Appendix 2

Chief Constable for Lincolnshire
Notes to the Accounts
2014/15

1. Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the entity's transactions for the 2014/15 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 2014/15 and the Service Reporting Code of Authority Accounting 2014/15, 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. Non-current assets

The Chief Constable does not own any non-current assets. All capital equipment used in operational policing is procured and owned by the PCC, under the agreement that control, in particular usage and responsibility for maintenance, is delegated to the Chief Constable under the PCC Group's existing scheme of delegation. To reflect the use of the assets by the Chief Constable in the use of operational policing, a charge is recognised by the Chief Constable in the Comprehensive Income and Expenditure Statement for the cost of using the assets throughout the year. This charge is outlined in note 6 to the Financial Statements.

1.6. 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 year end for the Chief Constable relate to financial guarantees in place from the PCC for creditors due for payment at 31 March.

1.7. 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 although only accruals material to the accounts will be accounted for.

1.8. 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.

The only provisions in the Chief Constable's Balance Sheet are for those directly relating to the employee benefits. However, the revenue charge for other provisions is 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.

1.9. 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 2014/15. 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. This is accounted for as separate headings in the Chief Constable Comprehensive Income and Expenditure Statement.

1.10. 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.

1.11. 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.

1.12. 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.

1.13. 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 contracted 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 of 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.

1.14. Reserves

a) Usable Reserves

The Chief Constable does not maintain usable reserves. Its main source of income in the year is an intra-group transfer from the PCC, which is matched to its net resources expended (excluding IAS19 costs), with all additional surplus or deficit held by the PCC.

b) Unusable Reserves

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

1.15. 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 these accounts in a separate memorandum account, which is reported as a supplementary statement in these accounts.