**APPENDIX A1**

Lincolnshire
POLICE & CRIME COMMISSIONER
SAFER TOGETHER

**Lincolnshire Police and Crime Commissioner**

**Financial Statements**

**2019/20**

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# Police and Crime Commissioner for Lincolnshire

# PCC Group and PCC Statement of Accounts 2019/20

## Contents


Introduction to the Financial Statements ..... 7

Annual Governance Statement ..... 10

Chief Finance Officer's Narrative Report ..... 26

Statement of Responsibilities for the Statements of Accounts ..... 48

Independent Auditor's Report ..... 49

Group Expenditure and Funding Analysis ..... 50

PCC Expenditure and Funding Analysis ..... 51

Group Comprehensive Income and Expenditure Statement ..... 52

PCC Comprehensive Income and Expenditure Statement ..... 54

Group Movement in Reserves Statement ..... 56

PCC Movement in Reserves Statement ..... 57

Group and PCC Balance Sheet ..... 58

Group and PCC Cash Flow Statement ..... 59

Notes to the Accounts ..... 60

1. Accounting Policies ..... 60
2. Judgements in Applying Accounting Policies ..... 82
3. Assumptions and Other Major Sources of Estimation Uncertainty ..... 83
4. Expenditure and Funding Analysis ..... 87
5. Expenditure Analysed by Nature ..... 89
6. Adjustments Between Accounting Basis and Funding Basis Under Regulations ..... 90
7. Transfers Between Earmarked Reserves ..... 93
8. Other Operating Expenditure ..... 95
9. Finance and Investment Income and Expenditure ..... 95
10. Taxation and Non-Specific Grant Income ..... 96
11. Grant Income ..... 96
12. Intra-Group Financing ..... 97

13. Property Plant and Equipment ..... 98
14. Valuation of Non-Current Assets ..... 99
15. Intangible Assets ..... 101
16. Capital Commitments ..... 101
17. Capital Expenditure and Financing ..... 103
18. Finance Leases ..... 103
19. Assets Held for Sale ..... 105
20. Inventories ..... 105
21. Debtors ..... 106
22. Cash and Cash Equivalents ..... 106
23. Creditors ..... 106
24. Revenue provisions ..... 108
25. Usable Reserves ..... 109
26. Unusable Reserves ..... 109
27. Revaluation Reserve ..... 110
28. Capital Adjustment Account ..... 111
29. Pensions Reserve ..... 112
30. Collection Fund ..... 112
31. Accumulated Absences ..... 113
32. Cash Flow – Adjustments on Provision of Services for Non-Cash Movements ..... 113
33. Cash Flow – Adjustments on Provision of Services for Investing and Financing ..... 113
34. Cash Flow Statement – Operating Activities ..... 113
35. Cash Flow Statement – Investing Activities ..... 114
36. Cash Flow Statement – Financing Activities ..... 114
37. Joint Operations ..... 114
38. Funded Partnerships Outside Scope of Collaborative Arrangements ..... 117
39. Audit Committee Allowances and Expenses ..... 117
40. Senior Officers ..... 118
41. Termination Benefits ..... 120
42. Audit Fees ..... 120
43. Related Party Transactions ..... 121

44. Retirement Benefits ..... 121
45. Contingent Liabilities ..... 129
46. Financial Instruments ..... 129
47. Nature and Extent of Risks Arising from Financial Instruments ..... 132
48. Accounting Standards Issued but Not Yet Adopted ..... 134
49. Non-adjustment event after reporting period ..... 134
Police Officer Pensions – Home Office Memorandum Account ..... 137
Glossary of Terms ..... 139

## Introduction to the Financial Statements

**Police and Crime Commissioner Marc Jones**

I was elected to serve by the people of Lincolnshire as Police and Crime Commissioner (PCC) in May 2016. The PCC's primary functions are to secure the maintenance of Lincolnshire Police and secure its efficiency and effectiveness. I must also hold the Chief Constable to account for a number of duties. The primary legislative provisions setting out the PCC's obligations are the Police Reform and Social Responsibility Act 2011, the Policing and Crime Act 2017 and the Police Act 1996.

All the financial transactions incurred during 2019/20 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 PCC and the Group (PCC and Chief Constable) as at 31 March 2020 and how the financial position has changed over time.

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

I issued my Community Safety, Policing and Criminal Justice Plan for the period 2017 – 2021 in March 2017; this was updated in June 2019. It is built around four key principles:

- community safety and prevention in partnership;
- listening and responding and being accountable;
- protecting and supporting victims and the vulnerable; and
- policing that works.

The Chief Constable Bill Skelly, whom I appointed in 2017, has made, and continued to make an impact both locally and nationally until his retirement in December 2020.

Lincolnshire Police's overall performance continues to be good when compared to other police forces. The issue of the future funding for Lincolnshire Police continues to be a crucial one for my office and for me personally. My priority remains to address this issue with Government and I continue to communicate with local MPs and the Police and Fire Minister Kit Malthouse to highlight the issue of sustainable funding for Lincolnshire Police.

I published my budget decision in February 2019 for the 2019/20 financial year. Although a council tax rise of, on average, 55p a week and £0.5 million use of earmarked reserves helped towards protecting policing budgets for the 2019/20 year, the Chief Constable faced a savings target of £3.2m to balance the budget.

A significant part of the savings target was due to be met by a reduction in police officer numbers, from 1,100 to 1,020 in 2019/20. In July 2019 the Government announced a funded national uplift in police officer numbers, 20,000 over the next three years. Lincolnshire's allocation in the first tranche of the uplift is 50 officers by March 2021. This has already been achieved, and I am providing one off funding to bring forward recruitment from future years into 2020/21 in anticipation of tranches two and three.

The medium term financial plan is still uncertain, even more so now due to the impact on public sector spending of the Covid-19 pandemic. The funding gap could re-emerge if future funding levels do not change.

I have been successful in securing £3.5m of special grant over the last three years, whilst this is welcome, it is one off funding and does not provide sustainability for the medium to long term position in Lincolnshire.

Despite Lincolnshire Police's position as one of the lowest funded Forces in the country, we continue to innovate and look to secure best value for money from the available funds. I would like to highlight the following:

- I have invested in equipment to support Operation Galileo to tackle rural crime and this continues to pay dividends. Lincolnshire has been at the forefront of bringing together a partnership of the top 12 hare coursing forces in a bid to tackle the problem on a regional basis.
- I have allocated specific funding to schemes to improve safety on Lincolnshire's roads. The Community Road Watch Scheme continues to go from strength to strength. Under the scheme residents are given appropriate training and radar guns to check the speed of passing motorists. Drivers caught speeding by the volunteers will be sent a warning letter and road safety advice. I also funded a scheme for 100 young motorists to receive advance driving lessons, plus 50 Mileage for Life courses to those aged over 60.
- I continue to provide funding for equipment that ensures officers and staff have the right tools for the job. This includes investment in pursuit and armed response vehicles, roads policing motorbikes, tasers, an enhanced dog unit, drones and the Command and Control system.
- The new award winning tri-service building at South Park is now operational. It houses around 500 staff from Lincolnshire Police, Lincolnshire Fire and Rescue and East Midlands Ambulance Service and is the first operational hub between all three emergency services in the country.
- However successful these developments are in tackling crime there will always be victims and that is why I have made it a priority to provide the best services possible to support people in coping with, and recovering from, the emotional or physical consequences. My office continues to make progress in reviewing and improving the victims' service provided.

All of these investments are designed to ensure that our force has the capability to help prevent harm in our communities as well as find, intercept and arrest criminals wherever and whenever they try to strike, and where there are victims to provide the support they deserve.

More detail on performance in 2019/20 can be found in my annual report which is available at: https://lincolnshire-pcc.gov.uk/transparency/what-our-priorities-are-and-how-we-are-doing/annual-reports/

**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 preparation of the 2019/20 financial statements has been challenging due to the impact of the Covid-19 global pandemic, with all of the finance staff working from home since March 2020. My thanks go to those staff for their efforts in these extraordinary circumstances to produce the financial statements in a timely manner.

The 2019/20 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2019/20. 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; and
- The Commissioner's Governance Arrangements including Financial and Contract Regulations.

Further information about the Financial Statements is available from:

Chief Finance Officer
Office of the Police & Crime Commissioner
Police Headquarters
Deepdale Lane
Nettleham
Lincoln
LN2 2LT

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

Marc Jones
Police and Crime Commissioner for Lincolnshire

# Annual Governance Statement 2019/20

## FOREWORD

The following Annual Governance Statement was prepared during May 2020 and published alongside the unaudited Financial Statements for 2019/20 on 31 May 2020. As a result of resourcing pressures experienced by our external auditors, EY LLP, the completion of the external audit of the draft Financial Statements 2019/20 was delayed until September 2022.

The Annual Governance Statement has since been updated to reflect progress on governance matters and the forward looking financial information has been updated. The Annual Governance Statement has not been updated since May 2019, to reflect changes in the external environment such as changes in government policy, the exit of the UK from the European Union and the Covid-19 pandemic. An updated Annual Governance Statement was published alongside the draft Financial Statements for 2020/21 in accordance with the statutory timescale.

Below are details of the Police and Crime Commissioner for Lincolnshire's governance arrangements in operation during 2019/20 including plans for the financial year 2020/21.

## 1. INTRODUCTION

1.1. 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.

1.2. 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.

## 2. SCOPE OF RESPONSIBILITIES

2.1. 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.

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

2.3. 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. This 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.

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

2.5. 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:

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

## 3. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

3.1. 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 Community Safety, Policing and Criminal Justice Plan for Lincolnshire and associated strategies) and to consider whether those plans have led to the delivery of appropriate services and value for money.

3.2. 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.

3.3. The governance framework has been in place for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

## 4. THE GOVERNANCE FRAMEWORK

4.1. 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 of 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.

4.2. 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.

4.3. 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 Committees: Practical Guidance for Local Authorities and 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.

4.4. 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.

## 5. REVIEW OF EFFECTIVENESS

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

5.2. This review has been informed by the work of the Chief Financial Officer (CFO) and the Chief Executive (CE), who also undertakes the roles of Monitoring Officer and Head of Paid Service. In addition, the work of the internal auditors, plus members of the Commissioner's staff, who have the responsibility for the development, maintenance and operation of the governance environment also inform the review. Comments made by the internal and external auditors and other review agencies and inspectorates are also considered as part of this review.

5.3. 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.

5.4. 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 for each of the Police and Crime Commissioner and Chief Constable, based on the work undertaken in the year, on the adequacy and effectiveness of the assurance framework, risk management, internal control and governance, in compliance with the Public Sector Internal Audit Standards (PSIAS).

5.5. For the Police & Crime Commissioner, the following opinion was provided for 2019/20:

> *Our overall opinion is that generally adequate and effective control and governance processes were in place to manage the achievement of the organisation's objectives. We have, however, identified weaknesses that require addressing in regard to Commissioning and Victims Code*

5.6. For the Chief Constable, the following opinion was provided for 2019/20:

> *Our overall opinion is that generally adequate and effective control and governance processes were in place to manage the achievement of the organisation's objectives. We have, however, identified weaknesses that require addressing in regard to Recruitment and Victims Code*

5.7. Following the issue of the 'limited assurance' opinion in respect of the HR – Recruit to Reward internal audit during 2018/19, the Chief Constable put in place an action plan to address the recommendations that were agreed following the audit. A follow-up internal audit was carried out during 2019/20 to review the implementation of these recommendations and carry out further compliance testing to provide

assurance that the controls have been effectively embedded. This found that whilst procedures had been put in place, some weaknesses were yet to be addressed. The "limited assurance" opinion was unchanged and further recommendations had been made. As a result, the PCC and Chief Constable agreed to commission an independent review of the Scheme of Governance which included the unresolved issues identified in the HR-Recruit to Reward internal audit. The remaining issues are satisfactorily resolved and were reported as concluded within the 2020/21 Annual Internal Audit Report.

5.8. A working group was set up during 2019/20 to undertake a review of the PCC and CC's governance arrangements to ensure that they are fit for purpose. This is chaired by the Chair of JIAC and includes the Chair of the Ethics Committee and representatives from both JIAC and the Police & Crime Panel, in addition to the Chief Executive and Chief Finance Officer for the PCC and the Deputy Chief Constable and Chief Finance Officer for the CC. This group sought to address the issues raised within the HR internal audit report in addition to a more general review of the Integrated Scheme of Governance as a whole.

5.9. Since its first meeting in September 2019, the Governance Working Group reached a view on most of the points under consideration and provided a summary of action points in February 2020. The actions were considered by senior officers and a plan of action was agreed to fit in with the Corporate Planning and Budget Setting cycle during 2020/21. This included drawing up a local protocol, reviewing the scheme of delegation including elements of the G4S contract, and improving the governance content of PCC and CC induction packs. The Governance Working Group remains an important reference point as this work progresses to completion

5.10. Following the issue of the 'limited assurance' opinion in respect of the Victims Code internal audit during 2019/20, the Chief Constable has put in place an action plan to address the recommendations that were agreed following the audit. All recommendations were reported as complete at the Joint Independent Audit Committee meeting on 28 April 2021.

5.11. The External Auditor provides an opinion on the financial statements and value for money.

5.12. 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 Public Assurance Meetings (PAM) consider police performance (Crime) and the Police and Crime Strategic Board considers financial, people, estates and ICT resources, as well as long term strategy development, significant and emerging risk areas and the Chief Constable's report. The Professional Standards Governance meeting reviews matters relating to the conduct of police officers and staff.

5.13. The effectiveness of the governance framework has been reviewed by the Commissioner's Executive Team[1] in the year 2019/20. The review has included:

- the internal audit reports, including: governance (decision making) and delivery of the police and crime plan;

[1] Chief Executive, Chief Finance Officer

- review of the Commissioner's risk strategy, risk appetite, associated processes and overall 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 Integrated Scheme of Governance (ISG) that includes the Scheme of Consent, Commissioner's and Chief Constable's Scheme of Delegation and the Financial and Contract regulations;
- consideration of the Commissioner and Chief Constable's joint assurance map;
- ongoing development and review of the Commissioner's Operational Delivery Monitoring Plan;
- review and monitoring of Lincolnshire Police performance (both organisational and operational) through the governance meeting structure and written and oral briefings;
- external auditors and their formal reporting;
- feedback received from the JIAC.

5.14. 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.

5.15. Assurance on the effectiveness of the Commissioner's financial controls has been provided by the CFO who is 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 of the Police and Crime Commissioner and the CFO of the Chief Constable (2014).

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

5.17. The Commissioner's risk management arrangements are well developed and embedded. The JIAC reviews the Commissioner's risk management strategy on an annual basis and monitors the Commissioner's strategic risk register and the joint assurance map quarterly. The Executive team consider and review risks on a monthly basis through management meetings. The risk registers and assurance framework are aligned and drive improvement activity where assurance on the effectiveness of controls needs to be strengthened.

5.18. 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 through a member of the Commissioner's staff attending the bi-monthly Equality and Diversity Board meetings for which minutes and actions are recorded. The Commissioner also has oversight of the Chief Constable's approach to stop and search activity.

5.19. The Police and Crime Panel in Lincolnshire exists 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.

5.20. The Commissioner publishes his Annual Report in June and presents it to the Police and Crime 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 audited Financial Statements are published on the PCC's website to complement the Annual Report which is available at:

https://lincolnshire-pcc.gov.uk/transparency/what-our-priorities-are-and-how-we-are-doing/annual-reports/

5.21. The Commissioner has had a bespoke media and communications contract in place with a specialist provider since November 2016. This arrangement allows the Commissioner to have a service tailored and responsive to his specific requirements. In addition, the OPCC supplements this arrangement with social media content based on awareness of local and national communication campaigns.

5.22. The Commissioner engages in widespread consultation on a range of subjects, key examples include, the annual budget, and the development of his Police and Crime Plan. A major consultation was again undertaken by the Commissioner in December 2019 and January 2020 following the success of the previous year's county-wide 'Crime & Policing Survey'. This seeks the views of Lincolnshire residents on a range of subjects including their priorities for policing and their own personal experience and perception of crime. The bespoke survey has been designed to provide insights from across a broad range of respondents representative of Lincolnshire residents. The survey will help to guide the commissioners funding priorities and inform key decisions faced by the Commissioner.

5.23. The Commissioner is committed to being accessible to the public through a wide range of channels. Over the course of the year, the Commissioner received over 1,800 pieces of correspondence (excluding routine correspondence from Policing Bodies), and 41 Freedom of Information (FOI) Requests[2]. In addition, The Commissioner uses social media particularly his Twitter profile, which he uses to enhance his public visibility and reach. For example he has attracted over 6,200 Twitter 'followers' since taking office in May 2016. This demonstrates an effective link between the public and the elected individual charged with governance.

[2] Total number of requests in the period April 2019 to March 2020

5.24. The Commissioner is also committed to openness and transparency and maintains a dedicated section on his website to meet his statutory obligations in this area, including the publication of expenses, salaries of senior staff and expenditure over £500 and a list of assets held. In addition, the Commissioner also publishes a quarterly integrated performance report provided by the force, as part of the supporting information for the Public Assurance Meetings. This report consists of statistical indicators and a narrative report from the Chief Constable providing contextual explanation of the data, and a guidance document explaining the performance measures used. This provides incremental information on the forces' performance against key areas of the Commissioners Community Safety, Policing and Criminal Justice Plan. As a consequence of this comprehensive approach to transparency the OPCC has been awarded the Transparency Quality Mark certificate 2019 by CoPaCC the body responsible for evaluating police transparency.

5.25. 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 and the JIAC are kept abreast of any issues arising. In addition a joint fraud risk register has been developed to help in proactively identifying and assessing current and emerging fraud risks and potential actions to mitigate the risks identified.

5.26. The Commissioner and Chief Constable adopted the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption published in 2014. The OPCC and Force are members of the Lincolnshire Counter Fraud Partnership (LCFP) which involves working with key partners to share information and expertise to help both organisations maintain their vigilance in tackling fraud and corruption.

5.27. The Commissioner has ensured he has arrangements in place for receiving and handling complaints from the public and are aligned with the changes in complaints legislation that came into force from the 1st February 2020.

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

5.29. 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.

## 6. SIGNIFICANT GOVERNANCE ISSUES

6.1. The significant governance issues which are detailed below are drawn from both the Risk Register and the Joint Assurance Map. In addition, during the year, a number of governance issues emerged where approved processes were not followed by the Force; those considered to be significant are also detailed below.

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

6.3. Over the first half of 2019 the RAG ratings of the assurance map continued to be the subject of significant discussion and challenge between the Force and the OPCC. This was based on concerns at the absence of visible delivery plans and mechanisms that evidenced the Force's management approach. Following continuing disagreement between the Force and OPCC over the interpretation of the content of the joint assurance map and the resultant RAG ratings, the then Deputy Chief Constable (DCC) developed an independent force assurance map separate from the existing 'joint' version. This map was used by the force until the appointment of a new DCC in May 2019. At this point agreement was reached to again adopt a single joint assurance map. The aim being to design a new joint map to combine key elements of both the previous versions. There is a renewed commitment to a joint assurance map and the benefits a collaborative approach to assurance mapping will bring.

6.4. Significant control issues will be considered jointly again by the force and OPCC on a quarterly basis from October 2020. In the interim period between agreeing to adopt a joint assurance map again and its implementation, assurance will be gathered from a selection of existing governance meetings and those newly designed to support the development of the nascent assurance map. Progress towards implementation of the new map and assurance content will continue to be reported to the JIAC and senior management of both the OPCC and Force. The aim being to ensure continuity of assurance information until such time as the new map can be formally approved for use.. The Commissioner's significant governance issues are detailed below, sourced from the joint assurance map currently under development and a range of existing governance meetings and reporting processes, plus the Commissioner's risk register. They include an outline of the actions taken or further work that is required to address the issues and with whom responsibility lies.

**The risk of failure of government to address Lincolnshire's case for a fairer share of national funding**

6.5. During the latter part of 2016/17, the Home Office initiated a process for fundamental review of the national police funding formula; the Commissioner's CFO participated in this work as a member of the Technical Working Group. Consultation on the conclusion of this work is currently on hold; the Home Office has previously indicated the government's intention to progress consultation on the proposed new funding formula alongside the next government spending review, which is now unlikely until 2021. Both the PCC and Chief Constable are supportive of revision of the national police funding formula; previous attempts at reform suggested that Lincolnshire might benefit by around £8 million annually.

6.6. Whilst the PCC's medium term financial plan is in balance across the period, additional government grant is considered essential to mitigate the operational risk being faced by the Force.

**The risk of a lack of resilience and stability within the chief officer team following significant changes in the Team**

6.7. The Chief Officer Team has continued to develop and now has a permanent ACC and DCC.

6.8. The Assistant Chief Officer (Resources) post had been filled on a temporary 2 year basis without a competitive recruitment process as a response to the significant uncertainty when the current Chief arrived and there were so many unanticipated departures. The Chief Constable has now appointed the existing post holder permanently, again without a competitive recruitment or competency assessment process.

6.9. The PCC informed the Chief Constable that he did not support this appointment decision in the absence of an appropriate recruitment process with its concomitant risk.

**The risk of failure to achieve and demonstrate efficiencies and value for money**

6.10. The Commissioner and Chief Constable both have a statutory duty to make the best use of resources available to them. The Police and Crime Plan commits to obtaining value for money from all funding and avoiding waste. The capital programme continues to support this by investing in technology which improves operational efficiency such as improved Telephony, Mobile Data, a new Command & Control system and Fleet telematics.

6.11. Investment decisions and benefits realisation are undertaken by the Force Change Board and monitored by the Police and Crime Strategic Board; Internal Audit conducted an audit into benefits realisation in March 2018 and found satisfactory assurance in the processes.

6.12. Independent assurance is gained through HMICFRS via the PEEL inspection programme. The most recent PEEL inspection grades were received by the force in February 2020 relating to the force's performance in 2018/19. Lincolnshire Police received an overall grading of "Good" with its Efficiency being graded as "Requires improvement". The inspection report noted that the force needs to continue to improve how it plans for the future.

6.13. The Financial Strategy includes performance measures relating to both financial health and financial performance, supported by a number of plans and policies.

**The risk of failing to ensure that G4S objectives are delivered - With the resources available**

6.14. The Commissioner's strategic partnership continues to deliver appropriate services and savings. The current governance structures led by the OPCC continue to operate robustly over the full breadth of the contract. Coping with issues in service delivery where they arise and continuing to deliver value for money for the Commissioner and effective support for the Force. The growing demand on policing nationally has impacted on Lincolnshire and put strain on some areas of delivery like the Force Control Room and Crime Management Bureau. In these areas the Force are working proactively with G4S to develop new models of delivery that are both effective, of sufficient quality and are affordable.

6.15. The innovative transformation of firearms licensing is now offering a highly efficient and effective service and serves as a model for service innovation and delivery partnership between PCC, Force and G4S.

6.16. The success of our Mobile Data Project, again underpinned by G4S, has been singled out by the Policing Minister as an example of good practice. Linkages to the new Command and Control system (see below) will continue Lincolnshire's effective

and innovative use of technology and through partnership, Lincolnshire Police 'punch above their weight' on the national stage.

6.17. G4S have, on behalf of the PCC and Force, overseen the procurement of a new Command and Control system that will be at the heart of the Force's continued transformation of efficiency and effectiveness updating operational capability, information and data management and the capacity to provide a better service to the people of Lincolnshire form within the available resources.

**The risk of failing to plan for the effective transition from the current commercial contract arrangements**

6.18. The Commissioner's strategic partnership reached year nine of ten in April 2020. There remains in the original agreement the ability to negotiate an extension of the current arrangements for up to a further five years. The end date of the contract in 2022 is now less than two years away and the Force and the PCC now pursue a joint approach to planning carefully for any potential transition from existing arrangements. In October 2018 the PCC had asked the Force to lead on exploring and delivering future options to ensure the contract continues to fully meet the Chief Constable's requirements and OPCC officers are now investing significant effort in ensuring the project to explore a contract extension progresses. The contract is unique and was procured in little over a year originally but consumed significant strategic resources of the Force and of (at that time) the Police Authority. The contract has been an important plank of Lincolnshire's response to constrained resources (the lowest spend per head nationally). It is recognised that the Force has a significant challenge in delivering a sustainable approach to the future delivery of services over the course of the coming year.

**The risk of failing to deliver the objectives of the Tri-service "Blue Light Programme"**

6.19. The shared Fire/Police Headquarters and the three service deployment base in South Park in Lincoln have been delivered and all staff moved in – a significant achievement. The cooperation among 'Bluelight' partners will continue with the project exploring other areas of mutual benefit.

6.20. The Force continues to explore areas of closer operational integration with the Fire Service to support increased productivity and better outcomes for the people of Lincolnshire.

6.21. The Commissioner has been exploring options for the use of the West Parade site that was vacated in 2019.

**The risk of failing to maintain or develop beneficial regional collaborations**

6.22. Collaboration with four other forces in the East Midlands has been a key plank in Lincolnshire's approach to providing effective and efficient policing. Collaborative services have expanded and deepened in recent years with positive expansion in, for example, Forensics. However in the last year some areas of collaborative growth have been subject to re-evaluation and amendment. The last year has seen continued tensions and difference of approach from the five East Midlands Chief Constables. Working together the PCCs, supported by the new Regional Collaboration team based in Lincolnshire, have provided clear strategic oversight of the collaborations through a difficult period. National changes to ROCUs and specialist capabilities make this a difficult area to optimise as local, regional and national demands come together to create a complex and challenging environment.

The coming year will be a challenging one of careful re-evaluation and assessment to ensure the collaborative approach delivers for all partners and, importantly, the people of Lincolnshire. All options will remain under consideration including collaboration with partners outside the East Midlands.

**The risk of the force not delivering operational effectiveness**

6.23. The continued effectiveness of the Force in the face of a potentially deteriorating financial position has been a significant matter of particular concern especially as recorded crime has increased significantly in the last three years with resources at a steady level. The Commissioner has actively sought reassurance and evidence that the Force has planned for and can articulate the steps that need to be taken to tackle crime and Force performance more generally in a constrained financial environment. The quality and timeliness of the service received by the public of Lincolnshire is the pre-eminent concern and the Commissioner has been clear in ensuring the Chief Constable is aware of his concerns.

**The risk of failure to adequately prepare for the end of the Transition period following the UK's: exit from the European Union. (Transition period ends *31 December 2020)***

6.24. The UK left the EU on the 31st of January 2020 and work was conducted by the OPCC and Force in preparing for the consequences and potential risks this act presented. Key amongst these was the potential for civil unrest and the cessation of access to EU collaborative policing agreements and systems that the force and the national policing service rely on for vital elements of their work. In response the force created a 'Brexit Gold Group' consisting of senior managers to consider any Lincolnshire specific mitigation required. In addition, the Force worked as part of the Lincolnshire Resilience Forum (LRF) to conduct planning and preparedness in the event of an emergency arising. The LRF is a multi-agency partnership made up of representatives from local public services, including the emergency services, local authorities, the NHS, the Environment Agency, among others.

6.25. After leaving the EU the UK entered a formal transition period which ends on 31 December 2020. The purpose of the transition period is to allow time for the EU and UK to negotiate additional arrangements covering key aspects of our continuing relationship in areas such as trade, travel and business. During this period existing rules and regulations will continue to apply. However there is a risk associated with any legislative changes that may be introduced from January 2021 and their impact on force /OPCC activities. The force / OPCC have robust governance and decision making processes and financial regulations in place to help control the impact of such risks. Central government and national policing bodies have been responsible for providing both guidance and support to the police service as a whole and Lincolnshire will continue to benefit from this.

**The risk of failure to adequately prepare for the changes to police complaints legislation and associated regulations (From 1 Feb 2020)**

6.26. On 1 February 2020 the Home Office introduced legislation that made significant changes to how complaints made against the police are handled and the associated discipline system for officers. The overarching purpose of the changes is to simplify the complaints system, making it easier to navigate and putting a greater emphasis on handling complaints in a reasonable and proportionate manner, with an emphasis on organisational learning. The new regulations incorporate an enhanced role for Police and Crime Commissioners, to add greater independence to the way appeals are considered. The forces' Professional Standards Department (PSD) and

the OPCC worked in close collaboration to assess the changes required to existing processes and responsibilities. National guidance from the Independent office for Police Conduct (IOPC) was published along with a programme of regional briefing events to aid implementation. The OPCC has commissioned the services of an external provider to support the PCC in the enhanced appeals process which has the PCC responsible for complaint review cases (appeals) to ensure the recording and handling of complaints is appropriate and proportionate. It is difficult to determine the volume or complexity of appeals that the PCC will be required to review under the new legislation. Therefore the use of an external provider will be re-assessed after an initial period to ensure an efficient and cost effective process is in place.

**The risk of Failure to adequately prepare for PCC elections in May 2021**

6.27. The original date set nationally for the election of PCCs was 7 May 2020. In preparation the force and OPCC collaborated closely on arrangements to help ensure a fair and transparent process in the lead up to the election. However in light of the Covid-19 pandemic and its likely impact on the election process the Government took the decision in March 2020 to postpone these elections until 6 May 2021. To facilitate this postponement the Government brought forward the Coronavirus Act which received royal assent on 25 March 2020. The Act allows for current PCCs to remain for an additional year until the revised election date in May 2021. Those candidates successfully elected in May 2021 will only serve a three year term. This change will maintain the election cycle with elections being held every 4 years from 2024. The OPCC and the Force will continue to work collaboratively to plan for the elections in May 2021.The main considerations remain, the maintenance of public confidence, continuity of service and ensuring legal compliance. The Force and OPCC have already gained considerable experience during the planning for previous PCC elections. This experience will be exploited in planning for the next PCC elections in 2021.

**The Risk of not adequately preparing for the impact of Coronavirus on the functions of the OPCC / PCC.**

6.28. This risk was formally added to the Commissioner's strategic risk register on 27 February 2020 but with the rapidly developing national and local context this risk changed into a live issue being managed by the OPCC. The risk was subsequently removed from the register on 2 April 2020. At this stage business continuity plans had already been implemented with staff moving to a remote operating model.

**Internal control Issues relating to Force procedures and practices for recruitment and retention.**

6.29. The work of both external and internal auditors highlighted issues of concern surrounding recruitment practices and also the payment of relocation expenses and ex-gratia payments commencing in the FY 2017/18. These payments were previously unknown to the Force and PCC's Chief Financial Officers. The PCC and CC corresponded over the rationale for these decisions and the legality of the payments made. External legal advice was taken and representations made to the Home Office to seek clarity and an appropriate conclusion to these issues. The results of these deliberations and consultations are summarised in the external auditors report 2018/19 along with their conclusions (Pages 17 and 18 of the VFM Risks section). As a result of this set of circumstances the PCC is working towards establishing a more robust approach to oversight of the forces stewardship of recruitment and retention practices and adherence to associated regulations. This

ongoing work along with a review of broader governance issues is being conducted in tandem with the force.

6.30. A governance issue was identified regarding irregularities in a procurement process conducted in 2019/20. However, investigation indicated that this was an isolated event, does not indicate a systemic problem, and has no impact on the 2019/20 accounts. Actions arising from the investigation have been considered and dealt with accordingly.

## 7. INSPECTORATE FINDINGS

7.1. The PEEL Inspection programme for 2019/20 conducted by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) scrutinises all 43 police forces in England and Wales and examines their Efficiency, Effectiveness and Legitimacy providing comparable grades for each of the 43 forces in England and Wales.

7.2. The most recent PEEL inspection grades were received by the force in February 2020 these grades relate to the force's performance in 2018/19. Lincolnshire Police received an overall grading of "Good". The forces' Effectiveness was also graded as "Good" with its Efficiency being graded as "Requires improvement" and its Legitimacy also graded as "Good".

7.3. Her Majesty's Inspector for Lincolnshire commented on the findings of the report:

> *"I am encouraged by the progress Lincolnshire Police has made since our last inspection. It is an improving picture. The force provides a good policing service to its communities bearing in mind it is one of the lowest cost forces in England and Wales. The low funding base for the force means that it consistently struggles to provide as effective a service as better funded forces. Although the force still has work to do, it is to be commended for what it achieves with the money available to it."*

7.4. The Commissioner is required by law to publish his response to all force specific HMICFRS inspection reports following their publication, these responses are available on the PCC's website at:

https://lincolnshire-pcc.gov.uk/transparency/what-our-priorities-are-and-how-we-are-doing/hmic-inspections/

7.5. The force's progress against 'areas for improvement' and recommendations made in inspections continues to be tracked and progress monitored by the force through its HMICFRS tracker. This document is regularly reviewed as part of the commissioners "holding to account" governance processes. Work has now been completed to reconcile the content of the forces own tracker with that of HMICFRS 'register of recommendations', to ensure that all recommendations both thematic and force specific have been addressed and remedial work has been fully completed to the satisfaction of HMICFRS.

7.6. From May 2018, HMICFRS changed the way in which they inspect forces, moving towards a more risk-based approach. This revised approach consists of a single annual PEEL inspection where HMICFRS inspect in each force the aspects of policing which they consider present the greatest risk of failure. Their assessment is underpinned by data analysis and the ongoing monitoring of forces.

7.7. A significant part of the risk assessment for each force will depend on the information gleaned from the Force Management Statement (FMS). Each Force is required to produce a FMS containing a self- assessment evaluating the following 4 years across 4 key areas:

- The demand likely to be faced by the force;
- The condition, capacity, capability, serviceability, performance and security of supply of the workforce and other assets such as ICT;
- The force's plan to improve efficiency;
- The force's financial income.

7.8. The force submitted its second FMS to HMICFRS in May 2019 and it was subsequently published. The third iteration is in production with HMICFRS having amended some of their requirements of forces following consultation and evaluation of the current submissions

7.9. Outside of the PEEL regime the force received a re-inspection of its Crime Data Integrity (CDI) in November 2019 which scrutinised the progress made following HMICFRS previous report published in July 2018 which gave the force an overall grading of "Inadequate" for the way in which the force records crime in accordance with the national Crime Recording Standards (NCRS). The re-inspection report was published by HMICFRS in February 2020 and awarded the force an overall judgement of "Good". The report stated:

*"Lincolnshire police has significantly improved its crime recording arrangements since our 2018 inspection. We found it has:*

- *Significantly improved its overall crime recording, including for violence, sexual crimes and rape;*
- *developed and implemented a CDI action plan to address recommendations and areas for improvement and drive systemic cultural change;*
- *developed a comprehensive crime recording e-learning package which the vast majority of officers has completed;*
- *invested in additional resources to scrutinise and improve crime recording decision making and data quality."*

7.10. One of the "vital actions" identified by the Commissioner following publication of the 2018 HMICFRS report was his intention to create an independent Crime Recording Confidence Panel (ICRCP) to deliver transparent oversight of the implementation of the improvements required and to independently assess the progress made.

7.11. The panel was established in August 2018 and consists of an independent chair and expert technical advisor on crime recording practice, along with key stakeholders including senior representatives from the PCC's office, Victims Support, the Joint Independent Audit Committee, the Lincolnshire Police and Crime Panel, Lincoln University and Rape Crisis. The Panel's report was published on the PCC's website in January 2020. The Panel will continue to monitor progress in this key area of force activity.

7.12. The National Child Protection re-inspection took place in October 2019. The purpose of the re-inspection being to assess the implementation of the recommendations made in the original inspection report published in February

2019. Her Majesty's Inspector of Constabulary for Lincolnshire commented on the findings of the latest post-inspection review published on 18th March 2020:

> *"Although our post-inspection review of Lincolnshire Police revealed that there are still some areas of concern, I am encouraged by the progress the force has made since our last inspection. The force has carried out a significant restructuring of its child protection and vulnerability capabilities, which has resulted in improvements."*

and the HMI continued,

> *"My remaining concerns relate mainly to the standard of investigations…" and "Because of these concerns, we intend to revisit the force to check on progress."*

And concluded by stating,

> *"These concerns notwithstanding, senior leaders, staff and officers working for Lincolnshire Police are clearly committed to protecting children from harm. I look forward to returning to the force to see how it implements our recommendations."*

7.13. It is important to note that the HMICFRS announced on the 18th March 2020 the suspension of all inspection activity requiring contributions from Police, Fire and Rescue services until further notice. The aim being to enable the emergency services to focus on their vital work in combatting the impact of the Coronavirus epidemic.

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

SIGNED

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|---|---|
| Marc Jones<br>Police and Crime Commissioner for Lincolnshire | Malcolm Burch<br>Chief Executive to the Police and Crime Commissioner for Lincolnshire |
| Date 7th September 2022 | Date 7th September 2022 |

## Chief Finance Officer's Narrative Report

The Narrative Report to the financial statements provides a guide to the most significant matters reported in the accounts and includes key performance information, a comparison of outturn figures to the budget and highlights significant areas of expenditure and major changes.

**Introduction**

I am pleased to present the Statement of Accounts for the Police & Crime Commissioner for Lincolnshire for the financial year 2019/20. This Statement of Accounts sets out the overall financial position of the Police & Crime Commissioner for Lincolnshire (PCC Group) for the year ended 31 March 2020.

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 a share of Police Grant paid by the Home Office;
- Also receives Legacy Council Tax Grants from the Home Office;
- Determines and 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.

Central Government funding provides the PCC Group with the majority of its income required to police Lincolnshire. The remainder is mostly met from local council tax payers.

Following a number of years during which government grant reduced in real terms, in 2019/20, police grant in Lincolnshire increased by £1.2m (2.1%). In addition, pension top-up grant of £1.2m was provided by government to meet the increased costs of employer pension contributions.

The police grant settlement covered just one year. A review of the way in which Government grant is distributed between force areas (funding formula review) has been delayed and will not now be implemented before the next spending review in 2021/22 at the earliest.

The grant announcement also relaxed the precept referendum limit to allow an increase up to an additional £24 per annum for a Band D property (or appropriate proportion of £24 for other property bands). This announcement equates to an increase of £6.3m in available council tax.

In 2019/20, despite the 11% increase in the council tax precept overall funding reduced in real terms. This is because planned use of reserves in 2019/20 reduced by £4.2m to £0.9m, from £5.1m planned use of reserves in 2018/19. As a result, savings had to be found to finance the increasing costs that are incurred from rising demands and inflation.

The economic uncertainty caused by the UK's departure from the European Union, the Covid-19 pandemic and the subsequent recession will continue to impact future central

Government expenditure with a consequent potential impact on police funding. Continuing funding uncertainty underlines the need for robust plans with adequate levels of reserves.

**Governance**

The PCC is responsible for the totality of policing within Lincolnshire, with the Chief Constable being responsible for operational policing.

The PCC is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. To discharge this accountability the PCC and Senior Officers must put in place proper procedures for the governance and stewardship of the resources at their disposal.

The annual review of Governance and Internal Control is included within the arrangements for producing the Annual Governance Statement, which forms part of these Financial Statements, and includes the governance arrangements of the Chief Constable.

**Organisation**

The PCC receives all funding and income and makes all payments for the PCC 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.

All Police Officers and the majority of police staff (other than a small number relating to the PCC's Office, Victim Lincs staff, and regional support arrangements) are in the Chief Constable's employment. The Financial Statements reflect the cost of providing operational policing in the Chief Constable's accounts with the PCC's accounts showing a commensurate transfer of resources to the Chief Constable.

The Strategic Partnership contract (with G4S Policing Services) is formally held by the PCC for the provision of a wide range of operational and support functions to the Chief Constable. This has been accounted for in full in the PCC's accounts as that is where the contractual, budgetary and management control resides.

Lincolnshire Police is one of five regional forces in the East Midlands and works closely with the other four across various collaborations to provide an efficient service. More detail and how the regional accounts are accounted for in these Financial Statements is provided in Note 37.

**The Commissioner's Priorities**

The Community Safety, Policing and Criminal Justice Plan for Lincolnshire April 2017 to March 2021 sets out the actions that the PCC will be taking to help ensure communities stay safe. This is available on the PCC's website www.lincolnshire-pcc.gov.uk

Among the actions set out in the plan are:

- Create a single joined up approach to reducing offending and re-offending and establish integrated offender management to tackle our most challenging and prolific offenders;
- Create a coherent approach to managing offenders released from prison to maximise the chance of rehabilitation and reduce reoffending;
- Support for citizen involvement through volunteers and 'watch' schemes;

- Raise awareness of elder abuse and of those with learning difficulties or other vulnerabilities and work with partners to identify and disrupt threats to the vulnerable, for example from targeted 'scamming';

- Establish a Youth Advisory Group to seek the views of the young from a range of backgrounds;

- Create a Community Commission to ensure the public voice is heard from across the county;

- Commission, with partners, specialist adult and children services to support victims of sexual crimes and domestic abuse with compassionate services that support them through the criminal justice process and beyond;

- Ensure services are commissioned to keep those with mental health needs out of the criminal justice system;

- Invest in ensuring the police have access to mental health advice and support in the Force control room, in the community and through improved training and awareness for officers and staff;

- Support neighbourhood policing, backed by specialist support, that work with their communities to identify, prevent and tackle crime;

- Invest in appropriate information and communication technology (ICT) to support modern frontline policing enabling officers to spend less time desk-bound and more time out in the community;

- Invest in appropriate equipment to meet the varied needs of policing a large and diverse county;

- Provide fit for purpose property suitable for modern and flexible policing, including the creation of a combined police, fire and ambulance station in Lincoln to share resources and to support and enhance their emergency response to the public.

**Performance**

The achievements for the year are summarized below under the headings of the Key Principles of the Community Safety, Policing and Criminal Justice Plan for Lincolnshire.

**Community safety and prevention in partnership:**

- Operation Galileo – the anti-hare coursing operation continues to have an impact on the number of incidents reported in 2019/20. Around 900 incidents were reported in 2019/20, which is in line with 2018/19. Lincolnshire Police is working with the 12 top hare coursing forces to tackle this issue.

- Road Safety – the Community Speed Watch Scheme is operational in more than 250 parishes across the county, with nearly 600 volunteers trained.

- Advanced Driving for Young Motorists - The PCC launched a project to offer free advanced driving lessons to young motorists (under 25). The courses are being delivered in partnership with IAM RoadSmart and involve several weeks of training followed by a driving test. The OPCC also funded additional driving courses for the over 60s. This allowed the Mileage for Life course to be extended to an extra 50 local people.

- Sobriety tags - During the pilot, 266 individuals were tagged with 93% complying with their conditions. Following this successful pilot, the government has stated that sobriety tags will be rolled out nationally later this year.

- Intervention Team to tackle drug addiction and alcohol abuse – the PCC jointly funded – along with City of Lincoln Council, Lincolnshire Partnership NHS Trust and Lincoln BIG – a new intervention and outreach team to tackle the problem of anti-social behaviour and drug addiction problems. The project has now received two national awards and match funding from the National Lottery – enabling the team to continue the programme until the autumn of 2021. The team has now worked with 140 individuals, of which more than 70 individuals have received in-depth support for mental health related issues. Over the past year, drug related incidents have dropped by 82%, begging by 62% and a significant number of people are now accessing support for a variety of issues.

- Mini Police - The Mini Police project is now active in more than 115 primary schools across the county. The project looks to engage pupils with their community through police supervised tasks;

- Fly tipping round table – following the 2018 summit called by the PCC, all of Lincolnshire's councils and the Environment Agency joined together to support the SCRAP fly tipping campaign. The campaign reminds people to check that their waste is being taken away for disposal by a licensed carrier and advises people on how they can dispose of items and stay within the law.

- Modern Day Slavery - More than 235 referrals have been made to Lincolnshire Police in 2019 in relation to cases of modern slavery. Last year the PCC organised and hosted a conference designed to help local businesses comply with the law in relation to Transparency in Supply Chains.

- Community Payback Scheme – Community Payback is a punishment which requires offenders to pay back the community for the crimes they have committed with unpaid work. Last year the PCC committed £34,000 to pay for an extra supervisor to oversee teams of offenders and for transport to get them to and from places of work – allowing the teams to undertake more projects. It is believed to be a UK first for a PCC to commission criminal justice interventions in this way. The Community Payback scheme in Lincolnshire is managed by the Humberside, Lincolnshire & North Yorkshire Community Rehabilitation Company and tasks are designed to combine hard work for the offenders and the chance to learn new skills. Since its inception in August 2019, over 3300 hours of unpaid work have been undertaken on community payback projects in and around Lincoln by the team funded by the PCC.

**Listening, responding and being accountable:**

- Public opinion survey – The PCC continues to undertake extensive public consultation in relation to public views on policing, community safety and to inform the setting of the precept and the 2019/20 annual survey received 3,302 responses.

- Personal engagement – The PCC continues to make accessibility a priority and attended more than 200 events across Lincolnshire alone.

- Representing Lincolnshire on the national stage – The PCC continues to represent Lincolnshire on the national stage, where awareness of Lincolnshire specific issues can be raised and national policies can be influenced to the benefit of the people of Lincolnshire.

- Public Assurance Meetings – these meetings (held with the Chief Constable of Lincolnshire Police) provide the opportunity for residents to be well informed and ask questions about the performance of their police force. All the answers and reports from the meetings are published in the days following the discussion and the meetings are held four times a year.

- Lincolnshire Independent Custody Visiting (ICVA) Scheme – The OPCC has a statutory duty to put in place an effective ICVA scheme for the county. The primary aim of the scheme is to increase public confidence in the treatment of persons detained in police custody. In 2019/20 some 170 custody visits were undertaken by volunteers across the county. Over 290 (94%) of persons detained in police custody consented to be seen by volunteers. The OPCC also received a national award for the quality of the ICVA scheme.

**Protecting and supporting victims and the vulnerable:**

- Victim Support Forum– The victim support providers forum has grown considerably over the past year and is proving really effective in sharing knowledge and best practice.

- Stalking conference – the OPCC supported the county's first ever Stalking Conference where experts and officials gathered to share experience, best practice and advice on the growing problem, which was attended by more than 100 delegates. The conference was also used to launch a Crimestoppers campaign to encourage more individuals to identify and report cases of stalking across Lincolnshire.

- Support for ex-military personnel – Both the PCC and the Chief Constable have signed the Armed Forces Covenant, which pledges to support those who have served in the military. The covenant is an assurance that those who are or have been members of the Armed Forces and their families should be treated with fairness and respect.

- Project Nova – the PCC has signed up to the Project Nova scheme which supports ex-military personnel who have been arrested or taken into custody. The project ensures they receive the support they need through the legal process and helps with accommodation, employment, drug & alcohol, debt and mental health issues amongst others.

- Support for male domestic abuse victims – The PCC was successful in securing a share of £380,000 national spend from the Male Victims of Domestic Abuse Fund. Lincolnshire received funded training sessions for professionals working within the field of domestic abuse.

- Support for victims of sexual crimes – Lincolnshire's Independent Sexual Violence Advisor service, which is funded by the PCC, has received a prestigious Quality Mark for its services. The accreditation process is detailed and thorough so to receive the award is testament to the quality of practical, caring and emotional support provided by the staff.

- Liaison and Diversion Service – the PCC has played a lead role in lobbying for a new Criminal Justice Liaison and Diversion Service which commenced in Lincolnshire on 1 April 2020. The service is for vulnerable adults and children at the earliest stage in the criminal justice process: that is, at the point they are first suspected of having committed a criminal offence. The seven day a week service aims to reduce reoffending by offering a coordinated service to divert people, where appropriate, out of the criminal justice service and into health, social care, education and training, or

other supportive services. The service has been commissioned by NHS England and is delivered by Lincolnshire Partnership NHS Foundation Trust and Lincolnshire Action Trust.

- The fight against scams – The deputy PCC has talked to more than 1,000 former service personnel in the past 12 months to help them avoid becoming the victim of fraud and scams. Lincolnshire has the second largest population of veterans in the UK.

**Policing that works:**

- Blue Light collaboration – the new award winning tri-service station building situated in Lincoln at South Park, is now completed and fully operational. It houses around 500 staff from Lincolnshire Police, Lincolnshire Fire & Rescue and East Midlands Ambulance Service and is the first operational hub between all three emergency services in the country. The collaboration is making savings on running costs and through not maintaining old buildings, whilst improving services to the public.

- New pursuit vehicles – The PCC committed to investment in new BMW X5 pursuit and armed response vehicles and roads policing motorbikes. Ten electric cars have also been introduced and the positive feedback from officers means a further ten are planned for 2020.

- Vehicle Telematics - The implementation of vehicle telematics software across all of Lincolnshire Police's fleet is planned to deliver operational and financial benefits from 2020.

- Drones – the drone unit will be extended to nine (six with thermal imaging) by April 2020 and has 20 qualified pilots. In total the drones have flown between 300 and 400 missions over the last year.

- Command and control - the new command and control system, the most up-to-date in the UK, has been under development during 2019/20. Once operational, it will enable officers to get instant access to report incidents and will give control room staff the capability to deploy the most appropriately trained and equipped officers to scenes as quickly as possible. It is expected to be installed during 2020/21.

- Enhanced dog unit - the dog unit has now started the process of 'dual handling' dogs, which means that alongside their general purpose dog each handler will also have a specialist dog. Recently the unit has successfully licensed two new specialist dogs to increase the capability in searching for drugs, cash and firearms. In addition, two more dogs with handlers have been trained as digital media detection dogs. These will support the fight against child sexual exploitation, child sex offences, fraud, economic crime investigations and county lines drug offences.

- New additional tasers – an extra 170 tasers will be made available to Lincolnshire Police after the PCC led a successful bid for Home Office funding. The successful £140,000 bid was the sixth highest amount awarded to a police force in England, outside of London. The additional tasers will play a significant role in keeping both communities and officers safe and will be a huge benefit in policing our rural county.

**Key Crime Statistics**

Lincolnshire continues to maintain its place as one of the safest places to live in the UK with the eighteenth lowest crime rate per 1,000 people according to the latest report by the Office for National Statistics.

Last year the HMICFRS revisited the Force to re-inspect the Crime Data following their initial visit in January 2018. The report showed the Force had made significant progress in its crime recording standards, now rating the Force as overall Good judgement. This means that we are now recording more crimes than in previous years making previous year comparison difficult.

Whilst Lincolnshire is graded as one of the lowest forces in terms of crime levels, with 60,038 offences recorded in the year ending December 2019, there has been a 23% annual increase in overall crime (excluding fraud). This is a higher increase than was experienced at a national level where crime has risen by 4%.

Sexual offences have increased year on year by 22%, a higher increase than the national average of 2%. The Chief Constable has worked hard to create a culture which encourages people to trust that complaints of sexual crimes will be treated both sensitively and seriously. As a result there have been high levels of historical offences being reported and that will have had some effect on the figure. Lincolnshire Police also has enviable good level of successful prosecutions in sexual offences cases, so the growing level of reporting means more offenders can be prosecuted and removed from our communities.

Criminal damage and arson made up a significant proportion of crimes in the county with 6,830 offences recorded representing an increase of 12% on last year; this was higher than the national average which saw a decrease of 1%.

The Force recorded decreases on previous years in the area of burglary which saw a reduction of 2%.

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

**Gender Pay Gap**

The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 came into effect on 31 March 2017, which requires public sector authorities with 250 or more employees to publish statutory calculations every year showing how large the pay gap is between their male and female employees. Lincolnshire Police employs around 1,500 people, and is therefore subject to this duty.

**What is Gender Pay Reporting?**

It is important to understand that pay for both police officers and staff is determined nationally and to recognise that gender pay reporting is not the same as equal pay. Equal pay is ensuring equal pay for equal work; however gender pay reporting compares hourly rates of pay and any bonuses staff may receive by gender, seeking to expose any imbalance.

Based on the results, steps will be taken, where possible, to minimise or readdress any identified inequities going forward.

**Our Pay Gap Information**

These figures are calculated using the standard methodologies laid out in current legislation:

| Published mean and median information | | | | |
|---|---|---|---|---|
| | Male | Female | Gap | Percentage |
| Mean hourly rate | £18.65 | £16.69 | £1.96 | 10.50% |
| Median hourly rate | £18.76 | £16.54 | £2.22 | 11.83% |
| **Total employees - salary quartile bands** | | | | |
| | **Lower** | **Lower-middle** | **Upper-middle** | **Upper** |
| Male proportion | 48.50% | 60.25% | 64.75% | 73.18% |
| Female proportion | 51.50% | 39.75% | 35.25% | 26.82% |
| **Published bonus information*** | | | | |
| | **Male** | **Female** | **Gap** | **Percentage** |
| Mean bonus | £765.16 | £696.00 | £69.16 | 9.04% |
| Median bonus | £735.00 | £315.00 | £420.00 | 57.14% |
| Proportion receiving a bonus | 9.33% | 5.71% | 3.62% | |

*Bonuses are usually paid for 'unpleasant tasks', or for additional work or responsibilities. Chief Officers do not receive bonuses.

**Summary**

Lincolnshire Police remains committed to ensuring fairness, inclusivity and the equal treatment of all employees regardless of protected characteristics, acknowledging the many benefits this brings to the organisation. The gender pay gap is 6.7% lower than the national average of 17.9% (Office of National Statistics); nevertheless, the Chief Officer team remains determined to tackle the under-representation of women through all grades and ranks and to provide every opportunity for women to progress.

## Financial Performance

### Analysis of Revenue and Capital Expenditure

Total net operational expenditure for the 2019-20 financial year was £126.3m compared with £122.3m for the previous financial year. Total operational expenditure is less than expenditure shown in the financial statements because it excludes regional costs, pension costs and other adjustments for statutory reporting purposes. The table below shows those items which are excluded from total operational expenditure.

| 2018/19 £000 | Total Net Operational Expenditure | 2019/20 £000 |
|---|---|---|
| 256,216 | Gross Expenditure as per Financial Statements | 189,965 |
| (121,901) | Pensions Accounting | (50,251) |
| (3,238) | Capital Accounting | (5,028) |
| (200) | Accumulated Absence | (306) |
| (136) | Regional Reserves Transfer | 91 |
| - | Transfer between reserves | 100 |
| **130,741** | **Gross Operational Expenditure** | **134,567** |
| (8,419) | Fees, Charges and Other Service Income | (8,302) |
| **122,322** | **Total Net Operational Expenditure** | **126,265** |

The table and pie chart over page provide further analysis of the main components of total operational expenditure.

Employee Spend: Spend on police officers, police staff and police community support officers amounted to 64% of total spending.

Third party payments and contracted services: This represents 21% of the total spending and includes the G4S strategic partnership that provides back office and operational support service provision.

Supplies and Services: Spend represents 7% of total spending and includes supplier payments for a wide variety of supplies and services used by the PCC/Force on a daily basis.

Capital Financing: The cost of financing the capital programme undertaken by the PCC/Force represent 2% of the total spend.

Premises: 2% of the total spend is made on the Force estate which includes 38 stations and the Force HQ which is now shared with the Fire Service

Transport: Spend on vehicle and travel costs undertaken by the PCC/Force represents 1% of total spend.

Collaboration and Contributions: Spend which represents 4% of the total spend on Regional and National collaboration and initiatives.

| 2018/19 £m | Operational Expenditure | 2019/20 £m | Ratio for year |
|---|---|---|---|
| 82.6 | Employees | 85.6 | 64% |
| 27.1 | Third party payments and contracted services | 28.3 | 21% |
| 10.1 | Supplies and Services | 9.5 | 7% |
| 2.4 | Capital Financing | 3.0 | 2% |
| 2.9 | Premises | 2.9 | 2% |
| 1.5 | Transport | 1.4 | 1% |
| 3.6 | Collaboration & Contributions | 3.9 | 4% |
| **130.2** | **Total Gross Operating Expenditure** | **134.6** | **100%** |
| -7.9 | Less Sales, Fees and Charges | -8.3 | |
| **122.3** | **Total Net Operating Expenditure** | **126.3** | |

## Income

Total Income for 2019-20 was £126.3m compared with £122.3m for 2018-19. Total income is less than the income shown in the financial statements because it excludes Police Pension Payments grant, recharged income, capital receipts and regional contributions. The table below shows those income items that are excluded from total income.

| 2018/19 £000 | Income | 2019/20 £000 |
|---|---|---|
| (152,229) | Income as per Financial Statements | (161,901) |
| 24,597 | Pension Top-Up Grant | 23,826 |
| 819 | Recognised Capital Grant and Contributions | 500 |
| 14 | Council Tax Collection Fund | 109 |
| 104 | Gains on the disposal of assets | 62 |
| 8,419 | Fees, Charges and Other Service Income | 8,302 |
| **(118,276)** | **Total Income** | **(129,102)** |
| (4,047) | Transfer to/(from) Reserves | 2,837 |
| **(122,322)** | **Total Income including transfer from reserves** | **(126,265)** |

Total Income comprises of Central and Local Funding, together with other income, mainly in respect of the regional custody contract managed by Lincolnshire.

The table and pie chart over page provide further analysis of the main components of total funding (which forms the main part of the income):

- Central Funding– the majority of funding is from central government grants, including Police Grant and Legacy Council Tax grants;
- Local Funding – 44% of funding is provided by local council tax payers.

Government grants for 2019/20 increased by £3.6m and there was a greater burden on local taxpayers with the precept raising an additional £6.3m in year.

| 2018/19 £m | Total Funding | 2019/20 £m | Ratio for year |
|---|---|---|---|
| | **Central Funding:** | | |
| 57.9 | Police Grant | 59.4 | 47% |
| 6.8 | Legacy Council Tax Grants | 6.8 | 5% |
| 1.5 | Other Government Grants | 3.6 | 4% |
| | **Local Funding:** | | |
| 49.6 | Council Tax income | 55.9 | 44% |
| **115.8** | | **125.7** | **100%** |

The table below shows how the Funding has been utilised throughout the year to meet the expenditure incurred.

| 2018/19 £000 | Reconciliation between Funding / Income | 2019/20 £000 |
|---|---|---|
| 115.8 | Total Funding | 125.7 |
| 2.5 | Add Other Income | 3.4 |
| 4.0 | Transfer to reserves | -2.8 |
| **122.3** | **Expenditure in Year** | **126.3** |

## Capital Expenditure

Capital expenditure represents money spent on acquiring, upgrading and improving assets and major operational equipment. It relates to the provision of assets which will bring long-term benefit to the PCC Group. The table below sets out the capital investment made in 2019/20:

| 2018/19 £m | Capital Expenditure | 2019/20 £m | Ratio for year |
|---|---|---|---|
| 11.2 | Blue Light Project* | 4.7 | 50% |
| 2.3 | ICT Schemes | 2.3 | 24% |
| 1.1 | Buildings Schemes | 1.0 | 11% |
| 0.7 | Vehicles | 0.8 | 9% |
| 0.5 | Equipment | 0.4 | 4% |
| 0.3 | Speed Cameras | 0.1 | 1% |
| 0.3 | Regional | 0.1 | 1% |
| **16.4** | | **9.4** | **100%** |

*Includes £4.2m of partner funding which is excluded from the financial statements

The PCC has approved a capital programme of £10.178m for 2020/21, and includes:

- £3.5m investment in new Command & Control system;
- £1.5m investment in the Force estate improvements and maintenance;
- £2.0m replacement programme for vehicles;
- £2.0m investment in an Airwaves solution for the Emergency Services Mobile Communications Programme (ESMCP).

## Capital Financing

The PCC Group's capital programme in 2019/20 was financed through grants, contributions from revenue, capital receipts, internal cash balances and external borrowing.

| | 2018/19 £m | Capital Financing | | 2019/20 £m | Ratio for year |
|---|---|---|---|---|---|
| | 5.4 | Government Grants & Other Contributions | | 5.7 | 61% |
| 18 | | Borrowing - External | 2 | | |
| (7.5) | | Borrowing - Internal | 1.4 | | |
| | 10.5 | Total Borrowing | | 3.4 | 36% |
| | 0.4 | Direct Revenue Financing | | 0.2 | 2% |
| | 0.1 | Capital Receipts | | 0.1 | 1% |
| | **16.4** | | | **9.4** | **100%** |

**Balance Sheet**

The balance sheet shows the financial position as at the end of the financial year, with previous figures for comparison. It shows, in particular, the value of the assets owned and any sums owed to and by the PCC Group. The Balance Sheet can be reviewed in the main statements to the accounts.

The figures are dominated by the inclusion of the pension liability which is explained in detail in the pension notes.

**Performance against Budget**

In February 2019, the PCC approved a net revenue budget for 2019/20 of £126.9m of which £115.0m was funded from Police Grant and Council Tax receipts.

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

| 2019/20 | Budget £m | Actual £m | Variance £m |
|---|---|---|---|
| **Services** | | | |
| PCC | 33.540 | 31.503 | (2.037) |
| Chief Constable Delegated Budget | 92.075 | 93.597 | 1.522 |
| Joint Services | 1.266 | 1.165 | (0.101) |
| **Total Service Expenditure** | **126.881** | **126.265** | **(0.616)** |
| **Funding** | | | |
| General Police Grant | 59.123 | 59.362 | 0.239 * |
| Legacy Council Tax Grants | 6.834 | 6.834 | 0.000 |
| Special Grant | 0.000 | 1.600 | 1.600 |
| Other Government Grants | 2.043 | 2.043 | 0.000 |
| Council Tax Precept | 55.889 | 55.889 | 0.000 |
| **Total Funding** | **123.889** | **125.728** | **1.839** |
| **Other Income** | | | |
| Custody Contract | 2.268 | 2.247 | (0.021) |
| Other Income | 0.224 | 1.127 | 0.903 |
| **Total Income** | **2.492** | **3.374** | **0.882** |
| **Total Funding and Other Income** | **126.381** | **129.102** | **2.721** |
| **Total (Surplus) / Deficit** | **0.500** | **(2.837)** | **(3.337)** |
| **Financed by Reserves** | | | |
| Net transfer from / (to) Reserves | 0.500 | (2.837) | (3.337) |
| | **0.000** | **0.000** | **0.000** |

*£239k grant is within General Police Grant and is to uplift officer numbers in Lincolnshire as part of the National Officer Uplift Project

The original budget showed a planned deficit of £0.5m which would be matched by a contribution from reserves. The final outturn showed an underspend of £2.8m due to a number of factors including (but not limited to) the following under and overspends:

Underspends resulting from:

- Capital Financing - £0.34m - due to slippage in Capital Programme and lower than planned borrowing costs;
- Central pay provisions £0.73m lower than budget as the provision for pay-awards was not allocated as it was not required;
- Police led prosecution income £0.2m exceeding target;
- Contingency budget provided for potential under achievement of the savings target was not required £0.26m;
- Regional Budget underspends of £0.28m;
- Additional Home Office grant received of £1.9m, £0.24m of which relates to the national uplift fund and £1.6m of special grant;
- Income proceeds of crime act exceeded its target by £0.26m;
- Support and PCSO salaries under spend by £0.33m due to a combination of vacant posts and lower than planned severance payments;
- Major incident budget not fully spend leading to an underspend of £0.17m.

Offset by overspends:

- Police Officer Salaries - £1.4m – a combination of additional FTE, an intake of nationally funded uplift Officers and a higher pay-award than budgeted;
- Ill Health Pension and Injury award overspend £0.25m due to additional retirements and deferred awards being paid.

**Reserves**

All reserves are held by the PCC, however a number of these reserves are held to manage operational risks within the Chief Constable's budget.

Earmarked reserves as at 31 March 2020 total £12.4m (including regional reserves) and are held for specific expenditure or contingencies. Movements in Earmarked Reserves are detailed in Note 7.

As at 31 March 2020 the PCC held a General Reserve of £3.3m. There are currently no plans to use the General Reserve to support the revenue budget in 2020/21 and beyond.

The PCC's Financial Strategy at the start of 2019/20 required that reserves be maintained around the minimum point of a target range based on the assessment in respect of residual financial risks.

An assessment in February 2020 indicated the range of required risk-based reserves at £5.8m - £12.8m, the minimum point of which is £5.8m. This was set against forecast reserves as at 1st April 2020 of £6.1m: General Reserve £3.2m, Major Incident Reserve £1.9m and Insurance Reserve £1m. Forecast risk-based reserves were in excess of the £5.8m minimum threshold by £0.3m.

The Financial Strategy continues to require risk-based reserves at the minimum of the target range. This continues the financial risk being carried by the PCC and is a consequence of the desire to release risk based reserves to mitigate the operational risk.

**Principal Risks**

The principal risks facing the PCC Group are detailed in the Annual Governance Statement included within these Financial Statements.

**Outlook for 2022/23 and beyond**

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There is a balanced budget for 2022/23 this includes the following funding:

- Increased police grant for Lincolnshire of £3.7m (5.6% increase)
- An allocation of pension top-up grant of £1.2m
- A precept increase of £4.0m (3.75%) based on an increase of an additional £9.99 per annum for a Band D property in line with the precept referendum limit imposed by government.

The main principles on the setting of the budget are as below:

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- The baseline budget for police officers was set at a strength of 1,186 FTE. This was based on a targeted establishment of 1,020 FTE plus the first tranche of the national uplift of a further 50 officers, the second tranche of 49 FTE, and 67 FTE in the third and final tranche. Whilst the additional officers are welcome, it should be noted that the mandated introduction of PEQF (Police Education Qualifications Framework) has an impact on actual deployable officers;
- The current establishment of PCSOs is 85 FTE. With minor fluctuations, the budget is based on maintaining this establishment;
- The Police Staff budget has been based on 2020/21 establishment fully costed with a vacancy factor of 5% included to allow for staff turnover. This budget will increase when the Strategic Partnership budget is disaggregated to individual services from 1 April 2022;
- A provision for pay awards arising in 2022/23 has been included at 2.5%.

The Medium-Term Financial Plan includes provisional service budgets proposed for 2023/24 to 2025/26. Forecasting beyond 2022/23 is challenging particularly as future grant allocations are uncertain. The Minister's statement does not refer to the timing of the Core Grant Distribution Review (funding formula review).

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The government's future intention in relation to grant funding allocations and limitations of council tax increases remains unclear. Therefore, estimates have been made on prudent assumptions; there remains the risk that the anticipated income will be lower than assumed in the forecast.

On current assumptions the budget is balanced across the MTFP with use of reserves and a plan for efficiency savings included. This is based on maintaining the resources available for police officers/PCSOs and maintaining the number of police staff.

There is a risk relating to the expiry, in March 2022, of the contract term for the provision of operational and back-office support services by Lincolnshire's strategic partner. The programme of work to give effect to the decision to end the Strategic Partnership at the conclusion of the 10-year term is nearing completion. The initial plan is for a 'soft landing' in April 2022, however there is a financial risk because the operating model post 2022/23 is not yet fully formed.

Nevertheless, financial balance is indicated across the medium term as a result of increased contributions from Lincolnshire council taxpayers, use of reserves and efficiency savings.

Alongside increased government funding for the national police officer uplift programme, improved service delivery to the people of Lincolnshire will be achieved by significant investment in ICT infrastructure and the implementation of a class-leading Command & Control system which should provide the platform to unlock significant operational benefits through the better use of resources and data. In addition, the budget allows for investment in a Business Intelligence tool which is intended to provide a better understanding of demand further increasing productivity.

Improving productivity and achieving a fairer share of government funding for Lincolnshire remain key to maintaining safe levels of policing in the medium term.

Continuing sound financial control and planning will also be important to delivering financial balance into the medium term as there is still no certainty around future funding settlements especially if finances become tighter in a bid to balance public spending.

~~**Outlook for 2020/21 and beyond**~~

~~There is a balanced budget for 2020/21 this includes the following funding:~~

- ~~An increased police grant for Lincolnshire of £4.4m (7.5% increase);~~
- ~~An allocation of pension top-up grant of £1.2m;~~
- ~~A precept increase of £3.1m (4.1%) based on an increase of an additional £10 per annum for a Band D property as allowed by the funding settlement.~~

~~The Medium Term Financial Plan includes provisional service budgets proposed for 2021/22 to 2023/24. Forecasting remains challenging particularly as future grant allocations remain uncertain. Indications are that the much anticipated Core Grant Distribution Review (funding formula review) is unlikely before 2021/22 although no specific timing has been announced.~~

~~The government's future intention in relation to grant funding allocations and limitations of council tax increases remains unclear. Therefore estimates have been made on prudent assumptions; there remains the risk that the anticipated income will be lower than assumed in the forecast.~~

~~On current assumptions the budget is balanced across the MTFP. This is based on maintaining the resources available for police officers/PCSOs, and maintaining the current number of police staff. However, a significant risk is the amount available to support the necessary ICT investment such as Microsoft 365, Digital Asset Management system and Demand Management system and maintain the required investment in mandatory training. The amount available to support these essential investments diminishes across the MTFP, eroded by pay awards and other inflationary pressures. Difficult decisions will need to be made to prioritise the use of limited funding available.~~

~~A further risk to relates to the expiry, in March 2022, of the initial contract term for the provision of the operational and back-office support services by Lincolnshire's strategic partner. A project is ongoing to consider the extension of the contract and there is a risk that the outcome may lead to significant cost increase in the provision of these services.~~

~~Whilst financial balance is achieved across the MTFP, the implied expenditure reductions will lead to a risk of service degradation for Lincolnshire from 2022 onwards; a more~~

~~equitable slice of the national grant, or substantial precept rises in the future years would mitigate this risk.~~

~~The risk of service degradation is further mitigated by investment in ICT infrastructure and the implementation of the Command & Control system which should provide the platform to unlock substantial operational benefits through more effective use of resources and data, building upon the significant success and savings already achieved from the mobile data platform. Further ICT investment in Microsoft 365, Digital Asset Management and Demand Management systems should also bring changes in working practices and further efficiencies.~~

~~Improving productivity and achieving a fairer share of government funding for Lincolnshire remain key to maintaining safe levels of policing in the medium term.~~

~~Continuing sound financial control and planning will also be important to delivering financial balance into the medium term as reserves to support the revenue budget have been depleted over recent years.~~

**~~Going Concern~~**

~~The concept of a going concern assumes that the functions of the Police and Crime Commissioner and the Force will continue in operational existence for the foreseeable future. The provisions in the Code (*Code Of Practice On Local Authority Accounting In The United Kingdom 2019/20*) in respect of going concern reporting requirements reflect the economic and statutory environment in which Police and Crime Commissioners and police forces operate. These provisions confirm that, as Police and Crime Commissioners and police forces cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.~~

~~Police and Crime Commissioners and Chief Constables carry out functions essential to the local community and Police and Crime Commissioners are revenue-raising bodies (with limits on revenue-raising powers arising only at the discretion of central government). If a Police and Crime Commissioner was in financial difficulty, the prospects are thus that alternative arrangements would be made by central government either for the continuation of the functions it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not be appropriate for the financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a Police and Crime Commissioner will continue to operate for the foreseeable future.~~

~~The current restrictions in place within the United Kingdom in response to Covid-19 have created issues for police forces in terms of policing the government lockdown in addition to continuing normal policing functions. This has given rise to additional costs in terms of overtime and providing personal protective equipment (PPE) to operational police officers and staff. However, the PCC maintains a Major Incident Reserve of £1.8m to manage the financial risks of major incidents and the additional costs of Covid-19 incurred between March and May 2020 were less than 25% of this reserve. The Home Office is requiring financial returns from all PCCs to support its discussions within central government to secure financial assistance with the additional costs.~~

~~Although each local district council may incur a deficit on the Collection Fund for Council Tax, this will not affect the PCC's income in 2019/20 or 2020/21. Any deficit arising on the Collection Fund will be declared during 2020/21 and distributed in 2021/22.~~

~~There remains uncertainty over how long lockdown arrangements will be in place and therefore the total costs which will be incurred as a result. However, it seems certain that the~~

~~impact can be managed in 2020/21 by use of the Major Incident Reserve and that there will be minimal impact on the general reserve balance.~~

~~Beyond 2020/21, planning assumptions underpinning the medium term financial plan are being reviewed and will consider, inter alia, the potential for a reduction in council tax income as a result of:~~

- ~~Reduced collection rates;~~
- ~~Increase Council Tax Support Scheme costs;~~
- ~~Reduced growth in the number of properties paying council tax;~~
- ~~No increase in precept level in 2021/22.~~

**Explanation of Financial Statements**

These Financial Statements have been compiled in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting 2019/20.

The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accountancy in the United Kingdom 2019/20; which in turn is underpinned by International Financial Reporting Standards.

These Financial Statements set out the PCC Group income and expenditure for the year and its financial position at 31 March 2020. It comprises core and supplementary statements, together with disclosure notes.

A glossary of terms can be found at the end of this publication.

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.

All assets, liabilities and reserves continue to be held in the main by the PCC. However, those specifically relating to accounting entries within the Chief Constable entity are included in the Chief Constable's accounts. Pension liabilities have been split between the PCC and Chief Constable accounts.

**Core Statements**

- Comprehensive Income and Expenditure Statement – this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

- Movement in Reserves Statement – this shows the movement on the various reserves held by the Force, from the start of the financial year to the end of the year. This is analysed into usable reserves (those that can be applied to fund expenditure) and other unusable reserves.

- Balance Sheet – this represents the financial position as at the balance sheet date of the assets and liabilities recognised. The net assets are matched by the two categories of the reserves held.

- Cash Flow Statement – this shows the changes in cash and cash equivalents during the period. It shows how they are generated and used by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations are funded by the way of taxation and grant income. Investing activities represent the extent to which cash outflows contribute to the resources for future service delivery.

**Supplementary Statements**

- Annual Governance Statement – the PCC publishes an Annual Governance Statement in accordance with the Delivering Good Governance guidance in order to meet the statutory requirements set out in the Accounts and Audit Regulations 2015.

- Statement of Responsibilities – this explains the responsibilities for the financial affairs and how these responsibilities are carried out.

- Notes to the Accounts – the notes show details supporting each of the main accounting statements, together with additional information to explain the 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 financed.

- Expenditure and Funding Analysis – this shows how annual expenditure is used and funded from resources. Income and expenditure accounted for under generally accepted accounting principles is presented more fully in the Comprehensive Income and Expenditure Statement.

**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 Expenditure and Funding Analysis shows how the expenditure is allocated for decision making purposes between the directorates within the Force.

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

Date 7th September 2022

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## Statement of Responsibilities for the Statements of Accounts

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

| **Responsibilities of The Police and Crime Commissioner** | **Responsibilities of the Chief Finance Officer** |
|---|---|
| The PCC is required to:<br>• make arrangements for the proper administration of the financial affairs of the PCC and to secure that one of its officers (the Chief Financial Officer) has the responsibility for the administration of those affairs;<br>• manage affairs of the PCC to secure economic, efficient and effective use of resources and to safeguard its assets; and<br>• 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).<br>In preparing this Statement of Accounts, the Chief Finance Officer has:<br>• selected suitable accounting policies and then applied them consistently;<br>• made judgements and estimates that were reasonable and prudent;<br>• complied with the Code;<br>• kept proper accounting records which were up to date;<br>• taken reasonable steps for the prevention and detection of fraud and other irregularities;<br>• assessed the PCC's and the Group's ability to continue as a going concern disclosing, as applicable, matters related to going concern;<br>• used the going concern basis of accounting on the assumption that the functions of the PCC and the Group will continue in operational existence for the foreseeable future; and<br>• maintained such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. |

| | |
|---|---|
| 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 2020 and its income and expenditure for the year then ended. |

| | |
|---|---|
| Marc Jones | Julie Flint CPFA MSc |
| | Signed by Julie Flint |
| Police and Crime Commissioner for Lincolnshire | Chief Finance Officer |
| Date: 7th September 2022 | Date: 7th September 2022 |

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

## Group Expenditure and Funding Analysis 2019/20

The Expenditure and Funding Analysis, which is a note to the accounts, shows how annual expenditure is used and funded from resources. It shows how the expenditure is allocated for decision making purposes between the PCC, CC and Joint Services. Income and expenditure accounted for under generally accepted accounting principles is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2018/19 | | | | Group | 2019/20 | | |
|---|---|---|---|---|---|---|---|
| Expenditure Chargeable to the General Fund £000 | Adjustments between Funding and Accounting basis £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 | Note | | Expenditure Chargeable to the General Fund £000 | Adjustments between Funding and Accounting basis £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 |
| 25,532 | 2,341 | 27,873 | | Police and Crime Commissioner | 22,187 | 4,122 | 26,309 |
| 114,357 | 58,052 | 172,409 | | Chief Constable | 116,725 | (11,301) | 105,424 |
| 1,142 | - | 1,142 | | Joint Services | 1,165 | - | 1,165 |
| **141,031** | **60,393** | **201,424** | | **Cost of Services** | **140,077** | **(7,179)** | **132,898** |
| 735 | 2,077 | 2,812 | **8** | Other Operating Expenditure | 799 | 2,172 | 2,971 |
| 1,325 | 38,167 | 39,492 | **9** | Financing and Investment Income and Expenditure | 1,726 | 36,990 | 38,716 |
| (138,908) | (833) | (139,741) | **10** | Taxation and Non-Specific Grant Income | (145,913) | (608) | (146,521) |
| **4,183** | **99,804** | **103,987** | **4** | **(Surplus) or Deficit on the Provision of Services** | **(3,311)** | **31,375** | **28,064** |
| **5,664** | | | | Opening General Fund Balance as at 31 March | **3,233** | | |
| (4,183) | | | | Increase/(Decrease) in Year before Transfers to Earmarked Reserves | 3,311 | | |
| 1,752 | | | **7** | Net transfers (to)/from Earmarked Reserves | (3,212) | | |
| **3,233** | | | | **Closing General Fund as at 31 March** | **3,332** | | |

# PCC Expenditure and Funding Analysis 2019/20

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources. It shows how the expenditure is allocated for decision making purposes between the PCC, CC and Joint Services. Income and expenditure accounted for under generally accepted accounting principles is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2018/19 | | | | PCC | 2019/20 | | |
|---|---|---|---|---|---|---|---|
| Expenditure Chargeable to the General Fund £000 | Adjustments between Funding and Accounting basis £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 | Note | | Expenditure Chargeable to the General Fund £000 | Adjustments between Funding and Accounting basis £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 |
| 25,532 | 2,341 | 27,873 | | Police and Crime Commissioner | 22,187 | 4,122 | 26,309 |
| 592 | - | 592 | | Joint Services | 834 | - | 834 |
| **26,124** | **2,341** | **28,465** | | **Cost of Services** | **23,021** | **4,122** | **27,143** |
| (3) | 2,077 | 2,074 | **8** | Other Operating Expenditure | (1) | 2,172 | 2,171 |
| 1,325 | 447 | 1,772 | **9** | Financing and Investment Income and Expenditure | 1,726 | 515 | 2,241 |
| (138,908) | (833) | (139,741) | **10** | Taxation and Non-Specific Grant Income | (145,913) | (608) | (146,521) |
| 115,645 | - | 115,645 | **12** | Expenditure - Intra Group financing | 117,857 | - | 117,857 |
| **4,183** | **4,032** | **8,215** | **4** | **(Surplus) or Deficit on the Provision of Services** | **(3,310)** | **6,201** | **2,891** |
| **5,664** | | | | Opening General Fund Balance as at 31 March | **3,233** | | |
| (4,183) | | | | Increase/(Decrease) in Year before Transfers to Earmarked Reserves | 3,310 | | |
| 1,752 | | | **7** | Net transfers (to) / from Earmarked Reserves | (3,212) | | |
| **3,233** | | | | **Closing General Fund as at 31 March** | **3,331** | | |

# Group Comprehensive Income and Expenditure Statement 2019/20

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC Group raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

| 2018/19 | | | | | 2019/20 | | |
|---|---|---|---|---|---|---|---|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Note | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 33,322 | (5,449) | 27,873 | | Police and Crime Commissioner | 34,666 | (8,357) | 26,309 |
| 178,589 | (6,180) | 172,409 | | Chief Constable | 111,500 | (6,076) | 105,424 |
| 1,267 | (125) | 1,142 | | Joint Services | 1,155 | 10 | 1,165 |
| **213,178** | **(11,754)** | **201,424** | | **Cost of Services** | **147,321** | **(14,423)** | **132,898** |
| 3,488 | (676) | 2,812 | **8** | Other Operating Expenditure | 3,764 | (793) | 2,971 |
| 39,550 | (58) | 39,492 | **9** | Financing and Investment Income and Expenditure | 38,880 | (164) | 38,716 |
| - | (139,741) | (139,741) | **10** | Taxation and Non-Specific Grant Income | - | (146,521) | (146,521) |
| **256,216** | **(152,229)** | **103,987** | | **(Surplus) or Deficit on the Provision of Services** | **189,965** | **(161,901)** | **28,064** |
| - | (387) | (387) | **27** | (Surplus) / Deficit on Revaluation of Non-Current Assets | - | (7,841) | (7,841) |
| 63,798 | - | 63,798 | **29** | Actuarial (Gains) or Losses on Pension Assets and Liabilities | | (156,099) | (156,099) |
| **63,798** | **(387)** | **63,411** | | **Other Comprehensive Income and Expenditure** | **-** | **(163,940)** | **(163,940)** |
| **320,014** | **(152,616)** | **167,398** | | **Total Comprehensive Income and Expenditure** | **189,965** | **(325,841)** | **(135,876)** |

| 2018/19 | | | | | 2019/20 | | |
|---|---|---|---|---|---|---|---|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Note | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 33,322 | (5,449) | 27,873 | | Police and Crime Commissioner | 34,666 | (8,357) | 26,309 |
| 178,589 | (6,180) | 172,409 | | Chief Constable | 111,500 | (6,076) | 105,424 |
| 1,267 | (125) | 1,142 | | Joint Services | 1,155 | 10 | 1,165 |
| **213,178** | **(11,754)** | **201,424** | | **Cost of Services** | **147,321** | **(14,423)** | **132,898** |
| 3,488 | (676) | 2,812 | **8** | Other Operating Expenditure | 3,764 | (793) | 2,971 |
| 39,550 | (58) | 39,492 | **9** | Financing and Investment Income and Expenditure | 38,880 | (164) | 38,716 |
| - | (139,741) | (139,741) | **10** | Taxation and Non-Specific Grant Income | - | (146,521) | (146,521) |
| **256,216** | **(152,229)** | **103,987** | | **(Surplus) or Deficit on the Provision of Services** | **189,965** | **(161,901)** | **28,064** |
| - | (387) | (387) | **27** | (Surplus) / Deficit on Revaluation of Non-Current Assets | - | (7,841) | (7,841) |
| 63,798 | - | 63,798 | **29** | Actuarial (Gains) or Losses on Pension Assets and Liabilities | (156,099) | - | (156,099) |
| **63,798** | **(387)** | **63,411** | | **Other Comprehensive Income and Expenditure** | **(156,099)** | **(7,841)** | **(163,940)** |
| **320,014** | **(152,616)** | **167,398** | | **Total Comprehensive Income and Expenditure** | **33,866** | **(169,742)** | **(135,876)** |

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 requires that the Comprehensive Income and Expenditure Statement (CIES) reflects the internal management reporting and decision making arrangements of the organisation.

The strategic partnership contract is managed by the PCC and has been included within the annual statements for the PCC in line with the above arrangements. The cost relating to the G4S strategic partnership of £22.4m for 2019/20 (2018/19: £22.3m) is included in the Group Comprehensive Income and Expenditure Statement shown above. See note 2 for more information.

The year to year variance on actuarial (gains) or losses on the pensions assets and liabilities relates to the McCloud and GMP adjustments to the pension schemes. These actuarial adjustments were a one-off adjustment required as a result of judicial rulings on the pension schemes.

## PCC Comprehensive Income and Expenditure Statement 2019/20

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC Group raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

| 2018/19 | | | | | 2019/20 | | |
|---|---|---|---|---|---|---|---|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Note | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 33,322 | (5,449) | 27,873 | | Police and Crime Commissioner | 34,666 | (8,357) | 26,309 |
| 717 | (125) | 592 | | Joint Services | 818 | 16 | 834 |
| **34,039** | **(5,574)** | **28,465** | | **Cost of Services** | **35,484** | **(8,341)** | **27,143** |
| 2,184 | (110) | 2,074 | **8** | Other Operating Expenditure | 2,233 | (62) | 2,171 |
| 1,830 | (58) | 1,772 | **9** | Financing and Investment Income and Expenditure | 2,405 | (164) | 2,241 |
| - | (139,741) | (139,741) | **10** | Taxation and Non-Specific Grant Income | - | (146,521) | (146,521) |
| 115,645 | - | 115,645 | | Expenditure - Intra Group financing | 117,857 | - | 117,857 |
| **153,698** | **(145,483)** | **8,215** | | **(Surplus) or Deficit on the Provision of Services** | **157,979** | **(155,088)** | **2,891** |
| - | (387) | (387) | **27** | (Surplus) / Deficit on Revaluation of Non-Current Assets | - | (7,841) | (7,841) |
| 3,324 | - | 3,324 | **29** | Actuarial (Gains) or Losses on Pension Assets and Liabilities | | (8,814) | (8,814) |
| **3,324** | **(387)** | **2,937** | | **Other Comprehensive Income and Expenditure** | **-** | **(16,655)** | **(16,655)** |
| **157,022** | **(145,870)** | **11,152** | | **Total Comprehensive Income and Expenditure** | **157,979** | **(171,743)** | **(13,764)** |

| 2018/19 | | | | | 2019/20 | | |
|---|---|---|---|---|---|---|---|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Note | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 33,322 | (5,449) | 27,873 | | Police and Crime Commissioner | 34,666 | (8,357) | 26,309 |
| 717 | (125) | 592 | | Joint Services | 818 | 16 | 834 |
| **34,039** | **(5,574)** | **28,465** | | **Cost of Services** | **35,484** | **(8,341)** | **27,143** |
| 2,184 | (110) | 2,074 | **8** | Other Operating Expenditure | 2,233 | (62) | 2,171 |
| 1,830 | (58) | 1,772 | **9** | Financing and Investment Income and Expenditure | 2,405 | (164) | 2,241 |
| - | (139,741) | (139,741) | **10** | Taxation and Non-Specific Grant Income | - | (146,521) | (146,521) |
| 115,645 | - | 115,645 | | Expenditure - Intra Group financing | 117,857 | - | 117,857 |
| **153,698** | **(145,483)** | **8,215** | | **(Surplus) or Deficit on the Provision of Services** | **157,979** | **(155,088)** | **2,891** |
| - | (387) | (387) | **27** | (Surplus) / Deficit on Revaluation of Non-Current Assets | - | (7,841) | (7,841) |
| 3,324 | - | 3,324 | **29** | Actuarial (Gains) or Losses on Pension Assets and Liabilities | (8,814) | - | (8,814) |
| **3,324** | **(387)** | **2,937** | | **Other Comprehensive Income and Expenditure** | **(8,814)** | **(7,841)** | **(16,655)** |
| **157,022** | **(145,870)** | **11,152** | | **Total Comprehensive Income and Expenditure** | **149,165** | **(162,929)** | **(13,764)** |

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 requires that the Comprehensive Income and Expenditure Statement (CIES) reflects the internal management reporting and decision making arrangements of the organisation.

The strategic partnership contract is managed by the PCC and has been included within the annual statements for the PCC. The cost relating to the G4S strategic partnership of £22.4m for 2019/20 (2018/19: £22.3m) is shown in the PCC Comprehensive Income and Expenditure Statement shown above. See note 2 for more information.

# Group Movement in Reserves Statement 2019/20

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

| Group | Capital Receipts Reserve | Capital Grants Unapplied | Earmarked Reserves | General Fund Balance | Total Usable Reserves | Unusable Reserves | Total Group Reserves |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance at 31 March 2018** | **-** | **596** | **10,979** | **5,664** | **17,238** | **(1,381,813)** | **(1,364,575)** |
| **Movement in Reserves during 2018/19** | | | | | | | |
| (Surplus) or Deficit on the provision of services | - | - | - | (103,987) | (103,987) | - | (103,987) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | (63,411) | (63,411) |
| **Total Comprehensive Income and Expenditure** | **-** | **-** | **-** | **(103,987)** | **(103,987)** | **(63,411)** | **(167,398)** |
| Adjustments between accounting basis and funding basis under regulations (Note 6) | - | (304) | - | 99,804 | 99,500 | (99,500) | - |
| **Net Increase /(Decrease) before Transfers to Earmarked Reserves** | **-** | **(304)** | **-** | **(4,183)** | **(4,487)** | **(162,911)** | **(167,398)** |
| Net transfers (to)/from Earmarked Reserves (Note 7) | - | - | (1,752) | 1,752 | - | - | - |
| **Increase/(Decrease) in 2018/19** | **-** | **(304)** | **(1,752)** | **(2,431)** | **(4,487)** | **(162,911)** | **(167,398)** |
| **Balance at 31 March 2018 carried forward** | **-** | **292** | **9,227** | **3,233** | **12,751** | **(1,544,725)** | **(1,531,974)** |
| **Movement in Reserves during 2019/20** | | | | | | | |
| (Surplus) or Deficit on the provision of services | - | - | - | (28,064) | (28,064) | - | (28,064) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | 163,940 | 163,940 |
| **Total Comprehensive Income and Expenditure** | **-** | **-** | **-** | **(28,064)** | **(28,064)** | **163,940** | **135,876** |
| Adjustments between accounting basis and funding basis under regulations (Note 6) | - | (280) | - | 31,375 | 31,095 | (31,095) | - |
| **Net Increase /(Decrease) before Transfers to Earmarked Reserves** | **-** | **(280)** | **-** | **3,311** | **3,031** | **132,845** | **135,876** |
| Net transfers (to)/from Earmarked Reserves (Note 7) | - | - | 3,212 | (3,212) | - | - | - |
| **Increase/(Decrease) in 2019/20** | **-** | **(280)** | **3,212** | **99** | **3,031** | **132,845** | **135,876** |
| **Balance at 31 March 2020 carried forward** | **-** | **12** | **12,439** | **3,332** | **15,782** | **(1,411,881)** | **(1,396,099)** |

# PCC Movement in Reserves Statement 2019/20

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

| PCC | Capital Receipts Reserve | Capital Grants Unapplied | Earmarked Reserves | General Fund Balance | Total Usable Reserves | Unusable Reserves | Total PCC Reserves |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance at 31 March 2018 carried forward** | **-** | **596** | **10,979** | **5,664** | **17,238** | **(13,473)** | **3,765** |
| **Movement in Reserves during 2018/19** | | | | | | | |
| (Surplus) or Deficit on the provision of services | - | - | - | (8,215) | (8,215) | - | (8,215) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | (2,937) | (2,937) |
| **Total Comprehensive Income and Expenditure** | **-** | **-** | **-** | **(8,215)** | **(8,215)** | **(2,937)** | **(11,152)** |
| Adjustments between accounting basis and funding basis under regulations (Note 6) | - | (304) | - | 4,032 | 3,728 | (3,728) | - |
| **Net Increase /(Decrease) before Transfers to Earmarked Reserves** | **-** | **(304)** | **-** | **(4,183)** | **(4,487)** | **(6,665)** | **(11,152)** |
| Net transfers (to)/from Earmarked Reserves (Note 7) | - | - | (1,752) | 1,752 | - | - | - |
| **Increase/(Decrease) in 2018/19** | **-** | **(304)** | **(1,752)** | **(2,431)** | **(4,487)** | **(6,665)** | **(11,152)** |
| **Balance at 31 March 2019 carried forward** | **-** | **292** | **9,227** | **3,233** | **12,751** | **(20,140)** | **(7,389)** |
| **Movement in Reserves during 2019/20** | | | | | | | |
| (Surplus) or Deficit on the provision of services | - | - | - | (2,891) | (2,891) | - | (2,891) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | 16,655 | 16,655 |
| **Total Comprehensive Income and Expenditure** | **-** | **-** | **-** | **(2,891)** | **(2,891)** | **16,655** | **13,764** |
| Adjustments between accounting basis and funding basis under regulations (Note 6) | - | (280) | - | 6,201 | 5,921 | (5,921) | - |
| **Net Increase /(Decrease) before Transfers to Earmarked Reserves** | **-** | **(280)** | **-** | **3,310** | **3,030** | **10,734** | **13,764** |
| Net transfers (to)/from Earmarked Reserves (Note 7) | - | - | 3,212 | (3,212) | - | - | - |
| **Increase/(Decrease) in 2019/20** | **-** | **(280)** | **3,212** | **98** | **3,030** | **10,734** | **13,764** |
| **Balance at 31 March 2020 carried forward** | **-** | **12** | **12,439** | **3,331** | **15,782** | **(9,406)** | **6,376** |

## Group and PCC Balance Sheet as at 31 March 2020

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

| 31 March 2019 | | | | 31 March 2020 | |
|---|---|---|---|---|---|
| PCC £000 | Group £000 | Note | | PCC £000 | Group £000 |
| 39,559 | 39,559 | 13 | Property, Plant and Equipment | 47,269 | 47,269 |
| 2,669 | 2,669 | 15 | Intangible Assets | 2,120 | 2,120 |
| **42,228** | **42,228** | | **Long-Term Assets** | **49,389** | **49,389** |
| - | - | 19 | Assets Held for Sale | 250 | 250 |
| 469 | 469 | 20 | Inventories | 454 | 454 |
| 14,757 | 14,757 | 21 | Short-Term Debtors | 13,870 | 13,870 |
| 8,131 | 8,131 | 22 | Cash and Cash Equivalents | 6,152 | 6,152 |
| **23,357** | **23,357** | | **Current Assets** | **20,726** | **20,726** |
| (1,069) | (1,069) | 46 | Short-Term Borrow ing | (1,073) | (1,073) |
| (13,224) | (13,224) | 23 | Short-Term Creditors | (12,624) | (12,624) |
| (2,298) | (2,298) | 18 | Other Short Term Liabilities | (3,026) | (3,026) |
| (1,518) | (1,534) | 24 | Short-Term Provisions | (1,296) | (1,313) |
| (1,796) | (1,796) | 11 | Revenue Grants Receipts in Advance (< 1 yr) | (196) | (196) |
| **(19,905)** | **(19,921)** | | **Current Liabilities** | **(18,215)** | **(18,232)** |
| (27,561) | (27,561) | 46 | Long-Term Borrow ing | (28,869) | (28,869) |
| (20,912) | (1,545,358) | 44 | Pension Liabilities | (13,629) | (1,415,979) |
| (4,596) | (4,596) | 18 | Other Long-Term Liabilities | (3,026) | (3,026) |
| - | (123) | 24 | Long-Term Provisions | - | (108) |
| **(53,069)** | **(1,577,638)** | | **Long-Term Liabilities** | **(45,524)** | **(1,447,982)** |
| **(7,389)** | **(1,531,974)** | | **Net Assets** | **6,376** | **(1,396,099)** |
| 12,751 | 12,751 | 25 | Usable Reserves | 15,782 | 15,782 |
| (20,140) | (1,544,725) | 26 | Unusable Reserves | (9,406) | (1,411,881) |
| **(7,389)** | **(1,531,974)** | | **Total Reserves** | **6,376** | **(1,396,099)** |

These audited accounts were signed on ~~DD MMM 2020~~7th September 2022.

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Julie Flint CPFA MSc
Chief Finance Officer

## Group and PCC Cash Flow Statement 2019/20

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.

| 2018/19 | | | | 2019/20 | |
|---|---|---|---|---|---|
| PCC £000 | Group £000 | Note | | PCC £000 | Group £000 |
| 8,215 | 103,987 | | **Net (Surplus) or Deficit on the Provision of Services** | 2,891 | 28,064 |
| (6,690) | (102,462) | **32** | Adjustments to net surplus or deficit on the provision of services for non-cash movements | (10,929) | (36,100) |
| 110 | 110 | **33** | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 62 | 62 |
| **1,635** | **1,635** | | **Net Cash Outflows from Operating Activities** | **(7,974)** | **(7,974)** |
| 9,180 | 9,180 | **35** | Investing Activities | 6,640 | 6,640 |
| (16,562) | (16,562) | **36** | Financing Activities | 3,314 | 3,314 |
| **(5,747)** | **(5,747)** | | **Net (Increase) or Decrease in Cash and Cash Equivalents** | **1,980** | **1,980** |
| 2,384 | 2,384 | **22** | Cash and Cash Equivalents at the Beginning of the Reporting Period | 8,131 | 8,131 |
| 8,131 | 8,131 | **22** | Cash and Cash Equivalents at the End of the Reporting Period | 6,151 | 6,151 |

## 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 (Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement). Where the balances and transactions explained are the same between the PCC Group and PCC the note will only provide one explanation, where there are differences between the PCC Group and PCC balances, the notes will outline both in the required detail.

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

### 1. Accounting Policies

#### 1.1. Going Concern

The concept of a going concern assumes that the functions of the Police and Crime Commissioner and the Force will continue in operational existence for the foreseeable future. The provisions in the Code (*Code Of Practice On Local Authority Accounting In The United Kingdom 2019/20*) in respect of going concern reporting requirements reflect the economic and statutory environment in which Police and Crime Commissioners and police forces operate. These provisions confirm that, as Police and Crime Commissioners and police forces cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Police and Crime Commissioners and Chief Constables carry out functions essential to the local community and Police and Crime Commissioners are revenue-raising bodies (with limits on revenue-raising powers arising only at the discretion of central government). If a Police and Crime Commissioner was in financial difficulty, the prospects are thus that alternative arrangements would be made by central government either for the continuation of the functions it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not be appropriate for the financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a Police and Crime Commissioner will continue to operate for the foreseeable future.

The pandemic has not yet had the negative impact on council tax receipts which was expected at the start of 2022/23. There was a slight increase of 2.05% in the tax base for 2022/23. The Government has also been proactive in supporting authorities with regard to council tax funding by setting the following funding initiatives –

- Local Government Finance Settlement – announced in the 2020 Spending Review, this funding for Local Council Tax Support Schemes enables councils to continue to reduce council tax bills for those least able to pay. This funding is paid directly by MHCLG to PCCs and is designed to compensate for decreased precept revenue as a result of tax base reductions resulting from the pandemic.

- Collection Fund Deficits – the MHCLG also announced that any repayment of collection fund deficits arising from 2020/21 must be spread over the next three years; rather than the usual one. The Government will compensate authorities for 75% of irrecoverable losses in council tax income for 2020/21. Funding will be paid directly to PCCs in 2021/22, with the obligation that PCCs will meet the total costs from the 2020/21 deficit over the next three years. Two Lincolnshire District

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**Commented [LM1]:** To be more precise, the government requires any exceptional council tax deficit balance, calculated during the 15 January 2021 estimation process to be spread over the three years. The way it's phrased here might be interpreted differently.

**Commented [LM2R1]:** I can't see any change and I am not sure where this info is coming from. For example, as per this document: Phasing of 2020-21 Collection Fund Deficits (publishing.service.gov.uk) the deficits arising from 2020/21 are being phased over 3 years, not from 2021/22. Please advise your rationale.

Councils declared a deficit, totaling £0.132m. The cost pressure therefore for the PCC for the next three years to 2023/24 is £0.033m pa.

It has been assumed that the tax base will increase by 0.5% per annum across the Medium-Term Financial Plan (MTFP). This is considered to be prudent level of increase given the anticipated longer-term impact of the COVID-19 pandemic, rising interest rates and inflationary pressures.

The COVID-19 lockdown restrictions employed within the United Kingdom created issues for police forces in terms of policing the government lockdown policy in addition to continuing normal policing functions. This gave rise to additional costs in terms of overtime and providing personal protective equipment (PPE) to operational police officers and staff. However, the PCC maintains a Major Incident Reserve of £1.8m to manage the financial risks of major incidents and received additional financial support from Government to cover the additional costs. The Government also created a scheme where Police Forces could nationally order PPE with costs picked up centrally. In general terms the pandemic has not financially affected the Force adversely to a great extent. There could be an indirect effect on the Force should Government look to reduce future spending to balance its finances as a result of the unprecedented funding to support the country through the pandemic.

All figures quoted in the going concern assessment below relate to the PCC group.

Our most recent balances compared to the year-end reported in these statements are as follows (note these are unaudited balances):

| Date | General Reserve | Major Incident Reserve | Earmarked reserves |
|---|---|---|---|
| 31 March 2022 | £5.979m | £1.850m | £21.246m |

The current Treasury Management strategy acknowledges that in recent years the capital programme has been financed internally utilising surplus cash-flow. It is noted that this surplus is only available in the short-term; it is assumed that from 2022/23 the PCC will undertake the required external borrowing to support the forecasted capital programme.

Beyond 2021/22, planning assumptions underpinning the medium-term financial plan are being reviewed and will consider, inter alia, the potential for reduced public spending as a direct result of the cost of the Covid pandemic and the subsequent global financial recession.

The going concern period of assessment is a minimum of twelve months from the authorisation date of the financial statements -

- The cash balance is forecast to increase from £8.1m at 31 March 2019 to £35.9m at 30 September 2023. The cash balance at September 2023 includes a receipt in advance in respect of the annual Home Office police pension top-up of £22.1m.

- Risk reserves are forecast to increase from £5.4m as at 31 March 2019 to £9.1m at the end of March 2024. The General Fund balance (included in the risk reserves) has increased from £3.2m as at 31 March 2019 to £5.9m forecast at the end of March 2024.

These balances are not expected to fall below the S151 Officer's assessed minimum required level for the risk reserves of £10.0m.

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**Commented [WN4R3]:** Draft accounts 2021/22

**Commented [LM5]:** Same comment here. The Budget outturn shows 19m

**Commented [WN6R5]:** Draft accounts 2021/22

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**Commented [LM7]:** I think we discussed as part of the cash flow forecasts that there is no expectation for external borrowings?

**Commented [WN8R7]:** I think we will need to ask CFO on this there is a discrepancy between TM strategy (quoted in CFO narrative) and cashflow. Happy to adjust cashflow to match MTFP/ TM strategy if needed

**Commented [LM9R7]:** Yes please, let's get some clarifications on the real picture and ensure consistency

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**Commented [WN11R10]:** Reserve forecast spreadsheet

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### ~~1.1.~~1.2. General Principles

The Statement of Accounts summarises the PCC's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The PCC is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require the statements to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, 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.~~1.3. Prior period adjustments, Changes in Accounting Policies and Estimate and Errors

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

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

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

### ~~1.3.~~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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;

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

### ~~1.4.~~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.

**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.

**Initial Recognition**

- Recognition

  Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the PCC Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

- Measurement

  Assets are initially measured at cost, comprising:

  - The purchase price;
  - Costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
  - The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

**De Minimis Level**

The PCC has a de minimis level of £10k 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 relevant service lines in the Comprehensive Income and Expenditure Statement.

**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. The PCC may rely on the advice of other relevant expert managers to value other assets.

Property, plant and equipment assets are classified into the groupings required by the Code of Practice on Local Authority Accounting. All operational and non-operational land and properties were subjected to a full revaluation exercise at 1 April 2019. This valuation has been updated as at 31 March each year since, by way of a desktop revaluation of all assets.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

All valuations are in accordance with the capital accounting rules.

**~~1.5.~~1.6. Operational Assets**

**~~1.5.1.~~1.6.1. Land and Operational Properties:**

Where the assets are considered by the Valuers to be specialist in nature (for example custody suites in operational police stations) they are valued at current value with depreciated replacement cost (DRC) methodology, reflecting their value to the PCC in their current use. Due to 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 current value, determined as the amount that would be paid for the asset in its existing use (EUV). 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.

It should be noted that the Blue Light Campus, Lincoln's new joint fire, police and ambulance station on South Park is considered as wholly specialised by the Valuers and is therefore valued at DRC.

### ~~1.6.~~1.7. Non-Operational Assets

#### ~~1.6.2.~~1.7.2. Surplus assets

Assets which the PCC no longer operates or are no longer used for service delivery, but are not investment properties or meet the definition for held for sale. They are valued at fair value and measured and depreciated in line with the operational asset class. Current value, determined as the amount that would be paid for the asset in its existing use (EUV), is used.

**Assets Under Construction**

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

### ~~1.7.~~1.8. 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, the year end valuation encompasses all changes in value, whether from additions, disposals, changes in market value, impairment or other consumption of economic benefits.

The next full valuation will be carried out in 2024/25.

### ~~1.8.~~1.9. Component Accounting for Property, Plant and Equipment

#### ~~1.8.1.~~1.9.1. The PCC's Componentisation Policy

The Code requires that:

- Land and buildings should be accounted for separately;
- Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

#### ~~1.8.2.~~1.9.2. Identifying Components

Consideration should be given to the potential impact of different asset lives on depreciation calculations. These will be large value items where asset lives are greatly exaggerated by ignoring the fact that parts of the asset need regular replacement over the life of the main asset.

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.

Component assets will have their own life applied as appropriate and the table below should be used where a valuation has not been provided at the time of capitalisation. The table should also be used to apply useful existing life for MRP calculations. (N.B. It may not be prudent to charge MRP over the life of an existing building).

| **Component** | **Asset Life** |
|---|---|
| Structure | 50 years |
| Roof | 35 years |
| Windows | 45 years |
| Mechanical and Engineering | 15 years |

#### ~~1.8.3.~~1.9.3. Subsequent Capital Expenditure

The process of improving and renovating existing buildings means that some parts of the structure need to be derecognised before capitalisation of the new expenditure can take place. The steps will be:

- Treat the subsequent expenditure as an addition, with the appropriate new asset life value;
- De-recognise the original asset, treat as a loss on disposal;
- Adopt method for appropriate value for de-recognition for part of a component such as part of a roof. May take value of replacement part to be proxy value of old part but will need to discount back to start of asset life;
- Compare the valuation of the asset with its new carrying value for impairment or revaluation.

#### ~~1.8.4.~~1.9.4. Revaluation Reserve

Each component will be separately recognised in the revaluation reserve and hence easy to identify for any future asset replacement.

### ~~1.9.~~1.10. Revaluation Gains and Losses

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

#### ~~1.9.1.~~1.10.1. Recognising a Revaluation Gain or Loss

Increases as a result of revaluations are debited to the appropriate asset account, with the opposite entry going to the Revaluation Reserve to recognise unrealised gains, except to the extent where it reverses a previous revaluation loss that was charged to a service revenue account within the Comprehensive Income and Expenditure Statement. In this case the revaluation gain will first be used to offset the previous loss

and any further gain is then taken to the Revaluation Reserve. Component assets are treated as separate assets and therefore revalued separately. Revaluation gains charged to Surplus or Deficit on Provision of Services are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

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

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

### ~~1.10.~~1.11. Depreciation

Depreciation is charged on all assets with a finite useful life which is determined at the time of acquisition. (The life may be revalued by valuers, in accordance with the revaluation program). For vehicles, depreciation is charged from after the month they are capitalised. For operational buildings, ICT and specialist equipment, depreciation is charged from the start of the following year in which they are capitalised. Depreciation is charged until the month assets are disposed, decommissioned or reach the end of their useful lives.

The policy on useful asset life at acquisition is as follows:

| Asset category | Asset life* | Comments |
|---|---|---|
| Operational buildings | 50 yrs | May vary from 25 to 75 years, due to revaluation or other justification to change the life at acquisition. Justification to use a life other than 50 years will be provided for audit purposes.<br>See section 1.8 for component policy and asset useful lives. |
| Vehicles | 5 yrs | This reflects the longer UEL of the assets in the force. |
| ICT equipment | 5 yrs | This covers the operational day to day ICT equipment. Special projects and new Implementations will be covered by specialist and other projects. |
| Specialist equipment | 10 - 15 yrs | This covers all other projects e.g. IT projects and office refurbishment and other assets over £10,000 not covered by the above.<br>Justification of life used to be provided to ensure consistency. |

*at acquisition

Depreciation is calculated as the current value of the asset divided by the useful existing life of the asset. Revaluation gains are depreciated along with the historic cost of the asset. The difference between current value depreciation and the depreciation that would have been chargeable based on the historic cost is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

For surplus assets awaiting disposal, depreciation is not charged to services. 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.

New assets that enhance or improve an existing asset will take the remaining life of that asset for depreciation purposes. Where an asset is componentised the component assets will have their own life applied as appropriate. See section 1.8 for componentisation policy.

### ~~1.11.~~1.12. Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale. 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.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the PCC's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### ~~1.12.~~1.13. Impairment of Non-Current Assets

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### ~~1.13.~~1.14. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the PCC as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the PCC.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the PCC will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the PCC's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the PCC can be determined by reference to an active market. In practice, no intangible asset held by the PCC meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired, any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### ~~1.13.1.~~1.14.1. De Minimis Level

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

### ~~1.14.~~1.15. Charges to Revenue for the use of Non-Current Assets

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

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

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

### ~~1.15.~~1.16. Minimum Revenue Provision

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

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

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

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

### ~~1.16.~~1.17. Revenue Expenditure Financed through Capital under Statute

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

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

### ~~1.17.~~1.18. 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).

#### ~~1.17.1.~~1.18.1. Finance Lease

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

#### ~~1.17.2.~~1.18.2. Operating Lease

All other leases are determined to be operating leases.

## ~~1.18.~~1.19. The PCC as Lessee

### ~~1.18.1.~~1.19.1. Finance Leases

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

Lease payments are apportioned between:

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

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

The PCC is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### ~~1.18.2.~~1.19.2. Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

## ~~1.19.~~1.20. The PCC as Lessor

### ~~1.19.1.~~1.20.1. Finance Leases

Where the PCC grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the PCC's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property which is applied to write down the lease debtor (together with any premiums received); and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

**~~1.19.2.~~1.20.2. Operating Leases**

Where the PCC grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

**~~1.20.~~1.21. Government Grants and Contributions**

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants

and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

**~~1.21.~~1.22. Debtors**

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

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

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

**~~1.22.~~1.23. 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.

**~~1.23.~~1.24. Debt impairment**

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

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

**~~1.24.~~1.25. 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.

### ~~1.25.~~1.26. Investments and Cash and Cash Equivalents

#### ~~1.25.1.~~1.26.1. Investments

The PCC will classify these as follows:

Short-term deposits (due to be returned within 12 months after 31 March) held for investment purposes for the returns offered are classed as Short-term Investments;

Deposits held for investment purposes for the returns offered which are due for return more than a year after 31 March are classed as Long Term Investments.

#### ~~1.25.2.~~1.26.2. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the cash flow statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand or form an integral part of the Force's cash management.

### ~~1.26.~~1.27. Provisions

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

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

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

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

### ~~1.27.~~1.28. Contingent Liabilities

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

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

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

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

### ~~1.28.~~1.29. 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.

### ~~1.29.~~1.30. Reserves

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

#### ~~1.29.1.~~1.30.1. 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.

#### ~~1.29.2.~~1.30.2. Unusable Reserves

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

### ~~1.30.~~1.31. Events after the Reporting Period

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

- Those that provide evidence of conditions that existed at the end of the reporting period where the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period where the Statement of Accounts is not adjusted to reflect such events, but where a category of

events would have a material effect. Disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

**~~1.31.~~1.32. 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.

**~~1.32.~~1.33. Costs of Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the PCC Group's arrangements for the accountability and financial performance.

**~~1.33.~~1.34. Value Added Tax (VAT)**

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

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

**~~1.34.~~1.35. Fair Value Measurement**

The PCC measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The PCC measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the PCC takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The PCC uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the PCC's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the PCC can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

### ~~1.35.~~1.36. Employee Benefits

#### ~~1.35.1.~~1.36.1. Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the PCC. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

#### ~~1.35.2.~~1.36.2. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the PCC to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the PCC can no longer withdraw the offer of those benefits or when the PCC recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the PCC to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### ~~1.35.3.~~1.36.3. Post-employment Benefits

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

- The Police Officer Pension Scheme, for which the scheme manager is the Chief Constable, administered by XPS Administration;
- The Local Government Pensions Scheme, for which the scheme manager is the Executive Director of Resources within the Administering Authority, Lincolnshire

County Council. The scheme itself is administered by West Yorkshire Pension Fund on behalf of Lincolnshire County Council.

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

**~~1.35.4.~~1.36.4. The Local Government Pension Scheme**

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (based on the indicative rate of return on high quality AA index corporate bonds);

- The assets of Lincolnshire pension fund attributable to the PCC are included in the Balance Sheet at their fair value as follows:

  - Quoted securities – current bid price;

  - Unquoted securities – professional estimate;

  - Unitised securities – current bid price;

  - Property – market value.

**~~1.35.5.~~1.36.5. Percentage Entity Split**

Both the member and employer contributions for the G4S participants within the Local Government Pension Scheme will be allocated to the PCC in line with the Strategic Partnership arrangement. The entity split was reviewed in 2018/19 and will be reviewed every 5 years as this will be a decreasing percentage as the number of G4S participants lessen over time. A change in the percentage as a result of a review will require a restatement. The current percentage entity split is 30.5% PCC and 69.5% Chief Constable. It should be noted that this scheme is a closed scheme.

**~~1.35.6.~~1.36.6. The Police Officer Pension Scheme**

The Police Officer Pension Schemes (both the old and new schemes) are accounted for as a defined benefit scheme:

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

- Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (based on the indicative rate of return on high quality AA index corporate bonds).

### ~~1.35.7.~~1.36.7. Pension Scheme Policies

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

- Service cost comprising:
  - Current service cost. The increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost. The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement to a corporate service segment;
  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the PCC, the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
  - The return on plan assets. Excluding amounts included in net interest on the net defined benefit liability (asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses. Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Contributions paid to the Lincolnshire pension fund. Cash paid as employer's contributions to the pension fund in settlement of liabilities. Not accounted for as an expense.
  - In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the PCC to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits on

the basis of cash flows, rather than when the benefits are earned by employees.

#### ~~1.35.8.~~1.36.8. Discretionary Benefits

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

#### ~~1.35.9.~~1.36.9. Police Officer Pensions – Home Office Memorandum Account

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

### ~~1.36.~~1.37. Joint Operations

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

### ~~1.37.~~1.38. Financial Instruments

#### ~~1.37.1.~~1.38.1. Financial Liabilities

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

For all of the borrowings that the PCC has, this means that:

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

#### ~~1.37.2.~~1.38.2. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost

- Fair value through Profit or Loss (FVPL) and
- Fair value through Other Comprehensive Income (FVOCI)

The PCC's business model is to hold investments to collect contractual cash flows. Financial assets are therefore measured at amortised cost.

**~~1.37.3.~~1.38.3. Financial Assets Measured at Amortised Cost**

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

**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 the financial statements, but the Code says not to include them. This means that by following the CIPFA guidance, the PCC has treated Police Pensions Payments grant 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;
- The Scheme of Arrangements within the PCC Group and the governance arrangements indicate that the Chief Constable controls police officers and police staff, with the exception of PCC staff. 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 2020 reflect the combined G4S and Lincolnshire Police pension fund assets and liabilities.

- The split of the G4S pension liability within the Local Government Pensions Scheme is allocated between the PCC and the Chief Constable in line with the Strategic Partnership arrangement. The current percentage entity split is 30.5% PCC and 69.5% Chief Constable.

- In November 2019, the PCC Group moved into the Blue Light Campus, Lincoln’s new joint fire, police and ambulance station on South Park. The property is a Right of Use lease that the PCC have with Lincolnshire County Council. As the PCC Group have already paid contributions of £9.7m prior to the lease inception they do not have a lease liability for this value. Any revaluation increase will be treated as an addition to the finance lease to reflect the fair value of the asset and credited to the revaluation reserve.

**3. Assumptions and Other Major Sources of Estimation Uncertainty**

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

The items in the PCC’s Group Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are described below. The main area of fluctuation is the assessment of pension’s assets and liabilities. Hence, these are considered separately.

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|---|
| Pension liability (Group)<br>£1,415,979k of which £13,627k relates to the PCC | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.<br>A firm of consulting actuaries is engaged to provide the PCC with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions have been measured and described in the tables below.<br>The tables give an indication of the impact of changes in the main assumptions but are not an exhaustive list of the variables involved. |
| Actuarial Assumptions (Group)<br>£1,415,979k of which £13,627k relates to the PCC | The actuaries have assumed that CPI will be approximately 1% p.a. below RPI on average. | As a market in CPI linked bonds does not exist the actuaries need to make an estimate of the long term gap between RPI and CPI in order to arrive at a CPI assumption for the accounts.<br>The assumption that CPI will be 1% below RPI on average leads to future service costs being around 8% lower than if the RPI indicator was used. |

~~**3.1. The items in the PCC's Group Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are described below. The main area of fluctuation is the assessment of pension's assets and liabilities. Hence, these are considered separately.**~~

### ~~3.2.~~3.1. Pension assumptions

The sensitivity analyses for the Police and Local Government Pension Schemes are set out in the tables below. Sensitivity analysis is based on changes to the assumptions occurring at the end of the reporting period and with only one assumption changing at a time rather than assumptions changing in combination with each other. The sensitivity on the longevity assumption, for example, is based upon life expectancy increasing or decreasing for both men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

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

| Change in financial and demographic assumptions | Approximate percentage increase to Employer Liability | Approximate monetary amount (£m) |
|---|---|---|
| 0.5% decrease in the Real Discount Rate | 10% | 130.50 |
| 1 year increase in member life expectancy | 3% | 40.91 |
| 0.5% in the Salary Increase Rate | 1% | 12.69 |
| 0.5% increase in the Pensions Increase Rate (CPI) | 8% | 106.98 |

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

| Change in financial and demographic assumptions | Approximate percentage increase to Projected Current Service Cost | Approximate monetary amount (£m) |
|---|---|---|
| 0.5% decrease in the Real Discount Rate | 21% | 4.58 |
| 1 year increase in member life expectancy | 3% | 0.67 |
| 0.5% in the Salary Increase Rate | <1% | 0.03 |
| 0.5% increase in the Pensions Increase Rate (CPI) | 8% | 2.29 |

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

| Change in financial and demographic assumptions | Approximate percentage increase to Defined Benefit Obligation | Approximate monetary amount (£m) |
|---|---|---|
| 0.5% decrease in the Real Discount Rate | 11% | 18.64 |
| 0.5% in the Salary Increase Rate | 1% | 1.80 |
| 0.5% increase in the Pensions Increase Rate (CPI) | 10% | 16.71 |

## 3.2. Impact of the McCloud/Sargeant court case and remedy assumptions

Allowing for all eligible members to accrue benefits from their legacy scheme during the McCloud remedy period (1 April 2015 to 31 March 2022) would lead to an increase in the Police Pension Scheme liabilities. At the time of producing the 2019/20 accounting disclosures for the Chief Constable, the Actuary used the Government Actuary's Department's (GAD) analysis to estimate the increase in pension scheme liabilities to be £63.7m (this equated to around 4.6% of total scheme liabilities). However, the estimate could have a range of possible outcomes between £58m and £63.7m dependant on assumptions with CPI and the membership profile.

Since these disclosures were prepared, HM Treasury published their response to their consultation on the remedy. Published on 4 February 2021 the Government's paper, stated that the remedy would be based on a deferred choice underpin basis. As such, for the 2020/21 accounting disclosures, a more refined estimate could be made using actual membership data. This reduced the pension scheme liability relating to the remedy from £63.7m to £21m in the 2020/21 accounts.

This example is one of many sources of uncertainty regarding the estimation of the long-term pension liabilities. As such, the Chief Constable is satisfied that the approach taken is proportionate given the magnitude of its impact (considered against the above sources) and the uncertainty regarding the McCloud remedy.

~~Allowing for all eligible members to accrue benefits from their legacy scheme during the McCloud remedy period (1 April 2015 to 31 March 2022) would lead to an increase in the Police Pension Scheme liabilities. At the time of producing the 2019/20 accounting disclosures for the PCC Group, the Actuary used the Government Actuary's Department's (GAD) analysis to estimate the increase in pension scheme liabilities to be £63.7m (this equated to around 4.6% of total scheme liabilities). Since these disclosures were~~

prepared, HM Treasury published their response to their consultation on the remedy. Published on 4 February 2021 the Government's paper, stated that the remedy would be based on a deferred choice underpin basis. As such, for the 2020/21 accounting disclosures, a more refined estimate could be made using actual membership data. This reduced the pension scheme liability relating to the remedy from £63.7m to £21m in the 2020/21 accounts.

**This example is one of many sources of uncertainty regarding the estimation of the long-term pension liabilities. As such, the Authority is satisfied that the approach taken is proportionate given the magnitude of its impact (considered against the above sources) and the uncertainty regarding the McCloud remedy.3.2.** Impact of the McCloud/Sargeant court case and remedy assumptions

Allowing for all eligible members to accrue benefits from their legacy scheme during the McCloud remedy period (1 April 2015 to 31 March 2022) would lead to an increase in the Police Pension Scheme liabilities. At the time of producing the 2019/20 accounting disclosures for the Police and Crime Commissioner for Lincolnshire, the Actuary used the Government Actuary's Department's (GAD) analysis to estimate the increase in pension scheme liabilities to be £63.7m (this equated to around 4.6% of total scheme liabilities). Since these disclosures were prepared, HM Treasury published their response to their consultation on the remedy. Published on 4 February 2021 the Government's paper, stated that the remedy would be based on a deferred choice underpin basis. As such, for the 2020/21 accounting disclosures, a more refined estimate could be made using actual membership data. This reduced the pension scheme liability relating to the remedy from £63.7m to £21m in the 2020/21 accounts.

This example is one of many sources of uncertainty regarding the estimation of the long-term pension liabilities. As such, the Authority is satisfied that the approach taken is proportionate given the magnitude of its impact (considered against the above sources) and the uncertainty regarding the McCloud remedy.

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## 3.3. Other Areas of Estimation Uncertainty

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| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|---|
| Property, Plant and Equipment £47,269k | Valuations are provided at a specific date. Market conditions can change at short notice. | The last year has seen a 23% increase in the PPE figures. Much of this is due to the spend on the Blue Light collaboration project. |
| Classification of leases £6,052k | There is some subjective interpretation of contract information when classifying some arrangements as finance or operating leases.<br>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.<br>Assets and liabilities may be understated in the Balance Sheet |
| Collection fund balances £582k | 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.<br>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.<br>The surplus in the Comprehensive Income and Expenditure Statement and the associated Balance Sheet figures could vary by up to £200k. |
| Accumulated Absences (Group)<br>£2,414k Increase in year of £306k | The calculation is based on the balance of hours owed to or owing by each individual recorded in the Duty Management System which includes Annual Leave, Time Off In Lieu and Rest Days in Lieu.<br>Adjustments have been made to remove negative balances and reduce high carry forward balances that significantly exceed policy.<br>Annual Leave is restricted to 5 days, as per policy. The hourly rate used is based on the average pay from the March payroll files. | Actual balances have since been calculated for approved carry forward and the figures are not materially different to the estimates, therefore no adjustments have been made. |

## 4. Expenditure and Funding Analysis

| 2018/19 | | | | | Group | 2019/20 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Adjustments for Capital Purposes £000 | Net change for the Pensions Adjustments £000 | Other Differences £000 | Total Adjustments £000 | Note | | Adjustments for Capital Purposes £000 | Net change for the Pensions Adjustments £000 | Other Differences £000 | Total Adjustments £000 |
| 1,056 | 1,085 | 200 | 2,341 | | Police and Crime Commissioner | 2,800 | 1,016 | 306 | 4,122 |
| - | 58,052 | - | 58,052 | | Chief Constable | - | (11,301) | - | (11,301) |
| - | - | - | - | | Joint Services | - | - | - | - |
| **1,056** | **59,137** | **200** | **60,393** | | **Cost of Services** | **2,800** | **(10,285)** | **306** | **(7,179)** |
| 2,077 | - | - | 2,077 | **8** | Other Operating Expenditure | 2,172 | - | - | 2,172 |
| - | 38,167 | - | 38,167 | **9** | Financing and Investment Income and Expenditure | - | 36,990 | - | 36,990 |
| (819) | - | (14) | (833) | **10** | Taxation and Non-Specific Grant Income | (499) | - | (109) | (608) |
| **2,314** | **97,304** | **186** | **99,804** | | **Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit** | **4,473** | **26,705** | **197** | **31,375** |

| 2018/19 | | | | | PCC | 2019/20 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Adjustments for Capital Purposes £000 | Net change for the Pensions Adjustments £000 | Other Differences £000 | Total Adjustments £000 | Note | | Adjustments for Capital Purposes £000 | Net change for the Pensions Adjustments £000 | Other Differences £000 | Total Adjustments £000 |
| 1,056 | 1,085 | 200 | 2,341 | | Police and Crime Commissioner | 2,800 | 1,016 | 306 | 4,122 |
| - | - | - | - | | Joint Services | - | - | - | - |
| **1,056** | **1,085** | **200** | **2,341** | | **Cost of Services** | **2,800** | **1,016** | **306** | **4,122** |
| 2,077 | - | - | 2,077 | **8** | Other Operating Expenditure | 2,172 | - | - | 2,172 |
| - | 447 | - | 447 | **9** | Financing and Investment Income and Expenditure | - | 515 | - | 515 |
| (819) | - | (14) | (833) | **10** | Taxation and Non-Specific Grant Income | (499) | - | (109) | (608) |
| **2,314** | **1,532** | **186** | **4,032** | | **Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit** | **4,473** | **1,531** | **197** | **6,201** |

## 4.1. Adjustments for Capital Purposes

Adjustments for Capital Purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other Operating Expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;
- Financing and Investment Income and Expenditure - the statutory charges for capital financing, i.e. Minimum Revenue Provision, and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices;
- Taxation and Non-Specific Grant Income and Expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## 4.2. Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the PCC Group as allowed by statute and the replacement with current service costs and past service costs;
- For Financing and Investment Income and Expenditure this is the net interest on the defined benefit liability is charged to the CIES.

## 4.3. Other Differences

Other differences between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute:

- For Financing and Investment Income and Expenditure the other differences recognises adjustments to the General Fund for the timing differences for premiums and discounts.

- The charge under Taxation and Non-Specific Grant Income and Expenditure represents the difference between what is chargeable under statutory regulations for council tax that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## 5. Expenditure Analysed by Nature

| 2018/19 £000 | Group Expenditure and Income | 2019/20 £000 |
|---|---|---|
| | **Expenditure** | |
| 53,306 | Police Pay and Allowances | 52,232 |
| 23,678 | Police Staff Pay and Allowances | 23,157 |
| 1,551 | Other Employee Expenses | 1,732 |
| 914 | Police Pensions | 1,840 |
| 89,812 | Pension costs inc IAS19 | 22,365 |
| 2,977 | Premises | 3,032 |
| 1,527 | Transport | 1,467 |
| 10,578 | Supplies and Services | 10,048 |
| 23,336 | Third Party Payments | 23,545 |
| 1,176 | Capital Financing | 3,727 |
| 4,323 | Depreciation and amortisation | 4,175 |
| 2,184 | Losses on the disposal of assets | 2,233 |
| 639 | Precepts and levies | 776 |
| 665 | Seconded Officers | 755 |
| 39,550 | Interest and investment expenditure | 38,880 |
| **256,216** | **Total expenditure** | **189,964** |
| | **Income** | |
| (9,152) | Fees, charges and other service income | (10,820) |
| (2,601) | Other Grant Income | (4,777) |
| (566) | Seconded Officers | (731) |
| (110) | Proceeds from the disposal of assets | (62) |
| (58) | Interest and investment income | (164) |
| (49,585) | Income from council tax | (55,999) |
| (90,156) | Government grants and contributions | (90,522) |
| **(152,228)** | **Total income** | **(163,075)** |
| **103,988** | **(Surplus) or Deficit on the Provision of Services** | **26,889** |

| 2018/19 £000 | PCC Expenditure and Income | 2019/20 £000 |
|---|---|---|
| | **Expenditure** | |
| (3) | Police Pay and Allowances | - |
| 3,564 | Police Staff Pay and Allowances | 3,767 |
| 33 | Other Employee Expenses | 39 |
| 16 | Premises | 14 |
| 1 | Transport | 28 |
| 2,474 | Supplies and Services | 607 |
| 22,456 | Third Party Payments | 23,127 |
| 1,176 | Capital Financing | 3,727 |
| 4,323 | Depreciation and amortisation | 4,175 |
| 2,184 | Losses on the disposal of assets | 2,233 |
| 1,831 | Interest and investment expenditure | 2,405 |
| 115,645 | Intra Group financing | 117,857 |
| **153,700** | **Total expenditure** | **157,979** |
| | **Income** | |
| (3,865) | Fees, charges and other service income | (5,229) |
| (1,711) | Other Grant Income | (4,287) |
| (110) | Proceeds from the disposal of assets | (62) |
| (58) | Interest and investment income | (164) |
| (49,585) | Income from council tax | (55,999) |
| (90,156) | Government grants and contributions | (90,522) |
| **(145,485)** | **Total income** | **(156,263)** |
| **8,215** | **(Surplus) or Deficit on the Provision of Services** | **1,716** |

## 6. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

### 6.1. 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.

### 6.2. 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.

## 6.3. Capital Grants Unapplied

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

## 2018/19 Adjustment between Accounting Basis and Funding Basis

| 2018/19 Group | Usable Reserves | | | |
|---|---|---|---|---|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Usable Reserves £000 |
| **Adjustments to the Revenue Resources** | | | | |
| **Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:** | | | | |
| Pensions costs (transferred to (or from) the Pensions Reserve) | 97,304 | - | - | (97,304) |
| Council tax (transferred to or from Collection Fund) | (14) | - | - | 14 |
| Unused Leave (transferred to the Accumulated Absences Reserve) | 200 | - | - | (200) |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account): | 6,668 | - | - | (6,668) |
| **Total Adjustments to Revenue Resources** | **104,158** | **-** | **-** | **(104,158)** |
| **Adjustments between Revenue and Capital Resources** | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (104) | 104 | - | - |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (4,181) | - | - | 4,181 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (373) | - | - | 373 |
| **Total Adjustments between Revenue and Capital Resources** | **(4,658)** | **104** | **-** | **4,554** |
| **Adjustments to Capital Resources** | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | (104) | - | 104 |
| Application of capital grants to finance capital expenditure | 304 | - | (304) | - |
| **Total Adjustments to Capital Resources** | 304 | (104) | (304) | 104 |
| **Total Adjustments** | **99,804** | **-** | **(304)** | **(99,500)** |

| 2018/19 PCC | Usable Reserves | | | |
|---|---|---|---|---|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Usable Reserves £000 |
| **Adjustments to the Revenue Resources** | | | | |
| **Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:** | | | | |
| Pensions costs (transferred to (or from) the Pensions Reserve) | 1,532 | - | - | (1,532) |
| Council tax (transferred to or from Collection Fund) | (14) | - | - | 14 |
| Unused Leave (transferred to the Accumulated Absences Reserve) | 200 | - | - | (200) |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account): | 6,668 | - | - | (6,668) |
| **Total Adjustments to Revenue Resources** | **8,386** | **-** | **-** | **(8,386)** |
| **Adjustments between Revenue and Capital Resources** | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (104) | 104 | - | - |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (4,181) | - | - | 4,181 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (373) | - | - | 373 |
| **Total Adjustments between Revenue and Capital Resources** | **(4,658)** | **104** | **-** | **4,554** |
| **Adjustments to Capital Resources** | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | (104) | - | 104 |
| Application of capital grants to finance capital expenditure | 304 | - | (304) | - |
| **Total Adjustments to Capital Resources** | 304 | (104) | (304) | 104 |
| **Total Adjustments** | **4,032** | **-** | **(304)** | **(3,728)** |

## 2019/20 Adjustment between Accounting Basis and Funding Basis

| 2019/20 Group | Usable Reserves | | | |
|---|---|---|---|---|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Usable Reserves £000 |
| **Adjustments to the Revenue Resources** | | | | |
| **Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:** | | | | |
| Pensions costs (transferred to (or from) the Pensions Reserve) | 26,705 | - | - | (26,705) |
| Council tax (transferred to or from Collection Fund) | (109) | - | - | 109 |
| Unused Leave (transferred to the Accumulated Absences Reserve) | 306 | - | - | (306) |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account): | 9,351 | - | - | (9,351) |
| **Total Adjustments to Revenue Resources** | **36,253** | **-** | **-** | **(36,253)** |
| **Adjustments between Revenue and Capital Resources** | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (56) | 56 | - | - |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (4,897) | - | - | 4,897 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (205) | - | - | 205 |
| **Total Adjustments between Revenue and Capital Resources** | **(5,158)** | **56** | **-** | **5,102** |
| **Adjustments to Capital Resources** | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | (56) | - | 56 |
| Application of capital grants to finance capital expenditure | 280 | - | (280) | - |
| **Total Adjustments to Capital Resources** | 280 | (56) | (280) | 56 |
| **Total Adjustments** | **31,375** | **-** | **(280)** | **(31,095)** |

| 2019/20 PCC | Usable Reserves | | | |
|---|---|---|---|---|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Usable Reserves £000 |
| **Adjustments to the Revenue Resources** | | | | |
| **Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:** | | | | |
| Pensions costs (transferred to (or from) the Pensions Reserve) | 1,531 | - | - | (1,531) |
| Council tax (transferred to or from Collection Fund) | (109) | - | - | 109 |
| Unused Leave (transferred to the Accumulated Absences Reserve) | 306 | - | - | (306) |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account): | 9,351 | - | - | (9,351) |
| **Total Adjustments to Revenue Resources** | **11,079** | **-** | **-** | **(11,079)** |
| **Adjustments between Revenue and Capital Resources** | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (56) | 56 | - | - |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (4,897) | - | - | 4,897 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (205) | - | - | 205 |
| **Total Adjustments between Revenue and Capital Resources** | **(5,158)** | **56** | **-** | **5,102** |
| **Adjustments to Capital Resources** | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | (56) | - | 56 |
| Application of capital grants to finance capital expenditure | 280 | - | (280) | - |
| **Total Adjustments to Capital Resources** | 280 | (56) | (280) | 56 |
| **Total Adjustments** | **6,201** | **-** | **(280)** | **(5,921)** |

## 7. Transfers Between Earmarked Reserves

| Group / PCC | Balance at 31 March 2018 | Transfers Out 2018/19 | Transfers In 2018/19 | Transfer Between Reserves 2018/19 | Balance at 31 March 2019 | Transfers Out 2019/20 | Transfers In 2019/20 | Transfer Between Reserves 2019/20 | Balance at 31 March 2020 |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Major Incidents | 1,850 | - | - | - | 1,850 | - | - | - | 1,850 |
| Insurance | 1,000 | - | - | - | 1,000 | - | - | - | 1,000 |
| Proceeds of Crime | 228 | (42) | - | - | 186 | (46) | 257 | | 397 |
| Employee Welfare | 52 | - | - | - | 52 | - | - | - | 52 |
| Budget Flexibility | 1,847 | (1,847) | - | - | - | - | - | - | - |
| Development and Partnership Working | 1,044 | (90) | 178 | 11 | 1,144 | (99) | 28 | (250) | 823 |
| Victims Major Incidents | - | - | - | - | - | | 19 | 250 | 269 |
| Niche Data Quality and Regional Transformation | 162 | (162) | - | - | - | | | | - |
| Partner Agency Funding | 121 | (15) | - | - | 106 | | | | 106 |
| Performance and Productivity | 982 | (38) | - | - | 944 | (20) | | | 924 |
| Mobile Data | 3 | (3) | - | - | - | | | | - |
| CATS / Niche Back Office | 100 | - | - | - | 100 | | | (100) | - |
| Body Worn Cameras | 76 | - | - | - | 76 | | | | 76 |
| Strategic Partnership | - | - | 75 | - | 75 | (55) | | | 20 |
| Internships | 12 | (12) | - | - | - | | | | - |
| Regional NICHE Innovation Funds | 35 | - | - | - | 35 | | 304 | | 339 |
| Capital Financing Reserve | 796 | (121) | 310 | 15 | 1,000 | | | | 1,000 |
| Operation Hillstar Staffing | 134 | (134) | - | - | - | | | | - |
| Telephony system scoping | 15 | - | - | (15) | - | | | | - |
| FCR Mental Health Nurse | 15 | (15) | - | - | - | | | | - |
| Regional NICHE | 64 | (64) | - | - | - | | | | - |
| Crime Prevention SKDC | 11 | - | - | (11) | - | | | | - |
| Ill Health | 225 | - | 150 | - | 375 | | | | 375 |
| Staffing | 100 | - | - | - | 100 | | | | 100 |
| PCC Regional Staffing | 118 | (118) | - | - | - | | 26 | | 26 |
| Mobile Data Terminals | 68 | (68) | - | - | - | | | | - |
| ARV Grant Notts | 257 | - | - | - | 257 | | | | 257 |
| Niche CofL Reserve | 218 | (218) | - | - | - | | | | - |
| Specific Grant for Specialist Ongoing Operations | 874 | - | - | - | 874 | (480) | | | 394 |
| Domestic Abuse PIF Grant | - | - | 74 | - | 74 | (31) | 7 | | 50 |
| Police Officer Bank Holiday Overtime | - | - | 95 | - | 95 | | 294 | | 389 |
| Family Day | - | - | 10 | - | 10 | (10) | | | - |
| Sandi Starfish | - | - | 3 | - | 3 | (3) | | | - |
| EMOPSS Disaggregation Risk | - | - | 151 | - | 151 | | | | 151 |
| EMSOU Collaboration Risk | - | - | 60 | - | 60 | (48) | | | 12 |
| West Division Football | - | - | 15 | - | 15 | | 10 | | 25 |
| Specials ANPR Equipment | - | - | 12 | - | 12 | (12) | | | - |
| Operations Taser Equipment | - | - | 38 | - | 38 | (38) | | | - |
| Forensic Services | - | - | 100 | - | 100 | | | | 100 |
| Mini Police Income | - | - | - | - | - | | 46 | | 46 |
| Regional Underspend | - | - | - | - | - | | 279 | | 279 |
| Home Office ICT Recharges | - | - | - | - | - | | 122 | | 122 |
| Operation Forge | | | | | | | 60 | | 60 |
| South Park Bandwidth | | | | | | | 32 | | 32 |
| Intelligence Review Building Works | | | | | | | 100 | | 100 |
| Income Pressures | - | - | - | - | - | | 400 | | 400 |
| Service Priorty Reserve | - | - | - | - | - | | 2,106 | | 2,106 |
| Blue Light Collaboration | - | - | - | - | - | | 3 | | 3 |
| Excellence in Police Finance | - | - | 60 | - | 60 | (30) | | | 30 |
| **Subtotal** | 10,407 | (2,947) | 1,331 | - | 8,792 | (872) | 4,093 | (100) | 11,914 |
| Regional Reserve | 572 | (136) | - | - | 436 | - | 91 | - | 527 |
| **Total** | 10,979 | (3,083) | 1,331 | - | 9,227 | (872) | 4,184 | (100) | 12,440 |
| **Net transfers (to)/from Earmarked Reserves** | | (1,752) | | - | (1,752) | | 3,312 | (100) | 3,212 |

## Descriptions of the Earmarked Reserves

| Earmarked Reserves - Group / PCC<br>Balance at 31 March 2020 | £000 | Description of Reserve |
|---|---|---|
| Major Incidents | 1,850 | The requirements of operational policing vary significantly from year to year. The reserve ensures that the PCC Group has funds available to respond to the requirements of major incidents. |
| Insurance | 1,000 | To support the costs of on-going claims and for future unforeseen claims which have not yet arisen and for which revenue provision is insufficient. |
| Proceeds of Crime | 397 | The police share of assets recovered from the proceeds of crime is reserved for funding local crime reduction initiatives to benefit the community. |
| Employee Welfare | 52 | Reserved sum to improve the working environment of employees. |
| Development and Partnership Working | 823 | Reserve to be used for Victims commissioning, force Intranet, governance, and Channel Management. |
| Victims Major Incidents | 269 | Fund set aside towards funding victim support for those affected by Major Incidents. |
| Partner Agency Funding | 106 | Reserve for Funding received from NHS (custody transformation) and LCJB. |
| Performance and Productivity | 924 | Reserve to fund business change and efficiency projects. |
| Body Worn Cameras | 76 | Round 2 Innovation final costs. |
| Strategic Partnership | 20 | Carry forward of underspend from 2018/19. |
| Innovation Funding (NICHE) | 339 | Balance of funding required to fund final part of Innovation R2 (£35k) plus amount to distribute back to other Forces £304k. |
| Capital Financing Reserve | 1,000 | Reserve allocation set aside to fund future capital programme items. |
| Ill Health | 375 | Reserve to ensure Force can meet the cost of potential Ill Health retirements. |
| Staffing | 100 | To provide for potential base budget shortfalls in the event the vacancy factor isn't met. |
| PCC Regional Collaboration Staffing | 26 | Surplus from 2019/20 will be used in 2020/21. |
| ARV Notts | 257 | Home Office grant held for distribution in 2018/19. |
| Specific Grant for Specialist Ongoing Operations | 394 | Remaining balance on Grant received in order to fund on going specialist operations. |
| Domestic Abuse PIF Grant | 50 | Balance of funding to cover contribution to project in 2020/21. |
| Police Officer Bank Holiday Overtime | 389 | To smooth out the effect of certain years having more bank holidays than others. |
| EMOPSS Disaggregation Risk | 151 | The breakup of the four Force collaboration holds risks for each Force in terms of potential costs. Reserve held to mitigate this. |
| EMSOU Collaboration Risk | 12 | Each Force within the East Midlands region has put aside a reserve to mitigate against potential collaboration risks. |
| West Division Football | 25 | Income generated through prosecuting offenders arrested at LCFC matches. Income will be used to offset potential initiatives during 2020/2021. |
| Forensic Services | 100 | The financial future of the Forensic services companies is proving challenging and it may be that additional costs will arise. |
| Mini Police Income | 46 | Ring fence of underspend from 2019/20. |
| Regional Underspend | 279 | Ring fence of underspend from 2019/20. |
| Home Office ICT Charges | 122 | Increase in ICT charges not provided for in the 2020/21 budget. |
| Operation Forge | 60 | Funding set aside to cover the cost of an ongoing operation. |
| South Park Bandwidth | 32 | Funding set aside to cover an increase in connectivity at the newly operational Police Station. |
| Intelligence Review Building works | 100 | With a change to the Intelligence department it is likely building alterations will be required. |
| Income Pressures | 400 | Reserve set aside to cover potential decrease in income over the short term. |
| Service Priority Reserve | 2,106 | Reserve established to meet the organisational need for change by funding agreed projects. |
| Blue Light Collaboration | 3 | Reserve carrying forward a small underspend on the Blue Light budget in order to fund sundry item expenditure in 2020/21 |
| Excellence in Police Finance | 30 | To develop and improve financial management within the organisation through the CIPFA Finance Excellence in Policing programme. |
| **Sub-Total** | **11,914** | |
| Regional Reserve | 527 | Reserves from surplus of funding relating to regional expenditure. |
| **Total** | **12,440** | |

## 8. Other Operating Expenditure

| 2018/19 | | | Group | 2019/20 | | |
|---|---|---|---|---|---|---|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 2,184 | (110) | 2,074 | (Gains) or Losses on the Disposal of Property, Plant and Equipment | 2,233 | (62) | 2,171 |
| 639 | | 639 | Levies | 776 | | 776 |
| 665 | (566) | 99 | Seconded Officers | 755 | (731) | 24 |
| **3,488** | **(676)** | **2,812** | | **3,764** | **(793)** | **2,971** |

| 2018/19 | | | PCC | 2019/20 | | |
|---|---|---|---|---|---|---|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 2,184 | (110) | 2,074 | (Gains) or Losses on the Disposal of Property, Plant and Equipment | 2,233 | (62) | 2,171 |
| **2,184** | **(110)** | **2,074** | | **2,233** | **(62)** | **2,171** |

Levies are the Chief Constable's contributions towards national police computing systems provided by the Home Office.

## 9. Finance and Investment Income and Expenditure

| 2018/19 | | | Group | 2019/20 | | |
|---|---|---|---|---|---|---|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 558 | | 558 | Interest Payable on Debt | 956 | | 956 |
| 825 | | 825 | Interest Element of Finance Lease (Lessee) | 934 | | 934 |
| 38,167 | | 38,167 | Pensions Interest Cost and Expected Return on Pensions Assets | 36,990 | | 36,990 |
| | (58) | (58) | Investment Interest Income | | (164) | (164) |
| **39,550** | **(58)** | **39,492** | | **38,880** | **(164)** | **38,716** |

| 2018/19 | | | PCC | 2019/20 | | |
|---|---|---|---|---|---|---|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 558 | - | 558 | Interest Payable on Debt | 956 | - | 956 |
| 825 | - | 825 | Interest Element of Finance Lease (Lessee) | 934 | - | 934 |
| 447 | - | 447 | Pensions Interest Cost and Expected Return on Pensions Assets | 515 | - | 515 |
| | (58) | (58) | Investment Interest Income | | (164) | (164) |
| **1,830** | **(58)** | **1,772** | | **2,405** | **(164)** | **2,241** |

## 10. Taxation and Non-Specific Grant Income

| 2018/19 | | | Group / PCC | 2019/20 | | |
|---|---|---|---|---|---|---|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| - | (49,585) | (49,585) | Council Tax Income | - | (55,999) | (55,999) |
| - | (57,906) | (57,906) | General Government Grants | - | (59,362) | (59,362) |
| - | (5,775) | (5,775) | Council Tax Support Grant | - | (5,775) | (5,775) |
| - | (1,059) | (1,059) | Council Tax Freeze Grant | - | (1,059) | (1,059) |
| - | (24,597) | (24,597) | Home Office Grant Payable tow ards the Cost of Retirement Benefits | - | (23,826) | (23,826) |
| - | (777) | (777) | Recognised Capital Grants and Contributions | - | (500) | (500) |
| - | (42) | (42) | Regional Grant income | | - | - |
| **-** | **(139,741)** | **(139,741)** | | **-** | **(146,521)** | **(146,521)** |

The Police Grant figure contains £240k representing the Home Office Police Uplift Project that increases officer numbers compared to 2018/19.

## 11. Grant Income

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

| Group / PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| **Credited to Taxation and Non Specific Grant Income** | | |
| **Central Government:** | | |
| Police Grant | (57,906) | (59,362) |
| Home Office Pension Grant | (24,597) | (23,826) |
| Capital Grants and Contributions | (777) | (500) |
| Council Tax Support Grant | (5,775) | (5,775) |
| Council Tax Freeze Grant | (1,059) | (1,059) |
| Regional Grant income | (42) | - |
| **Total** | **(90,156)** | **(90,522)** |

The Police Grant figure contains £240k representing the Home Office Police Uplift Project that increases officer numbers compared to 2018/19.

| Group / PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| **Credited to Services** | | |
| **Other Grant Income** | | |
| Special Grant | - | (1,600) |
| Ers Contribution Pension Shortfall Grant | - | (1,175) |
| Armed Response Vehicle (ARV) Grant | (890) | (490) |
| Police Transformation Fund - Domestic Abuse Grant | (664) | (590) |
| Wellbeing Grant | (117) | - |
| Apprenticeship Levy Grant | (42) | (55) |
| Mini Police | (24) | - |
| Regional External Grant | (541) | (477) |
| Other Home Office Grants | (864) | (868) |
| **Total** | **(3,142)** | **(5,255)** |

| PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| **Credited to Services** | | |
| **Other Grant Income** | | |
| Special Grant | - | (1,600) |
| Ers Contribution Pension Shortfall Grant | - | (1,175) |
| Police Transformation Fund - Domestic Abuse Grant | (664) | (590) |
| Wellbeing Grant | (117) | - |
| Apprenticeship Levy Grant | (42) | (55) |
| Mini Police | (24) | - |
| Other Home Office Grants | (864) | (868) |
| **Total** | **(1,711)** | **(4,288)** |

Where the Group has received grants with conditions attached that it has not met at year end, these have yet to be recognised as income.

| Group / PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| **Revenue Grants Receipts in Advance <1 year** | | |
| Home Office Special Grant | (1,796) | (196) |
| **Total** | **(1,796)** | **(196)** |

## 12. Intra-Group Financing

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

## 13. Property Plant and Equipment

| Movements and closing balances in 2018/19 Group / PCC | 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** | | | | | |
| Balance at 31 March 2018 carried forward | 25,004 | 30,107 | - | 1,051 | 56,162 |
| Additions | 850 | 2,217 | - | 8,923 | 11,990 |
| Revaluation Increases/ (decreases) recognised in the Revaluation Reserve | (559) | - | - | - | (559) |
| Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (1,288) | - | - | - | (1,288) |
| Derecognition - Disposals | - | (978) | - | | (978) |
| Derecognition - Leased assets | - | (1,054) | - | (1,048) | (2,102) |
| Assets reclassified to/from Assets Under Construction | 641 | 272 | - | (960) | (47) |
| Assets reclassified to/from Intangibles | - | (4) | - | - | (4) |
| Asset additions leased | - | 1,054 | - | 1,048 | 2,102 |
| **At 31 March 2019** | **24,648** | **31,614** | **-** | **9,014** | **65,276** |
| **Depreciation and Impairment** | | | | | |
| Balance at 31 March 2018 carried forward | (34) | (23,969) | - | - | (24,003) |
| Depreciation written out through the revaluation reserve | 947 | - | - | - | 947 |
| Derecognition - Disposals | - | 935 | - | - | 935 |
| Depreciation charge in year | (914) | (2,682) | - | - | (3,596) |
| **At 31 March 2019** | **(1)** | **(25,716)** | **-** | **-** | **(25,717)** |
| **Net Book Value:** | | | | | |
| **At 31 March 2019** | **24,647** | **5,898** | **-** | **9,014** | **39,559** |
| **At 31 March 2018** | **24,970** | **6,138** | **-** | **1,051** | **32,159** |

| Movements and closing balances in 2019/20 Group / PCC | 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** | | | | | |
| Balance at 31 March 2019 carried forward | 24,648 | 31,614 | - | 9,014 | 65,276 |
| Additions | 1,024 | 2,741 | - | 774 | 4,539 |
| Asset Additions Leased | 2,759 | 1,707 | - | 310 | 4,776 |
| Revaluation Increases/ (decreases) recognised in the Revaluation Reserve including Leased Assets | 7,318 | - | (572) | - | 6,746 |
| Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (3,530) | - | (197) | - | (3,727) |
| Derecognition - Disposals | (15) | (884) | - | - | (899) |
| Derecognition - Leased assets | - | (1,707) | - | (310) | (2,017) |
| Assets reclassified to/from Surplus Assets | (2,525) | - | 2,525 | - | - |
| Assets reclassified to/from Assets Held for Sale | (288) | - | - | - | (288) |
| Assets reclassified to/from Assets Under Construction including Leased Assets | 7,208 | 310 | - | (7,518) | - |
| **At 31 March 2020** | **36,599** | **33,781** | **1,756** | **2,270** | **74,406** |
| **Depreciation and Impairment** | | | | | |
| Balance at 31 March 2019 carried forward | (1) | (25,716) | - | - | (25,717) |
| Depreciation written out through the revaluation reserve | 899 | - | 182 | - | 1,081 |
| Derecognition - Disposals | - | 857 | - | - | 857 |
| Revaluation increases/(decreases) recognised in CIES | - | | | | - |
| Depreciation charge in year | (880) | (2,296) | (182) | - | (3,358) |
| **At 31 March 2020** | **18** | **(27,155)** | **-** | **-** | **(27,137)** |
| **Net Book Value:** | | | | | |
| **At 31 March 2020** | **36,617** | **6,626** | **1,756** | **2,270** | **47,269** |
| **At 31 March 2019** | **24,647** | **5,898** | **-** | **9,014** | **39,559** |

A combination of Level 1 and 2 inputs have been adopted in arriving at the opinions of the Fair Values of the PCC's Surplus Assets by the Valuers. Fair Values are explained in the Accounting Policies in section 1.35.

### Major Non-Current Assets

Analysis of the numbers of major non-current assets:

| Group / PCC | 2018/19 (Numbers) | 2019/20 (Numbers) |
|---|---|---|
| Force Headquarters | 1 | 1 |
| Police Stations | 38 | 38 |
| Sexual Assault Referral Centre | 1 | 1 |
| Major Aerial sites | 3 | 3 |
| Vehicles | 459 | 446 |
| Police dog training establishment | 1 | 1 |
| Bluelight South Park Campus | - | 1 |

N.B. Excludes share of regional buildings as these are not on the PCC's Fixed Asset Register

## 14. Valuation of Non-Current Assets

Land and buildings have been revalued, on the basis described in Note 1, and in accordance with the principles of the Accounting Code of Practice, as at the 1 April 2019 by Chartered Surveyors Align Property Partners who are RICS Registered Valuers and independent of the PCC. It should be noted that a separate valuation was commissioned for the Blue Light Campus by Kier Specialist Services for leasing purposes.

The next desktop review will take place at the end of January 2021 as at 1 April 2020

A material change review was completed by Align Property Partners as at 31 March 2020 and the report stated:

*The outbreak of the COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.*

*The current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.*

*Our valuation is therefore on the basis of 'material valuation uncertainty as per VPS 3 and VGA of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review.*

*As at a valuation date of 31st March 2020, we are unable to comment with full accuracy as to the recent changes in the market and their impact on values at the current time and in such exceptional circumstances because this is an entirely unknown quantity and the local economy and property market are effectively on lockdown at this time. We are able to comment generally that the current market situation is highly likely to have a negative impact on both values and marketability of properties across the portfolio and the full impact will become more apparent in the fullness of time once transactions return to the market.*

~~The Asset Valuation report received from Kier Specialist Services contained an almost identical market conditions explanatory note. The next desktop review will take place at the end of January 2021 as at 1 April 2020.~~

The Asset Valuation report received from Kier Specialist Services~~-~~ as at 31 March 2020 contained ~~an almost identical~~ the following market conditions ~~explanatory~~ note:~~.~~

*The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at returning*

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*to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.*

## 15. Intangible Assets

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

| Group / PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| **Balance at start of year:** | | |
| Gross carrying amounts | 5,774 | 5,954 |
| Accumulated amortisation | (2,558) | (3,285) |
| **Net carrying amount at start of year** | **3,216** | **2,669** |
| Amortisation for the period | (727) | (765) |
| Additions: | | |
| Purchases | 129 | 216 |
| Additions leased | 36 | 168 |
| Transfer From Assets Under Construction | 47 | - |
| Assets reclassified to/from PPE | 4 | - |
| **Reclassified to Finance Leases:** | | |
| Disposals | (36) | (168) |
| **Net carrying amount at end of year** | **2,669** | **2,120** |
| Comprising: | | |
| Gross carrying amounts | 5,954 | 6,170 |
| Accumulated amortisation | (3,285) | (4,050) |
| | **2,669** | **2,120** |

| Group / PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| **Balance at start of year:** | | |
| Gross carrying amounts | 5,774 | 5,954 |
| Accumulated amortisation | (2,558) | (3,285) |
| **Net carrying amount at start of year** | **3,216** | **2,669** |
| Amortisation for the period | (727) | (765) |
| Additions: | | |
| Purchases | 129 | 216 |
| Additions leased | 36 | 168 |
| Transfer From Assets Under Construction | 47 | - |
| Assets reclassified to/from PPE | 4 | - |
| Reclassified to Finance Leases: | | |
| Disposals | (36) | (168) |
| **Net carrying amount at end of year** | **2,669** | **2,120** |
| Comprising: | | |
| Gross carrying amounts | 5,954 | 6,170 |
| Accumulated amortisation | (3,285) | (4,050) |
| | **2,669** | **2,120** |

The PCC has no internally generated assets. All other assets have finite useful lives of 8 years and are amortised on a straight line basis. The amortisation of £765k charged to revenue in the year was charged to the capital financing cost centre and then absorbed as an overhead by the PCC in the Cost of Services.

## 16. Capital Commitments

All building projects which commenced during 2019/20 were completed leaving no commitment or impact on 2020/21. However, there is a commitment made to complete the Command and Control project for £3.7m. The Emergency Services Network (ESN) programme will also continue with a budget of approximately £2m for 2020/21.

Other smaller projects have been carried forward including ICT equipment and system purchases, but there was no firm commitment to these at the year end.

## 17. Capital Expenditure and Financing

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

| Group / PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| **Opening Capital Financing requirement** | **31,343** | **39,820** |
| **Capital Investment** | | |
| Land and Buildings | 850 | 3,783 |
| Plant and Equipment | 2,217 | 2,741 |
| Assets Under Construction | 8,923 | 774 |
| Intangible Assets | 129 | 216 |
| G4S Leased Assets | 2,138 | 2,185 |
| **Sources of Finance** | | |
| Capital Receipts | (103) | (56) |
| Government Grants and other Contributions | (1,123) | (779) |
| Direct Revenue Financing | (373) | (205) |
| Minimum Revenue Provision | (1,882) | (1,870) |
| Revenue Provision | (2,299) | (3,027) |
| **Closing Capital Financing Requirement** | **39,820** | **43,582** |
| **Explanation of Movements in Year** | | |
| Assets acquired under finance leases | 2,138 | 2,185 |
| Increase / (decrease) in underlying need to borrow | 6,339 | 1,577 |
| **Increase/(decrease) in Capital Financing Requirement** | **8,477** | **3,762** |

## 18. Finance Leases

### 18.1. PCC as Lessee - Finance Leases

| Net Carrying Amount - Group / PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Land and Buildings | 190 | 14,107 |
| Vehicles, Plant, Furniture and Equipment | 6,545 | 7,107 |
| | **6,735** | **21,214** |

| Minimum Lease Payments - Group / PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Not later than one year | 2,298 | 3,026 |
| Later than one year and not later than five years | 4,596 | 3,026 |
| Later than five years | - | |
| | **6,894** | **6,052** |

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 and 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.

As part of the strategic partnership with G4S, ICT and furniture assets were transferred to G4S in 2012/13. Additional assets have since been added and are now valued at £6.1m. 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.

In November 2019, the PCC Group moved into the Blue Light Campus, Lincoln's new joint fire, police and ambulance station on South Park, occupied through a 70-year finance lease with Lincolnshire County Council. This asset is classed as Property, Plant and Equipment in the Balance Sheet as a finance lease at a value of £14.1m. There is no corresponding lease liability to recognise as the PCC Group paid a contribution equal to £9.7m prior to the inception of the lease. The revaluation amount of £4.4m has been credited to the revaluation reserve. If demanded the annual rent is one peppercorn per annum. It should be noted that this lease was still to be signed and executed as at the valuation date.

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

### 18.2. PCC as Lessee - Operating Leases

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

| Group / PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Not later than one year | 34 | 21 |
| Later than one year and not later than five years | 21 | - |
| Later than five years | - | - |
| | **55** | **21** |

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

| Group / PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Minimum lease payments | 64 | 55 |
| | **64** | **55** |

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

### 18.3. PCC as Lessor - Operating Leases

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

- Office accommodation for the provision of probation services;
- Office accommodation for the provision of UK immigration services;

- Space on radio masts for telecommunication services.

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

| Group / PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Not later than one year | 120 | 120 |
| Later than one year and not later than five years | 259 | 259 |
| Later than five years | 41 | 27 |
| | **420** | **406** |

Lincolnshire Fire and Rescue occupied 7.32% of the shared Headquarters site for 11 months of the year and 8.32% for one month. Their annual rental cost is on a peppercorn basis.

A service charge is levied of £88k per annum to facilitate Lincolnshire Police recovering expenditure incurred on items such as rates and utilities.

In accordance with guidance, this service charge is not included in the above table as service charges are excluded from minimum lease payments.

## 19. Assets Held for Sale

| Group / PCC | Land and Buildings 2018/19 £000 | Land and Buildings 2019/20 £000 |
|---|---|---|
| **Cost or Valuation** | | |
| Balance at 31 March 2019 carried forward | - | - |
| Revaluation Increases/ (decreases) recognised in the Revaluation Reserve | - | (38) |
| Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | - | - |
| Assets reclassified to Assets Held for Sale from PPE | - | 288 |
| **At 31 March 2020** | **-** | **250** |
| **Depreciation and Impairment** | | |
| Balance at 31 March 2019 carried forward | - | - |
| Depreciation written out through the revaluation reserve (prior to reclassification) | - | 13 |
| Depreciation charge in year | - | (13) |
| **At 31 March 2020** | **-** | **-** |
| **Net Book Value:** | | |
| **At 31 March 2020** | **-** | **250** |
| **At 31 March 2019** | **-** | **-** |

## 20. Inventories

| Group / PCC | Uniform and Equipment | | Diesel | | Fleet Maintenance | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018/19 £000 | 2019/20 £000 | 2018/19 £000 | 2019/20 £000 | 2018/19 £000 | 2019/20 £000 | 2018/19 £000 | 2019/20 £000 | 2018/19 £000 | 2019/20 £000 |
| **Balance at Start of Year** | **259** | **304** | **67** | **111** | **34** | **51** | **2** | **3** | **362** | **469** |
| Purchases | 266 | 163 | 678 | 676 | 123 | 118 | 2 | - | 1,069 | **957** |
| Recognised as an Expense in the year | (221) | (207) | (634) | (647) | (106) | (116) | (1) | (2) | (962) | **(972)** |
| **Balance at End of Year** | **304** | **260** | **111** | **140** | **51** | **53** | **3** | **1** | **469** | **454** |

It should be noted that no uniform stocktake took place as at 31 March 2020 due the cancellation of the physical stock count owing to the Covid-19 outbreak. The last stocktake was undertaken in April 2019 and an adjustment made for £0.7k.

## 21. Debtors

| Group / PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Central Government Bodies | 9,433 | 8,306 |
| Other Local Authorities | 4,544 | 4,729 |
| Other Entities and Individuals | 780 | 835 |
| **Total Debtors falling due within one year** | **14,757** | **13,870** |

## 22. Cash and Cash Equivalents

~~Any cash confiscated as part of police operations is paid into and held in the bank current account until a later date when it is decided by the court whether it should be paid back to the individual from whom it was confiscated, or paid over to the Home Office as a result of criminal activity.~~

| Group / PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Cash Held by the PCC | 32 | 28 |
| Bank Current Accounts | 79 | 655 |
| Payment Account (cash in transit) | 0 | (1,062) |
| Insurance Imprest Account | 42 | 48 |
| Confiscated Account | (192) | (117) |
| Short-term Deposits | 8,170 | 6,600 |
| **Total Cash and Cash Equivalents** | **8,131** | **6,152** |

Any cash confiscated as part of police operations is paid into and held in the bank current account until a later date when it is decided by the court whether it should be paid back to the individual from whom it was confiscated, or paid over to the Home Office as a result of criminal activity

The payment account cash in transit relates to BACS payments to multiple suppliers made on 31st March 2020 which will clear through the bank on 2nd April 2020.

## 23. Creditors

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

| Group | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Central Government Bodies | (1,986) | (1,908) |
| Other Local Authorities | (4,981) | (4,731) |
| Other Entities and Individuals | (6,258) | (5,985) |
| **Total Short-Term Creditors** | **(13,224)** | **(12,624)** |

| PCC | 2018/19<br>£000 | 2019/20<br>£000 |
|---|---|---|
| Central Government Bodies | (1,986) | (1,908) |
| Other Local Authorities | (4,981) | (4,731) |
| Other Entities and Individuals | (4,150) | (3,571) |
| Inter Group | (2,108) | (2,414) |
| **Total Short-Term Creditors** | **(13,224)** | **(12,624)** |

## 24. Revenue provisions

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

| Short Term Provisions - Group | Balance 31 March 2019 | Additional provisions made in 2019/20 | Amounts used in 2019/20 | Unused amounts reversed in 2019/20 | Balance 31 March 2020 |
|---|---|---|---|---|---|
| Legal Services | (419) | (169) | 76 | | (512) |
| Termination Benefits of Employment | (16) | (1) | | | (17) |
| Demand Analysis | (30) | | | | (30) |
| SPOC Overtime (Source Handlers) | (602) | (44) | 362 | | (284) |
| Ill Health Reserve | (169) | (112) | 169 | | (112) |
| Source Handlers Legal Costs | (80) | | | | (80) |
| Stores Provision | (16) | (10) | | | (26) |
| Fleet Liabilty with G4S | - | (50) | | | (50) |
| GMP Pension Reconciliation | (11) | | | | (11) |
| Fixed Term Contract Liabilities | (191) | | | | (191) |
| **Total** | **(1,534)** | **(386)** | **607** | **-** | **(1,313)** |

| Short Term Provisions - PCC | Balance 31 March 2019 | Additional provisions made in 2019/20 | Amounts used in 2019/20 | Unused amounts reversed in 2019/20 | Balance 31 March 2020 |
|---|---|---|---|---|---|
| Legal Services | (419) | (169) | 76 | | (512) |
| Demand Analysis | (30) | | | | (30) |
| SPOC Overtime (Source Handlers) | (602) | (44) | 362 | | (284) |
| Ill Health Reserve | (169) | (112) | 169 | | (112) |
| Source Handlers Legal Costs | (80) | | | | (80) |
| Stores Provision | (16) | (10) | | | (26) |
| Fleet Liabilty with G4S | - | (50) | | | (50) |
| GMP Pension Reconciliation | (11) | | | | (11) |
| Fixed Term Contract Liabilities | (191) | | | | (191) |
| **Total** | **(1,518)** | **(385)** | **607** | **-** | **(1,296)** |

All provisions are held by the PCC except for the termination benefits of employment relating to the pension payments which are held by the Chief Constable along with the IAS19 Pension Liability.

| Long Term Provisions - Group | Balance 31 March 2019 | Additional provisions made in 2019/20 | Amounts used in 2019/20 | Unused amounts reversed in 2019/20 | Balance 31 March 2020 |
|---|---|---|---|---|---|
| Termination Benefits of Employment | (123) | 15 | | | (108) |
| **Total** | **(123)** | **15** | **-** | **-** | **(108)** |

## 25. Usable Reserves

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

| Usable Reserves - Group | Capital Grants Unapplied £000 | Earmarked Reserves (PCC) £000 | Earmarked Reserves (Region) £000 | Earmarked Reserves Total £000 | General Fund Balance £000 | General Fund Balance (Region) £000 | General Reserve Total £000 | Total Usable Reserves £000 |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 March 2019** | **292** | **8,791** | **436** | **9,227** | **3,198** | **34** | **3,233** | **12,751** |
| **Movements during the year** | | | | | | | | |
| Surplus / (Deficit) on the provision of services | | | | - | (28,155) | 91 | (28,064) | (28,064) |
| Adjustments between accounting basis and funding basis under regulations | (280) | | | - | 31,375 | | 31,375 | 31,095 |
| Income and Expenditure contribution | | 4,093 | 91 | 4,184 | (4,093) | (91) | (4,184) | - |
| Used in the year | | (872) | - | (872) | 872 | - | 872 | - |
| Adjustments to usable reserves | | (100) | | (100) | 100 | | 100 | - |
| **Total reserve movements 2019/20** | **(280)** | **3,121** | **91** | **3,212** | **99** | **-** | **99** | **3,031** |
| **Balance as at 31 March 2020** | **12** | **11,912** | **527** | **12,439** | **3,297** | **34** | **3,332** | **15,782** |

| Usable Reserves - PCC | Capital Grants Unapplied £000 | Earmarked Reserves (PCC) £000 | Earmarked Reserves (Region) £000 | Earmarked Reserves Total £000 | General Fund Balance £000 | General Fund Balance (Region) £000 | General Reserve Total £000 | Total Usable Reserves £000 |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 March 2019** | **292** | **8,791** | **436** | **9,227** | **3,198** | **34** | **3,233** | **12,751** |
| **Movements during the year** | | | | | | | | |
| Surplus / (Deficit) on the provision of services | | | | | (2,981) | 91 | (2,890) | (2,890) |
| Adjustments between accounting basis and funding basis under regulations | (280) | | | - | 6,201 | | 6,201 | 5,921 |
| Income and Expenditure contribution | | 4,093 | 91 | 4,184 | (4,093) | (91) | (4,184) | - |
| Used in the year | | (872) | - | (872) | 872 | - | 872 | - |
| Adjustments to usable reserves | | (100) | | (100) | 100 | | 100 | - |
| **Total reserve movements 2019/20** | **(280)** | **3,121** | **91** | **3,212** | **99** | **-** | **99** | **3,031** |
| **Balance as at 31 March 2020** | **12** | **11,912** | **527** | **12,439** | **3,297** | **34** | **3,332** | **15,782** |

## 26. Unusable Reserves

| Unusable Reserves - Group | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Revaluation Reserve | 5,017 | 12,522 |
| Capital Adjustment Account | (2,609) | (6,467) |
| Pensions Reserve | (1,545,497) | (1,416,103) |
| Collection Fund Adjustment Account | 472 | 582 |
| Accumulated Absences Account | (2,108) | (2,414) |
| **Total Unusable Reserves** | **(1,544,726)** | **(1,411,880)** |

| Unusable Reserves - PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Revaluation Reserve | 5,017 | 12,522 |
| Capital Adjustment Account | (2,609) | (6,467) |
| Pensions Reserve | (20,912) | (13,629) |
| Collection Fund Adjustment Account | 472 | 582 |
| Accumulated Absences Account | (2,108) | (2,414) |
| **Total Unusable Reserves** | **(20,141)** | **(9,406)** |

## 27. 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.

| 2018/19 £000 | Group / PCC | 2019/20 £000 |
|---|---|---|
| **4,789** | **Balance at 1 April** | **5,017** |
| 2,036 | Upward revaluation of Property, Plant and Equipment | 11,031 |
| (1,649) | Downward revaluation of Property Plant and Equipment, and impairment losses not charged to the Surplus or Deficit on the Provision of Services | (3,165) |
| - | Downward revaluation of Assets Held for Sale and impairment losses not charged to the Surplus or Deficit on the Provision of Services | (25) |
| **387** | **Surplus / (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services** | **7,841** |
| (159) | Difference between fair value depreciation and historical cost depreciation and adjustment on revaluation reserve | (336) |
| **(159)** | **Amount written off to the Capital Adjustment Account** | **(336)** |
| **5,017** | **Balance at 31 March** | **12,522** |

## 28. 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.

| 2018/19 £000 | Group / PCC | 2019/20 £000 |
|---|---|---|
| **(757)** | **Balance at 1 April** | **(2,609)** |
| | **Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:** | |
| (3,598) | Charges for depreciation and impairment on non-current assets | (3,410) |
| (1,287) | Revaluation losses on Property, Plant and Equipment | (3,727) |
| (725) | Amortisation of intangible assets | (765) |
| (2,181) | 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 | (2,228) |
| **(7,791)** | | **(10,130)** |
| 159 | Amounts written out of the Revaluation Reserve | 335 |
| **(7,632)** | **Net written out amount of the cost of non-current assets consumed in the year** | **(9,795)** |
| | **Capital financing applied in the year:** | |
| 103 | Use of Capital Receipts Reserve to finance new capital expenditure | 56 |
| | **Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing:** | |
| 373 | Capital expenditure charged against the general fund | 205 |
| 1,123 | Application of capital grants and contributions to capital financing transferred to the CAA | 779 |
| **1,599** | | **1,040** |
| | **Items not debited or credited to the Comprehensive Income and Expenditure Statement:** | |
| 4,181 | Revenue provision for the repayment of debt | 4,897 |
| **4,181** | | **4,897** |
| **(2,609)** | **Balance at 31 March** | **(6,467)** |

The Account 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.

## 29. Pensions Reserve

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

| 2018/19 PCC £000 | 2018/19 Group £000 | | 2019/20 PCC £000 | 2019/20 Group £000 |
|---|---|---|---|---|
| **(16,056)** | **(1,384,395)** | **Balance at 1 April** | **(20,912)** | **(1,545,497)** |
| (3,324) | (63,798) | Actuarial gains or losses on pensions assets and liabilities | 8,814 | 156,099 |
| (2,733) | (134,960) | 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 | (2,815) | (67,029) |
| 1,201 | 32,183 | Employers contributions payable to scheme | 1,276 | 34,659 |
| - | - | Contributions in respect of unfunded benefits | 8 | 27 |
| - | 5,454 | Employers contributions payable to schemes - Cash Top-up | | 5,623 |
| - | 19 | Other unfunded termination benefits | | 15 |
| **(20,912)** | **(1,545,497)** | **Balance at 31 March** | **(13,629)** | **(1,416,103)** |

## 30. Collection Fund

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.

| 2018/19 £000 | Group / PCC | 2019/20 £000 |
|---|---|---|
| **458** | **Balance at 1 April** | **472** |
| 14 | 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 | 109 |
| **472** | **Balance at 31 March** | **582** |
| | **Represented by:** | |
| 2,944 | Council tax arrears | 3,624 |
| (1,104) | Impairment for doubtful debts | (1,310) |
| (1,200) | Council tax overpayments and prepayments | (1,343) |
| (169) | Creditors, billing authorities | (389) |
| **472** | **Collection fund surplus / (deficit)** | **582** |

## 31. Accumulated Absences

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.

| 2018/19 £000 | Group / PCC | 2019/20 £000 |
|---|---|---|
| **(1,908)** | **Balance at 1 April** | **(2,108)** |
| 1,908 | Settlement or cancellation of accrual made at the end of the preceding year | 2,108 |
| **(2,108)** | Amounts accrued at the end of the current year | **(2,414)** |
| **(200)** | 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 | **(306)** |
| **(2,108)** | **Balance at 31 March** | **(2,414)** |

## 32. Cash Flow – Adjustments on Provision of Services for Non-Cash Movements

| 2018/19 £000 | | Cash Flow - Non Cash Movements | 2019/20 £000 | |
|---|---|---|---|---|
| PCC | Group | | PCC | Group |
| (3,595) | (3,595) | Depreciation of Non-Current Assets | (3,371) | (3,371) |
| (1,287) | (1,287) | Impairment and Dow nw ard Valuations of Non-Current Assets | (3,765) | (3,765) |
| (727) | (727) | Amortisation of Intangible Assets | (765) | (765) |
| 30 | 30 | Amortisation of Government Grant and Other Contributions | - | - |
| (153) | (153) | (Increase)/Decrease in Impairment Provisions for Bad Debts | (202) | (202) |
| 4,527 | 4,527 | (Increase)/Decrease in Creditors | 1,412 | 1,412 |
| (1,420) | (1,420) | Increase/(Decrease) in Debtors | (685) | (685) |
| 107 | 107 | Increase/(Decrease) in Inventories | (15) | (15) |
| (1,532) | (97,323) | Pension Liability | (1,531) | (26,720) |
| (2,181) | (2,181) | Carrying Amount of Non-Current Assets Sold and Assets Held for Sale | (2,227) | (2,227) |
| (459) | (441) | Contributions to Provisions | 220 | 238 |
| **(6,690)** | **(102,462)** | **Non Cash Movements** | **(10,929)** | **(36,100)** |

## 33. Cash Flow – Adjustments on Provision of Services for Investing and Financing Activities

| 2018/19 £000 | Group / PCC | 2019/20 £000 |
|---|---|---|
| 110 | Proceeds from the Sale of Property, Plant and Equipment and Intangible Assets | 62 |
| **110** | | **62** |

## 34. Cash Flow Statement – Operating Activities

| 2018/19 £000 | Group / PCC | 2019/20 £000 |
|---|---|---|
| (58) | Interest received | (164) |
| 1,383 | Interest paid | 1,890 |

## 35. Cash Flow Statement – Investing Activities

| 2018/19 £000 | Group / PCC | 2019/20 £000 |
|---|---|---|
| 9,290 | Purchase of Property, Plant and Equipment and Intangible Assets | 6,702 |
| (110) | Proceeds from the Sale of Property, Plant and Equipment and Intangible Assets | (62) |
| **9,180** | **Net Cash Flows from Investing Activities** | **6,640** |

## 36. Cash Flow Statement – Financing Activities

| 2018/19 £000 | Group / PCC | 2019/20 £000 |
|---|---|---|
| (18,000) | Cash Receipts of Short and Long-Term Borrowing | (2,249) |
| (1,796) | Revenue Grant Receipts in Advance | 1,600 |
| 2,299 | Cash Payments for the Reduction of the Outstanding Liability Relating to a Finance Lease | 3,026 |
| 935 | Repayments of Short and Long-Term Borrowing | 937 |
| **(16,562)** | **Net Cash Flow from Financing Activities** | **3,314** |

## 37. Joint Operations

### 37.1. Sexual Assault Referral Centre

The SARC is a one stop location where victims of sexual assault can receive medical care and counselling whilst at the same time having the opportunity to assist the police investigation into alleged offences. It is a joint operation between Lincolnshire Police and Lincolnshire Partnership NHS Foundation Trust, with Lincolnshire Police acting as the lead body. The financial statements include the PCC Group's share of non-current assets, primarily the purchase and refurbishment costs associated with Spring Lodge (the PCC for Lincolnshire's share is 65%). The financial statements also include the PCC's share of income £10k and revenue expenditure £92k compared to income of £10k and revenue expenditure of £102k in 2018/19 (the PCC for Lincolnshire's share is 50%).

### 37.2. Regional Collaboration

The East Midland Regional Collaboration consists of:

- East Midlands Special Operations Unit (EMSOU) including Regional Asset Recovery Team, Regional Review Unit, Collaboration Team, Protected Persons Unit and Technical Support Unit. The lead body is Leicestershire;
- EMSOU Major Crime. Lead body Leicestershire;
- Forensics. Lead body Derbyshire;
- Occupational Health Unit (OHU). Lead body Leicestershire;
- Emergency Services Network (ESN). Lead body Leicestershire;
- Specialist Operations Training (SOT). Lead body Leicestershire;
- East Midlands Criminal Justice. Lead body Leicestershire, Finance Lincolnshire;

- East Midlands Legal Services. Lead body Derbyshire.

As all assets, liabilities and reserves are held by the PCC; only the operational policing costs have been shown in the Chief Constable's Comprehensive Income and Expenditure Statement. The PCC's share of assets and liabilities is included in the PCC Group accounts. The transactions relating to Lincolnshire's share of a five Force collaboration is set at 13.2%, in the case of 3 Force collaborations such as SOT, Lincolnshire's share is 25.9% of revenue expenditure. These allocations from regional forces have been included in the Comprehensive Income and Expenditure Statement.

## Lincolnshire's Share of Regional Balance Sheet as at 31 March 2020:

| 2018/19 £000 | Group / PCC | 2019/20 £000 |
|---|---|---|
| 1,368 | Property, Plant and Equipment | 1,325 |
| 54 | Intangible Assets | 30 |
| **1,422** | **Long Term Assets** | **1,355** |
| - | Payments In Advance | 4 |
| 92 | Cash and Cash Equivalents | 468 |
| 579 | Short-Term Debtors | 394 |
| **671** | **Current Assets** | **866** |
| (214) | Short-Term Creditors | (306) |
| 12 | Receipts In Advance | - |
| (71) | Employee Benefits | (77) |
| **(273)** | **Current Liabilities** | **(383)** |
| **1,820** | **Net Assets** | **1,838** |
| 34 | General Fund Balance | 34 |
| 436 | Earmarked Reserves | 527 |
| **470** | **Usable Reserves** | **561** |
| 1,421 | Capital Adjustment Account | 1,354 |
| (71) | Accumulated Absences Account | (77) |
| **1,350** | **Unusable Reserves** | **1,277** |
| **1,820** | **Total Reserves** | **1,838** |

## Lincolnshire's Share of Regional Comprehensive Income and Expenditure Statement:

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| 930 | Police Pay and Allowances | 773 |
| 2,449 | Police Staff Pay and Allowances | 2,542 |
| 75 | Other Employee Expenses | 51 |
| 76 | Premises | 101 |
| 108 | Transport | 104 |
| 460 | Supplies and Services | 452 |
| 544 | Agency and Contracted Services | 608 |
| 142 | Depreciation | 155 |
| 21 | Amortisation | 21 |
| 152 | (Surplus) or Deficit on revaluation of non current assets (not covered by accumulated revaluation gains) | - |
| **4,957** | **Gross Operating Expenditure** | **4,807** |
| (107) | Other Income | (231) |
| - | (Gains) or Losses on Revaluation of Non-Current Assets Held for Sale | - |
| (2) | (Gains) or Losses on Disposal of Non Current Assets | 4 |
| **4,848** | **Amount to be met from Partners** | **4,580** |
| | **Financed by:** | |
| (4,132) | Contributions from Partners | (4,122) |
| (541) | External Grants | (477) |
| (42) | Capital Grants and Contributions | - |
| **133** | **(Surplus) or Deficit on the Provision of Services** | **(19)** |
| **6** | (Surplus) or Deficit on Revaluation of Non-Current Assets | **-** |
| **6** | **Other Comprehensive Income and Expenditure** | **-** |
| **139** | **Total Comprehensive Income and Expenditure** | **(19)** |

## 38. Funded Partnerships Outside Scope of Collaborative Arrangements

Lincolnshire Road Safety Partnership (LRSP) was formed in order to reduce the number of people killed or injured on Lincolnshire's roads. LRSP is a unique multi-agency partnership that brings together road safety professionals from the Police, Lincolnshire County Council, Fire and Rescue, the NHS, the Highways Agency and the Probation Service. Roads Policing Officers provide their time as an integral part of the Partnership. Income in the year was £1,340k and expenditure £1,041k compared to income of £949k and expenditure of £741k in 2018/19.

## 39. Audit Committee Allowances and Expenses

The amount paid to members of the Joint Independent Audit Committee equated to £8,685 for the year compared to £9,374 in 2018/19. £2,171 of the amount paid to members is charged to the PCC based on the percentage split used for allocating finance joint services costs (25%).

## 40. Senior Officers

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

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

**2018/19 details**

| 2018/19 Senior Officers' Remuneration | Notes | Salaries, fees or allowances £ | Relocation benefits received in role £ | Car benefits receivable in the role £ | Other benefits receivable in the role £ | **Total remuneration excluding pension contributions 2018/19 £** | Employer's pension contribution £ | **Total remuneration including pension contributions 2018/19 £** |
|---|---|---|---|---|---|---|---|---|
| **Police and Crime Commissioner** | | 66,192 | - | - | - | **66,192** | 10,789 | **76,981** |
| **Office of the Police and Crime Commissioner** | | | | | | | | |
| Chief Executive | | 102,800 | - | 1,239 | - | **104,039** | 16,756 | **120,795** |
| Chief Finance Officer | | 75,727 | - | 1,239 | - | **76,966** | 12,344 | **89,309** |
| **Police Officers** | | | | | | | | |
| Chief Constable Bill Skelly[3] | | 156,609 | - | - | 219 | **156,827** | 36,808 | **193,635** |
| Deputy Chief Constable[2] | | 119,517 | 2,321 | 6,360 | - | **128,198** | 28,197 | **156,395** |
| Assistant Chief Constable[4] | Started 16/07/2018 | 71,080 | - | 3,978 | 1,706 | **76,763** | 17,204 | **93,968** |
| Temporary Assistant Chief Constable[5] | Temp w ef 26/6/17 | 104,613 | - | 5,605 | (2,450) | **107,768** | 20,862 | **128,630** |
| Temporary Assistant Chief Constable [1, 6] | Temp on Secondment. Finished 22/4/18 | 8,931 | - | 343 | - | **9,274** | 1,266 | **10,540** |
| **Police Staff of the Chief Constable** | | | | | | | | |
| Chief Finance Officer | | 75,130 | - | - | - | **75,130** | 12,246 | **87,377** |
| Assistant Chief Officer (Resources) | | 114,291 | - | 5,605 | - | **119,896** | 18,629 | **138,525** |

[1]Fully funded secondment to Derbyshire Police.

[2]Relocation benefits receivable in the role for the Deputy Chief Constable include an amount to settle his personal tax liability specifically relating to his relocation expenses. These consist of the payment of a temporary rental allowance in accordance with the approval granted by the Home Secretary. The force is currently seeking clarification as to whether the approval extends to the tax liability and will make the appropriate adjustments dependent on the outcome.

[3]Chief Constable other benefit is Taxable Subsistence

[4]Assistant Chief Constable other benefit is Housing Allowance

[5]Temporary Assistant Chief Constable salary sacrifice for Child Care Vouchers

[6]Temporary Assistant Chief Constable fully funded Secondment to Derbyshire

**2019/20 details**

| 2019/20 Senior Officers' Remuneration | Notes | Salaries, fees or allowances £ | Relocation benefits received in role £ | Car benefits receivable in the role £ | Other benefits receivable in the role £ | **Total remuneration excluding pension contributions 2019/20 £** | Employer's pension contribution £ | **Total remuneration including pension contributions 2019/20 £** |
|---|---|---|---|---|---|---|---|---|
| **Police and Crime Commissioner** | | 66,300 | - | - | - | **66,300** | 10,807 | **77,107** |
| **Office of the Police and Crime Commissioner** | | | | | | | | |
| Chief Executive | | 103,549 | - | 1,239 | - | **104,788** | 16,878 | **121,666** |
| Chief Finance Officer | | 76,282 | - | 1,239 | - | **77,521** | 12,434 | **89,955** |
| **Police Officers** | | | | | | | | |
| Chief Constable Bill Skelly | | 160,555 | - | - | 15 | **160,570** | 48,232 | **208,802** |
| Deputy Chief Constable | Finished Jun 19 | 37,790 | - | 1,431 | 75 | **39,296** | 8,141 | **47,437** |
| Deputy Chief Constable | Started Jul 19 | 97,090 | 8,391 | 4,929 | - | **110,410** | 28,569 | **138,979** |
| Assistant Chief Constable | | 109,885 | 10,200 | 5,605 | - | **125,690** | 33,170 | **158,860** |
| **Police Staff of the Chief Constable** | | | | | | | | |
| Chief Finance Officer | | 79,437 | - | - | - | **79,437** | 12,948 | **92,385** |
| Assistant Chief Officer (Resources) | | 115,131 | - | 5,605 | - | **120,736** | 18,766 | **139,502** |

### 40.1. Remuneration Banding

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

| Remuneration Range | 2018/19 Number of employees | 2019/20 Number of employees |
|---|---|---|
| £50,000 to £54,999 | 4 | 1 |
| £55,000 to £59,999 | 3 | 2 |
| £60,000 to £64,999 | - | 1 |
| £65,000 to £69,999 | - | 1 |
| £70,000 to £74,999 | 4 | 2 |
| £75,000 to £79,999 | - | 1 |
| £80,000 to £84,999 | 1 | 1 |
| £85,000 to £89,999 | 3 | 4 |
| £90,000 to £94,999 | - | - |
| £95,000 to £99,999 | - | - |
| £100,000 to £104,999 | - | - |
| £105,000 to £109,999 | - | - |

## 41. Termination Benefits

In 2019/20 there were ten compulsory redundancies and one employment contract terminated. The total cost in each band includes an amount for pension strain. There had been no early contract terminations in 2018/19.

| Group Cost band (including special payments) | Number of compulsory redundancies | | Number of other departures agreed | | Total number by cost band | | Total cost in each band £000 | |
|---|---|---|---|---|---|---|---|---|
| | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 £000 | 2019/20 £000 |
| £0,000 to £20,000 | - | 5 | - | 1 | - | 6 | - | 30 |
| £20,001 to £40,000 | - | - | - | - | - | - | - | - |
| £40,001 to £60,000 | - | 2 | - | - | - | 2 | - | 95 |
| £60,001 to £80,000 | - | 2 | - | - | - | 2 | - | 130 |
| £80,001 to £100,000 | - | - | - | - | - | - | - | - |
| £100,000 to £150,000 | - | 1 | - | - | - | 1 | - | 101 |
| **Total** | **-** | **10** | **-** | **1** | **-** | **11** | **-** | **356** |

## 42. Audit Fees

| Group | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Fees payable with regard to external audit services carried out by the appointed auditor for the year | 35 | 35 |
| **Total** | **35** | **35** |

| PCC | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Fees payable with regard to external audit services carried out by the appointed auditor for the year | 23 | 23 |
| **Total** | **23** | **23** |

## 43. 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 PCC Group or, to be controlled or influenced by the PCC Group. 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.

### 43.1. 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.

Further details of the grants received by the PCC Group are set out in Note 10 Taxation and Non-Specific Income and Note 11 Grant Income.

### 43.2. Chief Constable for Lincolnshire

Within the Group, the Chief Constable is accountable to the Police and 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 and Expenditure Statement.

### 43.3. Officers

The total remuneration to senior staff in 2019/20 is shown in Note 40. All senior officers employed by the PCC Group at the 31 March 2020 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.

### 43.4. Other Public Bodies

Joint Operations and Funded Partnerships are disclosed in Notes 37 and 38.

## 44. Retirement Benefits

As part of the terms and conditions of employment of its officers and other employees, the PCC Group offers retirement benefits. Although these benefits will not actually be payable until employees retire, the PCC 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:

1. The Local Government Pension Scheme (LGPS) for police staff is administered by West Yorkshire Pension Fund on behalf of Lincolnshire County Council. This is a funded defined benefit scheme, meaning that the PCC Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Due to changes under the Public Pension Services Act 2013, from the 1 April 2014 scheme members now accrue pension entitlements based on their career-average rather than their final salary.

G4S joined Lincolnshire Police 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 IAS 19 results as at 31 March 2020 reflect the combined G4S and Lincolnshire Police pension fund assets and liabilities.

2. The Police Pension Scheme for police officers is an unfunded defined benefit scheme. This means that 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. From the 1 April 2015 The Police Pension Scheme 2015 (CARE) scheme was introduced (under the Public Pension Services Act 2013), and members who are not covered by protection or the transitional arrangements in the previous schemes now accrue pension entitlements based on their career-average rather than their final salary. Three schemes were in operation during 2018/19 as well as injury awards:

- The 1987 scheme (Final Salary) which is based on a maximum pensionable service of 30 years (closed to new entrants on 31 March 2006);
- The 2006 scheme (Final Salary) which is based on a maximum pensionable service of 35 years (closed to new entrants on the 31 March 2015);
- The 2015 (CARE) scheme which was available to new entrants from the 1 April 2015 and is a Career Average Revalued Earnings (CARE) scheme there is no maximum period of service.

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 Police Pensions Payments grant.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. 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.

### 44.1. Discretionary Post-Retirement Benefits

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

### 44.2. 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 PCC Group recognises 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 the PCC Group is 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 in 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.

## 44.3. Transactions Relating to Retirement Benefits

| | Local Government Pension Scheme | | | | Police Pension Scheme (Group Only) | | Comprehensive Income and Expenditure Account | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018/19 | | 2019/20 | | 2018/19 | 2019/20 | 2018/19 | | 2019/20 | |
| | PCC £000 | Group £000 | PCC £000 | Group £000 | Group £000 | Group £000 | PCC £000 | Group £000 | PCC £000 | Group £000 |
| **Comprehensive Income and Expenditure Statement** | | | | | | | | | | |
| ***Cost of Services:*** | | | | | | | | | | |
| Current service cost | (2,087) | (6,842) | (2,273) | (7,451) | (28,200) | (27,600) | (2,087) | (35,042) | (2,273) | (35,051) |
| Past service costs | (199) | (651) | (27) | (88) | (61,100) | 5,100 | (199) | (61,751) | (27) | 5,012 |
| Effect of settlements | - | - | - | - | - | - | - | - | - | - |
| | (2,285) | (7,493) | (2,299) | (7,539) | (89,300) | (22,500) | (2,285) | (96,793) | (2,299) | (30,039) |
| **Other Operating Expenditure:** | | | | | | | | | | |
| Home Office Grant | | | | | (24,597) | (23,826) | - | (24,597) | - | (23,826) |
| ***Financing and Investment Income and Expenditure:*** | | | | | | | | | - | |
| Net interest expense | (447) | (1,467) | (515) | (1,690) | (36,700) | (35,300) | (447) | (38,167) | (515) | (36,990) |
| ***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services*** | **(2,733)** | **(8,960)** | **(2,815)** | **(9,229)** | **(150,597)** | **(81,626)** | **(2,733)** | **(159,557)** | **(2,815)** | **(90,855)** |
| ***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) | 2,126 | 6,969 | (5,127) | (16,811) | - | - | 2,126 | 6,969 | (5,127) | (16,811) |
| Actuarial gains and losses arising on changes in demographic assumptions | - | - | 2,141 | 7,019 | 98,500 | 10,800 | - | 98,500 | 2,141 | 17,819 |
| Actuarial gains and losses arising on changes in financial assumptions | (5,394) | (17,685) | 7,075 | 23,197 | (96,700) | 130,700 | (5,394) | (114,385) | 7,075 | 153,897 |
| Other experience | (56) | (182) | 4,726 | 15,494 | (54,700) | (14,300) | (56) | (54,882) | 4,726 | 1,194 |
| ***Subtotal Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement*** | **(3,324)** | **(10,898)** | **8,814** | **28,899** | **(52,900)** | **127,200** | **(3,324)** | **(63,798)** | **8,814** | **156,099** |
| ***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement*** | **(6,057)** | **(19,858)** | **5,999** | **19,670** | **(203,497)** | **45,574** | **(6,057)** | **(223,355)** | **5,999** | **65,244** |
| ***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 | 2,733 | 8,960 | 2,815 | 9,229 | 126,000 | 57,800 | 2,733 | 134,960 | 2,815 | 67,029 |
| ***Actual Amount charged against the General Fund Balance for pensions in the year:*** | - | - | - | - | - | - | - | - | - | - |
| Employers contributions payable to scheme | (1,201) | (3,937) | (1,276) | (4,182) | (28,246) | (30,477) | (1,201) | (32,183) | (1,276) | (34,659) |
| Contributions in respect of unfunded benefits | - | - | (8) | (27) | - | - | - | - | (8) | (27) |
| Employers contributions payable to schemes - Cash Top-up | - | - | - | - | (5,454) | (5,623) | - | (5,454) | - | (5,623) |
| Retirement benefits payable to pensioners | - | - | - | - | - | - | - | - | - | - |
| **Movement from Comprehensive Income and Expenditure Statement to the General Fund** | **1,532** | **5,023** | **1,531** | **5,020** | **92,300** | **21,700** | **1,532** | **97,323** | **1,531** | **26,720** |

## 44.4. 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 schemes is as follows:

| LGPS | 2018/19 | | 2019/20 | |
|---|---|---|---|---|
| | PCC £000 | Group £000 | PCC £000 | Group £000 |
| Present value of the defined benefit obligation | 62,852 | 206,071 | 51,909 | 170,192 |
| Fair value of scheme assets | (42,039) | (137,833) | (38,367) | (125,793) |
| **Sub-total** | **20,813** | **68,238** | **13,542** | **44,399** |
| Other movements in the liability (asset) | 98 | 320 | 85 | 280 |
| **Net liability arising from the defined benefit obligation** | **20,911** | **68,558** | **13,627** | **44,679** |

| Discretionary Benefits<br>Police Pension Scheme | 2018/19 Group £000 | 2019/20 Group £000 |
|---|---|---|
| Present value of the defined benefit obligation | 1,416,900 | 1,314,300 |
| Fair value of scheme assets | - | - |
| **Sub-total** | **1,416,900** | **1,314,300** |
| Other movements in the liability (asset) | 59,900 | 57,000 |
| **Net liability arising from the defined benefit obligation** | **1,476,800** | **1,371,300** |

## 44.5. Reconciliation of the movements in the Fair Value of the scheme assets

| LGPS | 2018/19 | | 2019/20 | |
|---|---|---|---|---|
| | PCC £000 | Group £000 | PCC £000 | Group £000 |
| Opening fair value of scheme assets | 38,329 | 125,670 | 42,039 | 137,833 |
| Interest income | 1,042 | 3,415 | 1,016 | 3,332 |
| **Remeasurement gain / (loss):** | | | | |
| The return on scheme assets, excluding the amount included in the net interest expense | 2,126 | 6,969 | (5,127) | (16,811) |
| Other | - | - | - | - |
| Effect of changes in foreign exchange rates | - | - | - | - |
| Contributions from employer | 1,201 | 3,937 | 1,276 | 4,182 |
| Contributions in respect of unfunded benefits | - | - | 8 | 27 |
| Contributions from employees in the scheme | 345 | 1,131 | 328 | 1,076 |
| Benefits paid | (1,003) | (3,289) | (1,173) | (3,846) |
| Other | - | - | - | - |
| **31 March** | **42,039** | **137,833** | **38,367** | **125,793** |

## 44.6. Reconciliation of Present Value of the scheme liabilities (defined benefit obligation)

| LGPS Liabilities | 2018/19 | | 2019/20 | |
|---|---|---|---|---|
| | PCC £000 | Group £000 | PCC £000 | Group £000 |
| Opening balance at 1 April | 54,384 | 178,307 | 62,949 | 206,391 |
| Current service cost | 2,087 | 6,842 | 2,273 | 7,451 |
| Interest cost | 1,489 | 4,882 | 1,532 | 5,022 |
| Contributions from scheme participants | 345 | 1,131 | 328 | 1,076 |
| **Re-measurement (gain) / loss:** | | | - | - |
| Actuarial gains / losses arising from changes in demographic assumptions | - | - | (2,141) | (7,019) |
| Actuarial gains / losses arising from changes in financial assumptions | 5,394 | 17,685 | (7,075) | (23,197) |
| Other | 56 | 182 | (4,726) | (15,494) |
| Past service cost | 199 | 651 | 27 | 88 |
| Losses / (gains) on curtailment | - | - | - | - |
| Liabilities assumed on entity combinations | - | - | - | - |
| Benefits paid | (1,003) | (3,289) | (1,173) | (3,846) |
| Liabilities extinguished on settlements (where relevant) | - | - | - | - |
| **31 March** | **62,949** | **206,391** | **51,994** | **170,472** |

| Unfunded liabilities | 2018/19 | 2019/20 |
|---|---|---|
| **Police Pension Scheme** | Group £000 | Group £000 |
| Opening balance at 1 April | 1,331,600 | 1,476,800 |
| Current service cost | 28,200 | 27,600 |
| Interest cost | 36,700 | 35,300 |
| Contributions from scheme participants | 5,400 | 5,600 |
| **Re-measurement (gain) / loss:** | | |
| Actuarial gains / losses arising from changes in demographic assumptions | (98,500) | (10,800) |
| Actuarial gains / losses arising from changes in financial assumptions | 96,700 | (130,700) |
| Other | 54,700 | 14,300 |
| Past service cost | 61,100 | (5,100) |
| Losses / (gains) on curtailment | - | - |
| Liabilities assumed on entity combinations | - | - |
| Benefits paid | (39,100) | (41,700) |
| Liabilities extinguished on settlements (where relevant) | - | - |
| **31 March** | **1,476,800** | **1,371,300** |

## 44.7. Pension scheme assets

The Police Pension Schemes are unfunded in nature and hence have no scheme assets.

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

| | 2018/19 | | 2019/20 | |
|---|---|---|---|---|
| **Fair value of scheme assets** | **PCC £000** | **Group £000** | **PCC £000** | **Group £000** |
| **Cash and cash equivalents** | **463** | **1,519** | **230** | **754** |
| **Equity instruments** | | | | |
| Consumer | 4,741 | 15,544 | 1,675 | 5,492 |
| Manufacturing | 1,711 | 5,611 | 1,124 | 3,687 |
| Energy and utilities | 958 | 3,142 | 455 | 1,492 |
| Financial institutions | 2,494 | 8,177 | 1,074 | 3,522 |
| Health and care | 1,863 | 6,107 | 1,342 | 4,400 |
| Information technology | 2,831 | 9,283 | 2,627 | 8,614 |
| Other | - | - | 392 | 1,284 |
| | **14,599** | **47,864** | **8,690** | **28,491** |
| **Bonds by sector** | | | | |
| Corporate | - | - | - | - |
| UK Government | - | - | - | - |
| Other | - | - | - | - |
| | **-** | **-** | **-** | **-** |
| **Property by type** | | | | |
| UK property | 3,362 | 11,022 | 3,204 | 10,507 |
| Overseas property | 264 | 867 | 252 | 826 |
| | **3,626** | **11,889** | **3,456** | **11,333** |
| **Private equity** | **441** | **1,446** | **332** | **1,089** |
| **Other investment funds** | | | | |
| Equities | 11,604 | 38,046 | 12,011 | 39,381 |
| Bonds | 5,059 | 16,587 | 7,170 | 23,509 |
| Hedge funds | - | - | - | - |
| Commodities | - | - | - | - |
| Infrastructure | 794 | 2,603 | 856 | 2,807 |
| Other | 5,453 | 17,879 | 5,622 | 18,431 |
| | **22,910** | **75,115** | **25,659** | **84,129** |
| **Derivatives** | **-** | **-** | **-** | **-** |
| **Total assets** | **42,039** | **137,833** | **38,367** | **125,792** |

## 44.8. Basis for estimating assets and liabilities

Both the Police Pension Scheme and the Local Government Pension 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 uncertain variables.

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 April 2019.

For the Police Pension Scheme liabilities have been assessed on an actuarial basis using the projected unit method. The last formal valuation of the schemes was carried out as at 31 March 2019. The results of this valuation have been projected forward to 31 March 2020 using approximate methods. The roll forward allows for changes in financial assumptions, additional benefit accruals, actual cash flows over the period and estimated where necessary and updated membership information.

| | Local Government Pension Scheme | | Police Pension Scheme | |
|---|---|---|---|---|
| | 2018/19 | 2019/20 | 2018/19 | 2019/20 |
| **Mortality assumptions** | Longevity at 65 | | Longevity at 60 | |
| | Years | Years | Years | Years |
| Longevity for current pensioners: | | | | |
| Men | 22.1 | 21.4 | 27.3 | 27.2 |
| Women | 24.4 | 23.7 | 29.4 | 29.2 |
| Longevity for future pensioners: | | | | |
| Men | 24.1 | 22.4 | 28.4 | 28.3 |
| Women | 26.6 | 25.2 | 30.6 | 30.4 |
| **Financial assumptions** | % | % | % | % |
| Market derived RPI | 3.5 | 2.8 | 3.5 | 2.8 |
| Rate of increase in salaries | 2.9 | 2.1 | 3.5 | 2.8 |
| Rate of increase in pensions | 2.5 | 1.8 | 2.5 | 1.9 |
| Rate for discounting scheme liabilities | 2.4 | 2.3 | 2.4 | 2.3 |

The Local Government Pension Scheme longevity assumptions are as per the latest full valuation as at 31 March, the Police Pension Scheme longevity assumptions are remodelled annually in the actuarial review.

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

### 44.9. Present Value of Liabilities

| | 2014/15 £000 | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 |
|---|---|---|---|---|---|---|
| **Present value of liabilities** | | | | | | |
| Local government pension scheme | (155,899) | (145,804) | (173,150) | (178,307) | (206,391) | (170,472) |
| Police pension scheme | (1,260,900) | (1,100,800) | (1,280,300) | (1,331,600) | (1,476,800) | (1,371,300) |
| Fair value of assets in the local government pension scheme | 99,719 | 102,976 | 121,312 | 125,670 | 137,833 | 125,792 |
| **Surplus / (deficit) in the scheme** | **(1,317,080)** | **(1,143,628)** | **(1,332,138)** | **(1,384,237)** | **(1,545,358)** | **(1,415,980)** |
| Local government pension scheme | (56,180) | (42,828) | (51,838) | (52,637) | (68,558) | (44,680) |
| Police pension scheme | (1,260,900) | (1,100,800) | (1,280,300) | (1,331,600) | (1,476,800) | (1,371,300) |
| **Total surplus / (deficit) in the scheme** | **(1,317,080)** | **(1,143,628)** | **(1,332,138)** | **(1,384,237)** | **(1,545,358)** | **(1,415,980)** |

### 44.10. 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 PCC 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 PCC Group remains healthy.

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

The minimum employer contributions payable over the next year for the PCC Group is 16.3% plus a £1,448k lump sum payment. Estimated employer's contribution for 2020/21 amount to £4.1m on the Local Government Pension Scheme.

Funding levels are monitored through the triennial valuation process and the last triennial valuation was as at 31 March 2019.

For police pensions, the rate (%) at which employer contributions are made to the police pension fund is set by the Home Office. An actuarial valuation during 2014/15 resulted in a reduction in the employers' contribution rate from 24.2% to 21.3% from 1 April 2015. The difference between the old employer contribution rate of 24.2% and the new rate will be retained by the exchequer by means of a reduction in the Police Pensions Payments grant from the Home Office, therefore the actual cost to the PCC Group of the employer's contribution is still 24.2%.

Estimated employer contributions for 2020/21 at 22.9% of pensionable pay amount to £9.65m.

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

Maturity profile of the defined benefit obligation:

| | LGPS | | | Police Pension Scheme | | |
|---|---|---|---|---|---|---|
| | Liability Split as at 31 March 2020 £000 | Liability Split as at 31 March 2020 % | Weighted Average Duration at Previous Formal Valuation £000 | Liability Split as at 31 March 2020 £000 | Liability Split as at 31 March 2020 % | Weighted Average Duration at Previous Formal Valuation £000 |
| Active Members | 101,606 | 49.3% | 25.0 | 538,200 | 40.9% | 26 |
| Deferred Members | 53,260 | 25.8% | 26.9 | 48,200 | 3.7% | 27 |
| Pensioner Members | 51,205 | 24.8% | 12.2 | 727,900 | 55.4% | 12 |
| **Total** | **206,071** | **100.0%** | **20.6** | **1,314,300** | **100.0%** | **18.1** |
| Contingent Injuries | - | - | - | 26,500 | 46.5% | 26 |
| Injury pension liabilities | - | - | - | 30,500 | 53.5% | 16 |
| **Total** | **-** | **-** | **-** | **57,000** | **100.0%** | **20.6** |

## 45. Contingent Liabilities

### 45.1. Legal claims against the PCC Group

A number of legal claims are being pursued against the Group. They are all being rigorously defended but provisions have been made for those claims where it is likely that the outcome will be in favour of the claimant.

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

There are two other specific matters which currently has the potential to impact the Force:

- A national inquiry into Undercover Policing commenced in 2015 to ascertain the truth about Undercover Policing operations across England and Wales since 1968 and provide recommendations for the future. The review is wide ranging and could lead to individual legal claims submitted from officers for additional payments whilst working on undercover operations. The timescales and values are at present unknown.
- The McCloud judgement relating to the Court of Appeal's ruling that Government's 2015 public sector pension reforms unlawfully treated existing public sectors differently based upon the members age on 1st April 2012. Currently 92 officers have sought redress against Lincolnshire Police for the unlawful treatment through a national coordinated legal claim. The Government has accepted the validity of the claims and is looking for the Force to agree compensation settlements with the claimants for the distress caused by the issue. At present both the timescales and settlement remain unclear.

## 46. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet (within Net Assets which also include elements that do not constitute a financial instrument):

| | Non-Current | | | | Current | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Investments | | Debtors | | Investments | | Debtors | | Total | |
| **Group / PCC** | **2018/19** | **2019/20** | **2018/19** | **2019/20** | **2018/19** | **2019/20** | **2018/19** | **2019/20** | **2018/19** | **2019/20** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Financial Assets** | | | | | | | | | | |
| Amortised Cost | - | - | - | - | 8,157 | 5,725 | 4,866 | 3,440 | 13,023 | 9,165 |
| **Total Financial Assets** | **-** | **-** | **-** | **-** | **8,157** | **5,725** | **4,866** | **3,440** | **13,023** | **9,165** |

| | Non-Current | | | | Current | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Borrowings | | Creditors | | Borrowings | | Creditors | | Total | |
| **Group / PCC** | **2018/19** | **2019/20** | **2018/19** | **2019/20** | **2018/19** | **2019/20** | **2018/19** | **2019/20** | **2018/19** | **2019/20** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Financial Liabilities** | | | | | | | | | | |
| Amortised Cost | (27,561) | (28,869) | - | - | (1,069) | (1,073) | (9,284) | (8,141) | (37,913) | (38,083) |
| **Total Financial Liabilities** | **(27,561)** | **(28,869)** | **-** | **-** | **(1,069)** | **(1,073)** | **(9,284)** | **(8,141)** | **(37,913)** | **(38,083)** |

The Police and Crime Commissioner is exposed to minimum risk. Any short-term deposits are included in the cash and cash equivalents Note 22.

Financial Liabilities consists of borrowing with the Public Works Loan Board (PWLB) and a SALIX interest free loan that was given to the PCC in 2019/20 for £250k. Total PWLB outstanding at 31 March 2020 is £29.7m. Total Deferred Liabilities outstanding at 31 March 2019 were £52k. These represented 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 were administered by Lincolnshire County Council on behalf of the PCC. Final repayments of £52k made in 19/20 cleared these liabilities.

Additional borrowing of £2m from PWLB took place in 2019/20. Repayments of the principal were made totalling £884k and there was an increase in loan interest accrual of £25k. Repayments of £25k were made on the SALIX loan and £52k of the deferred liabilities. This all resulted in an increase in the PCC's borrowing from £28.6 to £29.9m in the year.

The debtors and creditors figures have been adjusted for non-contractual obligations. For debtors these are VAT debtors, Statutory Maternity, Paternity and Adoption 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 of debtors that are past due and not impaired.

| Group / PCC | Range of interest rates payable % | As at March 31 2019 £000 | As at March 31 2020 £000 |
|---|---|---|---|
| PWLB | 2.14 - 8.25 | (28,577) | (29,718) |
| Transferred Debt - Lincolnshire CC | Variable | (52) | - |
| Salix Interest Free Loan | Interest Free | - | (224) |
| | | **(28,629)** | **(29,942)** |

Note that the above amount is the total of long-term and short-term borrowing shown separately on the balance sheet.

A full analysis of loans by maturity is shown in Note 47 under 'liquidity risk exposure'.

### 46.1. Income, Expense, Gains and Losses

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

| Income, Expense, Gains and Losses Group / PCC | 31 March 2019 | | 31 March 2020 | |
|---|---|---|---|---|
| | Surplus or Deficit on the Provision of Services £000 | Other Compreshensive Income and Expenditure £000 | Surplus or Deficit on the Provision of Services £000 | Other Compreshensive Income and Expenditure £000 |
| Financial assets measured at amortised cost | 58 | - | 164 | |
| **Total interest revenue** | **58** | **-** | **164** | **-** |
| **Interest expense** | **(558)** | **-** | **(956)** | **-** |

### 46.2. Fair Values of Financial Assets

None of the PCC's financial assets are measured at fair value.

### 46.3. The Fair Values of Financial Liabilities that Are Not Measured at Fair Value (but for which Fair Value Disclosures are Required)

Financial liabilities for which fair value disclosures are required held by the PCC are shown in the table below and are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows:

| Financial liabilities - Group / PCC | Fair Value Hierarcy Measurement | 31 March 2019 | | 31 March 2020 | |
|---|---|---|---|---|---|
| | | Carrying amount | Fair value | Carrying amount | Fair value |
| | | £000 | £000 | £000 | £000 |
| PWLB | Level 2 | 28,577 | 38,290 | 29,718 | 49,003 |
| Transferred Debt - Lincolnshire CC | Level 2 | 52 | 52 | - | - |
| Salix Interest Free Loan | Level 2 | - | - | 224 | 224 |

The fair value of PWLB loans is higher than the carrying amount because the PCC's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

However, the PCC has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the movement in interest that the PCC will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. The PCC review the carrying amounts and potential penalty charge for early redemption regularly to ensure that opportunities to make savings through re-financing are maximised. Currently the penalty charges are much higher than the savings that would be made through current interest rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

The table above excludes other financial liabilities such as cash overdrawn. 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.

The fair value hierarchy is as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets at the Balance Sheet Date;
- Level 2 – comparators other than quoted prices included in Level 1 that are observable for that asset, either directly or indirectly;
- Level 3 – unobservable comparators for the asset.

The financial liabilities held by the PCC are Level 2 in the fair value Hierarchy Level of Measurement and there has been no change to this level during the year.

The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the investments using the following assumptions:

- For loans from the PWLB, equivalent borrowing rates available from the PWLB at 31 March 2020 have been applied to provide the fair value under the PWLB debt redemption procedures;
- No early repayment or impairment is recognised;

- The SALIX loan has been accounted for on the basis of outstanding principal amounts as defined by statutory arrangements and will be repaid by 31 March 2024.

## 47. Nature and Extent of Risks Arising from Financial Instruments

### 47.1. Credit Risk Exposure

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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 | Unlimited | 6 months |
| Money market funds | £4m | Liquid |
| Local Authorities | £4m / 20%* | 1 Year |
| Term deposits with banks and building societies | £4m / 20%* | 3months - 1 year |

* Whichever is higher

The PCC does not allow extended credit for customers. Due to the nature of the debtors being principally relating to Government funding, there are no concerns about their credit worthiness. The amounts not impaired are analysed by age as follows:

| Sales Ledger - Aged Debt Analysis | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Current | 1,245 | 1,294 |
| Up to one month | 20 | 115 |
| Up to six months | 27 | 19 |
| Up to one year | 12 | 16 |
| More than one year | 28 | 0 |
| **Total:** | **1,332** | **1,444** |
| Other debtors | 3,534 | 1,996 |
| **Total:** | **4,866** | **3,440** |

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

## 47.2. Liquidity Risk Exposure

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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:

| 2018/19 Borrowing | PWLB | Deferred Liabilities | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| Less than 1 year | 1,017 | 52 | 1,069 |
| Between one and two years | 822 | - | 822 |
| Between two and five years | 2,402 | - | 2,402 |
| More than five years | 24,337 | - | 24,337 |
| **Total** | **28,577** | **52** | **28,629** |

| 2019/20 Borrowing | PWLB | Deferred Liabilities | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| Less than 1 year | 1,023 | 50 | 1,073 |
| Between one and two years | 814 | 50 | 864 |
| Between two and five years | 2,366 | 125 | 2,490 |
| More than five years | 25,515 | | 25,515 |
| **Total** | **29,718** | **224** | **29,942** |

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

The PCC does not have any amounts arising from expected credit losses.

## 47.3. Market Risk Exposure

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Market risk is the risk that the value of an instrument will fluctuate because of changes in interest rates, market prices and foreign currency exchange rates. The PCC has limited risk. PWLB interest rates are fixed, and no short-term investments were held at the end of 2019/20. The PCC does not invest in equity shares and has no financial assets or liabilities in foreign currencies.

The following sensitivity analysis shows the financial effect on the fair value of a one percent point movement in average interest rates as at 31 March 2019 and 31 March 2020:

| 2018/19 Sensitivity Analysis | Fair Value 2018/19 £000 | Fair Value at 1% Higher £000 | Fair Value at 1% Lower £000 |
|---|---|---|---|
| PWLB Long Term Fixed Borrowing | 38,290 | 38,284 | 38,296 |

| 2019/20 Sensitivity Analysis | Fair Value 2019/20 £000 | Fair Value at 1% Higher £000 | Fair Value at 1% Lower £000 |
|---|---|---|---|
| PWLB Long Term Fixed Borrowing | 49,003 | 48,993 | 49,013 |

The transferred debt from Lincolnshire County Council has been excluded in 2018/19 as this was variable rate borrowing and not considered to be material.

## 48. Accounting Standards Issued but Not Yet Adopted

The following Accounting Standards may be relevant for additional disclosures that will required in the financial statements in respect of accounting changes in the Code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

If these had been adopted for the financial year 2019/20 there would be no known material changes. If further information becomes available that requires changes to 2019/20 these will be restated in the 2020/21 financial statements.

The new leasing standard, IFRS 16 Leases, had been due to be implemented from 2020/21. However, due to the widespread impact of the COVID-19 global pandemic, the CIPFA/LASAAC Local Authority Accounting Code Board agreed to defer the implementation of this standard in line with the government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1 April 202~~2~~4.

## 49. Non-adjustment event after reporting period

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

There are t~~wo~~hree events which are indicative of conditions that arose after the reporting period where the Statements of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect. Disclosure is made in the notes of the nature of the events and their estimated financial effect or a statement that a reasonable estimate of the effect cannot be made:- ~~effect. Disclosure is made in the notes of the nature of the events and their estimated financial effect –~~

- The retirement of the Chief Constable, Mr Bill Skelly on 18th December 2020. The new Chief Constable, Chris Haward commenced in post on following day.
- The Strategic Partnership contract (with G4S Policing Services) is formally held by the PCC for the provision of a wide range of operational and support functions to the Chief Constable. This has been accounted for in full in the PCC's accounts as that is where the contractual, budgetary and management control resides. The PCC has made the decision not to extend the contract for a further five years. The current contract expires on 31st March 2022. Most the services will transfer back to the Force on 1st April with the exception of cleaning and custody services which will be contracted externally.– An estimate of the financial effect of this change cannot be made at present due to size and complexity of the arrangements.
- McCloud/Sargeant Court Case Remedy- At the time of preparing the 2019/20 accounts, the remedy on how to remove the discrimination identified by the Courts in the way that the 2015 pension reforms were introduced for some members was unclear. Whilst the 16 July 2020 HM Treasury consultation on McCloud (Public service pension schemes consultation: changes to the transitional arrangements to the 2015 Schemes) provided clarity around the scope of which members would be

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eligible, there was still uncertainty around the format of the actual remedy. The Government's response to the consultation, published on 4 Feb 2021, stated that the remedy would be based on a deferred choice underpin basis. See note 3 for the estimated financial effects of this.

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# Police Officer Pensions – Home Office Memorandum Account 2019/20

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

| 2018/19 £000 | Fund account | 2019/20 £000 |
|---|---|---|
| | **Contributions Receivable** | |
| | **From Employer:** | |
| 9697 | Normal | 12,212 |
| 352 | Early Retirements | 831 |
| | **From Members:** | |
| 5400 | Contributions | 5,282 |
| 212 | Individual Transfers in from Other Schemes | 466 |
| **15,661** | | **18,790** |
| | **Benefits Payable** | |
| 32,492 | Pensions | 33,900 |
| 7,554 | Commutations | 8,267 |
| 11 | Lump Sum Death Benefits | - |
| | **Payments To and On Account of Leavers** | |
| 4 | Refunds of Contributions | 12 |
| 66 | Individual Transfers Out | 60 |
| 131 | Scheme Pays | 195 |
| - | Lifetime Allowance (25%) | 184 |
| - | Equivalent Premium | - |
| **40,258** | | **42,617** |
| **24,597** | **Sub-total for the year before transfer from the PCC Group for Lincolnshire of amount equal to the deficit** | **23,827** |
| **(24,597)** | **Additional funding payable by the PCC Group for Lincolnshire to meet deficit for the year** | **(23,827)** |
| - | **Net Amount payable/(receivable) by the PCC Group for Lincolnshire** | - |

## Disclosure Notes

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

2. The fund is administered by XPS on behalf of 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 Police Pensions Payments grant from the Home Office (via PCC for Lincolnshire).

Payments are made monthly to pensioners, with the pension fund entries being kept separate, outside of the PCC's general ledger accounts. Details of the PCC's long-term pension obligations can be found in the main statements at Note 44.

4. The accounting policies followed are in accordance with Note 1.

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 £5,439,459 is shown in PCC for Lincolnshire accounts as due from the Home Office.

## Glossary of Terms

| Term | Definition |
|---|---|
| Accrual | An adjustment to ensure that expenditure and income are reflected in the appropriate accounting period. |
| Actuary/Actuarial | A person professionally qualified to advise on pension matters and undertakes calculations on pension costs, allowing for risk and demographic factors. |
| Amortisation | The measure of the wearing out, consumption, or other reduction in the useful economic life of Intangible Assets. |
| Balances | The total revenue Reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income. |
| Blue Light Project | Lincoln's new joint fire, police and ambulance station on South Park. |
| 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 authorities in proportion to the council tax set. |
| Creditors | Amounts owed by the PCC for work done, goods received or services rendered but for which payment has not been made at 31 March. |
| Debtors | Sums of money due to the PCC but unpaid at 31 March. |

| | |
|---|---|
| Depreciation | The measure of the wearing out, consumption, or other reduction in the useful economic life of Property, Plant and Equipment. |
| Direct Revenue Financing | This refers to financing of capital expenditure directly from revenue rather than loans or other sources. |
| Earmarked Reserves | The elements of total PCC Reserves retained for specific purposes. |
| EMOpSS | East Midlands Operational Support Service |
| EMSOU | East Midland Special Operations Unit |
| EMCJS | East Midland Criminal Justice Service |
| Finance lease | Where the conditions of the lease amount to recognising all the costs of an asset but legal title is with a third party. |
| Financial instruments | Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability of another. For local authorities, this will normally mean contracts which involve the right to transfer cash or other financial assets |
| Flexi Time | Police Staff may utilise the flexi time scheme to accrue additional hours worked that are held pending their utilisation at a future date. |
| FRS | Financial Reporting Standards, as agreed by the UK accountancy profession and the Accounting Standards Board. |
| Government Grants | Payments by Central Government towards the PCC's expenditure. They are receivable in respect of both revenue and capital expenditure. |
| IFRS | International Financial Reporting Standards: the accounting standards which determine the production and disclosure of financial statements. |
| Impairment | An adjustment to the value of long-term assets. |
| ISG | Integrated Scheme of Governance |
| JIAC | Joint Independent Audit Committee |
| Long Term Debtors | Sums of money due to the PCC originally repayable within a period in excess of twelve months and where payment is not due until future years. |

| | |
|---|---|
| Materiality | An item that is not material will not be relevant, cannot influence a user's decision and need not be reported in the financial statements. |
| Minimum Revenue Provision (MRP) | The statutory requirement to set aside a minimum revenue provision for the repayment of external loans. |
| Net Book Value | Long-term assets are depreciated in accordance with their asset life. The net book value is the value remaining after cumulative depreciation has been taken away. |
| NICHE | A Police Records Management System that manages information in relation to the core Policing entities. |
| Non Domestic Rates | Rates levied on business properties, collected by District Councils, which are then distributed amongst local authorities as income. |
| Non Operational Assets | Property, Plant and Equipment held by the PCC Group but not directly occupied, used or consumed in the delivery of services. These will include buildings under construction and surplus assets. |
| OJEU | Official Journal of the European Union |
| Operating lease | A lease where the asset is only used for part of its useful life, and lease payments amount to rental of the asset. |
| PCC Group | The Police and Crime Commissioner and the Chief Constable are separate legal entities. They are part of the same PCC Group whose combined accounts are presented collectively. |
| PEEL | Police effectiveness, efficiency and legitimacy board. |
| Precept | The amount levied by one authority which is collected by another, e.g. the PCC Group is the precepting authority and the District Councils are the collecting authorities. |
| PWLB | Public Works Loan Board, a body providing debt funding to local authorities. |
| Revaluation Reserve | A reserve designed to represent the amount by which the current value of long-term assets carried in the Balance Sheet is greater, because they are carried at revalued amounts rather than depreciated historical cost. |
| Revenue Contributions | The financing of capital expenditure directly from revenue rather than from loans or other sources. |

| | |
|---|---|
| Revenue Expenditure | The day to day expenditure of the PCC group on such items as employees and supplies and services. |
| SALIX | Salix Finance Ltd. provides interest-free Government funding to the public sector to improve energy efficiency, reduce carbon emissions and lower energy bills. |
| Section 22 Agreement | Section 22 of the Police Act 1996 provides for joint working between police forces and/or Police & Crime Commissioners where, in the opinion of the Chief Constable or the Commissioner, collaboration would deliver greater efficiency or effectiveness. |
| Straight Line Depreciation | The writing down of Property, Plant and Equipment values by an equal amount for each year of that asset's life. |
| Strategic Partner | G4S are the Strategic Partner with the Force for at least ten years from 1st April 2012. G4S Policing Support Services deliver a range of administrative and operational services formerly delivered by a combination of civilian employees and police officers – including Finance, HR, Fleet Management, Custody, Support Services and Control Room. |
| TOIL | Time Off In Lieu may be accrued by both Police Officers and Staff when working additional hours for which payment is not made. |
| UEL | Useful Economic Life |
| Virement | Transfers between budget headings, in accordance with Financial Regulations, reflecting changes in the PCC's expenditure plans. |
| WYPF | West Yorkshire Pension Fund. |
| XPS | XPS Pensions Group, the pension administrators of the Lincolnshire Police Pension Fund. |