arrangements and conduct oversight from the Professional Standards Department) to the operation of management teams at a corporate, area and service level.

The Joint Independent Joint Audit Committee (JIAC) held their inaugural meeting on 29 November 2013. The Interim Committee was dissolved following its last meeting held on 25 September 2013. 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 Joint Independent Audit Committee has received and considered reports from both Internal and External Audit and monitored the implementation of action plans drawn up to address identified internal control weaknesses. The Performance Governance meetings consider Force performance and the Resources Governance meeting considers financial asset and people resources. The Professional Standards Governance meeting reviews matters relating to the conduct of police officers and staff.

The review of the effectiveness of the Governance Framework has been informed by:

- the Chief Constable's Code of Corporate Governance;
- the Chief Constable's Risk Management regime;
- the reporting and work of HMIC;
- the reporting and work of Internal Audit;
- the reporting and work of External Audit;
- the review of the Scheme of Delegation Financial and Contract Regulations, as a result of the Stage 2 developments under the introduction of Police and Crime Commissioners.

I have relied upon the assurance received from the Chair of the East Midlands Office of the Police and Crime Commissioner Joint Committee and the Deputy Chief Constable (East Midlands) on the controls and procedures in place to manage the Regional Collaboration within the East Midlands.

5. SIGNIFICANT GOVERNANCE ISSUES

The Police Reform and Social Responsibility Act 2011 established each Police and Crime Commissioner (PCC) and Chief Constable as corporations sole (i.e. separate legal entities). On 21st November 2012, Police Authorities were abolished and a 'Stage 1' transfer saw all existing rights, assets and liabilities transfer automatically, by operation of statute, to PCCs. This included the transfer of all police staff to the employment of the PCC. The Act sets out a second 'Stage 2' transfer which refers to the subsequent movement of certain staff, property, rights and liabilities from the PCC to the Chief Constable. PCCs were requested to draw up their proposals for Stage 2 transfers in a transfer scheme, to be agreed by the Chief Constable before the scheme was submitted to the Home Secretary by September 2013 with implementation by 1 April 2014.

The Home Secretary gave approval for Lincolnshire's scheme in March 2014. The majority of staff transferred to the Chief Constable with the exceptions of OPCC staff and those staff in the Corporate Communications Department. In total, 21 employees did not transfer to the Chief Constable. In addition to these transfers the Commissioner and Chief Constable have adopted a shared services approach to Corporate Communications, the Commercial Partnership Team, which manages the relationship with the strategic partnership and Corporate Finance.

In Lincolnshire, significant aspects of financial services are supplied to both the Police and Crime Commissioner and Chief Constable via the strategic partnership arrangement. The remaining retained finance function operates as a shared service model with joint reporting arrangements via both Chief Finance Officers. Single financial and banking systems are in place, and a Joint Independent Audit Committee (JIAC), as required by the Financial Management Code of Practice, is also in place. This approach optimises the use of the resources available, whilst avoiding unnecessary reporting between the two bodies.

The PCC has determined that he will continue to hold all assets and liabilities and will remain the sole contracting body for Lincolnshire Police. In order to reflect these new governance arrangements, a new Integrated Scheme of Governance (ISG) has been developed which will be implemented in May 2014. The ISG comprises:

- Scheme of Consent which sets out the extent to which the PCC empowers the Chief Constable to carry out function, on his own behalf rather than as an agent of the PCC.
- PCC's Scheme of Delegation: provides for the delegation of powers from the PCC to staff in his direct employ.
- Chief Constable's Scheme of Delegation: provides for the delegation of powers from the Chief Constable to officers under his direction and control and to staff in his direct employ.
- A single set of Financial and Contract Regulations for both corporations sole.
- Information Sharing Protocol (ISP) between the Chief Finance Officer to the Police and Crime Commissioner for Lincolnshire and the Chief Finance Officer to the Chief Constable of Lincolnshire Police

<u>Budget position</u>

Despite undertaking an unprecedented level of business change in recent years, the medium term financial forecast shows a balanced budget for the years 2014/15 and 2015/16. Further reductions in Police Funding are expected over the period of the next Government Spending Review. Addressing this issue whilst ensuring service levels are maintained in accordance with the Policing Plan is a major challenge. Work is on-going to assess how this may be achieved.

Information risk

During 2013/14 the Force has progressed its work on information security. There is a 3-year Accreditation Programme in place for IT systems, of which several systems have been accredited during this period. All systems within the programme have now been accredited at least once. The Force owns information collected for policing purposes, including significant amounts of personal information. The Chief Constable manages his responsibilities (principally derived from the Data Protection Act 1998 and the Police Act 1996) through a specific information management governance structure.

The majority of Police officers, police staff, G4S Staff and Volunteers have completed the online Information Assurance Training package

Information strategy and policy is approved and deployed by the Information Management Board, who also oversee information and data quality issues, including information risk. The Board is chaired by the Senior Information Risk Owner (SIRO) and any information risks that are outside of the force risk appetite are escalated to Chief Officer Group as necessary.

Residual risk is controlled on the Chief Constable's behalf by Data Protection, Freedom of Information, Audit, Information Security and Vetting functions.

The Force is continuing to work on the Information Assurance Maturity Model (IAMM) and has progressed in the majority of the compliance areas. Information Asset Owners are aware of their responsibilities with regard to risk within their area of responsibility, with a clear escalation path through the force Information Management Board and Risk Management Board to the SIRO. Additionally the Information Management Board discuss all risks as an agenda item. All Information Asset Owners have completed detailed risk assessments on all of their systems. They have also undertaken Information Asset Owner specific online Information Assurance training.

Effective information risk management is the responsibility of all managers within Lincolnshire Police.

Her Majesty's Inspectorate of Constabulary's (HMIC's) Valuing the Police Programme has tracked how forces have planned to make savings to meet budget reductions. The HMIC report 'Policing in Austerity: Rising to the Challenge' was published in July 2013 and assessed the impact of the current financial landscape across the police service, including Lincolnshire. The local report for Lincolnshire Police, whilst acknowledging that good progress had been made in meeting its financial challenge, also highlighted their view that the force may soon struggle to protect frontline policing further. The Chief Constable in conjunction with the PCC has managed the on-going governance risks through the governance framework and medium term financial planning. The internal audit strategy 2013/14 – 2015/16 included medium term financial planning and governance framework in the plan for 2013/14. The audits reported an overall opinion of substantial assurance (RAG rated green).

HMIC also published a report on Stop and Search in July 2013. This was in relation to the inner city riots of 2011 and a direct commission by the Home Secretary. There were no adverse issues where Lincolnshire Police was found to be markedly different from the majority of forces across the country, however, the Commissioner and Force expressed, through the development of an action plan, a commitment to continuously improve the service.

Lincolnshire Police carried out a review of the Police and Community Support Officer (PCSO) shifts and allowances in preparation for a consultation on shift patterns and responsibilities. This exercise identified that PCSOs had been paid incorrect shift allowances since the role was introduced in 2003. The issue was reported to the PCC in August 2013 who immediately

authorised Audit Lincolnshire to carry out an independent audit of the HR and Payroll processes to provide assurances that the Force has taken appropriate action and systems and controls will prevent reoccurrence. The HR and Payroll functions had already completed an extensive recalculation exercise to determine the value of the underpayment. This work identified a liability of approximately £1.1 million, which was included as a provision in the financial accounts. The findings were reported to the Joint Independent Audit Committee in November 2013 along with an action plan for completion of the recommendations.

Business continuity

On 25th February 2013, the Temporary Chief Constable was suspended from duty. On 28 March; the decision to suspend was quashed in the High Court following a judicial review. A local investigation by Sir Peter Fahy, Chief Constable of Greater Manchester Police on behalf of the PCC was undertaken. In August 2013, Sir Peter Fahy concluded his investigation and reported that no proof to substantiate the allegation had been found. He recommended, *inter alia*, that the misconduct allegation against the Chief Constable be formally withdrawn. The Force has arrangements in place in order to provide resilience during periods when specific officers are unavailable to undertake their roles. This includes acting and temporary arrangements to ensure key roles within the Command structure are appointed to.

The Chief Constable was appointed to his role on a permanent basis in December 2013. The Chief Constable took steps to bring greater stability to the Chief Officer team by appointing the temporary Deputy Chief Constable on a one year contract. The temporary Assistant Chief Constable Protective Services was also appointed on a permanent basis following an advertisement and interview process. Further work will be undertaken during 2014/15 to appoint a new Deputy Chief Constable.

Business transformation

The response to government funding cuts will be central to the quality of services over the coming years. As a consequence, policing in Lincolnshire is changing. The Chief Constable has embarked upon a programme to identify efficiencies and service improvements. The Transformation Programme includes projects such as mobile data, digital interviews, live links, body worn cameras and mobile ID and G4S projects such as Niche (crime record management system), victim care unit, IT infrastructure and t-police as mentioned above. Other work-streams include work on Demand Management.

Strategic partnership with G4S

Assurance on the work of the partner is provided by the Commercial Partnership Team and Retained Finance as described in section 3 above.

The implementation of a strategic partnership, includes the transformation of business processes with the introduction of a new core financial system, the financial ledger element of which went live in January 2014. This resulted in significant changes to the systems of operation and control, these have been reviewed by Independent Audit who have identified issues in their Payments and Creditors Audit. An action plan is being drawn up to address the identified control weaknesses and its delivery will be closely monitored by the Force Chief Finance Officer and overseen by the Joint Independent Audit Committee.

Anti-Fraud and Corruption

The Force and Commissioner have a joint Anti-fraud and Corruption Policy in place which has been reviewed during the year. Quarterly meetings between the Force Chief Finance Officer,

PCC CFO, Professional Standards Department, HR officers and internal audit ensure that current and emerging risks and issues in relation to anti-fraud and corruption are regularly discussed and reviewed. The Joint Independent Audit Committee are kept abreast of any issues and a response is provided to the Audit commission's fraud and corruption survey ' Protecting the Public Purse' on an annual basis. Mandatory training on counter corruption was rolled out to all staff and officers across the organisations via the NCALT e-learning system; raising awareness of issues surrounding police corruption and misconduct.

Conclusions

The reductions to funding and the consequent impact on service provision continues to be an on-going issue and will be reflected within the Force's risk management arrangements. The Force is committed to regular review of its resource allocation to ensure that future policing arrangements are fit for purpose and efficiencies and saving are identified. Governance requirements will be a fundamental element of the reviews.

Signed

Neil Rhodes
Chief Constable of Lincolnshire Police

Date

On behalf of the senior officers and staff of Lincolnshire Police Force.

Chief Constable for Lincolnshire
Statement of Accounts
2013/14
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Chief Constable for Lincolnshire
Movement in Reserves Statement
2013/14

This statement shows the movement in the year on the different reserves.
This statement shows financial transactions relating to the movement in the pensions reserve for the year ending 31st March 2014; all other reserves are managed by the PCC. The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income and Expenditure Statement at Note 5.

	Capital Receipts Reserve £000	Earmarked Reserves £000	General Fund Balance £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Chief Constable Reserves £000**
Balance at 31 March 2012 carried forward	**0**	**0**	**0**	**0**	**(862,948)**	**(862,948)**
Movement in Reserves during 2012/13						
Surplus on the provision of services	0	0	0	0	0	0
Other Comprehensive Income and Expenditure	0	0	0	0	0	0
Total Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**	**0**
Adjustments between accounting basis and funding basis under regulations	0	0	0	0	(139,334)	(139,334)
Net Increase / Decrease before Transfers to Earmarked Reserves	0	0	**0**	**0**	**(139,334)**	**(139,334)**
Transfers to/from Earmarked Reserves	0	0	0	0	0	0
Increase/(Decrease) in 2012/13	**0**	**0**	**0**	**0**	**(139,334)**	**(139,334)**
Balance at 31 March 2013 carried forward	**0**	**0**	**0**	**0**	**(1,002,282)**	**(1,002,282)**
Movement in Reserves during 2013/14						
Surplus on the provision of services			0	0	-	0
Other Comprehensive Income and Expenditure				-	(104,852)	(104,852)
Total Comprehensive Income and Expenditure	**-**	**-**	**0**	**0**	**(104,852)**	**(104,852)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	0	-	0	0	0	-
Net Increase / Decrease before Transfers to Earmarked Reserves	0	**-**	**0**	**0**	**(104,852)**	**(104,852)**
Transfers to/from Earmarked Reserves (Note 7)	-		0	-	-	-
Increase/(Decrease) in 2013/14	**0**	**0**	**0**	**0**	**(104,852)**	**(104,852)**
Balance at 31 March 2014 carried forward	**0**	**0**	**0**	**0**	**(1,107,134)**	**(1,107,134)**

Chief Constable for Lincolnshire
Comprehensive Income and Expenditure Statement
2013/14

This statement shows the income and expenditure received and paid over during the year. Income and expenditure is analysed in accordance with the requirements for reporting Police Service Expenditure. The balance on the account relates to adjustments for IAS 19 pensions costs and does not represent the actual operational deficit.

2012/13			Note		2013/14		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
42,557	(892)	41,665		Local Policing	43,085	(844)	42,241
7,867	(134)	7,733		Dealing with the Public	8,094	(127)	7,967
12,370	(211)	12,159		Custody	11,036	(200)	10,836
6,087	(1,064)	5,023		Road Policing	5,949	(1,142)	4,807
6,785	(116)	6,669		Specialist Operations	6,664	(110)	6,554
5,662	(97)	5,565		Intelligence	5,272	(91)	5,181
38,811	(493)	38,318		Investigation	39,204	(470)	38,734
2,226	(38)	2,188		Investigative Support	1,918	(36)	1,882
2,021	(1,436)	585		National Policing	2,077	(1,367)	710
1,041	0	1,041		Corporate and Democratic Core	529	0	529
109	0	109		Non Distributed Costs: Other	389	0	389
125,536	**(4,481)**	**121,055**		**Cost of Services**	**124,217**	**(4,387)**	**119,830**
1,495	(1,159)	336		Other Operating Expenditure	1,710	(1,297)	413
0	0	0		Financing and Investment Income and Expenditure	0	0	0
0	(89,758)	(89,758)		Income - Intra-group funding	0	(83,301)	(83,301)
127,031	**(95,398)**	**31,633**		**(Surplus) or Deficit on the Provision of Services**	**125,927**	**(88,985)**	**36,942**
107,701	0	107,701		Actuarial (Gains) or Losses on Pension Assets and Liabilities	67,910	0	**67,910**
107,701	**0**	**107,701**		**Other Comprehensive Income and Expenditure**	**67,910**	**0**	**67,910**
234,732	**(95,398)**	**139,334**		**Total Comprehensive Income and Expenditure**	**193,837**	**(88,985)**	**104,852**

Chief Constable for Lincolnshire
Balance Sheet as at 31st March 2014

The Balance Sheet shows the assets, liabilities and reserves at the year end. The Chief Constable does not own any assets nor hold any reserves at the year end under the PCC's current Scheme of Arrangements.
The Balance Sheet is included to show the reader that all balances are accounted for by the PCC as at 31st March 2013.

31-Mar-13 £000		31-Mar-14 £000
-	Long Term Assets	-
2,740	Current Assets	2,603
(2,740)	Current Liabilities	(2,603)
(1,002,282)	Long Term Liabilities	(1,107,134)
(1,002,282)	**Net Assets**	(1,107,134)
	Financed by:	
-	Usable Reserves	-
(1,002,282)	Unusable Reserves	(1,107,134)
(1,002,282)	**Total Reserves**	(1,107,134)

Chief Constable for Lincolnshire
Cash Flow Statement
2013/14

This statement does not show any cash flows for the year ending 31st March 2013 as all payments were made from the accounts held by the PCC. Similarly, all income and funding is received by the PCC during the year.

The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income and Expenditure Statement at Note 5.

2012/13 £000		2013/14 £000
139,334	Net (Surplus) or Deficit on the Provision of Services	104,852
(139,334)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(104,852)
0	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0
0	**Net Cash Flows from Operating Activities**	**0**
0	Investing Activities	0
0	Financing Activities	0
0	**Net (Increase) or Decrease in Cash and Cash Equivalents**	**0**
0	Cash and Cash Equivalents at the Beginning of the Reporting Period	0
0	Cash and Cash Equivalents at the End of the Reporting Period	0

Chief Constable for Lincolnshire
Notes to the Accounts
2013/14

1. Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the entity's transactions for the 2013/14 financial year and its position at the yearend of 31st March 2014. The entity is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 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 2013/14 and the Service Reporting Code of Authority Accounting 2013/14, supported by International Financial Reporting Standards.

The accounting convention adopted in the Statement of Accounts is principally historical cost.

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

1.2. Changes in Accounting Policies

Changes in accounting policy may arise through changes to the Code or changes instigated by the Chief Constable. For changes brought in through the Code, the Chief Constable will disclose the information required by the Code.

For other changes we will disclose:

- the nature of the change;
- the reasons why the change has been made;
- report the changes to the current period and each prior period presented and the amount of the adjustment relating to periods before those presented.

If retrospective application is impracticable for a particular prior period (or for periods before those presented), we will disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

1.3. Prior Period Adjustments

The Code requires prior period adjustments to be made when material omissions or misstatements are identified. Such errors include the effects of arithmetical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

The following disclosures will be made for each prior period adjustment:

- the nature of the prior period error;
- for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected, and;
- the amount of the correction at the beginning of the earliest prior period presented.

Where an event occurs which is indicative of conditions that arose after the balance sheet date then the amounts recognised in the Comprehensive Income and Expenditure Statement are not adjusted. Rather, they are disclosed in a separate note to the accounts.

1.4. Accruals of Income and Expenditure

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

- expenses in relation to services provided by employees are recorded as expenditure when the services are received rather than when payments are made.

1.5. Debtors

Debtors are recognised in the accounts when the ordered goods or services have been delivered or rendered by the Chief by the 31st 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 income accruals.

Debtors recognised at yearend for the Chief Constable relate to financial guarantees in place from the PCC for creditors due for payment at 31 March.

1.6. Creditors

Creditors are recorded where goods or services have been supplied to the Chief Constable by 31st 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 accruals.

1.7. Provisions

The Chief Constable sets aside provisions for future expenses where:

- an event has taken place on or before the balance sheet date that creates an obligation;
- it is probable that the obligation requires settlement by a transfer of economic benefits;
- the value of settlement can be reliably estimated; but
- the timing of the transfer is uncertain.

While there are no provisions in the Chief Constable's Comprehensive Income and Expenditure Statement, the revenue charge for provisions are reflected in the Comprehensive Income and Expenditure Statement. Estimated provisions are reviewed at the end of each financial year. Where it is likely that the provision will not be required, the relevant amounts are reversed in the Comprehensive Income and Expenditure Statement.

1.8. 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 for Local Authorities 2013/14. The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Non Distributed Costs – the historic costs of retirement benefits.

These two cost categories are accounted for as separate headings in the Chief Constable Comprehensive Income and Expenditure Statement.

1.9. Value Added Tax (VAT)

The Chief Constable does not submit a VAT return. The PCC submits a single VAT return on behalf of the Group. Expenditure in the Comprehensive Income and Expenditure Statement excludes any amounts relating to VAT as it is all remitted to / from HM Revenue and Customs.

1.10. Events after the Reporting Date

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Where the event provides new evidence of conditions that existed at the balance sheet date then an adjusting event may occur. If material, the amounts recognised in the Group Statement of Accounts will be adjusted, and consequently will also be reflected in the Comprehensive Income and Expenditure Statement of the Chief Constable.

1.11. 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 Chief Constable.

1.12. Employee Benefits

Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits for current employees. The financial consequences of these benefits are recognised in the Comprehensive Income and Expenditure Statement in the year in which the employee renders service to the Chief Constable. IAS 19 'Employee Benefits' also requires recognition of short term compensating absences which include time owing and annual leave accrued but not taken as at 31 March 2014.

Post employment benefits

There are 2 pension schemes for police officers. Both are contract out from the State Earnings Related Pension Scheme.

The Police Pension Scheme (PPS) is a contributory occupational pension scheme, governed by the Police Pensions Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The 2006 New Police Pension Scheme (NPPS), which started on 1 April 2006, is a contributory occupational pension scheme governed by the Police Pensions Act 1976 (as amended by the Police Pensions Regulations 2007). Officers make contributions in the old scheme are either 12.25% or 12.5% of pensionable pay. In the new scheme employees contribute either 10.1%, 10.5% or 10.75% of pensionable pay. The employees' contribution is set nationally by the Home Office and is subject to triennial revaluation. A Pension Fund was set up on 1 April 2006 to administer both schemes.

The NPPS and PPS are defined benefit schemes paid from revenue but with no managed pension assets. Accrued net pension liabilities have been assessed on an actuarial basis in accordance with IAS 19 Employee Benefits. The net liability and a pensions reserve for both schemes have been recognised in the Group Balance Sheet, as have entries in the Group Income and Expenditure Account for movements in the liabilities. Transfers into and out of the scheme representing joining and leaving police officers are recorded on a cash basis in the Pension Fund. The current economic cost outflow of police officer pensions (including injury benefits) is recognised in the Comprehensive Income and Expenditure Statement to reflect the costs of operating the scheme.

1.13. Reserves

a) Usable Reserves

The Chief Constable does not maintain useable reserves. Its income in the year is matched to its resources expended and all additional surplus of deficits are held by the PCC.

b) Unusable Reserves

The Chief Constable keeps a pensions reserve to maintain the accounting processes for retirement benefits. These accounts do not represent usable resources for the Chief Constable.

1.14. Police Officer Pensions - Home Office Memorandum Account

From 1st April 2006 the Home Office changed the method of financing police pensions. Effectively the Chief Constable has continued to make payments but accounts for these outside of its own accounts in a separate memorandum account, which is reported as a supplementary statement in these accounts.

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

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities.

• *IFRS 10 Consolidated Financial Statements*: this standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The PCC group currently comprises of the PCC and Chief Constable. There are partnerships with other agencies but none of them will lead to disclosure as an associate. The regional collaboration work is considered within Joint Arrangements below. No impact is expected on the 2013/14 statement of accounts.

• *IFRS 11 Joint Arrangements*: this standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The authority's regional collaboration work within the East Midlands falls under the category of a jointly controlled operation and will not be affected by the new requirements.

• *IFRS 12 Disclosures of Involvement with Other Entities*: this is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The authority has a number of arrangements with other entities. Only the work with Lincolnshire Road Safety Partnership is material in the context of the 2013/14 financial statements.

3. Judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the entity 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:

- 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 £16.858m (2011/12; £14.596m) pension top up as an employee 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.

- G4S joined Lincolnshire Pension Fund as a new Transferee Admission Body on 1st 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 31st March 2014 reflect the combined G4S and Lincolnshire Police pension fund assets and liabilities.

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the entity 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 PCC, on behalf of the group including the Chief Constable, employs Hymans Robertson actuaries to give expert advice on the estimation of IAS 19 pension costs for police officers and on the assumptions to be used. The sensitivities regarding the Police Pension Scheme current service costs are set out below.

The items in the Chief Constable's Balance Sheet at 31 March 2013 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 pension's assets and liabilities. Hence, these are considered separately.

Pensions assumptions

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PCC with expert advice about the assumptions to be applied.	The effects on the net pensions 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.
Pensions liability	A report from the Office of Budget Responsibility indicates that RPI is likely to be around 0.8% higher than CPI in future. The observed difference in the past has been 0.5%. However, the actuaries have continued to assume that CPI will be approximately 0.8% p.a. below RPI on average.	The impact is estimated to be a reduction in future service costs from April 2011 onwards of around 6% per annum.

The carrying value of pension liabilities at the balance sheet date was £1,002,127k.

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

Change in financial assumptions	Approximate percentage increase likely to employer liability	Approximate monetary amount (£m)
0.1% decrease in the Real Discount Rate	2%	17.9
1 year increase in member life expectancy	3%	29.1
0.5% increase in the Salary Increase Rate	2%	14.3
0.5% increase in the Pensions Increase Rate (CPI)	8%	77.8

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

Change in financial assumptions	Approximate percentage increase to projected current service cost	Approximate monetary amount (£m)
0.1% decrease in the Real Discount Rate	3%	0.8
1 year increase in member life expectancy	3%	0.7
0.5% increase in the Salary Increase Rate	5%	1.2
0.5% increase in the Pensions Increase Rate (CPI)	12%	2.8

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

Change in financial assumptions	Approximate percentage increase likely to employer liability	Approximate monetary increase (£m)
0.5% decrease in the Real Discount Rate	12%	14.2
1 year increase in member life expectancy	3%	3.5
0.5% increase in the Salary Increase Rate	5%	5.5
0.5% increase in the Pensions Increase Rate	7%	8.4

Other areas of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Employee benefits: measurement of short term accumulating absences accrual	Measurement covers most staff for leave and time in lieu, but not all. It is possible that some staff not covered by the current approach may have time owing which is significantly	There is no impact on the General Fund Balance. The surplus in the Comprehensive Income and Expenditure Statement and

	different to the average.	the associated Balance Sheet figures could vary by up to £100k.

5. Material Items of Income and Expense

This note sets out the nature and amount of material items not disclosed on the face of the Comprehensive Income and Expenditure Statement. The Comprehensive Income and Expenditure Statement has been prepared using the service expenditure analysis for Police Services as detailed in the 2013/14 Service Reporting Code of Practice (SerCOP).

The following table is intended to aid the reader in understanding where the money is spent and in making comparisons between Forces in terms of the type of expenditure incurred.

The Comprehensive Income and Expenditure Statement reflects the PCC's financial resources consumed under the control of the Chief Constable. In practice all the respective costs are paid for by the PCC. The intra-group adjustment moves reflect this, matching income to the non IAS19 expenditure.

Note 8 gives details of material income.

2012/13 £000	Description	2013/14 £000
58,674	Police Pay and Allowances	55,702
15,336	Police Staff Pay and Allowances	13,413
376	Other Employee Expenses	642
1,485	Police Pensions - Ill Health Retirements	1,385
8,458	IAS 19 pension costs	12,043
3,473	Premises	2,566
2,619	Transport	2,317
5,781	Supplies and Services	4,648
21,360	Third Party Payments	21,865
2,876	Support Services	4,815
5,098	Capital Financing	4,822
(4,481)	Income from Grants, Fees and Charges	**(4,387)**
121,055	**Net Cost of Services**	**119,830**

6. Other Operating Expenditure

2012/13				2013/14		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
343	-	343	Levies	396		396
1,152	(1,159)	(7)	Seconded Officers	1,314	(1,297)	17
1,495	**(1,159)**	**336**		**1,710**	**(1,297)**	**413**

7. Income

2012/13				2013/14		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
-	(89,758)	(89,758)	PCC funding for police operations	-	(83,301)	(83,301)
-	**(89,758)**	**(89,758)**		**-**	**(83,301)**	**(83,301)**

8. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Chief Constable on the basis of budget reports analysed differently. Police officer costs are reported to management collectively, with only the costs of regional collaboration separated out. Management reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made for the accrued costs of employee benefits such as annual leave and time owed;
- 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 reconciliation below shows how the figures reported to management are adjusted for inclusion in the Comprehensive Income and Expenditure Statement.

9. Debtors

	31 March 2013 £000	31 March 2014 £000
Amounts falling due within one year:		
PCC guarentee for accumulated absences liability	2,740	2,603
Total Debtors falling due within one year	**2,740**	**2,603**

10. Creditors

	31 March 2013 £000	31 March 2014 £000
Accumulated absences	2,740	2,603
Total Short-Term Creditors	**2,740**	**2,603**

11. Pensions reserve

2012/13 £000		2013/14 £000
(862,948)	**Balance at 1 April**	**(1,002,282)**
(107,701)	Actuarial gains or losses on pensions assets and liabilities	(67,910)
(64,100)	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	(56,924)
32,465	Employer's pensions contributions and direct payments to pensioners payable in the year	19,996
2	Other unfunded termination benefits	(14)
(1,002,282)	**Balance at 31 March**	**(1,107,134)**

12. Accumulated absences account

2012/13 £000		2013/14 £000
(2,922)	**Balance at 1 April**	**(2,740)**
2,922	Settlement or cancellation of accrual made at the end of the preceding year	2,740
(2,740)	Amounts accrued at the end of the current year	**(2,603)**
182	**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**	**137**
(2,740)	**Balance at 31 March**	**(2,603)**

13. Cash flow notes

2012/13 £000		2013/14 £000
-	Depreciation of Non-Current Assets	-
-	Impairment and Downward Valuations of Non-Current Assets	-
-	Amortisation of Intangible Assets	-
-	Amortisation of Government Grant and Other Contributions	-
-	Increase in Impairment Provisions for Bad Debts	-
(137)	Increase/(Decrease) in Creditors	(137)
137	(Increase)/Decrease in Debtors	137
-	(Increase)/Decrease in Stock	-
(139,334)	Pension Liability	(104,838)
-	Carrying Amount of Non-Current Assets Sold	-
-	Contributions to Provisions	-
-	Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	-
(139,334)	**Non Cash Movements**	**(104,838)**

14. Audit Committee Allowances and Expenses

The amount paid to members of the Joint Independent Audit Committee equated to £6,957 for the year, including costs for the interim body.

15. Remuneration of Senior Staff

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

The table below excludes those senior employees who are shown in more detail in the following tables for Officers' Remuneration. It includes 3 Chief Superintendents for 2012/13.

Remuneration Range	2012/13 Number of employees	2013/14 Number of employees
£50,000 to £54,999	47	53
£55,000 to £59,999	25	26
£60,000 to £64,999	5	7
£65,000 to £69,999	1	1
£70,000 to £74,999	2	3
£75,000 to £79,999	7	4
£80,000 to £84,999	-	2
£85,000 to £89,999	3	1
£90,000 to £94,999	-	-
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-

2012/13 Chief Officers' Remuneration

Post title	Notes	Salaries, fees or allowances £	Performance related pay £	Other benefits receivable in the role £	**Total remuneration excluding pension contributions 2012/13 £**	Employer's pension contribution £	**Total remuneration including pension contributions 2012/13 £**
Police officers							
Temporary Chief Constable		136,219		5,283	**141,502**	31,471	**172,973**
Temporary Deputy Chief Constable		106,654		5,300	**111,954**	24,152	**136,106**
Temporary Deputy Chief Constable*		137,364	7,500	2,197	**147,061**	31,398	**178,459**
Assistant Chief Constable 1		109,602		5,024	**114,626**	25,615	**140,241**
Temporary Assistant Chief Constable 2		93,951		4,061	**98,012**	21,956	**119,968**
Chief Finance Officers of the Chief Constable							
Chief Finance Officer 1		65,508			**65,508**	13,036	**78,544**
Chief Finance Officer 2	26/06/12 to 31/03/12	40,573			**40,573**	-	**40,573**

2013/14 Chief Officers' Remuneration

Post title	Notes	Salaries, fees or allowances £	Performance related pay £	Other benefits receivable in the role £	**Total remuneration excluding pension contributions 2013/14 £**	Employer's pension contribution £	**Total remuneration including pension contributions 2013/14 £**
Police officers							
Chief Constable		139,292		6,289	**145,581**	32,270	**177,851**
Temporary Deputy Chief Constable*		112,131		5,014	**117,145**	26,227	**143,372**
Temporary Deputy Chief Constable* *		29,966		2,289	**32,255**	29,966	**62,221**
Deputy Chief Constable	Left 16/08/13	51,954		3,314	**55,268**	10,624	**65,892**
Assistant Chief Constable 1***		98,928		2,289	**101,217**	22,998	**124,215**
Temporary Assistant Chief Constable 2****		97,142		2,289	**99,431**	21,998	**121,429**
Temporary Assistant Chief Constable	Left 16/06/13	19,834		500	**20,334**	4,635	**24,969**
Chief Finance Officers of the Chief Constable							
Chief Finance Officer 1		65,890			**65,890**	**13,112**	**79,002**
Chief Finance Officer 2		53,424			**53,424**	**-**	**53,424**

* This officer was in an Assistant Chief Constable post between 01/04/13 to 15/08/13

** This Officer has been seconded from Lincolnshire Police to the post of Chief Executive of the Child Exploitation and Online Protection Centre (CEOP). Costs are reimbursed. The officer commenced a career break 01/03/14

*** Temporary in post from 03/06/13 until 29/01/14 at which point a permanent appointment was made

16. Audit Fee

	2013/14 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	20
Other audit services	-
Total	**20**

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17. 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 Chief Constable or to be controlled or influenced by the Chief Constable. 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 the entity.

UK Central Government
The UK central government has effective control over the general operations of the PCC Group and consequently the Chief Constable. 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. Home Office Grants credited to the Comprehensive Income and Expenditure Statement of the group accounts in 2013/14 amounted to £86,333k, which forms the basis for PCC funding of Chief Constable in the year.

PCC for Lincolnshire
Within the PCC 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 of £125,927k is shown in the Comprehensive Income and Expenditure Statement.

Officers
The total remuneration to senior staff in 2013/14 is shown in Note 15 above. All senior officers employed by the Chief Constable at the 31st March 2014 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
Regional collaboration with other East Midlands police forces is described in Note 42 of the group accounts. £607k of regional police officer costs are included in the Comprehensive Income and Expenditure Statement.

18. Onerous Contracts

There are no onerous contracts that need to be declared in the 2013/14 accounts.

19. Severance costs

Cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number by cost band		Total cost in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0,000 to £20,000	1	2	-	-	1	2	3,332	8,350
£20,001 to £40,000	-	-	-	-	-	-	30,837	47,736
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,000 to £150,000	-	-	-	-	-	-	-	-
Total	**1**	**2**	**-**	**-**	**1**	**2**	**34,169**	**56,086**

The cost in the £20k-£40k band in 2012/13 is £31k pension strain which relates to an individual who left the organisation in 2011/12.
The cost in the £20k-£40k band in 2013/14 is £48k pension strain which relates to an individual who left the organisation in 2013/14.

The number of cases, analysed between compulsory redundancies and other departures and total cost are set out in the table above.

The Chief Constable terminated the contract of 2 employees in 2013/14, incurring liabilities of £56k. This is made up of:

- £8k in compulsory redundancy payments (£3k in 2012/13);
- £48k for enhanced retirement benefits, this relates to a member who retired under the rule of 85 in 2013/14 (£31k in 2012/13 relating to a member of staff who was made redundant in 2011/12)

Further, the CC has recognised the potential liability of £168k for 13 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 £18k cash payment made in 2013/14.

20. Retirement benefits

Police officers are in receipt of retirement benefits as part of the terms and conditions of their employment.

There are two pension schemes for police officers, the 2006 New Police Pension Scheme (NPPS) and the Police Pension Scheme (PPS), both of which are unfunded, defined benefit pension schemes. An unfunded, defined benefit scheme has no investment assets to meet its pension liability and must generate cash to meet the actual pension payments as they fall due. These benefits payable are funded by contributions from employers and police officers and any shortfall is met by a top up grant from the Home Office. Further details of the schemes can be found in the Police Officer Pensions Home Office Memorandum Account.

The Police Officer Pensions Account is administered by the Chief Constable in accordance with the Police Reform and Social Responsibility Act 2011. All receipts and payments are the responsibility of the PCC and are made to and from the PCC accounts.

The PCC pays employer contributions at a rate of 24.2% of pensionable salary into the Fund. To reflect the full financial consequences of utilising the services of police officers during the year an amount for police officers' pensions is reflected in the Comprehensive Income and Expenditure Statement of the Chief Constable. In accordance with IAS 19 requirements, the amount equates to the current service cost as well as contributions by members of the scheme, pensions expenditure and injury award expenditure. The current service cost is the present value of the pension benefits earned by active employees in 2012/13 and is intended to reflect the true economic cost for that year based on current market conditions. The cost is determined independently of the funding of the scheme and measures the full liability estimated to have been generated in year (at today's prices). The current service cost calculations for 2012/13 and the valuation of the scheme at the balance sheet date have been produced by Hymans Robertson actuaries.

Police officer contributions to the scheme amounted to £4.9 million and employer pension contributions were £9.9 million in the year ended 31 March 2014.

Expected employer contributions for the Police Pension Scheme in the year to 31 March 2014 are £9.6 million.

	Local Government Pension Scheme		Police Pension Scheme		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current service cost	(3,709)	(4,464)	(19,900)	(22,900)	(23,609)	(27,364)
Past service costs	(46)	(163)	0	(200)	(46)	(363)
Effect of settlements	-	-	-	-	-	0
Financing and Investment Income and Expenditure						
Net interest expense	(1,108)	(1,481)	(40,000)	(43,400)	(1,108)	(1,481)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(4,863)**	**(6,108)**	**(59,900)**	**(66,500)**	**(24,763)**	**(29,208)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
Return on plan assets (excluding the amount included in the net interest expense)	6,395	(3,543)			6,395	(3,543)
Actuarial gains and losses arising on changes in demographic assumptions	0	(2,990)			0	(2,990)
Actuarial gains and losses arising on changes in financial assumptions	(15,119)	2,119			(15,119)	2,119
Other (if applicable)	86	(96)			86	(96)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(13,501)**	**(10,618)**	**(59,900)**	**(66,500)**	**(33,401)**	**(33,718)**
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	4,863	6,108	59,900	66,500	64,763	72,608
Actual Amount charged against the General Fund Balance for pensions in the year:						
Employers contributions payable to scheme	(4,165)	(3,981)	-	-	(4,165)	(3,981)
Retirement benefits payable to pensioners	-	-	(28,300)	(31,700)	(28,300)	(31,700)

	Funded liabilities LGPS		Discretionary benefits Police Pension Scheme	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Present value of the defined benefit obligation	117,715	127,314	932,700	1,025,400
Fair value of plan assets	(85,271)	(88,239)	0	0
Sub-total	**32,444**	**39,075**	**932,700**	**1,025,400**
Other movements in the liability (asset)	183	190	36,800	42,300
Net liability arising from the defined benefit obligation	**32,627**	**39,265**	**969,500**	**1,067,700**

	Local Government Pension Scheme	
	2012/13 £000	2013/14 £000
Opening fair value of scheme assets	71,990	85,271
Interest income	3,535	3,893
Remeasurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	6,395	(3,543)
Other	0	0
Effect of changes in foreign exchange rates	0	0
Contributions from employer	4,165	3,981
Contributions from employees in the scheme	1,354	1,234
Benefits paid	(2,168)	(2,597)
Other	-	-
31st March	**85,271**	**88,239**

	Funded liabilities LGPS		Unfunded liabilities Police Pension Scheme	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Opening balance at 1 April	95,281	117,898	839,500	969,500
Current service cost	3,709	4,464	19,900	22,900
Interest cost	4,643	5,374	40,000	43,400
Contributions from scheme participants	1,354	1,234	5,000	5,300
Remeasurement gain / (loss):				
Actuarial gains / losses arising from changes in demographic assumptions	0	2,990	0	23,500
Actuarial gains / losses arising from changes in financial assumptions	15,119	(2,119)	98,800	39,500
Other	(86)	96	(400)	400
Past service cost	46	163	0	200
Losses / (gains) on curtailment	0	0		0
Liabilities assumed on entity combinations				
Benefits paid	(2,168)	(2,597)	(33,300)	(37,000)
Liabilities extinguished on settlements (where relevant)	0	0	-	-
31st March	**117,898**	**127,503**	**969,500**	**1,067,700**

LGPS asset details	Fair value of scheme assets	
	2012/13 £000	2013/14 £000
Cash and cash equivalents	964.9	1361.7
Equity instruments		
Consumer	15,891.7	16,234.6
Manufacturing	3,521.9	2,981.1
Energy and utilities	6,932.8	6,479.9
Financial institutions	9,145.3	10,425.8
Health and care	-	-
Information technology	3,056.4	2,410.7
Other	9,681.4	11,205.6
Sub-total, equity	48,229.5	49,737.7
Bonds by sector		
Corporate	2,755.6	2,750.6
UK Government	1,689.7	1,621.9
Other	1,111.8	1,053.1
Sub-total, bonds	5,557.1	5,425.6
Property by type		
UK property	7,296.6	8,295.1
Overseas property	1,580.5	1,335.8
Sub-total, property	8,877.1	9,630.9
Private equity		
Sub-total, private equity	5,655.4	4,834.8
Other investment funds		
Equities	4,237.0	4,121.2
Bonds	5,034.0	5,564.1
Hedge funds	-	-
Commodities	-	-
Infrastructure	-	-
Other	6,715.9	7,562.9
Sub-total, other investment funds	15,986.9	17,248.2
Derivatives		
Sub-total, derivatives	-	-
Total assets	**85,270.9**	**88,238.9**

OLD	31 March 2012 %	31 March 2013 %
Equity investments	74.0	77.0
Bonds	13.0	13.0
Property	12.0	10.0
Cash	1.0	0.0
Total	**100.0**	**100.0**

	Local Government Pension Scheme		Police Pension Scheme	
	2012/13	2013/14	2012/13	2013/14
Long term expected rate of return on assets in the scheme:				
Equity investments	4.5	4.3	n/a	n/a
Bonds	4.5	4.3	n/a	n/a
Other	4.5	4.3	n/a	n/a
Mortality assumptions	Longevity at 65		Longevity at 60	
	Years	Years	Years	Years
Longevity for current pensioners:				
Men	21.2	22.2	21.2	29.3
Women	23.4	24.4	23.4	31.5
Longevity for future pensioners:				
Men	23.7	24.5	23.7	30.9
Women	25.7	26.8	25.7	33.0
Financial assumptions	%	%	%	%
Market derived RPI	3.6	3.7	3.6	3.6
Rate of increase in salaries	5.1	4.1	3.8	3.8
Rate of increase in pensions	2.8	2.8	2.8	2.8
Rate for discounting scheme liabilities	4.5	4.3	4.5	4.3

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Present value of liabilities						
Local government pension scheme	(57,315)	(105,343)	(84,230)	(95,281)	(117,898)	
Police pension scheme	(589,900)	(878,100)	(785,200)	(839,500)	(969,500)	
Fair value of assets in the local government pension scheme	43,906	60,983	68,028	71,990	85,271	
Surplus / (deficit) in the scheme						
Local government pension scheme	(13,409)	(44,360)	(16,202)	(23,291)	(32,627)	
Police pension scheme	(589,900)	(878,100)	(785,200)	(839,500)	(969,500)	
Total surplus / (deficit) in the scheme	**(603,309)**	**(922,460)**	**(801,402)**	**(862,791)**	**(1,002,127)**	**0**

	Impact on the defined benefit obligation in the scheme	
	LGPS £000	Police pension scheme £000
Longevity (increase or decrease in 1 year) Rate of inflation (increase or decrease by 1%) Rate of increase in salaries (increase or decrease by 1%) Rate of increase in pensions (increase or decrease by 1%) Rate for discounting scheme liabilities (increase or decrease by 1%)		
31st March	**0**	**0**

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %	2013/14 %
LGPS						
Differences between the expected and actual return on assets	(30.8)	17.2	0.4	(5.2)	8.0	
Experience gains and losses on liabilities	0.01	0.02	(7.3)	0.8	(0.1)	
Police Pension Scheme 1987						
Differences between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	(7.7)	0.4	1.4	3.6	0.0	
Police Pension Scheme 2006						
Differences between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	(20.7)	17.3	(6.7)	10.3	0.0	

21. Post Balance Sheet Events

The Chief Constable approved the draft financial statements on X June 2014.

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 draft financial statements.

Non adjusting events

TBC

22. Prior Period Adjustments

TBC

Chief Constable for Lincolnshire

Police Officer Pensions - Home Office Memorandum Account

2013/14

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

2012/13 £000	Fund account	2013/14 £000
	Contributions Receivable	
	From Employer:	
9,883	Normal	9,533
569	Early Retirements	686
4	Reimbursement of Unabated Pensions of 30+ Police Officers	-
178	Recovery from PCC for Humberside	160
	From Members:	
4,858	Contributions	5,144
98	Individual Transfers in from Other Schemes	102
15,590		**15,625**
	Benefits Payable	
25,877	Pensions	27,343
6,361	Commutations	7,755
0	Lump Sum Death Benefits	-
4	Unabated Pension of 30+ Police Officers	-
	Payments To and On Account of Leavers	
0	Refunds of Contributions	4
206	Individual Transfers Out	519
-	Employers Sanction Charge	-
-	Equivalent Premium	-
32,448		**35,621**
16,858	**Sub-total for the year before transfer from the PCC for Lincolnshire of amount equal to the deficit**	**19,996**
(16,858)	**Additional funding payable by the PCC for Lincolnshire to meet deficit for the year**	**(19,996)**
-	**Net Amount payable/(receivable) by the PCC for Lincolnshire**	-

Disclosure Notes

1. The operation of the Pension Fund for police bodies in England and Wales is controlled by the Police Pension Fund Regulations 2007 (SI 2007 No 1932). It covers both old and new Police Officer pension schemes but has no impact on the benefit structure of either scheme. The new scheme was introduced from 1 April 2006. This is the only scheme open to new officers, whereas officers in the existing scheme have the option to transfer to the new scheme. Injury and ill health awards continue to be paid from the PCC group's operating account. The employer contribution rate is 24.2% of pensionable pay. Employees' contributions in the old scheme are either 13.5% or 14% of pensionable pay. In the new scheme employees contribute either 10.7%, 11.5% or 12% 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 PCCs long term pension obligations can be found in the main PCC group statements at Note 54.

4. The accounting policies followed are in accordance with Note 1 of the PCC Group accounts.

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 £7,049,573 is shown in PCC for Lincolnshire accounts as due from the Home Office.

2012/13 £000	Net Asset Statement as at 31st March	2013/14 £000
	Net Current Assets and Liabilities	
2,280	Pension benefits paid in advance	**-**
28	Receivable from PCC for Humberside	**60**
(2,308)	Creditors to the PCC for Lincolnshire	**(60)**
-	Total	-

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE

Glossary of Terms

'30+' police officers

Police officers may opt to receive the lump sum from their pension after 30 years and continue as officers outside the pension scheme. They are no longer able to contribute or accrue further benefits from the scheme. The pension scheme compensates the police officers for loss of any allowances. The Police Authority reimburses the pension scheme for this cost.

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

This is the equivalent of depreciation for intangible assets.

Audit Report

The Audit Commission are an independent body charged with auditing public sector organisations to ensure that proper stewardship is undertaken.

Authority

The Authority refers to the PCC Group, being the PCC and Chief Constable position.

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 fixed assets 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 and other fixed assets (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 Authority 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 Authority but unpaid at 31 March.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

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 Police Authority Reserves, which are retained for specific purposes.

EMSOU

East Midland Special Operations Unit

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 Force 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 Police Authority'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, being due for introduction to local authorities in 2010/11.

Impairment

An adjustment to the value of long-term assets caused by the consumption of economic benefits.

Intra Group Funding

Transfers of income between members of the group. Typically this will be delegated allocations from the PCC to the Chief Constable

Long Term Debtors

Sums of money due to the Authority 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 decisions 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

Fixed Assets held by a local authority 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

Precept

The amount levied by one authority which is collected by another e.g. the
Police Authority 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

This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

Revenue Expenditure

The day to day expenditure of the Authority on such items as employees and equipment.

Revenue Support Grant (RSG)

Grant paid by Central Government in aid of service provision.

SeRCOP

This is 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 a long-term asset's value 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.

Virement

Transfers between budget headings, in accordance with Financial Regulations, reflecting changes in Police Authority's expenditure plans.