The Police and Crime Commissioner for Lincolnshire

Financial Statements

2014/15

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Police and Crime Commissioner for Lincolnshire PCC Group and PCC Statement of Accounts 2014-15

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Police and Crime Commissioner for Lincolnshire

Introduction to the Financial Statements

The Police and Crime Commissioner for Lincolnshire was elected in November 2012. The Commissioner's primary function is to secure the maintenance of an efficient and effective police service in the county and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996.

All the financial transactions incurred during 2014/15 for policing Lincolnshire have been recognised and recorded in this Statement of Accounts. The statement sets out the financial performance and financial position of the Commissioner and the Group (Commissioner and Chief Constable) as at 31 March 2015 and how the financial position has changed over time.

Foreword from the Police and Crime Commissioner

The Chief Constable and I, together with our officers and staff, have done much to transform Lincolnshire Police to ensure you have the services you need, when you need them. We have reduced crime and HMIC (Her Majesty's Inspectorate of Constabulary) has graded us outstanding in terms of delivering affordable policing. We are recognised as good in terms of our effectiveness at reducing and preventing offending and good at tackling anti-social behaviour. The County remains one of the safest places to live in the country, and crime has fallen more than the national average.

Whilst our overall performance continues to be good when compared to other police forces, the next few years will be extremely challenging for policing, both nationally and locally. HMIC has clearly stated it has concerns about the ability of Lincolnshire Police to maintain its current level of service to the communities of Lincolnshire beyond 2016 and deems us to be at risk.

Without a more equitable slice of the national police grant, or substantial precept rises in future years, we would see significant degradation of service from 2016 onwards. That would undoubtedly take the form of fewer PCSOs, police officers and the staff who support them. I know this is not what the people of Lincolnshire want or deserve. The Chief Constable and I have been taking this message to the heart of Government and they are listening. We are therefore optimistic for the coming year and beyond. As a low cost and efficient organisation, we are very much part of the solution to building a sustainable model for police funding. For Lincolnshire this will result in a fairer deal for our communities, help us to continue to reduce crime and ensure our services are there when people need them.

Roles and responsibilities

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

The Statement of Accounts

The 2014/15 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2013/14. The accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include:

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

Further Information

Further information about the Financial Statements is available from the:

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

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

Alan Hardwick
Police and Crime Commissioner for Lincolnshire

Independent Auditor's Report

<To be included on completion of audit>

Sue Sunderland
for and on behalf of KPMG LLP, Appointed Auditor
Chartered Accountants
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

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 Police and Crime Commissioner's finances during the year being reported and the factors that may impact in the future.

<Drafted by Angela for Tony / Julie to update>

Introduction

I am pleased to present the Statement of Accounts for the Police and Crime Commissioner (PCC) for Lincolnshire and the PCC for Lincolnshire Group (the PCC Group) for the financial year 2014/15. This Statement of Accounts sets out the overall financial position of the PCC and the PCC Group for the year ended 31 March 2015.

On 15 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. The former Lincolnshire Police Authority was replaced by an elected Police and Crime Commissioner; this is Alan Hardwick for Lincolnshire. The PCC sets the priorities for policing and is responsible for securing the maintenance of an efficient and effective police force for Lincolnshire and must hold the Chief Constable to account for the provision of operational policing in the county.

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

The Government police governance reforms have been implemented in two stages. The first stage, from November 2012, 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 following 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 in accordance with the Stage 1 transfer arrangements with all financial transactions being included in the primary statements for the PCC and no entries being included in the primary statements for the Chief Constable, costs for operational policing being reflected in the notes to the Chief Constable's accounts.

Under the second stage of the reforms, from 1 April 2014, all Police Officers and the majority of police staff (other than a small number relating to the PCC's Office and Corporate Communications) have transferred to the Chief Constable's employment. Revised guidance, provided by the governing accounting body, indicates that, in the light of Stage 2, the accounting approach taken in 2012/13 is no longer acceptable 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 for 2014/15 have therefore been prepared to reflect the cost of providing operational policing in the Chief Constable's accounts with the PCC's accounts showing a commensurate transfer of resources to the Chief Constable.

In addition, the full effect of the Local Government Pension scheme accounting entries are shown within the Chief Constable's 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, whilst 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 Constable's accounts in its entirety, as the amount which would relate to the PCC, would if apportioned, not be of sufficient size to warrant a separate disclosure.

All assets, liabilities and reserves continue to be held in the main by the PCC however, those specifically relating to accounting entries within the Chief Constable entity (primarily relating to accounting for Pensions) are included in the Chief Constable's accounts. The accounts presented in this document reflect the Stage 2 arrangements agreed by the Home Secretary to commence on 1 April 2014.

These accounts have been compiled in accordance with, and as required by, the Accounts and Audit Regulations 2011, the Code of Practice on Local Authority Accounting 2014/15 and also the Service Reporting Code of Practice (SeRCOP). The accounts show the financial affairs of the PCC for Lincolnshire and the Lincolnshire PCC Group during 2014/15 and the financial position as at 31 March 2015.

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

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

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

Background

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

The PCC Group:

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

The Accounts

The Financial Statements for the PCC Group consist of:

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

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

Annual Governance Statement
The PCC must prepare and publish an annual governance statement in accordance with the "Delivering Good Governance" guidance and in order to meet the statutory requirements set out in the Accounts and Audit Regulations 2011.

The Accounting Statements are as follows:

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

Group Comprehensive Income and Expenditure Statement
A summary of the resources generated and consumed by the PCC Group in accordance with accounting policies rather than the amount required from taxation.

Group Balance Sheet
This represents the financial position of the PCC as at 31st March 2015. It shows the balances and reserves at the PCC Group's disposal together with the long term and current assets employed in its operation.

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

Notes to the Accounts
The notes show details supporting each of the main accounting statements, together with additional information to explain the PCC Group'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
This summarises the transactions relating to retirement benefits paid to police officers and how these costs are paid for.

Relationship between accounting statements

The different accounting statements are linked in several important ways.

- The relationship between the Comprehensive Income and Expenditure Statement and the movement in the PCC Group's total reserves is shown in the Movement in Reserves Statement.
- The Cash Flow statement reconciles to the balance on the Comprehensive Income and Expenditure Statement for the year and the movement in the Balance Sheet cash and cash equivalents.

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

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

The PCC sets the budget in consultation with the Chief Constable and determines the Council Tax precept to be levied on Lincolnshire's District Councils. Expenditure on the day to day running costs of the service is charged against the Revenue Budget and is recorded in the Comprehensive Income and Expenditure Statement. This is analysed by type of spending in Note 42 to the accounts. IFRS also requires the disclosure of "Budget Accounting Information" which provides a link between the statements and the management accounting information normally used by the PCC for the monitoring and control of the revenue budget (Note 41).

Expenditure on assets, which will be of benefit over a period of years, is charged against the capital programme initially. The expenditure incurred is normally added to property, plant and equipment in the Balance Sheet; although the annual costs of financing capital expenditure is reflected in the Revenue Budget and the Comprehensive Income and Expenditure Statement. A desk top revaluation of the PCC Group's Property Assets was undertaken during the year, with the results of the revaluation being included in the Balance Sheet. This resulted in an overall increase in value of £858k.

The Comprehensive Income and Expenditure Statement includes the costs of depreciation for all long term assets used in the delivery of services. The depreciation costs are not identified separately on the face of the statement; rather they are included within the costs for each of the services provided. Depreciation costs are replaced by capital financing charges in the Movement in Reserves Statement. The total capital financing charges are given in Note 20. The presentation of these details serves to highlight the value of the PCC Group's asset portfolio and the cost of using them in the delivery of services.

Revenue Budget Outturn 2014/15

On the 26 February 2014 the PCC approved a net revenue budget of £111.0 million of which £103.4 million was funded from Police Grant and Council Tax receipts (the Budget Requirement). In making this decision the PCC increased the council tax by 1.99% resulting in a charge of £193.86 for a Band D property.

The PCC's grant settlement for 2014/15 reflected the overall reductions being experienced in public sector expenditure. In line with other PCC's the grant to be received was reduced by 4.1% when compared to the 2013/14 figure, a cash reduction of £2.5 million.

Financial Performance

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

	Original Budget	Actual	(Under) / Over Spend
	£m	£m	£m
Services			
PCC	82.7	81.1	(1.6)
Chief Constable Delegate Budget	29.2	32.3	3.1
Total Service Expenditure	**111.9**	**113.4**	**1.5**
Other operating costs			
Appropriation to Earmarked Reserves	0.0	4.4	4.4
Appropriation from Earmarked Reserves	0.0	2.4	2.4
Total Expenditure	**0.0**	**2.0**	**2.0**
Financed by:			
General Police Grant	62.2	62.2	0.0
Council Tax	41.2	41.2	0.0
Neighbourhood Policing Contribution	1.5	1.5	0.0
Specific and Non-specific Grants	7.0	10.5	3.5
Total Financing	**111.9**	**115.4**	**3.5**
Total Surplus	**0.0**	**0.0**	**0.0**

Actual spending for the Chief Constable in 2014/15 was £1.7 million lower than the original budget. This was mainly due to lower Police Officer numbers. These savings were used to invest in capital developments, reduce borrowing costs and to help fund performance improvements in future through the PCC budget, which includes additional capital financing costs and transfers to reserves in its £31.8 million expenditure for the year.

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

Reserves

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

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

The current financial risk assessment indicates that general reserves should be maintained around 5% of total annual expenditure. The amount for 2015/16 is £5.7m. The level of general reserve at 31 March 2015 was £5.7m. There are no plans to use any of the general reserve in 2015/16.

Earmarked reserves total £11.1m. Movements in reserves are detailed in note 8.

Pensions

The reporting requirement known as IAS 19 “Retirement Benefits” features in the PCC Group accounting statements. This is a complex accounting standard but is based on a simple principle, i.e. that an organisation should account for retirement benefits when the commitment to give them is made, even if the actual liability will be many years into the future. The PCC Group operates two schemes, both of which have been approved by Parliament. The Local Government Pension Scheme (LGPS) is funded and has assets to meet the future liabilities; 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.

Since 2004/05, there is a requirement to disclose in the financial statements the full effect of IAS 19. The Comprehensive Income and Expenditure Statement has been designed to include the cost of retirement benefits when they are earned by employees rather than when the benefits are eventually paid as pensions. This has had a major impact on the statement, resulting in a large deficit of income over expenditure (£209,109k in 2014/15).

The total pension liability for the two schemes is shown in the Balance Sheet. This has been achieved by the creation of a Pensions Reserve and Pension Liability Account. Full details of the accounting entries are shown in the notes to the accounts. The effect of including this liability has a significant impact, in terms of the overall value of the Balance Sheet. It is important to note that these are not new liabilities; they have always existed and been paid for on an annual basis from the revenue budget and funded separately by the Home Office in the case of the police officer scheme. The physical and cash reserves of the PCC Group are unaffected.

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

Capital Expenditure

Capital Expenditure during the year totaled £3.425 million. This included the following major items: ICT business development projects in conjunction with our Strategic Partner G4S (£0.9m); infrastructure and buildings (£0.9m); body worn camera (£0.4m) and the replacement of operational vehicles (£0.6m).

Capital Expenditure was financed from:

- Home Office grants and other grants of £1.9 million
- capital receipts of £0.3 million
- contribution from Revenue of £0.3 million
- financed initially from internal cash balances £0.9 million

The Prudential Code for Capital Finance in Local Authorities came into being on 1st April 2004. Under this system, individual PCC’s are responsible for deciding the level of their borrowing, having regard to the Prudential Code. Borrowing was not necessary in 2014/15 due to the level of cash balances being held. Total debt outstanding at 31st March 2015 was £14.7 million.

Assets and Liabilities

These are summarised in the table below.

	2013/14 £000	2014/15 £000
Long-Term Assets	34,968	34,772
Current Assets	17,605	18,862
Current Liabilities	(19,876)	(19,905)
Long-Term Liabilities	(1,122,395)	(1,332,535)
Net Assets	**(1,089,698)**	**(1,298,806)**
Total Reserves	**(1,089,698)**	**(1,298,806)**

The PCC has recognised £1,103k in provisions in the financial statements at 31 March 2015. These relate to estimated costs incurred but not yet paid for termination benefits of employment (£166k), legal services costs (£267k), back pay relating to volume crime overtime (£40k), obsolete stock (£30k) and Pension pay of forensic staff TUPE transfer (£600k). There are no other provisions the PCC is aware of that have not been recognised in the financial statements.

Prospects for 2015/16 and beyond

For the financial year 2015/16, 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 savings requirement for 2015/16. In order to provide for a balanced budget the PCC determined a precept increase of 1.99%.

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 is 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 leads 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 savings requirement of £10m in 2017/18. Plans to address the forecast savings requirement are being formulated during 2014/15.

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 per capita in England and receives the second lowest level of Government funding, the people of Lincolnshire make an above average contribution to the cost of policing, contributing 35% 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 £3.7 million in 2015/16. The programme includes:

- Significant investment in the Force estate;
- Replacement programme for vehicles;
- ICT schemes

Impact of the current economic climate

A revaluation of the PCC's asset portfolio has been undertaken, the revised valuations reflecting the current commercial property market. The total value of the estate is now £22.3m.

The PCC has reviewed the policy for the investment of cash flow funds and has confirmed that the security and liquidity of investments are the priority over the yield. The continuing uncertain nature of the banking sector particularly with regard to the difficulties being experienced in the Euro zone has resulted in the PCC continuing the policy of limiting exposure to a small number of UK based institutions. This policy coupled with the continuation of historical low interest rates has however resulted in the continuance of lower returns from investments.

Police and Crime Commissioners

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 both the Group and the Chief Constable, reflect the changes in governance and the significant revised accounting guidance received during 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 and coming into force from 1 April 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.

Julie Flint, CPFA MSc
Chief Finance Officer to the
Police and Crime Commissioner for Lincolnshire

Statement of Responsibilities for the Statement of Accounts

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

I approve these audited Statement of Accounts	I certify that the Financial Statements present a true and fair view of the financial position of the Police and Crime Commissioner for Lincolnshire as at 31 March 2015 and its income and expenditure for the year then ended.

Police and Crime Commissioner for Lincolnshire Alan Hardwick Date :	Chief Finance Officer Julie Flint CPFA MSc Date:

Annual Governance Statement 2014/15

This section details the Police and Crime Commissioner for Lincolnshire's governance arrangements in operation during 2014/15 including plans for the financial year 2015/16.

Introduction

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

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

Scope of Responsibilities

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

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

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

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

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

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

In accordance with paragraph 3.7.4.3 of the Code of Practice on Local Authority Accounting for 2013/14; the Commissioner's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer (CFO) of the Commissioner and the CFO of the Chief Constable.

The Purpose of the Governance Framework

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

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

The governance framework has been in place for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

The Governance Framework

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

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

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

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

- for identifying and communicating the Commissioner's vision, purpose and intended outcomes;
- for reviewing the Commissioner's vision and its implications for governance arrangements;
- for measuring the quality of services for users, for ensuring they are delivered in accordance with the Commissioner's objectives and for ensuring that they represent the best use of resources;

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

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

Review of Effectiveness

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

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

The Commissioner and Chief Constable have a Joint Independent Audit Committee (JIAC) that meet at least 4 times a year. The JIAC provides advice on matters relating to the adequacy and effectiveness of the financial and other controls, corporate governance, financial and contract regulations and risk management arrangements operated by both the Commissioner and the Chief Constable. The JIAC is subject to an annual self-assessment.

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

There are a number of internal groups that meet on a regular basis to enable the Commissioner to carry out effective monitoring and review of the Force's performance and assess progress made against the objectives stated in the Police and Crime Plan. The Performance Governance meetings consider police performance (crime) and the Resources Governance meeting considers financial and people resources. The Professional Standards Governance meeting reviews matters relating to the conduct of police officers and staff. The Planning and Strategy meeting was in operation until November 2014 when it was replaced by the Police and Crime Strategic (P&CS) Board. The Board's remit is to consider long term strategy development, the assurance map, significant and emerging risk areas and the Chief Constable's report.

The effectiveness of the governance framework has been reviewed by the Commissioner's Executive Team[1] in the year 2014/15. The review has included

- the internal audit reports, including: governance (decision making) and delivery of the police and crime plan (both reporting an overall opinion of substantial assurance - RAG rated green)
- consideration of the Commissioner's approach to risk management,
- the code of corporate governance and the annotated code providing sources of evidence
- the Commissioner's Decision Making Framework and practical application of the significant public interest policy statement
- the Commissioner's Publication Scheme and approach to ensuring that information is publicly available and transparent
- the new Integrated Scheme of Governance (ISG) which came into effect on 1 April 2014 that includes the Scheme of Consent, Commissioner's and Chief Constable's Scheme of Delegation and the Financial and Contract regulations
- consideration of the Commissioner and Chief Constable's joint assurance map (through both developmental and embedded stages)
- ongoing development and review of the Commissioner's Operational Delivery Monitoring Plan
- review and monitoring of Lincolnshire Police performance (both organisational and operational) through the governance meeting structure and written and oral briefings
- the rationale and drivers for establishing the new Police and Crime Strategic Board
- external auditors and their formal reporting.

Assurance on the effectiveness of the Commissioner's regulatory framework has been provided by the CE who, as Monitoring Officer, has a legal duty to ensure the lawfulness and fairness of decision-making. Specialist legal advice is available to the Monitoring Officer as required. This has highlighted no areas of non-compliance.

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

The ISG was introduced in April 2014 to reflect the new governance arrangements arising from the PRSR Act 2011. The ISG was reviewed in April 2015. A significant piece of work, initially prompted by internal audit in 2012/13 has progressed over the last year in relation to developing a training product for staff to positively attest that they are cognisant of the policies relating to the scheme and the financial and contract regulations. The JIAC has been consulted on the scheme and it will continue to be reviewed on a regular basis.

The Commissioner's risk management arrangements are well developed and well embedded. The JIAC reviews the Commissioner's risk management strategy on an annual basis and monitors the Commissioner's strategic risk register quarterly. The Executive team consider and

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

review risks on a monthly basis through management meetings. Internal audit reported a 'green' opinion (substantial assurance) on the PCC's risk management arrangements in December 2014. The risk register and assurance framework are aligned and drive improvement activity where assurance on the effectiveness of controls needs to be strengthened.

The Commissioner is committed to promoting fairness and equality and ensuring that people are treated with respect and dignity at all times. The monitoring and review of equality and diversity issues is carried out on a quarterly basis through the governance framework. He also has oversight of the Chief Constable's approach to stop and search. This is achieved through a quarterly briefing from the Superintendent lead. Much of the discussions have been in response to the recommendations made by the HMIC inspection from 2013 and their follow up report published in March 2015. Progress has been made and services are improving. The action plan continues to be monitored by the Commissioner.

The Police and Crime Panel in Lincolnshire exist to scrutinise the Commissioner (not the Chief Constable), to promote openness in the transaction of PCC business and to support the Commissioner in the effective exercise of his functions. In Lincolnshire, the Commissioner and his senior staff have attended every meeting of the Police and Crime Panel. A memorandum of understanding and protocols were agreed at the September 2014 meeting. A training session was arranged in October 2014 for both Panel members and the PCC's staff to gain a shared understanding of the Panel's roles and challenges and also joint information requirements.

The Commissioner published his Annual Report in June 2014 and presented it to the Panel. The Annual Report demonstrates how the Commissioner has carried out his legal duties, sets out what has been achieved over the year and reports on the progress that has been made in meeting the objectives set out in the Police and Crime Plan. The report also includes information about financial performance. The audited Financial Statements are published on the PCC's website to complement the Annual Report. The report is available at: http://www.lincolnshire-pcc.gov.uk/Transparency/Annual-report.aspx.

In addition to specific consultation as part of the development of the Police and Crime Plan, the Commissioner has set out a commitment to be accessible to the public through a range of channels. In the course of the year, the Commissioner received 950 pieces of correspondence, covering a wide range of issues. This has demonstrated that there is an effective link between the public and the directly elected individual charged with governance. All correspondence is carefully considered and responded to appropriately. The Commissioner is committed to openness and transparency and maintains a dedicated section on his website to meet his statutory obligations in this area, including the publication of expenses, salaries of senior staff and expenditure over £500 and a list of asse 3 Freedom of Information (FOI) Requests in the last year. In comparison, Lincolnshire Police received 6,363 FOI requests[2]. The Commissioner has an Engagement and Communications strategy which enables him to meet people from across the county and listen to their views and comments about local policing and local issues.

Lincolnshire Police and the Commissioner have a joint Anti-fraud and Corruption Policy in place which has been reviewed during the year. Quarterly meetings ensure that current and emerging risks and issues in relation to anti-fraud and corruption are regularly discussed and reviewed. The JIAC are kept abreast of any issues and the return was provided to the Audit Commission's fraud and corruption survey 'Protecting the Public Purse'. Mandatory training on counter corruption continued to be delivered to all staff and officers across the organisations via the NCALT e-learning system; raising awareness of issues surrounding police corruption and misconduct. The P&CS Board adopted the CIPFA Code of Practice on Managing the Risk of

[2] Total number of requests in the period April 2014 to March 2015

Fraud and Corruption published in February 2015 that will help both organisations to maintain their vigilance to tackle fraud.

The Commissioner has ensured he has arrangements in place for receiving and handling complaints from the public which are within his statutory remit.

The Chief Constable has undertaken his own review of governance and his own Annual Governance Statement has informed and supports this statement.

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

Significant Governance Issues

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

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

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

Failure to persuade government of Lincolnshire's case for a fairer share of national funding

The Commissioner and Chief Constable's lobbying strategy to achieve 'A fair deal for the people of Lincolnshire'[3] makes the case for Lincolnshire getting a better share of the national pot of police funding. Implementation of the formal strategy started in July 2014 and has comprised letters, briefings, visits and meetings with the Home Secretary, Policing Minister, Senior Civil Servants, local MPs and partners. The message shared was that Lincolnshire is the lowest funded force in the country but is a model of efficiency[4].

Despite our best efforts to mitigate the risk
constrained and any changes to the Government funding formula are not expected in the short term. There is concern about the ability of the force to maintain its current level of service to the communities of Lincolnshire beyond 2016. Further savings are required in future years under the current funding arrangements. The Commissioner has committed to the provision of 1,100 officers and 149 PCSOs.

The Policing Minister visited the county in March 2015 and sent a Home Office Task Force to get a better understanding about how policing is run in Lincolnshire. Lincolnshire Police was successful in obtaining a special grant to cover the additional costs that were incurred during the Boston Floods in 2013 and officials are continuing to consider whether more funding can be

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[3] One of the 3 key priorities in the Commissioner's Police and Crime Plan.

[4] HMIC inspection reports have highlighted Lincolnshire as "Outstanding" at delivering affordable policing, "Good" regarding the extent to which the Force is taking the necessary steps to ensure a secure financial position for the short and long term and 'Good' in terms of the extent to which the Force is efficient.

made available for historic, exceptional costs. The Commissioner and Chief Constable agree that further lobbying action to central government is required.

Lack of effective succession planning (Chief Officer Team)
In September 2014, the Commissioner identified a risk that related to the Force's Chief Officer succession plans. Concern was expressed due to the short term temporary appointments of the Chief Officer Team. HMIC had conveyed concern at previous interim appointments in their 2012/13 inspections. There has been some positive action with the permanent appointment of the Assistant Chief Officer (Resources). The Commissioner and his Executive Team had regular discussions with the Chief Constable about this issue. The risk remains high due to the wider national issues around leadership and the longer term local challenges that the organisation faces.

Failure to achieve and demonstrate efficiencies and value for money
The Commissioner stated in his Police and Crime Plan that he will be ruthless in obtaining value for money from all funding and avoiding waste. The Commissioner and Chief Constable both have a statutory duty to make the best use of resources available to them. Over the last year, the Deputy Chief Constable has continued to lead a productivity programme comprising three main themes: demand management/THRIVE[5], crime prevention and workforce modernisation. Oversight is gained through the Resources Governance meeting and through HMIC providing independent assurance through their 'Policing in Austerity' report and the Value for Money profiles. The THRIVE Model went live in February 2015 and initial results are positive. The Commissioner has pushed the Force to maintain project and programme discipline to ensure that promised benefits are realised in practice. Lincolnshire Police will progress their benefits realisation work into 2015/16. The Financial Strategy includes performance measures relating to financial health and financial performance and has a number of plans and policies that sit underneath it.

Failure to deliver and demonstrate VfM in regional collaboration
The Commissioner and Chief Constable collaborate with the East Midlands region in many operational and back office areas. The Special Operations Unit, Major Crime Unit, Special Branch and Forensics Services have been in place for some years now and are well embedded, others are embedding (Occupational Health Unit and Legal services) and some are just going live (Criminal Justice and Operational Support). Updates are provided to the East Midlands PCC Board and there is a Regional Efficiency Board in place that has oversight of the implementation of the planned savings. A regional assurance framework is in development. Internal Audit was commissioned to carry out a piece of work across the Forces on EMOpSS[6] efficiency savings resulting in an 'amber/green' opinion. The region was successful in receiving a Home Office grant through the Innovation Fund. Work is progressing to implement projects across the region (e.g. NICHE, Live Links). It is acknowledged t d oversight) and financial governance needs to be strengthened in order to improve effective management of the funds. Internal audit work confirmed this with a 'red' opinion (cannot take assurance). Further internal audit work on collaboration is planned for 2015/16 and this area remains under scrutiny via the risk register and assurance map.

Failure to ensure that Strategic Partner/Partners' objectives are delivered
The Commissioner's strategic partnership with G4S continues to deliver service improvements and savings. The contract is overseen through a robust governance structure and through the Commercial Partnership Team who manage and monitor the contract on behalf of the Commissioner. The Performance and Delivery Board meet on a quarterly basis and their remit includes assuring compliance with service performance standards, oversight of transformation

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

[6] East Midlands Operational Support Services

initiatives (e.g. t-Police) and benefits realisation. The Executive Board meets every 6 months and takes ownership of the vision for the partnership and strategic planning to deliver the vision.

Following audits carried out in 2013/14, there was concern about the number of opinions on Lincolnshire Police's financial controls that were RAG rated red/amber[7]. There were also concerns about the implementation of t-Police (systems review reported an 'amber/red' opinion). The Chief Constable established a 'gold group' to address issues relating to t-police and resource management and robust oversight was put in place to ensure agreed service standards were met. Intervention was also required around the performance standards of the Crime Management Bureau. Internal audits carried out in 2014 and management oversight confirmed that procedural issues and system 'teething problems' had been addressed (amber/green opinions reported in April 2015). A finance 'end to end' system review is planned for 2015/16 using a self-assessment tool to ensure that the planned changes have been implemented and to also drive continual improvement. Internal audit will continue to test in these key areas next year.

Police and Crime Panel Task Group recommendations
The Police and Crime Panel Task Group's report from January 2014 made a number of recommendations in relation to the Commissioner's decision to suspend the temporary Chief Constable from duty. The internal audit plan included an audit on governance (decision making process and integrity) and risk management. Both audits reported that substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective (RAG rated Green).

The risk relating to outstanding legal action by the Chief Constable against the Commissioner was terminated in February 2015. The Courts confirmed that this case had been administratively closed.

Significant governance issues are reported to the JIAC at least 4 times each year.

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

SIGNED

Alan Hardwick Police and Crime Commissioner for Lincolnshire	Malcolm Burch Chief Executive to the Police and Crime Commissioner for Lincolnshire
DATE	DATE

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

Police and Crime Commissioner for Lincolnshire
PCC Group Movement in Reserves Statement
2014/15

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

	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Earmarked Reserves £000	General Fund Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total PCC Group Reserves £000
Balance at 31 March 2013	**233**	**-**	**8,219**	**5,663**	**14,115**	**(997,337)**	**(983,222)**
Movement in Reserves during 2013/14							
Deficit on the provision of services	-	-	-	(38,524)	(38,524)	-	(38,524)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(67,952)	(67,952)
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**(38,524)**	**(38,524)**	**(67,952)**	**(106,476)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(233)	779	-	39,421	39,967	(39,967)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**(233)**	**779**	**-**	**897**	**1,443**	**(107,919)**	**(106,476)**
Net transfers (to)/from Earmarked Reserves (Note 8)	-	-	861	(861)	-	-	-
Increase/(Decrease) in 2013/14	**(233)**	**779**	**861**	**36**	**1,443**	**(107,919)**	**(106,476)**
Balance at 31 March 2014 carried forward	**-**	**779**	**9,080**	**5,699**	**15,558**	**(1,105,256)**	**(1,089,698)**
Movement in Reserves during 2014/15							
Deficit on the provision of services	-		-	(40,744)	(40,744)	-	(40,744)
Other Comprehensive Income and Expenditure	-		-	-	-	(168,365)	(168,365)
Total Comprehensive Income and Expenditure	**-**		**-**	**(40,744)**	**(40,744)**	**(168,365)**	**(209,109)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	0	(389)	-	42,788	42,399	(42,399)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**0**	**(389)**	**-**	**2,044**	**1,655**	**(210,764)**	**(209,109)**
Net transfers (to)/from Earmarked Reserves (Note 8)	-		2,044	(2,044)	-	-	-
Increase/(Decrease) in 2014/15	**0**	**(389)**	**2,044**	**(0)**	**1,655**	**(210,764)**	**(209,109)**
Balance at 31 March 2015 carried forward	**0**	**390**	**11,125**	**5,699**	**17,213**	**(1,316,020)**	**(1,298,807)**

Police and Crime Commissioner for Lincolnshire
PCC Movement in Reserves Statement
2014/15

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

	Capital Receipts Reserve	Capital Grants Unapplied	Earmarked Reserves	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total PCC Reserves
	£000	£000	£000	£000	£000	£000	£000
Restated Balance at 31 March 2013 carried forward	**233**	**-**	**8,219**	**5,663**	**14,115**	**4,945**	**19,060**
Movement in Reserves during 2013/14							
Deficit on the provision of services	-	-	-	(1,583)	**(1,583)**	-	(1,583)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(42)	(42)
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**(1,583)**	**(1,583)**	**(42)**	**(1,625)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(233)	779	-	2,480	**3,026**	(3,026)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	**(233)**	**779**	**-**	**897**	**1,443**	**(3,068)**	**(1,625)**
Net transfers (to)/from Earmarked Reserves (Note 8)	-	-	861	(861)	-	-	-
Increase/(Decrease) in 2013/14	**(233)**	**779**	**861**	**36**	**1,443**	**(3,068)**	**(1,625)**
Balance at 31 March 2014 carried forward	**-**	**779**	**9,080**	**5,699**	**15,558**	**1,877**	**17,435**
Movement in Reserves during 2014/15							
Deficit on the provision of services	-	-	-	(59)	**(59)**	-	(59)
Other Comprehensive Income and Expenditure	-	-	-	-	-	1,063	1,063
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**(59)**	**(59)**	**1,063**	**1,004**
Adjustments between accounting basis and funding basis under regulations (Note 7)	0	(389)	-	2,103	**1,714**	(1,714)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	**0**	**(389)**	**-**	**2,044**	**1,655**	**(651)**	**1,004**
Net transfers (to)/from Earmarked Reserves (Note 8)	-	-	2,044	(2,044)	-	-	-
Increase/(Decrease) in 2014/15	**0**	**(389)**	**2,044**	**(0)**	**1,655**	**(651)**	**1,004**
Balance at 31 March 2015 carried forward	**-**	**390**	**11,125**	**5,699**	**17,213**	**1,226**	**18,439**

Police and Crime Commissioner for Lincolnshire
PCC Group Comprehensive Income and Expenditure Statement
2014/15

The Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards. The PCC Group raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement of Reserves Statement.

2013/14					2014/15		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Note**		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
41,624	(2,133)	39,491		Local Policing	52,993	(2,316)	50,677
8,039	(80)	7,959		Dealing with the Public	7,358	(86)	7,272
12,119	(386)	11,733		Custody	10,630	(397)	10,233
5,944	(1,104)	4,840		Road Policing	5,852	(1,227)	4,625
6,527	(65)	6,462		Specialist Operations	5,521	(64)	5,457
5,687	(57)	5,630		Intelligence	5,858	(68)	5,790
38,333	(533)	37,800		Investigation	29,352	(596)	28,756
2,051	(21)	2,030		Investigative Support	2,605	(30)	2,575
2,031	(1,371)	660		National Policing	3,133	(870)	2,263
1,284	-	1,284	**43**	Corporate and Democratic Core	1,282	0	1,282
1,773	(1,037)	736	**43**	Non Distributed Costs: Other	5,328	(3,225)	2,103
125,412	**(6,787)**	**118,625**	**42**	**Cost of Services**	**129,912**	**(8,879)**	**121,033**
9,058	(1,415)	7,643	**9**	Other Operating Expenditure	6,311	(675)	5,636
46,027	(252)	45,775	**10**	Financing and Investment Income and Expenditure	48,274	(265)	48,010
-	(133,519)	(133,519)	**11**	Taxation and Non-Specific Grant Income		(133,935)	(133,935)
180,497	**(141,973)**	**38,524**		**(Surplus) or Deficit on the Provision of Services**	**184,498**	**(143,754)**	**40,744**
42	-	42	**30**	(Surplus) / Deficit of Non-Current Assets	-	(1,063)	(1,063)
67,910	-	67,910	**52**	Actuarial (Gains) or Losses on Pension Assets and Liabilities	169,428	-	169,428
67,952	**0**	**67,952**		**Other Comprehensive Income and Expenditure**	**169,428**	**(1,063)**	**168,365**
248,449	**(141,973)**	**106,476**		**Total Comprehensive Income and Expenditure**	**353,926**	**(144,817)**	**209,109**

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

Police and Crime Commissioner for Lincolnshire
PCC Comprehensive Income and Expenditure Statement
2014/15

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

2013/14					2014/15		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Note**		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
0	0	0		Local Policing	0	0	0
0	0	0		Dealing with the Public	0	0	0
0	0	0		Custody	0	0	0
0	0	0		Road Policing	0	0	0
0	0	0		Specialist Operations	0	0	0
0	0	0		Intelligence	0	0	0
0	0	0		Investigation	0	0	0
0	0	0		Investigative Support	0	0	0
0	0	0		National Policing	0	0	0
815	0	815	**43**	Corporate and Democratic Core	807	0	807
1,500	(1,037)	463	**43**	Non Distributed Costs: Other	5,221	(3,225)	1,996
2,315	**(1,037)**	**1,278**	**42**	**Cost of Services**	**6,028**	**(3,225)**	**2,803**
7,348	(101)	7,247	**9**	Other Operating Expenditure	5,156	0	5,156
46,027	(252)	45,775	**10**	Financing and Investment Income and Expenditure	48,274	(265)	48,010
0	(133,519)	(133,519)	**11**	Taxation and Non-Specific Grant Income	0	(133,935)	(133,935)
80,802	0	80,802	**12**	Expenditure - Intra Group financing	78,025	0	78,025
136,492	**(134,909)**	**1,583**		**Deficit on the Provision of Services**	**137,484**	**(137,425)**	**59**
42	0	42	**30**	(Surplus) / Deficit on Revaluation of Non-Current Assets	0	(1,063)	(1,063)
42	**0**	**42**		**Other Comprehensive Income and Expenditure**	**0**	**(1,063)**	**(1,063)**
136,534	**(134,909)**	**1,625**		**Total Comprehensive Income and Expenditure**	**137,484**	**(138,488)**	**(1,004)**

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

Police and Crime Commissioner for Lincolnshire
PCC Group and PCC Balance Sheet
As at 31 March 2015

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

2013/14				2014/15	
PCC £000	**Group £000**	**Note**		**PCC £000**	**Group £000**
30,965	30,965	**13**	Property, Plant and Equipment	33,802	33,802
875	875	**15**	Investment Property	970	970
3,026	3,026	**16**	Intangible Assets	0	0
102	102	**24**	Long-Term Debtors	0	0
34,968	**34,968**		**Long-Term Assets**	**34,772**	**34,772**
422	422	**23**	Inventories	452	452
12,013	12,013	**24**	Short-Term Debtors	14,221	14,221
5,170	5,170	**25**	Cash and Cash Equivalents	4,188	4,188
17,605	**17,605**		**Current Assets**	**18,862**	**18,862**
(1,710)	(1,710)		Short-Term Borrowing	(1,451)	(1,451)
(10,856)	(10,856)	**26**	Short-Term Creditors	(8,512)	(8,512)
(6,377)	(6,377)		Other Short Term Liabilities	(8,248)	(8,248)
(497)	(514)	**27**	Short-Term Provisions	(938)	(955)
(419)	(419)	**50**	Capital Grants Receipts in Advance (< 1 yr)	(740)	(740)
(19,859)	**(19,876)**		**Current Liabilities**	**(19,888)**	**(19,905)**
(14,566)	(14,566)		Long-Term Borrowing	(13,254)	(13,254)
0	(1,106,965)	**52**	Pension Liabilities		(1,317,081)
(713)	(713)		Other Long-Term Liabilities	(2,051)	(2,051)
0	(151)	**27**	Long-Term Provisions	0	(149)
(15,279)	**(1,122,395)**		**Long-Term Liabilities**	**(15,305)**	**(1,332,535)**
17,436	**(1,089,698)**		**Net Assets**	**18,440**	**(1,298,806)**
15,558	15,558	**28**	Usable Reserves	17,215	17,215
1,877	(1,105,256)	**29**	Unusable Reserves	1,226	(1,316,021)
17,435	**(1,089,698)**		**Total Reserves**	**18,441**	**(1,298,806)**

Police and Crime Commissioner for Lincolnshire
PCC Group and PCC Cash Flow Statement
2014/15

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

2013/14				2014/15	
PCC £000	**Group £000**	**Note**		**PCC £000**	**Group £000**
1,583	38,524		Net Deficit on the Provision of Services	59	40,744
(6,160)	(43,101)	**35**	Adjustments to net deficit on the provision of services for non-cash movements	(2,957)	(43,642)
101	101	**36**	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	344	344
(4,476)	**(4,476)**	**37**	**Net Cash Outflows from Operating Activities**	**(2,554)**	**(2,554)**
6,967	6,967	**38**	Investing Activities	495	495
2,616	2,616	**39**	Financing Activities	3,041	3,041
5,107	**5,107**		**Net (Increase) or Decrease in Cash and Cash Equivalents**	**982**	**982**
10,277	10,277	**25**	Cash and Cash Equivalents at the Beginning of the Reporting Period	5,170	5,170
5,170	5,170	**25**	Cash and Cash Equivalents at the End of the Reporting Period	4,189	4,189

Police and Crime Commissioner for Lincolnshire

Notes to the Accounts

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

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the PCC's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The PCC Group 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, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

1.2 Changes in Accounting Policies

Changes in accounting policy may arise through changes to the Code or changes instigated by the PCC. For changes brought in through the Code, the PCC and the PCC Group 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.

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.

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

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

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

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

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.5 Non-Current Assets – Property, Plant and Equipment

Property, plant and equipment are tangible items that are:

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

1.5.1 Classification

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

Operational Assets:

- Land and Buildings;
- Vehicles, Plant, Furniture and Equipment;
- Non-Operational Assets:
- Surplus Assets; and
- Assets Under Construction.

1.5.2 Initial Recognition

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

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

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

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

De minimis level

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

Subsequent expenditure

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

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

1.5.3 Measurement after Recognition – Valuation Approach

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

Property, Plant and Equipment assets ar [illegible] e Code of Practice on Local Authority Accounting. All operational and non-operational land and properties (including Investment Properties) were subjected to a full revaluation exercise at 1 April 2011. This valuation has been updated as at 31 March each year in 2012, 2013, 2014 and 2015 by way of a desktop revaluation of all assets.

All valuations are in accordance with the capital accounting rules on the following basis:

Operational Assets

Land and operational properties:

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

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

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

Non-Operational Assets

Surplus assets

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

Assets Under Construction

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

Valuation Programme

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

In all other years (including the 2014/15 financial year) the year end valuation encompasses all changes in value, whether from additions, disposals, changes in market value, impairment or other consumption of economic benefits

Component Accounting for Property, Plant and Equipment

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

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

1.5.4 Revaluation Gains and Losses

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

Recognising a Revaluation Gain or Loss

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

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

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

1.5.5 Depreciation

Depreciation is charged on all assets with a finite useful life (which can be determined at the time of acquisition or revaluation). It is PCC policy that six months of depreciation is charged against assets in the year of acquisition and also in the year of disposal.

The policy on asset lives is as follows:

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

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

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

1.5.6 Disposal of Property, Plant and Equipment

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

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

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

1.5.7 Impairment of Non-Current Assets

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

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

Recognising an Impairment

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

1.6 Intangible Assets

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

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

1.6.1 Recognition and Measurement

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

Intangible assets are determined to have short asset lives and will continue to be carried at depreciated historic cost in the balance sheet after initial recognition.

De minimis level

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

1.6.2 Subsequent Expenditure

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

1.6.3 Amortisation

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

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

1.7 Investment Properties

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

1.7.1 Initial Recognition

As with Property, Plant and Equipment, initial recognition includes the costs associated with the purchase.

1.7.2 Measurement after Recognition

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

1.7.3 Revaluation Gains and Losses

A gain or loss arising from a change in the fair value of investment property shall be recognised in Surplus or Deficit on provision of service.

1.7.4 Depreciation

Depreciation is not charged on investment properties.

1.7.5 Disposal of Investment Properties

Gains or losses arising from the disposal of an investment property shall be recognised in Surplus or Deficit on Provision of Services. As with all capital receipts, on de-recognition of an investment property the charge to the Surplus or Deficit on Provision of Services shall be reversed out of the General Fund.

1.8 Non-Current Assets Held for Sale

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

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

1.8.1 Measurement

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

1.8.2 Depreciation

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

1.8.3 Disposal

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

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

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

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

- The annual provision for depreciation;
- Impairment losses; and

- Amortisation of intangible assets.

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

1.10 Minimum Revenue Provision

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

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

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

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

1.11 Revenue Expenditure Financed through Capital under Statute

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

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

1.12 Classification of Leases

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

IAS 17 'Leases' includes indicators for the classification of leases as a finance lease. Within these indicators the PCC has set the following criteria: the 'major part' of the asset life is determined to be 75%; and 'substantially all' of the value is determined to be 75%.

Finance Lease

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

Operating Lease

All other leases are determined to be operating leases.

1.12.1 Finance Leases

Lessee – Vehicles, Plant & Equipment

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

Lessee – Property

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

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

Minimum lease payments are to be apportioned between the finance charge (interest) and the reduction of the deferred liability.

The finance charge (interest) will be charged to the surplus or deficit on the Provision of Services, and then transferred to the Capital Adjustment Account through the Movement In Reserves statement.

Lessor – Property

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

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

Rental income from finance leases entered into after 1 April 2010 should be treated as a capital receipt.

1.12.2 Operating Leases

Lessee – Property, Vehicles, Plant & Equipment

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

Lessor – Property, Vehicles, Plant & Equipment

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

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

1.13 Capital Government Grants and Contributions (for the acquisition of non-current assets)

Capital grants and contributions are used for the acquisition of non-current assets. The treatment of these grants is as follows:

- Capital grants where there are no conditions attached to the grant.
- The income is recognised immediately in the Comprehensive Income & Expenditure Statement.
- Capital grant income is not a proper charge to the General Fund. It is accounted for through the Capital Financing Requirement (set out in statue) so it does not have an effect on council tax. To reflect this, the income is credited to the Capital Adjustment Account through the Movement in Reserves Statement.
- Capital grants where the conditions have not been met at the balance sheet date.
- At the balance sheet date the grant is recognised as a Capital Grant Receipt in Advance in the top part of the balance sheet. When the conditions have been met, the grant is recognised as income in the Comprehensive Income & Expenditure Statement and the appropriate statutory accounting requirements for capital grants are applied.
- Capital grants where no conditions remain outstanding at the balance sheet date, but expenditure has not been incurred.
- The income is recognised immediately in the Comprehensive Income & Expenditure Statement. As the expenditure being financed from the grant has not been incurred at the balance sheet date, the grant is transferred to the Capital Grants Unapplied Account (within usable reserves in the balance sheet), reflecting its status as a capital resource available to finance expenditure, through the Movement in Reserves Statement. When the expenditure is incurred the grant is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure.

1.14 Debtors

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

Debtors are recognised and measured -
minimis for capital or revenue income accruals.

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

1.15 Creditors

Creditors are recorded where goods or services have been supplied to the PCC by 31 March but payment is not made until the following financial year.

Creditors are recognised and measured at fair value in the accounts. There is no de-minimis for capital or revenue accruals.

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

1.16 Debt impairment

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

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

1.17 Inventories

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

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

1.18 Investments and Cash Equivalents

Investments

The PCC will classify these as follows:

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

Cash and Cash Equivalents

Cash Equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. The PCC will classify these as follows:

- Other cash, on-call deposit accounts or banking facilities set up for the purpose of meeting short term liquidity requirements are classed as Cash and Cash Equivalents.

Bank Overdrafts

Bank overdrafts are shown separately from Cash and Cash Equivalents. They are recorded as liabilities within Creditors.

1.19 Provisions

The PCC 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.

Provisions are charged to the Comprehensive Income & Expenditure Statement in the year that the PCC becomes aware of the obligation based on the best estimate of the likely settlement. When payments are eventually made they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. When it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the Comprehensive Income & Expenditure Statement.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim) the income is only recognised in the Comprehensive Income & Expenditure Statement if it is virtually certain that reimbursement will be received when the obligation is settled.

Provisions contained within the balance sheet are split between current liabilities (those which are estimated to be settled within the next 12 months) and non-current liabilities (those which are estimated to be settled in a period greater than 12 months).

1.20 Contingent Liabilities

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

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

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

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

1.21 Contingent Assets

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

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

1.22 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. The PCC will report these in the following way if it is determined that the event has had a material effect on the PCC's financial position:

- Events which provide evidence of conditions that existed at the end of the reporting period will be adjusted and included within the figures in the accounts; and
- Events that are indicative of conditions that arose after the reporting will be reported in the narrative notes to the accounts.

1.23 Recognition of Revenue (Income and Expenditure)

Revenue shall be measured at the fair value of the consideration received or receivable.

Revenue is recognised only when it is probable that the economic benefits or service potential associated with the transaction will flow to the PCC.

1.24 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:

- Corporate and Democratic Core – costs relating to the PCC's status as a multi-functional democratic organisation;
- Non Distributed Costs – the historic costs of retirement benefits and the costs of supporting non operational assets.

These are accounted for as separate headings in the Comprehensive Income & Expenditure Statement as part of the Net Cost of Services.

1.25 Revenue Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounts when it is expected that the conditions for their receipt will be complied with and there is reasonable assurance that the grant or contribution will be received.

Revenue grants are recognised in full in the year of their receipt. For grants not spent within the same financial year, the impact on the General Fund is negated by a transfer to Earmarked Reserves in the Movement in Reserves Statement.

Specific revenue grants are matched in the Net Cost of Services with the service expenditure to which they relate.

Grants which cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Comprehensive Income & Expenditure Statement.

1.26 Value Added Tax (VAT)

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

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

1.27 Council Tax Income

The collection of council tax is in substance an agency arrangement with the seven Lincolnshire district authorities (billing authorities) collecting council tax on behalf of the PCC. The assessment of whether the PCC is acting as principal or agent is in line with IAS 18 Revenue, IPSAS 9 Revenue from Exchange Transactions and IPSAS 23 Revenue from Non Exchange Transactions.

The council tax income is included in the Comprehensive Income & Expenditure Statement on an accruals basis and includes the precept for the year plus the PCC's share of Collection Fund surpluses and deficits from the billing authorities.

The difference between the income reported in the Comprehensive Income & Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

The year end balance sheet includes the PCC's share of year end debtors (arrears and collection fund surpluses) and creditors (prepayments, overpayments and collection fund deficits).

1.28 Reserves

a) Usable Reserves

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

b) Unusable Reserves

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

1.29 Employee Benefits – Benefits Payable during Employment

a) Short Term Benefits

These are amounts expected to be within 12 months of the balance sheet date. They include:

- salaries, wages and expenses accrued up to the balance sheet date;
- annual leave and flexi hours earned, but not yet taken at the balance sheet date, and;
- 'back rest days' allocated to police officers when scheduled rest days are cancelled.

The first set of items are costs which appear in the accounts and are charged to the General Fund Balance. Items 2 and 3 are examples of short-term accumulating absences that will also be accrued in the balance sheet at the year end and charged to the relevant service revenue account. However the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010 (SI 2010/454) requires that these amounts are not charged to a revenue account until the date that the liability is discharged. Hence, statutory provision reverses these charges from the Surplus or Deficit on provision of services by debiting the Capital Adjustment Account and crediting the General Fund Balance through the Movement in Reserves Statement.

b) Long Term Benefits

These are amounts which are payable beyond 12 months. The PCC does not have any material long term benefits to be declared within the financial statements.

1.30 Employee Benefits – Termination Benefits

Termination benefits arise from the PCC's obligation to pay redundancy costs to employees. These costs will be recognised in the PCC's financial statements when the obligation to pay these benefits arises. For example; when there is a formal plan for redundancies approved by the Commissioner (including the location, function and approximate number of employees affected; the termination benefits offered, and the time of implementation).

These items will be accrued in the Balance Sheet at the year end and charged to the relevant service revenue account. If payments are likely to be payable in more than 12 months from the year end then these costs will be discounted at the rate determined by reference to market yields.

1.31 Employee Benefits – Post Employment Benefits (Pensions)

In accordance with IAS19, the Balance Sheet includes recognition of the net asset/liability and a pensions reserve. The Comprehensive Income & Expenditure Statement shows movements in the asset/liability relating to defined benefit schemes (with reconciling entries back to contributions payable for council tax purposes in the Movement in Reserves Statement).

Accounting for retirement benefits is complex but has a simple principle:

"An organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future."

The important distinction for pension schemes is whether they are "defined contribution" or "defined benefit". As the police pension scheme and police staff superannuation scheme are both based on employees earning benefits from years of service they are both "defined benefit schemes".

IAS 19 relies on the recognition of pension assets and liabilities.

Liabilities - being the retirement benefits promised measured on an actuarial basis

Assets – being the PCC's share of investments (if any)

Movements on these assets and liabilities have been recorded in the Comprehensive Income & Expenditure Statement. The PCC has commissioned the actuaries Hymans Robertson LLP to determine the relevant figures. More explanatory notes on each scheme are given below.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Lincolnshire County Council pension scheme attributable to the PCC are included in the Balance Sheet on an actuarial basis using the projected unit method. (This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings of future employees). Liabilities are discounted to their value at current prices, using a discount rate of 4.3%. This rate is derived from a corporate bond yield curve constructed from yields on high quality bonds. The discount rate recognises the weighted average duration of the benefit obligation for staff within the Lincolnshire Police scheme.

In assessing liabilities for retirement benefits at 31 March 2015 for the 2014/15 Statement of Accounts, the actuary made assumptions about inflation, salary increases, pension increases, expected return on assets and the discount rate. These are discussed further in Note 4.

The assets of the Lincolnshire County Council pension scheme attributable to the PCC are included in the Balance Sheet at their fair value as at 31 March 2015. The asset values are at bid value as required under IAS 19.

The Police Officer Pension Scheme

The police officer pension schemes (both the old and new schemes) are accounted for as defined benefits schemes. The liabilities of the police officer pension schemes are included in the Balance Sheet on an actuarial basis using the projected unit method. (This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings of future employees). Liabilities are discounted to their value at current prices, using a discount rate of 4.3%. This rate is derived from a corporate bond yield curve constructed from yields on high quality bonds. The discount rate recognises the weighted average duration of the benefit obligation for staff within the Lincolnshire Police scheme.

In assessing liabilities for retirement benefits at 31 March 2015 for the 2014/15 Statement of Accounts, the actuary made assumptions about inflation, salary increases, pension increases, and the discount rate. These are discussed further in Note 4.

Pension Scheme Policies

The changes in the net pensions liability is analysed into several components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the Cost of Services in the Comprehensive Income and Expenditure Statement;
- Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs;
- Net interest expense – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, adjusted for interest - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Return on plan assets – the annual investment return on the fund assets attributable to the PCC, based on an average of the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Gains/losses on settlements and curtailments – the result of actions to relieve the PCC of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs;
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with financial, demographic and other assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
- Contributions paid to the Lincolnshire County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions limit the PCC to raising council tax to cover the amounts payable by itself to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are adjustments to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable to the fund but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.32 Discretionary Benefits

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

1.33 Police Officer Pensions - Home Office Memorandum Account

From 1 April 2006 the Home Office changed the method of financing police pensions. Effectively the PCC 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.

1.34 Group Relationships

The PCC assesses on an annual basis relationships with other bodies to identify the existence of any group relationships. A de-minimis level of £1million annual turnover has been set for considering bodies to be included within group accounts.

The PCC has not identified, and does not in aggregate have any a material interest in subsidiaries, associated companies or joint ventures other than the Chief Constable for Lincolnshire.

1.35 Financial Instruments

1.35.1 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the PCC has, this means that:

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

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

1.35.2 Financial Assets

Financial assets are classified into four types: loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments; fair value through profit and loss – assets that are held for trading and derivatives with a positive value; and held for maturity – assets that have fixed or determinable payments and a fixed maturity.

The PCC only has loans and receivables.

1.36 Loans and Receivables

Loans and receivables are included in current assets. The PCC's loans and receivables comprise: short term investments, trade debtors, accrued income and 'other receivables'.

Loans and receivables are recognised initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using an effective interest method.

1.37 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 2015. If these had been adopted for the financial year 2014/15 there would be no known material changes. Once further information becomes available, any 2014/15 changes will be restated in the 2015/16 financial statements,

These standards are:

- IFRS 13 Fair Value Measurement
- Annual Improvements to IFRSs
- IFRIC 21 Levies

2. Judgements in applying Accounting Policies

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

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

G4S joined Lincolnshire Pension Fund as a new Transferee Admission Body on 1 April 2012 on a "pass through" arrangement for a contract term of 10 years. Lincolnshire Police are considered to be the principal rather than merely an agent in these transactions as they retain responsibility for the liabilities. Hence, the IAS19 results as at 31 March 2015 reflect the combined G4S and Lincolnshire Police pension fund assets and liabilities.

3. PCC Post Balance Sheet Events

Adjusting Events

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

Non-Adjusting Events

There have been no other post balance sheet events that require disclosure.

4. Prior Period Adjustments

There have been no prior year adjustments identified for the Accounting Statements for the 2014/15 financial year.

5. 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 PCC about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the PCC's Group Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are described below. The main area of fluctuation is the assessment of pensions assets and liabilities. Hence, these are considered separately.

Pensions assumptions

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability (£1,317,080k)	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.
Actuarial Assumptions (£1,317,080k)	The actuaries have assumed that CPI will be approximately 0.9% p.a. below RPI on average.	The impact is estimated to be a reduction in future service costs of around 8% per annum.

The carrying value of pension liabilities at the balance sheet date was (£1,317,081k).

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%	24.9
1 year increase in member life expectancy	3%	37.9
0.5% increase in the Salary Increase Rate	2%	23.1
0.5% increase in the Pensions Increase Rate (CPI)	8%	104.7

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%	0.75
1 year increase in member life expectancy	3%	0.65
0.5% increase in the Salary Increase Rate	2%	0.52
0.5% increase in the Pensions Increase Rate (CPI)	16%	3.39

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%	19.28
1 year increase in member life expectancy	3%	4.67
0.5% increase in the Salary Increase Rate	5%	7.08
0.5% increase in the Pensions Increase Rate	8%	11.73

6. Other areas of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment (£33,758k)	Valuations are provided at a specific date. Market conditions can change with at short notice.	The last 5 years has seen a 25% drop in the general property market. However, much of this fall was anticipated by our annual desktop reviews, so the quinquennial revaluation only saw a fall of £1.1m. It is considered unlikely that there would be material reductions in value in future given the falls of recent years.
Classification of leases (£10,468)	There is some subjective interpretation of contract information when classifying some arrangements as finance or operating leases. For some equipment, the nature of the agreement points to a finance lease, but the details in the contract do not allow accurate calculations to be performed.	We have treated some arrangements as operating leases in the absence of the necessary information to account for them as finance leases. Assets and liabilities may be understated in the Balance Sheet by around £70k. We expect to correct this anomaly in future year accounts.
Collection fund balances (£718k)	Estimates have been used to show the proportion of income due to the PCC for council tax, but held by the district councils in their collection fund account. Some councils have estimated their year-end surplus and the associated Balance Sheet figures, but have had to do so several months before the collection fund accounts are prepared.	There is no impact on the General Fund Balance. The surplus in the Comprehensive Income and Expenditure Statement and the associated Balance Sheet figures could vary by up to £200k.
Employee benefits: measurement of short term accumulating absences accrual (£1,588k)	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 different to the average.	There is no impact on the General Fund Balance. [illegible] Income and Expenditure Statement and the associated Balance Sheet figures could vary by up to £100k.

7. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

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

General Fund Balance

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

Capital Receipts Reserve

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

2013/14 Group - Comparative Figures	Usable Reserves			Movement in Unusable Reserves
	Capital Receipts Reserve	Capital Grant Unapplied	General Fund Balance	
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets			3,650	(3,650)
Amortisation of lease prepayment			10	(10)
Revaluation losses on Property Plant and Equipment			985	(985)
Movements in the market value of Investment Properties			(80)	80
Amortisation of intangible assets			204	(204)
Capital grants and contributions applied			(503)	503
Revenue expenditure funded from capital under statute				
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement			7,348	(7,348)
Other movements in capital debited through CAA			9	(9)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment			(2,573)	2,573
Voluntary provision for the financing of capital investment				
Capital expenditure charged against the General Fund			(5,350)	5,350
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	102		(101)	(1)
Use of the Capital Receipts Reserve to finance new capital expenditure	(335)			335
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals				
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 54)			72,609	(72,609)
Employer's pensions contributions and direct payments to pensioners payable in the year			(35,667)	35,667
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements			[illegible]	[illegible]
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements			(106)	106
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grant and contributions unapplied credited to the Comprehensive Income and Expenditure Statement		779	(779)	
Total Adjustments	**(233)**	**779**	**39,421**	**(39,967)**

2014/15 Group	Usable Reserves			
	Capital Receipts Reserve	Capital Grant Unapplied	General Fund Balance	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets			3,752	(3,752)
Amortisation of lease prepayment			112	(112)
Revaluation losses on Property Plant and Equipment			710	(710)
Movements in the fair value of Investment Properties			(95)	95
Amortisation of intangible assets			0	0
Capital grants and contributions applied			(3,393)	3,393
Revenue expenditure funded from capital under statute			-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement			4,934	(4,934)
Other movements in capital debited through CAA			(36)	36
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment			(2,152)	2,152
Voluntary provision for the financing of capital investment				
Capital expenditure charged against the General Fund			(282)	282
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				0
Use of the Capital Receipts Reserve to finance new capital expenditure			(351)	351
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals				
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 54)			74,626	(74,626)
Employer's pensions contributions and direct payments to pensioners payable in the year			(33,941)	33,941
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements				9
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements			(1,046)	1,046
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grant and contributions unapplied credited to the Comprehensive Income and Expenditure Statement		(389)	389	
Total Adjustments	**0**	**(389)**	**42,788**	**(42,399)**

2013/14 PCC - Comparative Figures	Usable Reserves			Movement in Unusable Reserves
	Capital Receipts Reserve	Capital Grant Unapplied	General Fund Balance	
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets			3,650	(3,650)
Amortisation of lease prepayment			10	(10)
Revaluation losses on Property Plant and Equipment			985	(985)
Movements in the market value of Investment Properties			(80)	80
Amortisation of intangible assets			204	(204)
Capital grants and contributions applied			(503)	503
Revenue expenditure funded from capital under statute Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement			7,348	(7,348)
Other movements in capital debited through CAA			10	(10)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment			(2,573)	2,573
Voluntary provision for the financing of capital investment				
Capital expenditure charged against the General Fund			(5,350)	5,350
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	102		(101)	(1)
Use of the Capital Receipts Reserve to finance new capital expenditure	(335)			335
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals				
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 54)				
Employer's pensions contributions and direct payments to pensioners payable in the year				
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements			(235)	235
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements			(106)	106
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grant and contributions unapplied credited to the Comprehensive Income and Expenditure Statement		779	(779)	
Total Adjustments	**(233)**	**779**	**2,480**	**(3,026)**

2014/15 PCC	Usable Reserves Capital Receipts Reserve £000	 Capital Grant Unapplied £000	 General Fund Balance £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets			3,752	(3,752)
Amortisation of lease prepayment			112	(112)
Revaluation losses on Property Plant and Equipment			710	(710)
Movements in the market value of Investment Properties			(95)	95
Amortisation of intangible assets			0	0
Capital grants and contributions applied			(3,393)	3,393
Revenue expenditure funded from capital under statute			0	-
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement			4,934	(4,934)
Other movements in capital debited through CAA			(36)	36
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment			(2,152)	2,152
Voluntary provision for the financing of capital investment			-	-
Capital expenditure charged against the General Fund			(282)	282
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement			0	0
Use of the Capital Receipts Reserve to finance new capital expenditure			(351)	351
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals				
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 54)				
Employer's pensions contributions and direct payments to pensioners payable in the year				
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements			(439)	439
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements			(1,046)	1,046
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grant and contributions unapplied credited to the Comprehensive Income and Expenditure Statement		(389)	389	
Total Adjustments	**0**	**(389)**	**2,103**	**(1,714)**

8. Transfers to / from Earmarked Reserves

	Balance at 1 April 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Transfer Between Reserves 2014/15 £000	Balance at 31 March 2015 £000
Major Incidents	1,850			1,850		500		**2,350**
Insurance	750			750		153		**903**
POCA	145	(75)	150	220				**220**
Employee Welfare Reserve	42			42				**42**
Migration Impact	54			54				**54**
Reserve to bal 15/16 Budget	1,500			1,500		1,057		**2,557**
CPT Consultancy			60	60	(60)			**0**
Victims commissioning grant			264	264	(264)			**0**
Carry forward reserve			1,180	1,180	(933)		41	**288**
Regional Transformations			174	174			(41)	**133**
External Training			105	105	(105)			**0**
ANPR Funding			300	300	(300)			**0**
NHS Custody Grant			100	100	(14)			**86**
Restorative Justice			77	77	(67)	1		**11**
LCJB Income			62	62	(28)	1		**35**
Licensing Income			10	10				**10**
Carry forward of Underspends	887	(887)		0				**0**
Performance & Productivity	500	(129)	592	963	(225)	206		**944**
Historic Pension Costs	1,116	(1,116)		0				**0**
Volunteers Initiative	1,000	(180)		820	(327)			**493**
Second Homes	252	(97)		155	(10)			**145**
DPMU Posts						185		**185**
Mobile Data						193		**193**
CATS / Niche Back Office						100		**100**
Hi-Tech Crime Computer Analysis						68		**68**
Mobile Data DRF for Capital Spend						280		**280**
PSN DRF						220		**220**
Innovation Fund (BWC)						76		**76**
Strategic Partnership C/Fwd						238		**238**
Chief Constable Cost Pressures						500		**500**
OPCC Bids						600		**600**
Subtotal	**8,096**	**(2,484)**	**3,074**	**8,686**	**(2,333)**	**4,378**	**0**	**10,731**
EMSOU	123		271	394				394
Total	**8,219**	**(2,484)**	**3,345**	**9,080**	**(2,333)**	**4,378**	**0**	**11,125**

Descriptions of the Earmarked Reserves

Earmarked Reserve	**£000**	**Description of Reserve**
Major Incidents	1,850	The requirements of operational policing can vary significantly from year to year. This reserve ensures that the PCC Group can always respond to the requirements of major incidents.
Insurance	903	To support the costs of on-going claims and for future unforeseen claims which have not yet arisen.
POCA	220	The police share of assets recovered from criminals is reserved for investing in more financial investigation.
Employee Welfare Reserve	42	To improve the working environment of employees.
Migration Impact	54	Grant for promoting community cohesion in areas of significant inward immigration.
Reserve to bal 15/16 Budget	2,557	To be used to balance a forecast deficit in the 15/16 budget.
CPT Consultancy	0	To be used for activity originally intended for 13/14 budget and carried forward.
Victims commissioning grant	0	Carry forward of grant funding received in 13/14 for Victim's Commissioning Services
Carry forward reserve	288	Funding for spending carried forward.
Regional Transformations	133	To be used with specific regard to Regional Initiatives
External Training	0	To be used for activity originally intended for 13/14 budget and carried forward.
ANPR Funding	0	Funding held aside for both a new program of ANPR cameras and an upgrade of the existing devices.
NHS Custody Grant	86	Funding received from NHS for custody transformation.
Restorative Justice	11	Remainder of income used for two staffing posts with RJ
LCJB Income	35	Income received from partners to pay for any future redundancy liability
Licensing Income	10	Funding for additional OT on specific trading standards operations.
Carry forward of Underspends	0	Funding for spending carried forward.
Performance & Productivity	944	To promote business change and efficiency.
Volunteers Initiative	493	To support and promote the recruitment and retention of volunteers.
Second Homes	145	Reserve for potential payments to local authorities to support community safety.
DPMU Posts	185	To pay for 4 Risk Management Officers within the Dangerous Persons Unit
Operation Tiffany	500	European Motorcycle Convention that requires additional policing
Mobile Data	193	Initial one-off set up costs of Mobile Data
CATS / Niche Back Office	100	To pay for additional staff to do the CATS / Niche conversion
Hi-Tech Crime Computer Analysis	68	To be used for activity originally ordered and intended for 14/15 budget and carried forward
Mobile Data DRF for Capital Spend	280	Capital Expenditure to purchase Mobile Data
PSN DRF	220	Direct Revenue Financing of the Public Sector Network
Innovation Fund (BWC)	76	Innovation Fund for Body Worn Cameras
Strategic Partnership C/Fwd	238	Service level credits from strategic partnership contract
Chief Constable Cost Pressures	500	Funding for spending carried forward
OPCC Bids	600	Funding for spending carried forward
Sub-Total	**10,731**	
EMSOU	394	Reserves from surplus of funding relating to EMSOU regional expenditure.
Total	**11,125**	

9. Other Operating Expenditure

Group

2013/14				2014/15		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
7,348	(101)	7,247	(Gains) or Losses on the Disposal of Property, Plant & Equipment	5,156	0	5,156
396	0	396	Levies	430	0	430
1,314	(1,314)	0	Seconded Officers	725	(675)	50
9,058	**(1,415)**	**7,643**		**6,311**	**(675)**	**5,636**

PCC

2013/14				2014/15		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
7,348	(101)	7,247	(Gains) or Losses on the Disposal of Property, Plant & Equipment	5,156	0	5,156
7,348	**(101)**	**7,247**		**5,156**	**0**	**5,156**

10. Financing and Investment Income and Expenditure

2013/14				2014/15		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
731	0	731	Interest Payable on Debt	670	0	670
380	0	380	Interest Element of Finance Lease (Lessee)	515	0	515
44,881	0	44,881	Pensions Interest Cost and Expected Return on Pensions Assets	47,062	0	47,062
0	(65)	(65)	Investment Interest Income	0	(43)	(43)
0	(107)	(107)	Rentals Received on Investment Properties	0	(127)	(127)
35	0	35	Expenses Incurred on Investment Properties	27	0	27
0	(80)	(80)	Changes in Fair Value of Investment Properties	0	(95)	(95)
46,027	**(252)**	**45,775**		**48,274**	**(265)**	**48,010**

11. Taxation and Non Specific Grant Income

2013/14				2014/15		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
-	(1,150)	(1,150)	Recognised Capital Grants and Contributions	-	(1,563)	(1,563)
-	(64,772)	(64,772)	General Government Grants	-	(62,407)	(62,407)
	(5,833)	(5,833)	Council Tax Support Grant	-	(5,776)	(5,776)
-	(1,059)	(1,059)	Council Tax Freeze Grant	-	(1,058)	(1,058)
-	(40,232)	(40,232)	Council Tax Income	-	(41,612)	(41,612)
-	(19,996)	(19,996)	Home Office Grant Payable towards the Cost of Retirement Benefits	-	(21,520)	(21,520)
-	(477)	(477)	Regional Grant income	-	-	0
-	**(133,519)**	**(133,519)**		**-**	**(133,935)**	**(133,935)**

12. Intra-group Financing

PCC

All non-specific grant income and council tax is received by the PCC, however the majority of costs are incurred by the Chief Constable in line with operational policing. As a result an intra-group transfer is made annually to cover all costs incurred by the Chief Constable, with the exception of those relating to IAS19 pensions costs which are funded through the pension reserve.

2013/14				2014/15		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
80,802	-	80,802	Intra-group financing	78,025		78,025

13. Property, Plant and Equipment

Movements and closing balances in 2013/14	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2013	21,478	25,878	170	3,627	51,153
Additions	1,722	3,590	0	1,195	6,507
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	(1,302)	0	0	0	(1,302)
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(975)	0	(20)	0	(995)
Derecognition - Disposals	(139)	(6,967)			(7,106)
Derecognition - Leased assets		(3,768)			(3,768)
Assets reclassified to/from Held for Sale					0
Assets reclassified to/from Assets Under Construction	243	1,545	0	(3,556)	(1,768)
Asset additions leased	0	3,768	0	0	3,768
Other movements in cost or valuation					0
At 31 March 2014	**21,027**	**24,046**	**150**	**1,266**	**46,489**
Depreciation and Impairment					
At 1 April 2013	(856)	(19,050)	0	0	(19,906)
Depreciation written out through the revaluation reserve	1,261				1,261
Derecognition - Disposals	11	6,750	0	0	6,761
Revaluation increases/(decreases) recognised in CIES	10				10
Derecognition - G4S Finance Lease		0	0	0	0
Depreciation charge in year	(426)	(3,224)	0	0	(3,650)
At 31 March 2014	**0**	**(15,524)**	**0**	**0**	**(15,524)**
Net Book Value:					
At 31 March 2014	**21,027**	**8,522**	**150**	**1,266**	**30,965**
At 31 March 2013	**20,622**	**6,828**	**170**	**3,627**	**31,247**

Movements and closing balances in 2014/15	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**
Cost or Valuation					
At 1 April 2014	21,027	24,046	150	1,266	46,489
Additions	990	2,157		271	3,418
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	689	0	0	0	689
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(710)	0	0	0	(710)
Derecognition - Disposals	(61)	(592)	(150)	0	(803)
Derecognition - Leased assets	0	0	0	0	0
Assets reclassified to/from Held for Sale	0	0	0	0	0
Assets reclassified to/from Assets Under Construction	100	1,139		(1,239)	0
Assets reclassified to/from Intangibles	0	3,229	0	0	3,229
Asset additions leased	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0
At 31 March 2015	**22,035**	**29,979**	**0**	**298**	**52,312**
Depreciation and Impairment					
At 1 April 2014	0	(15,524)	0	0	(15,524)
Depreciation written out through the revaluation reserve	374	0	0	0	374
Derecognition - Disposals	3	592	0	0	595
Revaluation increases/(decreases) recognised in CIES	0	0	0	0	0
Assets reclassified to/from Intangibles	0	(203)	0	0	(203)
Derecognition - G4S Finance Lease	0	0	0	0	0
Depreciation charge in year	(377)	(3,375)	0	0	(3,752)
At 31 March 2015	**0**	**(18,510)**	**0**	**0**	**(18,510)**
Net Book Value:					
At 31 March 2015	**22,035**	**11,469**	**0**	**298**	**33,802**
At 31 March 2014	**21,027**	**8,522**	**150**	**1,266**	**30,965**

14. Valuation of Non-Current Assets

Non-current assets have been revalued on the basis described in Note 1 and in accordance with the principles of the Accounting Code of Practice. Property, plant and equipment and investment properties were revalued as at the 31 March 2015 by Mr R Smalley BSc MRICS of the independent firm of Chartered Surveyors Lambert Smith Hampton.

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

15. Investment Properties

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

	2013/14 £000	2014/15 £000
Rental income from investment property	(107)	(127)
Direct operating expenses arising from investment property	35	27
Net (gain)/loss	**(72)**	**(100)**

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

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

	2013/14 £000	2014/15 £000
Balance at start of the year	795	875
Net gains/(losses) from fair value adjustments	80	95
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	-	-
Balance at end of the year	**875**	**970**

16. Intangible Assets

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

	2013/14 £000	2014/15 £000
Balance at start of year:		
Gross carrying amounts	153	3,229
Accumulated amortisation	(152)	(203)
Net carrying amount at start of year	**1**	**3,026**
Amortisation for the period	(204)	0
Additions:		
Purchases	1,461	0
Additions leased	3,229	0
Transfer From Assets Under Construction	1,768	0
Reclassified to Finance Leases		(3,026)
Disposals	(3,229)	0
Other changes		
Net carrying amount at end of year	**3,026**	**0**
Comprising:		
Gross carrying amounts	3,229	0
Accumulated amortisation	(203)	0
	3,026	**0**

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

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

17. Major Non-Current Assets

An analysis of major non-current assets is:

	2013/14 (Numbers)	2013/14 (Numbers)
Force Headquarters	1	1
Police Stations	[illegible]	[illegible]
Sexual Assault Referral Centre	1	1
Major Aerial sites	3	3
Vehicles	399	447
Police dog training establishment	1	1
Share of Regional Headquarters	1	1

18. Capital Expenditure

The capital expenditure during the year was:

	£000
Vehicles	560
Body Worn video cameras	375
ANPR	198
LIVE links virtual courts	188
Force HQ refurbishments and improvements	302
Boston building improvements	530
T - Police 14/15 programme	748
E Mail Upgrade	122
Airwave headset replacement programme	203
Other	192
Total capital expenditure additions (note 13 and 16)	**3,418**

19. Capital Commitments

There is £462k committed to building projects which commenced during 2014/15 and will be finalised during 2015/16. The public sector network project also commenced and has a committed amount of £220k. Lincolnshire Road Safety Partnership is undertaking a digitalisation process of its fixed safety cameras. These are purchased through Lincolnshire Police but funding has been obtained from Lincolnshire County Council. This amounts to £420k. At this stage there are no further commitments and the restated approved budget for 2015/16 is £5,613k.

20. Capital Expenditure and Capital Financing

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

	2013/14 £000	2014/15 £000
Opening Capital Financing requirement	24,524	31,164
Capital Investment		
Land and Buildings	1,722	990
Plant & Equipment	3,590	2,157
Assets under Construction	1,195	271
Intangible Assets	1,461	0
G4S leased assets	6,997	0
Revenue Expenditure Funded from Capital Under Statute	-	
Sources of Finance		
Capital Receipts	(335)	(351)
Government grants and other contributions	(503)	(1,922)
Revenue Provision (including MRP)	(7,487)	(2,433)
Closing Capital Financing Requirement	**31,164**	**29,876**
Explanation of Movements in Year		
Assets acquired under finance leases	6,997	0
Increase / (decrease) in underlying need to borrow	(357)	(1,288)
Increase/(decrease) in Capital Financing Requirement	**6,640**	**(1,288)**

21. Minimum Revenue Provision (MRP)

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

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

On this basis the MRP for 2014/15 was £3,623k (2013/14: £2,573k).

22. Leases

PCC as Lessee - Finance Leases

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

Net Carrying Amount	2013/14 £000	2014/15 £000
Land and Buildings	170	169
Vehicles, Plant, Furniture and Equipment	6,893	10,299
	7,063	**10,468**

Minimum Lease Payments	2013/14 £000	2014/15 £000
Not later than one year	1,036	1,471
Later than one year and not later than five years	4,911	8,828
Later than five years	937	
	6,884	**10,299**

As part of the strategic partnership with G4S, ICT and furniture assets valued at £1,121k were transferred to G4S in 2012/13, additional assets have been added in 2013/14 for £6,997k and in 2014/15 for £2,181k. Under IFRIC 4 there is a finance lease for these assets. The associated minimum lease payments are shown above. There are no contingent rents or sublease payments.

The assets are carried in the PCC Group asset register and are subject to depreciation. Their carrying value as at 31 March 2015 was £10,299k as shown above.

PCC as Lessee - Operating Leases

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

	2013/14 £000	2014/15 £000
Not later than one year	26	29
Later than one year and not later than five years	98	102
Later than five years	45	47
	169	**178**

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

	2013/14 £000	2014/15 £000
Minimum lease payments	122	131
	122	**131**

The PCC Group has 7 additional licenses to occupy premises on a peppercorn rent basis, which are cancellable by either party at between 1 and 3 months' notice. These premises are typically utilised by Neighbourhood Police Teams. No payments are made for these licenses and as such no value is recorded in the tables above in relation to them.

PCC as Lessor

Operating Leases

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

- office accommodation for the provision of probation services
- office accommodation for the provision of UK immigration services.
- space on radio masts for telecommunication services

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

	2013/14 £000	2014/15 £000
Not later than one year	50	93
Later than one year and not later than five years	179	288
Later than five years	159	165
	388	**546**

23. Inventories

Inventory analysis

	Uniform and Equipment		Diesel		Fleet Maintenance		Other		Total	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Balance outstanding at start of year	**319**	**305**	**90**	**75**	**18**	**39**	**5**	**2**	**432**	**421**
Purchases	313	226	818	671	134	119	3	3	1,268	1,019
Recognised as an expense in the year	(327)	(159)	(833)	(706)	(113)	(131)	(6)	(4)	(1,279)	(1,000)
Written off balances	-	-	-	12	-	-	-	-	-	12
Balance outstanding at year-end	**305**	**372**	**75**	**52**	**39**	**27**	**2**	**1**	**421**	**452**

24. Debtors

Debtor analysis

	2013/14 £000	2014/15 £000
Amounts falling due within one year:		
Central government bodies	7,937	7,488
Other entities and individuals	4,076	6,733
Total Debtors falling due within one year	**12,013**	**14,221**

	2013/14 £000	2014/15 £000
Amounts falling due after one year:		
Other entities and individuals		
Total Debtors falling due after one year	**102**	**0**

The long term debtor for Market Rasen police station has been released in the year.

25. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	2013/14 £000	2014/15 £000
Cash held by the Authority	32	32
Bank current accounts	1,023	(454)
Confiscated account	(44)	(39)
Short-term deposits	4,159	4,650
	5,170	**4,189**

The cash and cash equivalents figure represents a total amount of £4,189k in hand. The year end bank balance shows an overdrawn position due to the timing of the payment run, which was covered by the short term borrowing.

26. Creditors

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

Group

	2013/14 **£000**	**2014/15** **£000**
Central government bodies	(1,318)	(1,359)
Other local authorities	(210)	(229)
Other entities and individuals	(9,328)	(6,924)
Total Short-Term Creditors	**(10,856)**	**(8,512)**

PCC

	2013/14 **£000**	**2014/15** **£000**
Central government bodies	(1,318)	(1,359)
Other local authorities	(210)	(229)
Other entities and individuals	(6,694)	(5,336)
Inter Group	(2,634)	(1,588)
Total Short-Term Creditors	**(10,856)**	**(8,512)**

27. Revenue Provisions

The Group has made provisions to meet the costs of the liabilities described below. They are classified as provisions because there is uncertainty about the value and timing of the liabilities, and whether there was an obligation to transfer economic benefits at the Balance Sheet date.

Group

All provisions are expected to be used in 2015/16.

	Legal Services £000	Ill Health Retirements £000	Termination Benefits of Employment £000	Volume Crime Overtime Back Pay £000	Pension pay of forensic staff TUPE transferred £0	Obsolete Stock £000	Total £000
Balance at 31 March 2014	**(421)**	**(75)**	**(169)**	**0**	**0**	**0**	**(665)**
Additional Provisions Made In 2014/15	(80)			(40)	(600)	(30)	(750)
Amounts Used In 2014/15	146	75	3				224
Unused amounts reversed in 2014/15	88						88
Balance at 31 March 2015	**(267)**	**-**	**(166)**	**(40)**	**(600)**	**(30)**	**(1,103)**

PCC

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

	Legal Services £000	Ill Health Retirements £000	Termination Benefits of Employment £000	Volume Crime Overtime Back Pay £000	Pension pay of forensic staff TUPE transferred £000	Obsolete Stock £000	Total £000
Balance at 31 March 2014	**(421)**	**(75)**					**` 96)**
Additional Provisions Made In 2014/15	(80)			(40)	(600)	(30)	(750)
Amounts Used In 2014/15	146	75					221
Unused amounts reversed in 2014/15	88						88
Balance at 31 March 2015	**(267)**	**0**		**(40)**	**(600)**	**(30)**	**(937)**

28. Usable Reserves

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

Group

	Capital Receipts Reserve £000	**Capital Grants Unapplied £000**	Earmarked Reserves (PCC)	Earmarked Reserves (Region)	**Earmarked Reserves Total £000**	General Fund Balance £000	General Fund Balance (Region) £000	**General Reserve Total £000**	**Total Usable Reserves £000**
Balance as at 31 March 2014	**0**	**779**	**8,686**	**394**	**9,080**	**5,629**	**70**	**5,699**	**15,558**
Movements during the year									
Surplus / (Deficit) on the provision of services						(40,744)		(40,744)	(40,744)
Adjustments between accounting basis and funding basis under regulations		(389)				42,788		42,788	42,399
Income and Expenditure contribution			4,378		4,378	(4,378)		(4,378)	
Used in the year			(2,333)		(2,333)	2,333		2,333	
Total reserve movements 2014/15	**0**	**(389)**	**2,045**	**0**	**2,045**	**(1)**	**0**	**(1)**	**1,655**
Balance as at 31 March 2015	**0**	**390**	**10,731**	**394**	**11,125**	**5,628**	**70**	**5,698**	**17,213**

PCC

	Capital Receipts Reserve £000	**Capital Grants Unapplied £000**	Earmarked Reserves (PCC)	Earmarked Reserves (Region)	**Earmarked Reserves Total £000**	General Fund Balance £000	General Fund Balance (Region) £000	**General Reserve Total £000**	**Total Usable Reserves £000**
Balance as at 31 March 2014	**-**	**779**	**8,686**	**394**	**9,080**	**5,630**	**70**	**5,700**	**15,559**
Movements during the year									
Surplus / (Deficit) on the provision of services					-	(59)		(59)	(59)
Adjustments between accounting basis and funding basis under regulations		(389)			-	2,103		2,103	1,714
Income and Expenditure contribution		-	4,378		4,378	(4,378)		(4,378)	-
Used in the year			(2,333)		(2,333)	2,333		2,333	-
Total reserve movements 2014/15	**0**	**(389)**	**2,045**	**0**	**2,045**	**(1)**	**0**	**(1)**	**1,655**
Balance as at 31 March 2015	**0**	**390**	**10,731**	**394**	**11,125**	**5,629**	**70**	**5,699**	**17,214**

29. Unusable Reserves

PCC Group

	31 March 2014 £000	2014/15 £000
Revaluation Reserve	465	1,526
Capital Adjustment Account	3,768	569
Pensions Reserve	(1,107,134)	(1,317,247)
Collection Fund Adjustment Account	279	718
Accumulated Absences Account	(2,634)	(1,588)
Total Unusable Reserves	**(1,105,256)**	**(1,316,022)**

PCC

	31 March 2014 £000	2014/15 £000
Revaluation Reserve	465	1,526
Capital Adjustment Account	3,768	569
Collection Fund Adjustment Account	279	718
Accumulated Absences Account	(2,634)	(1,588)
Total Unusable Reserves	**1,878**	**1,225**

30. Revaluation Reserve

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

- Re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

2013/14 £000			2014/15 £000
511	**Balance at 1 April**		**465**
1,261	Upward revaluation of Property, Plant and Equipment	1,065	
(1,302)	Downward revaluation of Property Plant and Equipment, and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(2)	
	Downward revaluation of Assets Held for Sale and impairment losses not charged to the Surplus or Deficit on the Provision of Services		
	Upward valuation of Assets Held for Sale		
	Upward revaluation of Investment Properties		
(41)	**Surplus / (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**0**	**1,063**
(5)	Difference between fair value depreciation and historical cost depreciation and adjustment on revaluation reserve	(2)	
	Accumulated gains on assets sold or scrapped		
(5)	**Amount written off to the Capital Adjustment Account**		**(2)**
465	**Balance at 31 March**		**1,526**

31. Capital Adjustment Account

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

2013/14 £000		**Movement £000**	**2014/15 £000**
7,130	**Balance at 1 April**		**3,768**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(3,650)	Charges for depreciation and impairment on non-current assets	(3,752)	
(10)	Market Rasen Station Prepayment	(112)	
(985)	Revaluation losses on Property, Plant and Equipment	(710)	
(204)	Amortisation of intangible assets		
	Revenue expenditure funded from capital under statute		
(7,349)	Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(4,934)	
(10)	Other movements debited/credited through CAA	34	
(12,208)			**(9,474)**
5	Amounts written out of the Revaluation Reserve	2	
(12,203)	**Net written out amount of the cost of non-current assets consumed in the year**		**(9,472)**
	Capital financing applied in the year:		
335	Use of Capital Receipts Reserve to finance new capital expenditure	351	
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing:		
5,350	Capital expenditure charged against the general fund	282	
503	Application of capital grants and contribution transferred to the CAA		
6,188			**2,555**
80	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	95	
80			**95**
	Items not debited or credited to the Comprehensive Income and Expenditure Statement:		
2,573	Revenue provision for the repayment of debt	3,623	
2,573			**3,623**
3,768	**Balance at 31 March**		**569**

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve

32. Pensions Reserve

PCC Group

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

Group

2013/14 £000		2014/15 £000
(1,002,282)	**Balance at 1 April**	**(1,107,134)**
(67,910)	Actuarial gains or losses on pensions assets and liabilities	(169,428)
(72,609)	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	(74,626)
35,681	Employer's pensions contributions and direct payments to pensioners payable in the year	33,939
(14)	Other unfunded termination benefits	2
(1,107,134)	**Balance at 31 March**	**(1,317,247)**

33. Collection Fund Adjustment Account

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

2013/14 £000		2014/15 £000
44	**Balance at 1 April**	**279**
235	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	439
279	**Balance at 31 March**	**718**
	Represented by:	
2,195	Council tax arrears	2,094
(762)	Impairment for doubtful debts	(792)
(778)	Council tax overpayments and prepayments	(826)
(376)	Creditors, billing authorities	242
279	**Collection fund surplus / (deficit)**	**718**

34. Accumulated Absences Account

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

2013/14 £000		2014/15 £000
(2,740)	**Balance at 1 April 2014**	**(2,634)**
2,740	Settlement or cancellation of accrual made at the end of the preceding year	2,634
(2,634)	Amounts accrued at the end of the current year	**(1,588)**
106	**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**	**1,046**
(2,634)	**Balance at 31 March 2015**	**(1,588)**

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

PCC Group and PCC

2013/14 £000			2014/15 £000	
PCC	**Group**		**PCC**	**Group**
(3,650)	(3,650)	Depreciation of Non-Current Assets	(3,752)	(3,752)
(985)	(985)	Impairment and Downward Valuations of Non-Current Assets	(710)	(710)
(204)	(204)	Amortisation of Intangible Assets	0	0
4	4	Amortisation of Government Grant and Other Contributions	(321)	(321)
2,263	2,263	Increase/(Decrease) in Creditors	341	341
2,434	2,434	(Increase)/Decrease in Debtors	2,009	2,009
(10)	(10)	(Increase)/Decrease in Inventory	30	30
	(36,927)	Pension Liability		(40,688)
(7,342)	(7,342)	Carrying Amount of Non-Current Assets Sold	(208)	(208)
1,250	1,236	Contributions to Provisions	(441)	(438)
80	80	Other Non-Cash Items Charged to the Net Deficit on the Provision of Services	95	95
(6,160)	**(43,101)**	**Non Cash Movements**	**(2,957)**	**(43,642)**

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

PCC Group and PCC

2013/14 £000		2014/15 £000
101	Proceeds from the Sale of Property, Plant and Equipment, Investment Property	344
101		**344**

37. Cash Flow – Operating Activities

PCC Group and PCC

2013/14 £000		2014/15 £000
(65)	Interest received	(43)
740	Interest paid	680

38. Cash Flow Statement – Investment Activities

PCC Group and PCC

2013/14 £000		2014/15 £000
7,068	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	839
36,200	Purchase of Short-Term and Long-Term Investments	18,900
(101)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(344)
(36,200)	Proceeds from Short-Term and Long-Term Investments	(18,900)
6,967	**Net Cash Flows from Investing Activities**	495

39. Cash Flow Statement – Financing Activities

PCC Group and PCC

2013/14 £000		2014/15 £000
705	Cash Payments for the Reduction of the Outstanding Liability Relating to a Finance Lease	1,470
1,911	Repayments of Short and Long-Term Borrowing	1,571
2,616	**Net Cash Flow from Financing Activities**	**3,041**

40. Police Property Act Fund

	2013/14 £000	2014/15 £000
Balance as at 1st April	(31)	(27)
Income	(14)	(24)
Expenditure	18	38
Balance as at 31 March	**(27)**	**(13)**
Cash balance held by Lincolnshire Police as at 31 March	**(27)**	**(13)**

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

41. Amounts Reported for Resource Allocation Decisions

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

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

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

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

PCC Group

Directorate Income and Expenditure 2013/14	Police & Crime Commissioner	General Government Grants	Council Tax	Total
	£000	£000	£000	£000
Fees, charges & other service income	(1,037)			**(1,037)**
Government grants		(65,249)	(47,124)	**(112,373)**
Total Income	**(1,037)**	**(65,249)**	**(47,124)**	**(113,410)**
Employee expenses	989			**989**
Other operating expenses	1,304			**1,304**
Support services				**0**
Total Expenditure	**2,293**	**0**	**0**	**2,293**
Net Expenditure	**1,256**	**(65,249)**	**(47,124)**	**(111,118)**

PCC Group

Directorate Income and Expenditure 2014/15	Police & Crime Commissioner	General Government Grants	Council Tax	Total
	£000	£000	£000	£000
Fees, charges & other service income	(3,225)	0	0	**(3,225)**
Government grants	0	(69,271)	(41,172)	**(110,443)**
Total Income	**(3,225)**	**(69,271)**	**(41,172)**	**(113,668)**
Employee expenses	1,065	0	0	**1,065**
Other operating expenses	4,964	0	0	**4,964**
Support services				**0**
Total Expenditure	**6,029**	**0**	**0**	**6,029**
Net Expenditure	**2,804**	**(69,271)**	**(41,172)**	**(107,639)**

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

PCC Group

	2013/14 £000s	2014/15 £000s
Net Expenditure in the Directorate Analysis	**0**	**0**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis.	118,625	119,322
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement, Cost of Services.		
Cost of Services in Comprehensive Income and Expenditure Statement	**118,625**	**119,322**

PCC

	2013/14 £000s	2014/15 £000s
Net Expenditure in the Directorate Analysis	**(111,118)**	**(111,118)**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis.	112,395	113,921
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement, Cost of Services.		
Cost of Services in Comprehensive Income and Expenditure Statement	**1,277**	**2,803**

Reconciliation to Subjective Analysis
PCC Group

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

	2013/14 £000s	2014/15 £000s
Reported budget surplus	**0**	**0**
Other contributions to Reserves	(3,382)	(4,378)
Amounts relating to capital expenditure / repayment of debt	(9,287)	(5,824)
Depreciation and impairment of non current assets	3,854	3,864
Revaluation of non current assets	985	710
Net loss on sale of non current assets	7,349	4,934
Cost of pensions on an IAS 19 basis	36,942	40,685
Movement in the Employee Benefits charge	(106)	(1,046)
Movement on valuation of investment properties	(80)	(95)
Movement on share of Council Tax Collection Fund	(235)	(439)
Use of Earmarked Reserves	2,484	2,333
Deficit on Provision of Services with the Comprehensive Income & Expenditure Statement	**38,524**	**40,744**

42. Gross Expenditure and Income

The Comprehensive Income and Expenditure Statement has been prepared using the service expenditure analysis for Police Services as detailed in the 2014/15 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 Authorities in terms of the type of expenditure incurred.

Group

2013/14 £000	Description	2014/15 £000
55,492	Police Pay and Allowances	57,634
14,345	Police Staff Pay and Allowances	15,145
642	Other Employee Expenses	793
1,385	Police Pensions - Ill Health Retirements	1,202
12,043	IAS 19 pension costs	12,418
2,566	Premises	2,810
2,317	Transport	1,692
4,994	Supplies and Services	10,107
21,865	Third Party Payments	21,229
4,940	Support Services	3,030
4,822	Capital Financing	3,852
(6,786)	Income from Grants, Fees and Charges	(8,879)
118,625	**Net Cost of Services**	**121,033**

PCC

2013/14 £000	Description	2014/15 £000
	Police Pay and Allowances	0
958	Police Staff Pay and Allowances	1,025
15	Other Employee Expenses	39
	Police Pensions - Ill Health Retirements	0
	IAS 19 pension costs	0
	Premises	1
24	Transport	1
265	Supplies and Services	[illegible]
	Third Party Payments	0
1,053	Support Services	0
	Capital Financing	0
(1,037)	Income from Grants, Fees and Charges	(3,225)
1,278	**Net Cost of Services**	**2,804**

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

43. Corporate and Democratic Core and Non Distributed Costs

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

Non distributed costs are a classification from the Service Reporting Code of Practice. They are costs which do not require allocation as police service costs. Rather, they are an overhead cost for the organisation. They come from two sources: the historic cost of retirement benefit, and the costs of non-operational assets. These include the income and expenditure relating to the PCC as these costs are not allocated to the operational policing services analysis

PCC Group

	2013/14 £000	2014/15 £000
Police Services	116,605	117,648
Corporate and Democratic Core	1,284	1,282
Non Distributed Costs	736	2,103
Net Cost of Services	**118,625**	**121,033**

PCC

	2013/14 £000	2014/15 £000
Police Services	-	0
Corporate and Democratic Core	815	807
Non Distributed Costs	463	1,996
Net Cost of Services	**1,278**	**2,803**

44. Jointly Controlled Operation

NICHE

The Force receives regional funding through the Innovation Fund and is running the operation under a section 22 agreement. We are showing in our accounts all of the income and expenditure that relates to Lincolnshire Police and this other regional forces will be accounting for their income and costs the same way.

Sexual Assault Referral Centre

Spring Lodge, Sexual Assault Referral Centre (SARC) opened in April 2010. The SARC is a one stop location where victims of sexual assault can receive medical care and counselling whilst at the same time having the opportunity to assist the police investigation into alleged offences. It is a partnership between Lincolnshire Police and Lincolnshire Partnership NHS Foundation Trust, with Lincolnshire Police acting as the lead Authority. The financial statements include the PCC Group's share of capital expenditure, primarily the purchase and refurbishment costs associated with Spring Lodge (PCC Lincolnshire share is 65%). The financial statements also include the PCC's share of revenue expenditure (PCC Lincolnshire is 50%).

Regional Collaboration

The East Midland Regional Collaboration consists of:

- East Midlands Special Operations Unit (EMSOU) – including Regional Asset Recovery Team, Regional Review Unit and Protected Persons Unit - Lead body Leicestershire.
- EM Collaboration Team – Lead body Leicestershire
- EMSOU Major Crime – Lead body Leicestershire
- EMSOU Technical Support Unit (TSU)- Lead Body Derbyshire
- Forensics – Lead body Derbyshire
- Occupational Health Unit (OHU)– Lead body Leicestershire
- EMOPS – Lead body Leicestershire
- Armed Policing Training – Lead body Leicestershire
- Serious Collision Investigation Unit – Lead body Leicestershire
- MRICC – Lead body Leicestershire
- East Midlands Criminal Justice – Lead body Leicestershire
- East Midlands Legal Services – Lead body Derbyshire

As all assets, liabilities and reserves are held by the PCC, only the operational policing costs have been shown in the Chief Constable's Comprehensive Income & Expenditure Statement. The full consolidation is included in the PCC Group accounts including Balance Sheet and Cash Flow. The transactions relating to Lincolnshire's 12.9% with the exception of EMOPS, Armed Policing Training & Serious Collision Investigation Unit which is 16.52% and Legal which is 20% share of revenue expenditure have been included in the Comprehensive Income and Expenditure Statement.

Lincolnshire share of Regional Balance Sheet as at 31 March 2015

2013/14 £000		2014/15 £000
710	Property, Plant & Equipment	
-	Intangible Assets	
27	Asset Under Construction	
737	**Long Term Assets**	-
6	Payments In Advance	
251	Cash and Cash Equivalents	
429	Short-Term Debtors	
686	**Current Assets**	-
(206)	Short-Term Creditors	
(15)	Receipts In Advance	
(31)	Employee Benefits	
(252)	**Current Liabilities**	-
1,171	**Net Assets**	-
71	General Fund Balance	
394	Earmarked Reserves	
465	**Usable Reserves**	-
737	Capital Adjustment Account	
(31)	Accumulated Absences Account	
706	**Unusable Reserves**	-
1,171	**Total Reserves**	-

Lincolnshire share of regional Comprehensive Income and Expenditure Statement

2013/14 £000		2014/15 £000
615	Police Pay and Allowances	
1,177	Police Staff Pay and Allowances	
34	Other Employee Expenses	
65	Premises	
112	Transport	
365	Supplies and Services	
0	Support Services	
14	Agency and Contracted Services	
51	Depreciation	
1	Amortisation	
0	Capital Financing	
2,434	**Gross Operating Expenditure**	**0**
(32)	Other Income	
0	(Gains) or Losses on Disposal of Non Current Assets	
2,402	**Amount to be met from Partners**	**0**
	Financed by:	
(3,240)	Contributions from Partners	
(322)	External Grants	
(155)	Capital Grants & Contributions	
(1,315)	**Deficit on the Provision of Services**	**0**
418	(Surplus) or Deficit on the Provision of Services	
418.00	**Other Comprehensive Income and Expenditure**	0
(897)	**Total Comprehensive Income and Expenditure**	**0**

45. Partnerships

Lincolnshire Road Safety Partnership

Lincolnshire Road Safety Partnership (LRSP) was formed in June 2000 in order to reduce the number of people killed or injured on Lincolnshire's roads. LRSP is a unique multi-agency partnership that brings together road safety professionals from the Police, Lincolnshire County Council, Fire & Rescue, the NHS, the Highways Agency and the Probation Service. As well as the time of Roads Policing Officers, Lincolnshire Police made a cash contribution of £51k to the partnership (£51k in 2013/14).

Drug and Alcohol Action Team (DAAT)

The Lincolnshire DAAT is a voluntary partnership of all the statutory services in the area and some other significant organisations responsible for delivering the National Drugs Strategy. Previously named the Lincolnshire DAT (Drugs Action Team), the organisation's remit has been widened to incorporate responsibility for the National Alcohol Harm Reduction Strategy and is now called the Lincolnshire Drug and Alcohol Action Team. Drugs Referral Officers work in the Authority's custody suites to provide support and advice to individuals and families affected by substance misuse.

46. Audit Committee Allowances and Expenses

The amount paid to members of the Joint Independent Audit Committee equated to £8,418 for the year compared to £6,957 in 2013-14, including costs for the interim body.

47. Remuneration of Senior Officers

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 tables on the following two pages for Senior Officers' Remuneration.

The table includes 1 employee who received redundancy payments in the year for 2013/14, there were no redundancies in 2014/15.

Remuneration Range	2013/14 Number of employees	2014/15 Number of employees
£50,000 to £54,999	4	1
£55,000 to £59,999	2	2
£60,000 to £64,999	3	-
£65,000 to £69,999	-	1
£70,000 to £74,999	1	-
£75,000 to £79,999	2	2
£80,000 to £84,999	2	1
£85,000 to £89,999	1	-
£90,000 to £94,999	-	-
£95,000 to £99,999	-	-
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-

2013/14 Senior Officers' Remuneration

Post holder	Notes	Salaries, fees or allowances	Performance related pay	Compensation for loss of office	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 and Crime Commissioner		65,000				**65,000**	12,935	**77,935**
Office of the Police and Crime Commissioner								
Chief Executive		95,565			1,239	**96,804**	19,018	**115,822**
Chief Finance Officer		70,409			1,176	**71,585**	14,011	**85,596**
Police officers								
Chief Constable		138,529			5,005	**143,534**	32,270	**175,804**
Temporary Deputy Chief Constable*		112,049			4,757	**116,806**	26,227	**143,033**
Temporary Deputy Chief Constable**		126,446			2,289	**128,735**	28,910	**157,645**
Deputy Chief Constable	Left 16/08/13	51,871			2,988	**54,859**	10,624	**65,483**
Assistant Chief Constable 1***		98,636			2,521	**101,157**	22,998	**124,155**
Temporary Assistant Chief Constable 2****		96,670			2,840	**99,510**	21,998	**121,508**
Temporary Assistant Chief Constable	Left 16/06/13	19,834			140	**19,974**	4,635	**24,609**
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**

2014/15 Senior Officers' Remuneration

Post holder	Notes	Salaries, fees or allowances	Performance related pay	Compensation for loss of office	Other benefits receivable in the role	**Total remuneration excluding pension contributions 2014/15**	Employer's pension contribution	**Total remuneration including pension contributions 2014/15**
		£	£	£	£	**£**	£	**£**
Police and Crime Commissioner		65,000	-	-	-	**65,000**	12,935	**77,935**
Office of the Police and Crime Commissioner								
Chief Executive		101,803	-	-	1,239	**103,042**	20,259	**123,301**
Chief Finance Officer		70,700	-	-	1,239	**71,939**	14,069	**86,008**
Police officers								
Chief Constable		145,581	-	-	2,344	**147,925**	33,956	**181,881**
Temporary Deputy Chief Constable	Left 29.10.14	65,591	-	-	2,344	**67,935**	15,351	**83,286**
Temporary Deputy Chief Constable*		108,474	-	-	10,255	**118,729**	24,991	**143,720**
						-		**-**
Assistant Chief Constable 1**		84,427	3,125	-	6,838	**94,391**	19,748	**114,138**
Temporary Assistant Chief Constable 2***		90,691	-	-	7,623	**98,314**	21,167	**119,481**
Chief Finance Officers of the Chief Constable								
Chief Finance Officer 1		55,830	-	-	-	**55,830**	11,110	**66,940**
Chief Finance Officer 2		40,308	-	-	-	**40,308**	-	**40,308**
Assistant Chief Officer (Resources)****		93,475	-	-	8,812	**102,288**	18,602	**120,889**

Key for **2013/14 Senior Officers' Remuneration**

Estimated figures have been used for other benefits until the information is available from p11d's

* 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

**** In post from 19/08/13

Key for **2014/15 Senior Officers' Remuneration**

* Was ACC until Temp promotion to DCC on 13/09/14

** Was on a career break and returned wef 30/06/14. Performance related pay related to whilst seconded to CEOP

*** Returned to the rank of Ch Supt wef 01/09/14

**** Commenced wef 09/06/14

48. Severance Costs

In 2014/15 there were no employee contracts terminated by the PCC Group. In 2013/14 two employee contracts were terminated, incurring liabilities of £56k. This was made up of:

- £8k in compulsory redundancy payments
- £48k for enhanced retirement benefits, this relates to a member who retired under the "rule of 85" in 2013/14, a Local Government pension scheme process which allows police staff to retire at the age of 55, providing their combined age and service totals 85 years

Further, the PCC has recognised the potential liability of £166k for 12 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 £17k cash payment made in 2014/15.

49. Audit Costs

PCC Group

	2013/14 £000	2014/15 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	59	75
Total	**59**	**75**

PCC

	2013/14 £000	2014/15 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	39	55
Total	[illegible]	[illegible]

50. Grant Income

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

PCC Group and PCC

	2013/14 £000	2014/15 £000
Credited to Taxation and Non Specific Grant Income		
Central Government:		
Police Grant	(64,772)	(62,407)
National Non Domestic Rates	-	-
Home Office Pension Grant	(19,996)	(21,520)
Capital Grants and Contributions	(1,150)	(1,563)
Council Tax Freeze Grant	(1,059)	(1,058)
Council Tax Support Grant	(5,833)	(5,776)
Regional Grant Contributions	(477)	
Other Bodies:		
Council Tax Precept	(40,232)	(41,612)
Total	**(133,519)**	**(133,936)**

From 2013/14 the General Police Grant was received in one sum rather than being split between Police Grant and NNDR.

PCC Group

	2013/14 £000	2014/15 £000
Credited to Services		
Central Government:		
Neighbourhood Policing Fund	0	
Counter Terrorism	(37)	
Proceeds of Crime Act	(363)	(146)
Other Home Office Grants	(1,018)	
Other Bodies:		
LCC Neighbourhood Policing	(1,500)	(1,500)
Migration Impact Fund	[illegible]	
Total	**(2,918)**	**(1,646)**

PCC

	2013/14 £000	2014/15 £000
Credited to Services		
Central Government:		
Other Home Office Grants	(862)	(802)
Total	**(862)**	**(802)**

PCC Group and PCC

	2013/14	2014/15
	£000	**£000**
Capital Grants Receipts in Advance <1 year		
Mobile Data	(320)	(320)
Body Worn Video Device	(99)	0
LRSP	0	(420)
Total	**(419)**	**(740)**

Where the PCC Group has received grants with conditions attached that it has not met at year-end these will not be recognised as income in case failure to meet the conditions require the monies or property to be returned to the donor.

51. 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 Group of PCC or to be controlled or influenced by it. Disclosure of these transactions allows readers to assess the extent to which the entity might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

UK Central Government

The UK central government has effective control over the general operations of the PCC. It is responsible for establishing the statutory framework within which the PCC operates. It provides a large proportion of the PCC's funding in the form of grants and prescribes the terms of many of the transactions that the PCC has with other parties. Grants received from government departments are included in the subjective analysis in Note 41 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2015 are also shown in Note 50.

Chief Constable 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 is shown in the PCC's Comprehensive Income & Expenditure Statement.

Officers

The total remuneration to senior staff in 2014/15 is shown in Note 47. All senior officers employed by the PCC Group at the 31 March 2015 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

Jointly controlled assets and operations are disclosed in Notes 44 and 45 respectively.

The table below sets out material transactions between all other public bodies and the PCC Group.

52. Retirement Benefits

52.1 Participation in pension schemes

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

The Group participates in two pensions schemes:

The Local Government Pension Scheme is for police staff, and is administered by Lincolnshire County Council. This is a funded defined benefit final salary scheme, meaning that the PCC and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. G4S joined Lincolnshire Pension Fund as a new Transferee Admission Body on 1 April 2012 on a "pass through" arrangement for a contract term of 10 years. The IAS19 results as at 31 March 2015 reflect the combined G4S and Lincolnshire Police pension fund assets and liabilities.

The Police Pension Scheme for police officers is an unfunded defined benefit final salary scheme. There are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year are less than amounts payable, the PCC must transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, this cost is met by a central government pension top up grant. In 2014/15 and 2013/14 this cost has been met in full.

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

52.2 Discretionary post-retirement benefits

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

52.3 Transactions Relating to Retirement Benefits

In order to comply with IAS 19, employer's pension contributions have been replaced with current service costs as estimated by the independent actuary. The Group recognise the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The reversal of the IAS 19 transactions ensures that there is no effect on the amounts to be met from government grant and the local taxpayers.

Transactions Relating to Retirement Benefits

	Local Government Pension Scheme		Police Pension Scheme		Total	
	2013/14	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current service cost	(4,464)	(4,175)	(22,900)	(23,800)	(27,364)	(27,975)
Past service costs	(163)	(7)	(200)	(100)	(363)	(107)
Effect of settlements	0	518	0		0	518
Financing and Investment Income and Expenditure						
Net interest expense	(1,481)	(1,362)	(43,400)	(45,700)	(44,881)	(47,062)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(6,108)**	**(5,026)**	**(66,500)**	**(69,600)**	**(72,608)**	**(74,626)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
Return on scheme assets (excluding the amount included in the net interest expense)	(3,543)	7,512	0	0	(3,543)	7,512
Actuarial gains and losses arising on changes in demographic assumptions	(2,990)	(24,121)	0	0	(2,990)	(24,121)
Actuarial gains and losses arising on changes in financial assumptions	2,119		(63,400)	(153,700)	(61,281)	(153,700)
Other (if applicable)	(96)	881	0	0	(96)	881
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(10,618)**	**(20,754)**	**(129,900)**	**(223,300)**	**(140,518)**	**(244,054)**
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	6,108	5,0				
Actual Amount charged against the General Fund Balance for pensions in the year:						
Employers contributions payable to scheme	(3,981)	(3,838)			(3,981)	(3,838)
Retirement benefits payable to pensioners	0	0	(31,700)	(30,100)	(31,700)	(30,100)
Movement from Comprehensive Income and Expenditure Statement to the General Fund	**2,127**	**1,188**	**34,800**	**39,500**	**36,927**	**40,688**

52.4 Pensions Assets and Liabilities in relation to Retirement Benefits

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

	Funded liabilities LGPS		**Discretionary benefits Police Pension Scheme**		**Total**	
	2013/14 £000	**2014/15 £000**	**2013/14 £000**	**2014/15 £000**	**2013/14 £000**	**2014/15 £000**
Present value of the defined benefit obligation	127,314	155,670	1,025,400	1,209,000	1,152,714	1,364,670
Fair value of scheme assets	(88,239)	(99,719)			(88,239)	(99,719)
Sub-total	**39,075**	**55,951**	**1,025,400**	**1,209,000**	**1,064,475**	**1,264,951**
Other movements in the liability (asset)	190	229	42,300	51,900	42,490	52,129
Net liability arising from the defined benefit obligation	**39,265**	**56,180**	**1,067,700**	**1,260,900**	**1,106,965**	**1,317,080**

52.5 Reconciliation of the movements in the fair value of the scheme assets

	Local Government Pension Scheme	
	2013/14 £000	**2014/15 £000**
Opening fair value of scheme assets	85,271	88,239
Interest income	3,893	3,821
Remeasurement gain / (loss):		
The return on scheme assets, excluding the amount included in the net interest expense	(3,543)	7,512
Other	0	0
Effect of changes in foreign exchange rates	0	0
Contributions from employer	3,981	3,838
Contributions from employees in the scheme	1,234	1,177
Benefits paid	(2,597)	(3,027)
Other	-	
31 March	**88,239**	**101,560**

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

	Funded liabilities LGPS		Unfunded liabilities Police Pension Scheme	
	2013/14 £000	**2014/15 £000**	**2013/14 £000**	**2014/15 £000**
Opening balance at 1 April	117,898	127,503	969,500	1,067,700
Current service cost	4,464	4,175	22,900	23,800
Interest cost	5,374	5,183	43,400	45,700
Contributions from scheme participants	1,234	1,177	5,300	5,300
Re-measurement gain / (loss):				
Actuarial gains / losses arising from changes in demographic assumptions	2,990	0	23,500	0
Actuarial gains / losses arising from changes in financial assumptions	(2,119)	24,121	39,500	153,600
Other	96	(881)	400	100
Past service cost	163	7	200	100
Losses / (gains) on curtailment	0	(2,359)	0	0
Liabilities assumed on entity combinations				
Benefits paid	(2,597)	(3,027)	(37,000)	(35,400)
Liabilities extinguished on settlements (where relevant)	0	0	-	
31 March 2015	**127,503**	**155,899**	**1,067,700**	**1,260,900**

52.6 Pension scheme assets

The police pension schemes have no assets to cover their liabilities.
The PCC Group's Local Government Pension Scheme assets consist of the following categories:

LGPS asset details	Fair value of scheme assets	
	2013/14 £000	2014/15 £000
Cash and cash equivalents	**1,362**	**1,426**
Equity instruments		
Consumer	16,235	19,045
Manufacturing	2,981	2,786
Energy and utilities	6,480	6,156
Financial institutions	10,426	11,817
Health and care		
Information technology	2,411	3,776
Other	11,204	11,785
Sub-total, equity	**49,737**	**55,364**
Bonds by sector		
Corporate	2,751	9,820
UK Government	1,622	1,893
Other	1,053	1,301
Sub-total, bonds	**5,426**	**13,014**
Property by type		
UK property	8,295	9,787
Overseas property	1,336	1,142
Sub-total, property	[illegible]	[illegible]
Private equity	4,835	4,259
Sub-total, private equity	**4,835**	**4,259**
Other investment funds		
Equities	4,121	5,157
Bonds	5,564	-
Other	7,563	9,570
Sub-total, other investment funds	**17,248**	**14,727**
Derivatives		
Sub-total, derivatives		
Total assets	**88,239**	**99,719**

Basis for Estimating Assets and Liabilities

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

For the Local Government Pension Scheme, liabilities have been assessed on an actuarial basis using the projected unit method. Estimates are based on the latest full valuation of the scheme as at 31 March 2015.

For the police schemes (both the 1987 Police Pension Scheme and the 2006 new Police Pension Scheme) liabilities have been assessed on an actuarial basis. The last formal valuation of the schemes were carried out as at 31 March 2013. The results of this valuation have been projected forward to 31 March 2015 using approximate methods. The roll forward allows for changes in financial assumptions, additional benefit accruals, estimate cash-flows over the period and updated membership information.

	Local Government Pension Scheme		**Police Pension Scheme**	
	2013/14	**2014/15**	**2013/14**	**2014/15**
Long term expected rate of return on assets in the scheme:				
Equity investments	4.3	3.3	n/a	n/a
Bonds	4.3	3.3	n/a	n/a
Other	4.3	3.3	n/a	n/a
Mortality assumptions	Longevity at 65		Longevity at 60	
	Years	Years	Years	Years
Longevity for current pensioners:				
Men	22.2	22.2	29.3	29.5
Women	24.4	24.2	31.5	31.7
Longevity for future pensioners:				
Men	24.5	24.5	30.9	31.1
Women	26.8	26.8	33.0	33.2
Financial assumptions	**%**	**%**	**%**	**%**
Market derived RPI	3.7		3.6	3.3
Rate of increase in salaries	4.1	3.8	3.8	3.4
Rate of increase in pensions	2.8	2.4	2.8	2.4
Rate for discounting scheme liabilities	4.3	3.2	4.3	3.2

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

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

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Present value of liabilities						
Local government pension scheme	(105,343)	(84,230)	(95,281)	(117,898)	(127,503)	(155,899)
Police pension scheme	(878,100)	(785,200)	(839,500)	(969,500)	(1,067,700)	(1,260,900)
Fair value of assets in the local government pension scheme	60,983	68,028	71,990	85,271	88,239	99,719
Surplus / (deficit) in the scheme	**(922,460)**	**(801,402)**	**(862,791)**	**(1,002,127)**	**(1,106,964)**	**(1,317,080)**
Local government pension scheme	(44,360)	(16,202)	(23,291)	(32,627)	(39,264)	(56,180)
Police pension scheme	(878,100)	(785,200)	(839,500)	(969,500)	(1,067,700)	(1,260,900)
Total surplus / (deficit) in the scheme	**(922,460)**	**(801,402)**	**(862,791)**	**(1,002,127)**	**(1,106,964)**	**(1,317,080)**

52.7 Impact on the PCC Group's cash flows

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

The objectives of the local government scheme are to keep employers' contributions at as constant a rate as possible. The PCC Group has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

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

The local government scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits on a final salary basis in relation to service after 31 March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new, career average, revalued earnings schemes to pay pensions and other benefits to certain public servants.

53. Contingent Liabilities

Legal claims against the PCC Group

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

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

Employment Appeal Tribunal Ruling in Locke v British Gas

In November 2014, a ruling was made by the Employment Appeal Tribunal on holiday pay and overtime. They found that regular overtime which employees are obliged to perform if requested by the employer, should be included for holiday purposes.

The Home Office has advised that the HR Director of Leicestershire PCC is currently coordinating queries on behalf of all Police Forces to help make a national decision on this issue. It is not possible at this stage to estimate the value of the liability, nor the likely outcome of the findings and how they will affect the Group.

54. Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	2013/14	**2014/15**	**2013/14**	**2014/15**
	£000	**£000**	**£000**	**£000**
Cash				
Loans and receivables	-	-	4,932	3,945
Total cash	**-**	**-**	**4,932**	**3,945**
Debtors				
Loans and receivables	-	-	1,909	3,086
Total debtors	**-**	**-**	**1,909**	**3,086**
Borrowings				
Financial liabilities at amortised cost - PWLB	14,306	13,046	1,658	1,399
Financial liabilities at amortised cost - Deferred Liabilities	260	208	52	52
Total borrowings	**14,566**	**13,254**	**1,710**	**1,451**
Creditors				
Financial liabilities at amortised cost	-	-	8,113	5,832
Total creditors	**-**	**-**	**8,113**	**5,832**
Capital Grants / Receipts in advance				
Loans and receivables	-	-	99	-
Total capital grants / receipts in advance	**-**	**-**	**99**	**-**

The Police and Crime Commissioner is exposed to minimum risk. Any short-term deposits are included in the cash and cash equivalents note 25.

Financial Liabilities consists of borrowing with the Public Works Loan Board (PWLB) and Deferred Liabilities. Total PWLB outstanding at 31 March 2015 is £14.445m. The table also includes capitalisation of interest payable of £148k in 2012/13 and £138k in 2014/15 (as required by LAAP 81).

Total Deferred Liabilities outstanding at 31 March 2015 is £0.260m. These represent the balance of loans outstanding as at 31 March 1995 which were transferred to the new Police Authority as established under the Police and Magistrates' Court Act 1994. The loans are administered by Lincolnshire County Council on behalf of the PCC. Repayments of £52k were made in 2014/15.

No additional borrowing took place in 2014/15. After making normal repayments of principal totalling £1.562 million and a decrease in loan interest accrual of £0.009 million, this decreased the PCC's borrowing from £16.276 million to £14.705 million in the year.

The debtors and creditors figures have been adjusted for non-contractual obligations. For debtors these are VAT debtors, Statutory Maternity Pay debtors, payments in advance, grant income and collection fund adjustments. For creditors these are receipts in advance, tax and

NI and collection fund adjustments. There are no concerns over the recoverability debtors that are past due and not impaired.

A full analysis of loans by maturity is shown in note 55 under ‘liquidity risk exposure’.

Income, Expense, Gains and Losses

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

	2013/14			2014/15		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	(731)	-	(731)	(670)	-	(670)
Total expense in Surplus or Defecit on the Provision of Services	**(731)**	**-**	**(731)**	**(670)**	**-**	**(670)**
Interest Income	-	65	65	-	43	43
Total income in Surplus or Defecit on the Provision of Services	**-**	**65**	**65**	**-**	**43**	**43**
Net gain/(loss) for the year	**(731)**	**65**	**(666)**	**(670)**	**43**	**(627)**

Fair Values of Assets and Liabilities

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

- the fair value of PWLB has been calculated by reference to the ‘premature repayment’ set of rates as at 31 March 2015
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- deferred liabilities have been accounted for on the basis of outstanding principal amounts as defined by statutory arrangements

Financial Liabilities

The fair values calculated are as follows

	2013/14		2014/15	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities - PWLB	15,964	18,147	14,444	17,815
Financial liabilities - Deferred Liabilities	312	312	260	260
Financial liablitities - Current Creditors	8,113	8,113	5,832	5,832

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

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

Financial Assets

The fair values calculated are as follows

	2013/14		2014/15	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and receivables - Current Debtors	1,909	1,909	3,086	3,086
Loans and receivables - Cash	4,932	4,932	3,945	3,945
Capital Grants / Receipts in Advance	99	99	-	-

The fair value has been assessed as being the same as the carrying value.

55. Nature and Extent of Risks arising from Financial Instruments

Credit Risk Exposure

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

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

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

The PCC does not generally allow extended credit for customers such that £180k of the £287k for 2014/15 balance is past its due date for payment. Due to the nature of the debtors that are neither past due nor impaired, their being principally relating to Government funding, there are no concerns about their credit worthiness. The amounts not impaired can be analysed by age as follows:

	2013/14 £000	**2014/15 £000**
Current	546	107
Up to one month	18	33
Up to six months	69	102
Up to one year	25	7
More than one year	19	38
Total:	**677**	**287**
Other debtors	11,336	13,934
Total:	**12,013**	**14,221**

Note that this table shows the aged debt analysis
debtors included at the 'Other Debtor' line.

Liquidity Risk Exposure

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

2013/14 long term borrowing	**PWLB**	**Deferred Liabilities**	**Total**
	£000	**£000**	**£000**
Less than 1 year	1,658	52	1,710
Between one and two years	1,260	52	1,312
Between two and five years	2,689	156	2,845
More than five years	10,357	52	10,409
Total	**15,964**	**312**	**16,276**

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

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

Market Risk Exposure

This is the risk that the value of an instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates. The PCC has limited risk. PWLB interest rates are fixed, and no short term investments were held at the end of 2014/15. The PCC does not invest in equity shares and has no financial assets or liabilities in foreign currencies.

The following sensitivity analysis shows that as at 31 March 2014 and as at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2013/14 £000	2014/15 £000
Increase in interest payable on variable rate borrowings	3	3
Increase in interest receivable on variable rate investments	-	-
Impact on Surplus or Deficit on the Provision of Services	**3**	**3**
Decrease in fair value of fixed rate investment assets	-	-
Impact on Other Comprehensive Income and Expenditure	**3**	**3**
Decrease in fair value of fixed rate borrowings (no impact on the Surplus or Deficit on the Provision of Services)	**(3,521)**	**(332)**

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

PCC for Lincolnshire

Police Officer Pensions - Home Office Memorandum Account

2014/15

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

2013/14 £000	Fund account	2014/15 £000
	Contributions Receivable	
	From Employer:	
9,533	Normal	9,272
686	Early Retirements	885
0	Reimbursement of Unabated Pensions of 30+ Police Officers	-
160	Recovery from PCC for Humberside	143
	From Members:	
5,144	Contributions	5,251
102	Individual Transfers in from Other Schemes	222
15,625		**15,773**
	Benefits Payable	
27,343	Pensions	28,665
7,755	Commutations	6,088
0	Lump Sum Death Benefits	-
0	Unabated Pension of 30+ Police Officers	-
	Payments To and On Account of Leavers	
4	Refunds of Contributions	-
519	Individual Transfers Out	[illegible]
-	Employers Sanction Charge	
-	Equivalent Premium	-
35,621		**36,645**
19,996	**Sub-total for the year before transfer from the PCC Group for Lincolnshire of amount equal to the deficit**	**20,872**
(19,996)	**Additional funding payable by the PCC Group for Lincolnshire to meet deficit for the year**	**(20,872)**
-	**Net Amount payable/(receivable) by the PCC Group for Lincolnshire**	-

Disclosure Notes

1. The operation of the Pension Fund for Police and Crime Commissioners in England and Wales is controlled by the Police Pension Fund Regulations 2007 (SI 2007 No 1932). It covers both old 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's operating account. The employer contribution rate is 24.2% of pensionable pay. Employees' contributions in the old scheme are either 14.25% or 15.05% of pensionable pay. In the new scheme employees contribute either 11%, 12.05% or 12.75% 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 statements at Note 52.

4. The accounting policies followed are in accordance with Note 1 on pages 35 to 51.

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 £6,401,988 is shown in PCC for Lincolnshire accounts as due from the Home Office.

2013/14 £000	Net Asset Statement as at 31st March	£000
	Net Current Assets and Liabilities	
0	Pension benefits paid in advance	**-**
60	Receivable from PCC for Humberside	**42**
(60)	Creditors to the PCC for Lincolnshire	**(42)**
-	Total	-

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 PCC Group 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.

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

Creditors

Amounts owed by the PCC for work done, goods received or services rendered but for which payment has not been made at 31 March.

Balances

The total revenue Reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

Capital Adjustment Account

A reserve primarily designed to represent timing differences between the amount of the historical cost of Property Plant and Equipment that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

Expenditure on assets, which have a long term value. Includes the purchase of land, purchase or construction of new buildings and vehicles.

Capital Grants

Grants received towards capital outlay on a particular service or project.

Capital Receipts

Proceeds received from the sale of Property Plant and Equipment (assets which have value beyond one financial year).

CIPFA

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

Collection Fund

A fund administered by each billing Authority. Council tax monies are paid into the fund. These are distributed to precepting and billing Authority's in proportion to the council tax set.

FRS

Debtors

Sums of money due to the PCC but unpaid at 31 March.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of Property, Plant and Equipment.

Direct Revenue Financing

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

Earmarked Reserves

The elements of total PCC's Reserves, which are retained for specific purposes.

EMSOU

East Midland Special Operations Unit

Finance lease

Where the conditions of the lease amount to recognising all the costs of an asset but legal title is with a third party.

Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability of another. For local authorities, this will normally mean contracts which involve the right to transfer cash or other financial assets.

Flexi Time

Police Staff may utilise the flexi time scheme to accrue additional hours worked that are held pending their utilisation at a future date.

Non Domestic Rates

Rates levied on business properties,

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

Government Grants

Payments by Central Government towards the PCC's expenditure. They are receivable in respect of both revenue and capital expenditure.

IFRS

International Financial Reporting Standards: the accounting standards which determine the production and disclosure of financial statements, 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.

Long Term Debtors

Sums of money due to the PCC originally repayable within a period in excess of twelve months and where payment is not due until future years.

Materiality

An item that is not material will not be relevant, cannot influence a user's decision and need not be reported in the financial statements.

Minimum Revenue Provision (MRP)

The statutory requirement to set aside a minimum revenue provision for the repayment of external loans.

Net Book Value

Long-term assets are depreciated in accordance with their asset life. The net book value is the value remaining after cumulative depreciation has been taken collected by District Councils, which are then distributed amongst local authorities as income.

Non Operational Assets

Property, Plant and Equipment held by the PCC Group but not directly occupied, used or consumed in the delivery of services. These will include buildings under construction and surplus assets.

OJEU

Official Journal of the European Union

Operating lease

A lease where the asset is only used for part of its useful life, and lease payments amount to rental of the asset.

PCC Group

The Police and Crime Commissioner and the Chief Constable are separate legal entities. They are part of the same PCC Group whose combined accounts are presented collectively.

Precept

The amount levied by one authority which is collected by another e.g. the PCC Group is the precepting authority and the District Councils are the collecting authorities.

PWLB

Public Works Loan Board, a body providing debt funding to local authorities.

Revaluation Reserve

The amount by which the current value of long-term assets has increased compared to its depreciated historical cost.

away.

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 PCC group 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 Property, Plant and Equipment values by an equal amount for each year of that asset's life.

TOIL

Time Off In Lieu may be accrued by both Police Officers and Staff when working additional hours for which payment is not made.

Virement

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