Nottinghamshire

POLICE & CRIME COMMISSIONER

& Group Statement of Accounts

# 2012 – 2013

# The Nottinghamshire Office of the Police and Crime Commissioner & Group

# Statement of Accounts

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**Welcome to the Statement of Accounts 2012-2013**

This year promises to be another period of change and growth for policing in Nottinghamshire. In the face of continuing funding issues, we will need to refine our approach to protecting the public and solving crime so that we can deliver better results for less money. The emphasis will be on diversionary intervention and increased support to permanently change criminal habits and cut crime on our streets. The contribution of our partners in this journey will become more important than ever as we move forward and together we will need to channel our scarce resources to achieve lasting improvements in safety.

Since I took up this new role in November 2012, I have worked closely with the Force, partners and the public to create a Police and Crime Plan which reflects the views and interests of everyone living and working in Nottinghamshire. At the core of this strategy is a desire to make people feel safer, remove criminality from their neighbourhoods and tackle the social causes behind offending so that we permanently interrupt this vicious cycle. As I outlined prior to my election, I want to make it easier for residents to take ownership of local policing and influence the decision-making process at all levels and I am pleased that their opinions lie at the centre of this blueprint. I also aim, through this plan, to fight on behalf of vulnerable witnesses and those who find themselves a victim of crime.

My plan visualises a better future and contains seven strategic priorities, which can be seen below, and are based on the issues that people have said matter most to them.

- Protect, support and respond to victims, witnesses and vulnerable people
- Improve the efficiency, accessibility and effectiveness of criminal justice processes
- Focus on local areas most affected by crime and antisocial behaviour
- Reduce the impact of drugs and alcohol on crime and antisocial behaviour
- Reduce the threat from organised crime
- Prevention, early intervention and reduction in reoffending
- Spending your money wisely

Despite the continuing economic pressures, I have kept my promise to increase the number of Police Officers and PCSOs working in our neighbourhoods in 2013-14. Visible, accessible policing helps to reassure people and increase their feelings of safety and wellbeing – effects which are worth their weight in gold as far as quality of life is concerned. These new additions will come at a cost in light of the on-going cuts in Central Government funding but there are plans in place to continue to achieve £10m in savings each year which will make up the shortfall and also finance the investment in our frontline.

Naturally, these accounts reflect the financial position that has been inherited from the former Police Authority. This provided a sound base from which we could move forward and develop our plans to deliver your objectives.

Paddy Tipping
Nottinghamshire Police and Crime Commissioner

# Explanatory Foreword

## 1. Introduction

2012-2013 has been a year of radical reform in the governance of the police service. On the 15 September 2011 the Police Reform and Social Responsibility Act 2011 (The Act) received Royal Assent in Parliament. This legislation radically shifts the way the police in England and Wales are administrated and held accountable. A major part of this reform was to replace the Police Authority with an elected Police and Crime Commissioner. The first election took place November 2012, and Paddy Tipping took Office on 22 November 2012 until May 2016 (appointments will be for four years after that). At the same time a separate legal entity was established for The Chief Constable of Nottinghamshire (CCN), who is responsible for operational policing duties. The primary function of the Nottinghamshire Office of the Police and Crime Commissioner (NOPCC) is to set the priorities for the police force within Nottingham, respond to the needs and demands of communities and ensure that local and national priorities are suitably funded by setting a budget and for the local performance of the force. The Police and Crime Panel has responsibility for scrutinising the decisions and actions of the Police and Crime Commissioner (PCC), this panel is administered independently from the PCC through the County Council.

The PCC appoints the Chief Constable to undertake the policing in line with his Police & Crime priorities.

Although the creation of NOPCC happened on 22 November 2012 LAAP 95 recommends that the income and expenditure for the whole year is accounted for under the new regime. Hence a part year Statement of Accounts is not required for Nottinghamshire Police Authority. The comparators for 2011-2012 throughout this set of accounts refer to the transactions of the Police Authority.

This set of accounts is for the NOPCC and incorporates the CCN as a Group. The CCN is also required to produce a set of accounts as a single entity.

## 2. Purpose

The purpose of this foreword is to provide a clear guide to the most significant matters reported in the Accounts. It explains the purpose of the Financial Statements that follow, a summary of the group’s financial activities during 2012-13 and its financial position as at 31 March 2013. The values within the financial statements have been rounded appropriately, and the extent of rounding is always clearly labelled.

## 3. Background

The NOPCC & Group is responsible for providing policing services to a population of over 1 million in the City of Nottingham and County of Nottinghamshire, with a net budget of £191.8 million for 2012-2013.

## 4. The Financial Statements

The Accounts are prepared in accordance with the Code of Practice on Local Authority Accounting 2012-2013 (The Code) which fully incorporates International Financial Reporting Standards (IFRS).

The main sections contained within the Statement of Accounts are:

- **Annual Governance Statement (page 65)**
  This sets out governance arrangements in place and areas for improvement.

- **The Statement of Accounting Policies (Page 12)**
  This states the policies adopted in compiling the Statement of Accounts

- **The Statement of Responsibilities (Page 23)**
  This sets out the respective responsibilities of the PCC and, the Chief Financial Officer and also includes the signed certificate of approval.

- **Comprehensive Income & Expenditure Statement (Page 25)**
  This Statement shows the accounting cost in the year of providing services in accordance with The Code, rather than the amount to be funded from taxation. The 'Surplus or (Deficit) on the Provision of Services' line shows the true economic cost of providing services, Note 19.2 shows the differences between taxation and accounting entries.

- **Movement in Reserves Statement (Page 27)**
  This Statement shows the movement in the year on the different reserves held, analysed into usable reserves and unusable reserves, which are created for accounting purposes under the code.

- **Balance Sheet (Page 29)**
  The Balance Sheet shows the value of the assets and liabilities held as at the Balance Sheet date. The net assets are matched by the reserves held.

- **Cash Flow Statement (Page 30)**
  The Cash Flow Statement shows the changes in cash and cash equivalents during the year. It is calculated using the 'indirect method' from the code. Cash flows are classified as operating, investing and financing activities.

- **Pension Fund Account (Page 31)**
  Shows the years transactions on the police officers pension account.

- **Notes to the Accounts (Page 32)**
  These provide additional information concerning items in the above statements and additional relevant information.

- **Independent Auditor's Report (Page 63)**
  This sets out the opinion of the external auditor as to whether these accounts present a true and fair view of the financial position and operations of the NOPCC and group for 2012-2013.

## 5. Governance Arrangements

The Nottinghamshire Office of the Police and Crime Commissioner is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this accountability the PCC and senior officers are responsible for putting in place proper procedures for the governance and the stewardship of the resources at its disposal.

The Chief Constable is responsible for the operational activities of the Force. This responsibility is discharged in accordance with statutory requirements, Oath of Police Officers, the Police Discipline Code and Police Regulations. The CCN is also required to ensure compliance with the Scheme of Delegation.

The annual review of the system of Governance and Internal Control has been included within the arrangements for producing the Annual Governance Statement. The Annual Governance Statement takes account of the governance arrangements of the CCN and details how the NOPCC are doing the right things, in the right way, for the people of Nottinghamshire, in a timely, inclusive, open, honest and accountable manner.

## 6. Budget Variance

### Budget Management Statement for the Group

### Sources of Finance

The revenue expenditure underspend has increased the level of Earmarked Reserves. This will be utilised in future years to support the funding gap identified within the medium term financial plan. More information on reserves is provided in Note 4.1.

| Actual 2011-12 £m | Taxation and Non-Specific Grant Income | Budget 2012-13 £m | Actual 2012-13 £m | Variance + (-) £m |
|---|---|---|---|---|
| -86.9 | Police Grant | -80.7 | -80.7 | 0.0 |
| -53.3 | Precept (including surplus) | -55.7 | -55.7 | 0.0 |
| -13.4 | Revenue Support Grant | -1.0 | -1.0 | 0.0 |
| -43.6 | Non Domestic Rates Redistribution | -52.6 | -52.6 | 0.0 |
| -1.3 | Precept Freeze Grant | -1.3 | -1.3 | 0.0 |
| **-198.5** | **Total Financing** | **-191.3** | **-191.3** | **0.0** |

## Revenue expenditure

| Actual 2011-12 £m | Revenue Expenditure | Budget 2012-13 £m | Actual 2012-13 £m | Variance + (-) £m | NOTE |
|---|---|---|---|---|---|
| 166.5 | Employee Costs | 161.1 | 157.8 | -3.3 | 1 |
| 5.8 | Premises Maintenance | 6.2 | 6.1 | -0.1 | 2 |
| 6.2 | Transport | 6.4 | 6.0 | -0.4 | 3 |
| 14.4 | Supplies and Services | 14.7 | 13.6 | -1.1 | 4 |
| 4.3 | Agency costs | 4.1 | 7.8 | 3.7 | 5 |
| 2.8 | Capital Financing | 3.9 | 3.2 | -0.7 | 6 |
| 4.6 | Pensions | 3.4 | 3.7 | 0.3 | 7 |
| 1.2 | PCC | 1.2 | 1.1 | -0.1 | 8 |
| 0.0 | Budget Adjustments | 0.0 | 0.0 | 0.0 | |
| -11.2 | Income | -9.2 | -10.9 | -1.7 | 9 |
| **194.6** | **Net Expenditure** | **191.8** | **188.4** | **-3.4** | |
| 0.0 | Use of Reserves | -0.5 | 0.0 | 0.5 | 10 |
| **194.6** | **Net Budget Requirement** | **191.3** | **188.4** | **-2.9** | 11 |

**Notes:**

**1** The savings reflect a higher number of officers leaving during the year compared to the budget assumption and officers leaving the pension scheme early because of proposed changes to the Police officer pension scheme in 2015. Police staff savings resulted from delays in PCSO recruitment and a lower actual average pension rate percentage compared to budget assumption.

**2** The increase in expenditure year on year is largely due to higher energy costs and a £0.2m provision for dilapidations ( see Note 7.3).

**3** The main reason for the saving versus budget is due to lower fuel price than budget, more efficient vehicle usage and a release of insurance provision against old third party motor claims.

**4** The reduction in expenditure represents savings made on several categories within this heading.

**5** The increase in expenditure year on year and against budget reflects additional regional collaboration contributions for activities/services undertaken during 2012-13 both new and full year impacts. Note13 gives full details of the Force's regional collaborations.

**6** The increase in expenditure year on year reflects a full year impact on interest of the loans taken out during 2011-12. The reduction in expenditure against budget reflects the lower interest rate achieved on loans taken out during the year compared to the budget rate assumption and a lower than budgeted minimum revenue provision charge due to delays in completing budgeted capital projects.

**7** The reduction in expenditure year on year reflects a reduced number of scheme particants and related costs of officers leaving the Force on medical retirement.

**8** The reduction in expenditure year on year reflects the restructuring that occurred during 2012-13 as a result of transferring from the Police Authority to the Office of the Police & Crime Commissioner.

**9** 2011-12 income included £1.6m of income received in respect of the 2011 summer disturbances. In 2012-13 £0.8m was received for providing officers to support the Olympics and additional Home Office grants which were unbudgeted.

**10** A Contribution from reserves of £0.5m was budgeted to meet an expenditure shortfall. This budget was not required.

**11** Note 19.2 reconciles this expenditure to the Comprehensive Income and Expenditure Account.

## 7. Pensions

The Group participates in two defined benefits pension schemes, providing members with retirement lump sums and monthly pensions related to pay and service. The Police Officers scheme is unfunded and met by payments from the Home Office. Police Staff are, generally, eligible to join the funded Local Government Pension Scheme; administered by Nottinghamshire County Council.

Pension Costs are accounted for in accordance with International Accounting Standard (IAS) 19. This requires an organisation to account for retirement benefits in the year in which they are earned, even if the actual payment of benefit will be in the future.

The CIES shows the cost of pensions at current service cost within the Cost of Services. Pension interest cost and return on assets appear within the Financing and Investment Income and Expenditure line. However to ensure that the only liability is for the cash cost of pension contributions, these costs are reversed out as movements on the pension reserve prior to the amount to be met from Government Grant and Local Taxation. The Group Balance Sheet recognises the net pension liability, reserve and long-term debtors.

## 8. Changes to Accounting Policies

The Accounting Policies have been reviewed and only minor changes that specifically relate to the creation of the PCC have been made. These are policies number 3 (Acquisitions and discontinued operations) and 13 (Interests in companies and other entities).

## 9. Borrowing Facilities

Borrowing finances Capital Expenditure that cannot be met from internal resources. The main source of borrowing is the Public Works Loan Board (PWLB), plus a £3.5 million Market Loan which is due to expire in 2066. New borrowings of £5 million were taken during the year from the PWLB. This was raised to finance 2012-2013 capital expenditure and also to finance in part, previous year’s expenditure from internal reserves. The main areas of capital expenditure during 2012-2013 were custody improvements of £0.775m, the replacement of essential computer hardware £0.581m and computer systems for the Criminal Justice Department £0.518m. The majority of borrowings are due to mature in the next 10 years.

The Treasury Management Strategy, ensures that borrowing is prudent and only for capital purposes. At 31 March 2013 the accumulated capital financing requirement from all previous Capital Expenditure was £49.2 million. This has assets with a current value of £46.5 million. The associated outstanding borrowing is £35.7million (excluding finance lease liabilities).

## 10. Capital Expenditure

Capital Expenditure on property continues to reflect the changing emphasis for greater partnership working, and with the placing of Police Officers in the heart of communities. Investment has also been made in environmental technologies £0.439m. The reduction in capital expenditure in the year mainly represents schemes delayed until 2013-2014.

| Actual 2011-12 £m | Capital Expenditure | Original Budget 2012-13 £m | Actual 2012-13 £m | Variation + (-) £m |
|---|---|---|---|---|
| 0.1 | Intangible Fixed Assets | 0.0 | 0.3 | 0.3 |
| 3.1 | Operational Land & Buildings | 3.6 | 2.4 | -1.2 |
| 1.9 | Plant, Vehicles & Equipment | 5.6 | 2.5 | -3.1 |
| 0.0 | Assets Under Construction | 0.0 | 0.0 | 0.0 |
| **5.1** | **Total** | **9.2** | 5.2 | **-4.0** |
| -1.2 | Supported Capital Expenditure | 0.0 | 0.0 | 0.0 |
| -2.1 | Grants & Contributions | 1.9 | 2.3 | 0.4 |
| 0.0 | Internal Borrowing from Reserves | 2.8 | 0.0 | -2.8 |
| -0.2 | Capital Receipts | 0.7 | 0.0 | -0.7 |
| -1.6 | External Borrowing | 3.8 | 2.9 | -0.9 |
| **-5.1** | **Total Financing** | **9.2** | **5.2** | **-4.0** |

The 4 year Capital plan of expenditure and financing (excluding any slippage) as approved by the PCC;

| | Budget 2013-14 £m | Budget 2014-15 £m | Budget 2015-16 £m | Budget 2016-17 £m |
|---|---|---|---|---|
| Building Projects | 3.9 | 2.7 | 2.2 | 0.8 |
| Technology & Other Projects | 4.0 | 2.0 | 0.6 | 0.6 |
| **Total** | **7.9** | **4.7** | **2.8** | **1.4** |
| **Financed by** | | | | |
| Capital Receipts | 1.7 | 2.8 | 0.0 | 0.0 |
| Capital Grants | 1.7 | 1.7 | 1.7 | 1.4 |
| Borrowing - Internal | 0.0 | 0.0 | 0.0 | 0.0 |
| Borrowing - External | 4.5 | 0.2 | 1.1 | 0.0 |
| **Total** | **7.9** | **4.7** | **2.8** | **1.4** |

## 11. Details of significant Provisions and Contingencies

Provisions are made to meet estimated insurance claim liabilities outstanding. This has decreased by £0.5m during the year. New provisions have been created during the year for dilapidations and employment tribunals. There are number of potential liabilities due to fines or legal action which are not certain enough to be designated as provisions or reserves but are included as contingent liabilities. A breakdown of Provisions is provided in Note 7.3, and Contingent Liabilities in Note 10.

## 12. Jointly Controlled Operations

Previously three areas of collaboration were treated as Jointly Controlled Operations (JCO).

- The East Midlands Special Operations Unit (EMSOU)
- The East Midlands Special Operations Major Crime (EMSOUMC)
- The East Midlands Technical Surveillance Unit (EMTSU)

These are all between Nottinghamshire, Derbyshire, Leicestershire, Lincolnshire and Northamptonshire PCC's and Nottinghamshire's proportion is 27.6%.

There are five additional collaborations accounted for as JCO's this year;

- Legal Services (EMLS), originally a two way shared service between Nottinghamshire and Derbyshire, but this year the collaboration has been extended during the year to include Leicestershire and Northamptonshire. The equated share for this year has been calculated as 41.1% in future years the proportion will be 31.6%.
- Commercial Services (EMSCU), between Nottinghamshire, Northamptonshire and Derbyshire. During the first year of operation Nottinghamshire's proportion is calculated as 33.42%. In future years this will be 33.33%
- Forensic Services (EMFSS) is between Nottinghamshire, Derbyshire, and Lincolnshire PCC's and Nottinghamshire's proportion is 44.37%.
- Learning & Development (EMLD) is between Leicestershire, Nottinghamshire, Derbyshire, and Lincolnshire PCC's and Nottinghamshire's proportion is 31.60%.
- Occupational Health Service (EMOH) is between Nottinghamshire, Derbyshire, Leicestershire, Lincolnshire and Northamptonshire PCC's and Nottinghamshire's proportion is 27.6%.

All of these arrangements are covered by Section 22 Agreements and financial information is included in note 13 to the accounts.

## 13 Other Significant Events during the year

There has been a significant Employment Tribunal challenge against the use of the A19 Regulation. The claim is that the enforcement of retirement for officers with 30 years pensionable service contravenes age discrimination legislation. Nottinghamshire has given evidence, but the decision will not be announced until evidence from all five forces involved in enforcing this regulation has been considered. It is anticipated that this will be during autumn 2013. Furthermore this decision will be subject to an appeal. There is a contingent liability noted for this event.

## 14. Post Balance Sheet Events

There are no Post Balance Sheet events which have affected the Accounts presented.

## 15 Future Outlook

In October 2013 it is planned to join the National Police Air Service, which will replace the current collaboration with Derbyshire. This will improve resilience and yield efficiency savings.

The 2013-2014 accounts will be produced on the same basis as 2012-2013. However, the changes resulting from the Stage 2 Transition Order, of the Act, will come into effect from 1st April 2014. Consequentially there will be significant changes in the accounts to reflect the transfers of staff from the employment of the PCC to the CCN.

Also taking place over the next couple of years is a review at national level of the Funding Formula, which together with austerity cuts in grant funding will impact on the resources available.

## 16 Going Concern

The Accounts have been prepared on the basis that the Group is a going concern. The Phase 2 of the PCC transition will involve transfers of services from the Police and Crime Commissioner to the Chief Constable; however it is considered that the essence of policing for Nottinghamshire by the Group will remain unchanged.

## 17 Accounting Standards Issued but not Adopted

The adoption by the Code of amendments to IFRS 7 Financial Instruments Disclosures – offsetting financial assets and liabilities (December 2011 amendments) will take effect for the accounting period beginning 1 April 2013. The standard focuses on the significance of offsetting financial instruments. Offsetting takes place when entities present their rights and obligations to each other as a net amount in their statement of financial position. There is not expected to be any impact on the NOPCC.

The adoption by the Code of amendments to IAS 19 Employee Benefits (June 2011 amendments) will also take effect for the accounting period beginning 1 April 2013. These amendments will make it easier for users of financial statements to understand how defined benefit plans affect an entity’s financial position, financial performance and cash flows. There will be no changes to pension liabilities of the NOPCC. Assets in the Local Government Pension Scheme will be affected. The effect of the change will be adopted retrospectively as per IAS8 leading to an increase in £1.4m on the CIES to 31 March 2013.

## Statement of Accounting Policies

### 1. General Principles

The Statement of Accounts summarises transactions for the 2012-2013 financial year and its position at the 31 March 2013. Annual Statement of Accounts are required to be published under the Accounts and Audit Regulations 2011, in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2012-2013 (The Code) and the Best Value Accounting Code of Practice 2012-2013, supported by International Financial Reporting Standards (IFRS). The accounts have been prepared on a going concern basis using the historic cost convention, modified by the revaluation of certain categories of non-current assets and financial instruments. The phase 2 transitional arrangements for the PCC are not considered to affect the applicability of this principle.

Under The Act 2011 NOPCC and CCN are separate ‘corporation sole’ bodies. Both are required to prepare a separate Statement of Accounts. The Financial Statements included here represent the NOPCC and the NOPCC Group (The Group).

### 2. Accruals of Income and Expenditure

Revenue is measured at fair value in the year to which it relates, and not when cash payments are made or received. Whilst all the expenditure is paid for by NOPCC including the wages roll, the recognition in the Group and CCN Accounts is based on economic benefit of resources consumed. In particular:

- Fees, charges and rents due are accounted for as income at the date of supply.
- Supplies are recorded as expenditure when they are used. When there is a gap between the date supplies are received and their consumption, they are carried as inventory on the Balance Sheet.
- Expenditure in relation to services received is recorded as services are received rather than when payments are made. If required a debtor or creditor for the relevant amount is recorded in the Balance Sheet.
- 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 debts are doubtful, the debt is written off by a charge to the CIES.

### 3. Acquisitions and Discontinued Operations

The replacement of the Police Authority with the NOPCC is not considered to require particular treatment under this accounting principle. (FRS 6 Acquisitions and Mergers) This is because the new entities are essentially the same as the previous entity in that they are publically funded bodies providing the Nottinghamshire public with a Police Service and the Act requires all assets and liabilities to transfer directly from the former Police Authority to the PCC.

## 4. Cash and Cash Equivalents

Cash includes cash in hand and deposits of up 24 hours notice. Cash equivalents are investments that mature up to three months from acquisition date. These 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.

## 5. Exceptional Items

When items of income and expenditure are material, their nature and amount are disclosed separately, either on the face of the CIES or in the Notes to the Accounts, depending on how significant the items are to an understanding of the Group financial performance.

## 6. Prior Period Adjustments, Changes in Accounting Policies and Estimates 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 in the current year 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 Group financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative figures for the prior period as if the new policy had always been applied. Material errors discovered in prior figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

New Policies are included this year to accommodate the changes arising from the implementation of The Act 2011. These are policy number 3 Acquisitions and discontinued operations and policy number 13 Interests in companies and other entities.

## 7. Charges to Revenue for Non-Current Assets

The Group CIES is charged with the following amounts to record the true cost of holding fixed assets during the year:

- Depreciation of Non-Current Assets.
- Revaluation and Impairment losses on assets used where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Revaluation Gains reversing previous losses charged to the CIES.
- Amortisation of Intangible Assets.

The Group is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution, from revenue towards the reduction in its overall borrowing requirement in accordance with statutory guidance, the Minimum Revenue Provision (MRP).

## 8. Employee Benefits

### Benefits Payable during Employment

Short-term Employee Benefits are those due to be settled within 12 months of the year-end. This includes wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars). 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, (Accumulated Absences Account Note 4.2). The accrual is made at the wages and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the CIES, but then reversed out through the Movement in Reserves Statement.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Group to terminate an employee's employment before the normal retirement date or an acceptance of voluntary redundancy. These are charged to the Non Distributed Costs line in the CIES when the Group is demonstrably committed to the decision (Note 23).

### Post Employment Benefits

Employees are members of two separate defined benefits pension schemes providing retirement lump sums and pensions, earned whilst employed by the Group. (Note 17).

The Local Government Pensions Scheme for staff is administered by Nottinghamshire County Council. This is a funded scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. This scheme is a multi-employer scheme and the underlying assets and liabilities cannot be directly identified with individual employers. Therefore assets and liabilities are incorporated within these accounts on an apportioned basis.  The assets are included at fair value. The liabilities are included at current prices using a discount rate of 4.7% p.a. The discount rate is the yield on the corporate bond index rated over 15 years.

Actuarial gains and losses are charged to the Pension Reserve.

The Police Pension Scheme for police officers is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, the Group must transfer amounts to reduce the balance on the Pension Fund to zero. This is reimbursed from Central Government by way of Pension top-up grant.

In April 2006 the Home Office introduced changes to the arrangements for Police Pension financing. The existing Police Pension Scheme (1987) closed to new members on 5 April 2006. New Police recruits from 6 April 2006 join the New Police Pension Scheme (2006).

### Discretionary Benefits

The Group also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements due to medical reasons or injury. 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.

## 9. Post Balance Sheet Events

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 on which the Statement of Accounts are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts 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.

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

## 10. Financial Instruments

Financial liabilities and assets are recognised on the Balance Sheet when the NOPCC enters a contract. They are initially measured at fair value and carried at their amortised cost. This generally will equate to the principal outstanding plus accrued interest. The interest debited or credited to the CIES is the amount payable per the loan agreement.

Financial assets held by the Group comprise loans and receivables. These have determinable payments but are not quoted in an active market. The loans made by the Group consist of short-term investments. Impairment may be appropriate if it becomes likely that the contract may not be fulfilled.

## 11. Government Grants and Contributions

All revenue government grants and third party contributions and donations are recognised as income when the Group satisfies the conditions of entitlement. 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 CIES. Where grants and contributions are unconditional they are carried in the Balance Sheet as an Earmarked Reserve. A de-minimis level of £50,000 exists whereby it is essential that income needs to be assessed whether it should form part of the Earmarked Reserves.
Capital grants are credited to the CIES, and they are reversed out of the General Fund Balance in the Movement in Reserves Statement. The grant is the either used to finance capital expenditure or it is posted to the Capital Grants Unapplied Account to fund future capital expenditure.

## 12. Intangible Assets

Intangible assets do not have physical substance, but it is expected that future economic benefits or service potential will occur. Software licences are intangible assets, and are included at historic cost depreciated over seven years, because there is no alternate method to ascertain a fair value.

## 13. Interests in Companies and Other Entities

The Nottinghamshire Office of the Police and Crime commissioner is a separate entity to the Chief Constable and the relationship is clearly defined in the Governance Arrangements. The NOPCC has the lead controlling influence in the Group.

## 14. Inventories

Inventories are valued at the latest buying price as a proxy to fair value. All inventory valuations are based on current purchase price. Inventory Accounts are maintained for uniforms, fuel and stationery. Write-offs are made for obsolete items which are out of date.

## 15. Jointly Controlled Operations and Jointly Controlled Assets

Jointly Controlled Operations (JCO) are treated in accordance with accordance with IAS 31- Interests in Joint Ventures. They are governed by Section 23 Agreements and incorporated on agreed proportions. More information about the collaborations is included in the Explanatory Foreword 12 and Note 13 to the Accounts.

## 16. Leases

The Code only uses the term lease, replacing all references to hire or rental. Under IAS 17, Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership, from the lessor to the lessee. Leases that do not meet the definition of finance leases are accounted for as operating leases. Where a lease covers both land and buildings, those elements are considered separately for classification. Major contracts are reviewed for the possibility of embedded leases within them.

Assets held under a finance lease are recognised on the Balance Sheet at fair value (or the present value of the minimum lease payments, if lower). There is a matching liability for the obligation to pay the lessor. Initial direct costs to are added to the carrying amount of the asset. Lease payments are apportioned between, finance charges debited to the CIES, and the acquisition charge applied to write down the lease liability. When incorporated into the balance sheet they are accounted for in the same way as other non –current assets.

Rentals paid under operating leases are charged to the CIES.

## 17. Overhead Costs

The Service analysis is based on Service Expenditure analysis Code of Practice (SeRCOP) 2012-2013 as modified by the Police Objective Analysis. The costs of overheads are fully allocated to the Groups services, with the exception of:

- Corporate and Democratic Core costs relating to the NOPCC's status as a single purpose, democratic organisation.
- The cost of discretionary benefits awarded to employees retiring early, is a Non distributed cost.

## 18. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services or for administrative purposes and that are expected to be used for more than one financial year are classified as Property, Plant and Equipment.

### 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 NOPCC 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, to the CIES.

De-minimis levels are applied to allow sensible administration arrangements without materially affecting the figures presented. The de-minimis levels applied for all Property, Plant and Equipment is £10,000.

### Component Accounting

Assets are included as separate components, with appropriate depreciation where this is significant. The following de-minimis level applies. Only assets valued above £600,000 are considered and then components are included if the item forms at least 5% of the asset value.

**Measurement**

Assets are initially measured at cost, comprising, the purchase price plus costs bringing the asset to the location and be fit for purpose. Costs incurred whilst assets are under construction are not capitalised. The value of assets acquired other than by purchase is deemed to be its fair value. PFI and Finance Lease assets are capitalised at minimum lease payments over the term of the agreement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Non - current assets are revalued on a rolling programme to ensure that they are measured at fair value at least every five years. This ensures that their carrying amount is not materially different from their fair value. All assets were revalued 1 April 2009. At 1 April 2011 approximately 35% of assets were revalued. At 1 April 2012 a further 25% of the assets have been revalued. This also allows for any major trends to be identified. Land and building values are based on valuations by Andrew Martin BSc MRICS, (Director) and Roger Smalley BSc MRICS, (Associate Director) of the independent valuers Lambert Smith Hampton.

- Operational buildings have been valued on the basis of Existing Use Value.
- Non-Operational buildings have been valued on the basis of Open Market Value.
- Bridewell custody suite is valued on a depreciated replacement cost (DRC) basis as this is deemed to be a specialised asset.
- Plant, vehicles and equipment have been included at their depreciated historic valuation, as proxy for fair value. This is because the assets have relatively short lives and values.
- Furniture and Fittings are capitalised at cost.
- Assets under Construction are included at actual cost.
- Investment Properties are revalued annually at market value.
- Assets held for sale and Police Houses are held at market value.

Increases in valuations have been matched by credits to the Revaluation Reserve since 1 April 2007, the date of its formal implementation. Gains prior to that date are consolidated into the Capital Adjustment Account. Where decreases in value 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 in the CIES once the Revaluation Reserve is fully used.

**Investment Properties**

Investment properties are used to earn rentals or for capital appreciation, and not used in any way to deliver services or is held for sale. The carrying value is annually revalued to current fair value. Rentals received in relation to investment properties are credited to the CIES.

## 19 Impairment

Assets are assessed at each year-end for potential impairment. Where it is estimated to be material, an impairment loss is recognised for the deficit, 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 in the CIES.

Where an impairment loss is reversed subsequently by a revaluation gain, the reversal is credited to the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## 20 Depreciation

Depreciation is provided for on all operational Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives after allowing for residual values on the following basis;

| **Asset Type** | **Depreciation Method** | **Period of Years** |
|---|---|---|
| Land | Nil | Nil as will not reduce in value |
| Property | Straight Line | 10-50 years as estimated by the valuer |
| Vehicles | Straight Line | 1-20 years |
| Plant and Equipment | Straight Line | 1-20 years |
| Finance leases | Straight Line | Over the life of the finance lease |

Where an item of Property, Plant and Equipment asset has major components whose cost and life span is significantly different from the rest, the components are depreciated separately. A full years charge is made in the year of acquisition, with no charge made in the year of disposal. Depreciation is charged to the Comprehensive Income and Expenditure Account. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost. This is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## 21. Disposals and Non-Current Assets Held for Sale

When a non current asset is actively marketed, and the sale is reasonably expected in the next 12 months, 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 CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and revalued appropriately.

When an asset is disposed of or decommissioned for less than £10,000, the receipt is credited to the CIES and the carrying amount of the asset forms the loss on disposal.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used to finance new capital investment or set aside to reduce the NOPCC'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.

All Revaluation Reserve balances relating to disposed assets are transferred to the Capital Adjustment Account.

## 22. Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services remains with the PFI contractor. The NOPCC has entered into two PFI contracts. The first is responsible for the initial design and construction, and now the ongoing maintenance of a Riverside Accommodation. The second contractor is responsible for the provision of vehicles and maintenance thereof. The vehicles have been judged against IFRIC4 and those valued above the NOPCC's de-minimis, and where at the inception of the lease the minimum lease payments amounted to at least 75% of the fair value of the asset, have been re-classified retrospectively, as finance leases. The majority have been reclassified with the small remainder being included within the Cost of Services within the Comprehensive Income and Expenditure Account.

For the Riverside Accommodation the amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the CIES.
- Finance cost – an interest charge of 21.38% on the outstanding Balance Sheet liability, has been debited to the Financing and Investment Income and Expenditure line in the CIES for the building PFI.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs – whereby a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

## 23. Provisions

Provisions are made where an event has taken place that gives a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and also that a reliable estimate can be made of the amount of the obligation. This is charged to the CIES of becoming aware of the obligation. They are measured at the best estimate at the balance sheet date, taking into account relevant risks and uncertainties.

Settlement of the obligation is charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed' and further transactions to or from the CIES are made appropriately.

## 24. Contingent Liabilities

A contingent liability arises where an event has taken place that gives a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made, but there is not the level of certainty on either likelihood or value. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the Accounts.

## 25. Contingent Assets

A contingent asset arises where an event has taken place that gives the potential for an asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. They are not recognised in the Balance Sheet but disclosed in a note to the Accounts if there is sufficient probability.

## 26. Reserves

Reserves are set aside 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. Expenditure to be financed from a reserve is charged to the appropriate service and hence included within the Provision of Services in the CIES. The reserve is then appropriated back in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Other reserves are unusable and they are solely to manage the accounting processes for capital, financial instruments, retirement and employee benefits.

## 27. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 28. Cash Flow Statement

This has been prepared using the 'Indirect Method'.

## 29. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Revenue expenditure funded from capital under statute (REFCUS) represents expenditure that may be capitalised under statutory provisions, but does not result in the creation of tangible assets. The NOPCC had no REFCUS during the year ended 31 March 2013, but has included its share of REFCUS from the JCO's.

# Statement of Responsibilities

## The Responsibilities of the PCC

The PCC is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The PCC has determined the Chief Finance Officer as that officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safe guard its assets.
- Ensure that there is an adequate Annual Governance Statement.
- Approve the Statement of Accounts.

## The Chief Finance Officer Responsibilities

The Chief Finance Officer is responsible for the preparation of the NOPCC's Statement of Accounts and the incorporation of the CCN's Accounts to form the Group Accounts. This is in accordance with proper practices as set out in the CIPFA-LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. The statement is required to present fairly, the financial position of the NOPCC and the Group at the accounting date and its Income and Expenditure for the year ended 31 March 2013.

In preparing the Accounts, the Chief Finance Officer has:

- Selected suitable Accounting Policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice.
- Kept proper records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that in my opinion the Statement of Accounts present a true and fair view of the financial position of the Nottinghamshire Office of the Police and Crime Commissioner & Group at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

**C M H Radford CPFA**
**Chief Finance Officer to The Nottinghamshire Police and Crime Commissioner & Group**

I certify on behalf of the NOPCC that the Statement of Accounts presents a true and fair view of the financial position of The Nottinghamshire Office of the Police and Crime Commissioner & Group at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

**Paddy Tipping**
**The Police and Crime Commissioner**
**24th September 2013**

## Core Financial Statements

## CS1. Comprehensive Income and Expenditure Statement for NOPCC and Group

The 2011-2012 figures have been restated to gross out Financing and Investment Income and Expenditure, which had inadvertently been netted down. Additionally to improve clarity, the full cost of the JCO's has been included within appropriate classifications whereas previously the income and expenditure had been shown over several rows. (see note 3.1) The Sercop / POA analysis on which this information is based has been modified for 2012-2013 and the foot notes to the table give brief details

| 2011-2012 Restated | | | | 2012-2013 | | | |
|---|---|---|---|---|---|---|---|
| Gross Exp' £000 | Gross Income £000 | Net Exp' £000 | | Gross Exp' £000 | Gross Income £000 | Group Net Exp' £000 | Note |
| 126,192 | -11,067 | 115,125 | Local Policing | 103,468 | -11,384 | 92,084 | a |
| 16,232 | -116 | 16,116 | Dealing with the Public | 16,121 | -234 | 15,886 | |
| 16,614 | -651 | 15,963 | Criminal Justice Arrangements | 13,663 | -576 | 13,088 | |
| 5,046 | -2,370 | 2,676 | Road Policing | 5,002 | -3,639 | 1,363 | |
| 13,678 | -403 | 13,275 | Specialist Operations | 12,702 | -226 | 12,476 | |
| 11,690 | -703 | 10,987 | Intelligence | 15,007 | -739 | 14,268 | |
| 29,026 | -1,215 | 27,811 | Investigation | 55,036 | -1,342 | 53,694 | b |
| 6,798 | -49 | 6,749 | Investigative Support | 3,223 | -21 | 3,202 | c |
| 4,601 | -2,756 | 1,845 | National Policing | 5,299 | -3,949 | 1,350 | |
| 1,371 | 0 | 1,371 | Corporate and Democratic Core | 1,569 | -146 | 1,423 | |
| 2,372 | 0 | 2,372 | Non Distributed Costs | 387 | 0 | 387 | |
| **233,620** | **-19,330** | **214,290** | **Cost Of Services** | **231,477** | **-22,256** | **209,221** | |
| 738 | 0 | 738 | **Other Operating Expenditure** | 1,081 | 0 | 1,081 | 3.2 |
| 99,549 | -8,143 | 91,406 | **Financing and Investment Income & Expenditure** | 93,408 | -7,071 | 86,337 | 3.3 |
| 0 | -228,673 | -228,673 | **Taxation and Non-Specific Grant Income** | 0 | -217,677 | -217,677 | 3.4 |
| **333,907** | **-256,146** | **77,761** | **Surplus (-) or Deficit on Provision of Services** | **325,966** | **-247,004** | **78,962** | |
| | | -867 | Surplus (-) or deficit on revaluation of non-current assets | | | 147 | 4.3 |
| | | 67,920 | Pension Fund Adjustment under regulations | | | 325,166 | 4.4 |
| | | **67,053** | **Other Comprehensive Income & Expenditure** | | | **325,313** | |
| | | **144,814** | **Total Comprehensive Income & Expenditure** | | | **404,275** | |

| | | |
|---|---|---|
| (a) | Local Policing | A number of areas previously classified here are now part of Investigation<br>Neighbourhood Policing Grant now nets down this code instead of being a general income |
| (b) | Investigation | This now includes 'Local' investigation previously part of Local Policing<br>This now includes Crime Scene Investigation and Forensics |
| (c) | Investigative Support | This previously included Crime Scene Investigation and Forensics |

## CS1. Comprehensive Income and Expenditure Statement for NOPCC and CCN

| 2011-2012 Restated | | | | | 2012-2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| CCN | PCC | | | | CCN | PCC | | | |
| Net Res'ces £000 | Gross Exp' £000 | Gross Income £000 | Net Exp' £000 | | Net Res'ces £000 | Gross Exp' £000 | Gross Income £000 | Group Net Exp' £000 | Note |
| 115,125 | 0 | 0 | 115,125 | Local Policing | 92,084 | 0 | 0 | 92,084 | |
| 16,116 | 0 | 0 | 16,116 | Dealing with the Public | 15,885 | 0 | 0 | 15,885 | |
| 15,963 | 0 | 0 | 15,963 | Criminal Justice Arrangements | 13,088 | 0 | 0 | 13,088 | |
| 2,676 | 0 | 0 | 2,676 | Road Policing | 1,363 | 0 | 0 | 1,363 | |
| 13,275 | 0 | 0 | 13,275 | Specialist Operations | 12,476 | 0 | 0 | 12,476 | |
| 10,987 | 0 | 0 | 10,987 | Intelligence | 14,268 | 0 | 0 | 14,268 | |
| 27,811 | 0 | 0 | 27,811 | Investigation | 53,694 | 0 | 0 | 53,694 | |
| 6,749 | 0 | 0 | 6,749 | Investigative Support | 3,202 | 0 | 0 | 3,202 | |
| 1,845 | 0 | 0 | 1,845 | National Policing | 1,350 | 0 | 0 | 1,350 | |
| 210 | 1,161 | 0 | 1,371 | Corporate and Democratic Core | 216 | 1,353 | -146 | 1,423 | |
| 2,372 | 0 | 0 | 2,372 | Non Distributed Costs | 387 | 0 | 0 | 387 | |
| **213,129** | **1,161** | **0** | **214,290** | **Cost Of Services** | **208,014** | **1,353** | **-146** | **209,221** | |
| | 738 | 0 | 738 | **Other Operating Expenditure** | | 1,081 | 0 | 1,081 | 3.2 |
| | 99,549 | -8,143 | 91,406 | **Financing and Investment Income & Expenditure** | | 93,408 | -7,071 | 86,337 | 3.3 |
| | 0 | -228,673 | -228,673 | **Taxation and Non-Specific Grant Income** | | 0 | -217,677 | -217,677 | 3.4 |
| | **101,448** | **-236,816** | **77,761** | **Surplus (-) or Deficit on Provision of Services** | | **95,842** | **-224,894** | **78,962** | |
| | | | -867 | Surplus (-) or deficit on revaluation of non-current assets | | | | 147 | 4.3 |
| | | | 67,920 | Pension Fund Adjustment under regulations | | | | 325,166 | 4.4 |
| | | | **67,053** | **Other Comprehensive Income & Expenditure** | | | | **325,313** | |
| | | | **144,814** | **Total Comprehensive Income & Expenditure** | | | | **404,275** | |

## CS2. Movement in Reserves NOPCC and Group

| 2012-13 | General Fund £000 | Earmarked Reserves £000 | Capital Receipts £000 | Capital Grants £000 | Total Usable Reserves £000 | Reval'n Reserve £000 | Capital Adj' £000 | Pensions Reserve £000 | Collection Fund Adj £000 | Accum' Absence £000 | Total Unusable Reserves £000 | Total Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Note ref** | | **4.1** | | | | **4.3** | **4.5** | **4.4** | **11** | | | |
| **Balance at 1 April 2012** | **-7,083** | **-13,153** | **-900** | **-134** | **-21,270** | **-2,853** | **-4,790** | **1,761,655** | **-13** | **5,124** | **1,759,123** | **1,737,853** |
| **Surplus (- deficit) on the provision of services (accounting basis)** | **78,962** | **0** | **0** | **0** | **78,962** | **0** | **0** | **0** | **0** | **0** | **0** | **78,962** |
| **Other Comprehensive I & E - revaluation gains & losses** | **0** | **0** | **0** | **0** | **0** | **147** | **0** | **325,166** | **0** | **0** | **325,313** | **325,313** |
| **Total CIES** | **78,962** | **0** | **0** | **0** | **78,962** | **147** | **0** | **325,166** | **0** | **0** | **325,313** | **404,275** |
| Depreciation/Amortisation of non-current assets | -5,454 | 0 | 0 | 0 | **-5,454** | 0 | 5,454 | 0 | 0 | 0 | **5,454** | **0** |
| Impairment/Revaluation losses | -6,791 | 0 | 0 | 0 | **-6,791** | 0 | 6,791 | 0 | 0 | 0 | **6,791** | **0** |
| Capital grants and contributions credited to the CIES | 2,477 | 0 | 0 | 0 | **2,477** | 0 | -2,477 | 0 | 0 | 0 | **-2,477** | **0** |
| Net gain or loss (-) on sale of non-current assets | -416 | 0 | -1,023 | 0 | **-1,439** | 0 | 1,439 | 0 | 0 | 0 | **1,439** | **0** |
| Pension costs adj between calculated in accordance with IAS19 and the contributions due under pension scheme regulations | -128,822 | 0 | 0 | 0 | **-128,822** | 0 | 0 | 128,822 | 0 | 0 | **128,822** | **0** |
| Amount by which council tax income included in the CIES | 183 | 0 | 0 | 0 | **183** | 0 | 0 | 0 | -183 | 0 | **-183** | **0** |
| Minimum Revenue Provision | 1,959 | 0 | 0 | 0 | **1,959** | 0 | -1,959 | 0 | 0 | 0 | **-1,959** | **0** |
| Minimum Revenue Provision (Finance Lease Liabilities) | 979 | 0 | 0 | 0 | **979** | 0 | -979 | 0 | 0 | 0 | **-979** | **0** |
| Employers contribution to Pension Scheme | 52,222 | 0 | 0 | 0 | **52,222** | 0 | 0 | -52,222 | 0 | 0 | **-52,222** | **0** |
| Use of Capital Receipts Reserve to finance capital | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | 0 | 0 | **0** | **0** |
| Use of Capital grants unapplied for capital exp | 0 | 0 | 0 | 13 | **13** | 0 | -13 | 0 | 0 | 0 | **-13** | **0** |
| Adj for depreciation between historical and revalued basis | 0 | 0 | 0 | 0 | **0** | 101 | -101 | 0 | 0 | 0 | **0** | **0** |
| Loss on disposal of non current assets met from revaluation reserve | 0 | 0 | 0 | 0 | **0** | 74 | -74 | 0 | 0 | 0 | **0** | **0** |
| Charges for Employee Benefits | -464 | 0 | 0 | 0 | **-464** | 0 | 0 | 0 | 0 | 464 | **464** | **0** |
| **Total adjustment between accounting basis & funding basis under regulations** | -84,127 | 0 | -1,023 | 13 | **-85,137** | 175 | 8,081 | 76,600 | -183 | 464 | **85,137** | **0** |
| **Net decrease / (- increase) before transfers to earmarked reserves** | **-5,165** | **0** | **-1,023** | **13** | **-6,175** | **322** | **8,081** | **401,766** | **-183** | **464** | **410,450** | **404,275** |
| **Transfers from / (- to ) earmarked reserves** | **5,173** | **-5,173** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Balance at 31 March 2013** | **-7,074** | **-18,326** | **-1,923** | **-121** | **-27,445** | **-2,531** | **3,291** | **2,163,421** | **-196** | **5,588** | **2,169,573** | **2,142,129** |

## CS2. Movement in Reserves NOPCC and Group 2011-2012 Comparators

| 2011-2012 | General Fund £000 | Earmarked Reserves £000 | Capital Receipts £000 | Capital Grants £000 | Total Usable Reserves £000 | Reval'n Reserve £000 | Capital Adj' £000 | Pensions Reserve £000 | Collection Fund Adj £000 | Accum' Absence £000 | Total Unusable Reserves £000 | Total Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Note ref** | | **4.1** | | | | **4.3** | **4.5** | **4.4** | **11** | | | |
| **Balance at 1 April 2011** | **-7,000** | **-9,048** | **0** | **-232** | **-16,280** | **-2,174** | **-10,822** | **1,617,137** | **-140** | **5,747** | **1,609,749** | **1,593,469** |
| **Surplus (- deficit) on the provision of services (accounting basis)** | **77,817** | **0** | **0** | **0** | **77,817** | **0** | **0** | **0** | **0** | **0** | **0** | **77,817** |
| **Other Comprehensive I & E - revaluation gains & losses** | **0** | **0** | **0** | **0** | **0** | **-867** | **0** | **67,920** | **0** | **0** | **67,053** | **67,053** |
| **Total CIES** | **77,817** | **0** | **0** | **0** | **77,817** | **-867** | **0** | **67,920** | **0** | **0** | **67,053** | **144,870** |
| Depreciation/Amortisation of non-current assets | -5,475 | **0** | **0** | 0 | **-5,475** | 0 | 5,475 | 0 | 0 | 0 | **5,475** | **0** |
| Impairment/Revaluation losses | -4,785 | **0** | **0** | 0 | **-4,785** | 0 | 4,785 | 0 | 0 | 0 | **4,785** | **0** |
| Capital grants and contributions credited to the CIES | 1,981 | **0** | **0** | 0 | **1,981** | 0 | -1,981 | 0 | 0 | 0 | **-1,981** | **0** |
| Net gain or loss (-) on sale of non-current assets | -102 | **0** | **-1,141** | 0 | **-1,243** | 0 | 1,243 | 0 | 0 | 0 | **1,243** | **0** |
| Pension costs adj between calculated in accordance with IAS19 and from the contributions due under pension scheme regulations | -135,787 | **0** | **0** | 0 | **-135,787** | 0 | 0 | 135,787 | 0 | 0 | **135,787** | **0** |
| Amount by which council tax income included in the CIES | -127 | **0** | **0** | 0 | **-127** | 0 | 0 | 0 | 127 | 0 | **127** | **0** |
| Minimum Revenue Provision | 1,836 | **0** | **0** | 0 | **1,836** | 0 | -1,836 | 0 | 0 | 0 | **-1,836** | **0** |
| Minimum Revenue Provision (Finance Lease Liabilities) | 949 | **0** | **0** | 0 | **949** | 0 | -949 | 0 | 0 | 0 | **-949** | **0** |
| Employers contribution to Pension Scheme | 59,189 | **0** | **0** | 0 | **59,189** | 0 | 0 | -59,189 | 0 | 0 | **-59,189** | **0** |
| Use of Capital Receipts Reserve to finance capital expenditure | 0 | **0** | **241** | 0 | **241** | 0 | -241 | 0 | 0 | 0 | **-241** | **0** |
| Use of Capital grants unapplied for capital exp | 0 | **0** | **0** | 99 | **99** | 0 | -99 | 0 | 0 | 0 | **-99** | **0** |
| Adjustment for depreciation between historical and revalued basis | 0 | **0** | **0** | 0 | **0** | 125 | -125 | 0 | 0 | 0 | **0** | **0** |
| Loss on disposal of non current assets met from revaluation reserve | 0 | **0** | **0** | 0 | **0** | 63 | -63 | 0 | 0 | 0 | **0** | **0** |
| Charges for Employee Benefits | 658 | **0** | **0** | 0 | **658** | 0 | 0 | 0 | 0 | -658 | **-658** | **0** |
| **Total adjustment between accounting basis & funding basis under regulations** | **-81,663** | **0** | **0** | **99** | **-81,564** | **188** | **6,210** | **76,598** | **127** | **-658** | **82,464** | **900** |
| **Net decrease / (- increase) before transfers to earmarked reserves** | **-3,846** | **0** | **-900** | **99** | **-4,647** | **-680** | **6,210** | **144,518** | **127** | **-658** | **149,517** | **144,870** |
| **Transfers from / (- to ) earmarked reserves** | **3,846** | **-3,846** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Balance at 31 March 2012** | **-7,000** | **-12,894** | **-900** | **-134** | **-20,928** | **-2,853** | **-4,611** | **1,761,655** | **-13** | **5,088** | **1,759,266** | **1,738,338** |
| JANE 31 March 2011 | -75 | -190 | 0 | 0 | -265 | 0 | -187 | 0 | 0 | 23 | -165 | -429 |
| **Inclusive of JANE's 31 March 2011** | **-7,075** | **-9,238** | **0** | **-232** | **-16,545** | **-2,174** | **-11,009** | **1,617,137** | **-140** | **5,770** | **1,609,584** | **1,593,040** |
| JANE 31 March 2012 | -83 | -259 | 0 | 0 | -342 | **0** | -179 | 0 | 0 | 36 | -143 | **-485** |
| **Inclusive of JANE's 31 March 2012** | **-7,083** | **-13,153** | **-900** | **-134** | **-21,270** | **-2,853** | **-4,790** | **1,761,655** | **-13** | **5,124** | **1,759,123** | **1,737,853** |

## CS3. Balance Sheet NOPCC and Group

During the year the cash balance relating to the Police Pension Fund was reclassified from a Cash and Cash Equivalent to a Short Term Debtor in line with common practice. Therefore the figures for 2012 were restated as the value of the change £3.7m was material. This also entailed a restatement of the Cashflow Statement and some supporting notes (6.3 and 6.4).

| 31 Mar 2012 £000 | 31 Mar 2012 Restated £000 | Note | | 31 Mar 2013 £000 |
|---|---|---|---|---|
| 51,388 | 51,388 | 5 | Property, Plant & Equipment | 42,987 |
| 585 | 585 | 5 | Investment Properties | 380 |
| 1,891 | 1,891 | 5 | Assets Held for Sale | 2,428 |
| 826 | 826 | 5.5 | Intangible Assets | 743 |
| 23 | 23 | | Long Term Debtors | 11 |
| **54,713** | **54,713** | | **Non-Current Assets** | **46,549** |
| 11,600 | 11,600 | 6.1 | Short Term Investments | 16,300 |
| 720 | 720 | 6.2 | Inventories | 622 |
| 13,855 | 17,408 | 6.3 | Short Term Debtors | 22,931 |
| 2,782 | 75 | 6.4 | Cash and Cash Equivalents | 45 |
| **28,957** | **29,803** | | **Current Assets** | **39,898** |
| -4,944 | -4,944 | 7.1 | Short Term Borrowing | -7,725 |
| -1,140 | -1,140 | | Grant Receipts in Advance | -315 |
| -21,254 | -21,254 | 7.2 | Short Term Creditors | -23,050 |
| -168 | -1,014 | 6.4 | Overdraft | -1,048 |
| -2,712 | -2,712 | 7.3 | Short Term Provisions | -2,646 |
| **-30,218** | **-31,064** | | **Current Liabilities** | **-34,784** |
| -26,915 | -26,915 | 8.1 | Long Term Borrowing | -28,016 |
| -2,735 | -2,735 | 8.2 | Other Long Term Liabilities | -2,358 |
| -1,761,655 | -1,761,655 | 17.4 | Net Pension Liability | -2,163,421 |
| **-1,791,305** | **-1,791,305** | | **Long Term Liabilities** | **-2,193,795** |
| **-1,737,853** | **-1,737,853** | | **Net Assets** | **-2,142,132** |
| -7,083 | -7,083 | | General Fund | -7,074 |
| -900 | -900 | | Capital Receipts Reserve | -1,923 |
| -13,153 | -13,153 | 4.1 | Earmarked Reserves | -18,323 |
| -134 | -134 | | Capital Grants Unapplied | -121 |
| **-21,270** | **-21,270** | | **Usable Reserves** | **-27,441** |
| -2,853 | -2,853 | 4.3 | Revaluation Reserve | -2,531 |
| -4,790 | -4,790 | 4.5 | Capital Adjustment Account | 3,291 |
| 1,761,655 | 1,761,655 | 4.4 | Pensions Reserve | 2,163,421 |
| -13 | -13 | CS2 | Collection Fund Adjustment | -196 |
| 5,124 | 5,124 | 4.2 | Accumulated Absences | 5,588 |
| **1,759,123** | **1,759,123** | | **Unusable Reserves** | **2,169,573** |
| **1,737,853** | **1,737,853** | **CS2** | **Total Reserves** | **2,142,132** |

## CS4. Cash Flow Statement

Restated due to the reclassification of Pension Fund Cash (See Balance Sheet)

| 31 Mar 2012 £000 | 31 Mar 2012 Restated £000 | Note | | 31 Mar 2013 £000 |
|---|---|---|---|---|
| **77,762** | **77,762** | | **Net surplus (-) or deficit on the provision of services** | **78,962** |
| -84,319 | -83,955 | | Adjust net surplus or deficit on the provision of services for non cash movements | -81,460 |
| **-6,557** | **-6,193** | | **Net cash flows from Operating Activities** | **-2,498** |
| | | | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | |
| 11,106 | 11,106 | **12.2** | Investing Activities | 6,444 |
| -4,777 | -4,777 | **12.3** | Financing Activities | -3,882 |
| **-228** | **136** | | **Net increase (-) / decrease in cash and cash equivalents** | **64** |
| **228** | **-136** | | **Representing an equivalent Balance Sheet movement** | **-64** |
| 2,385 | -803 | | Cash and cash equivalents 1 April | -939 |
| **2,614** | **-939** | **6.4** | **Cash and cash equivalents 31 March** | **-1,003** |

## P1. Pension Fund Account

| 2011-12 £000 | | 2012-13 £000 |
|---:|---|---:|
| | **Contributions Receivable** | |
| -17,605 | Employers Contributions 1987 Scheme | -16,773 |
| -2,408 | Employers Contributions 2006 Scheme | -2,426 |
| -1,135 | Additional Contributions for early retirements 1987 Scheme | -622 |
| -7,999 | Members contributions 1987 Scheme | -8,469 |
| -938 | Members contributions 2006 Scheme | -1,036 |
| 0 | **Transfer in 1987 Scheme** | -163 |
| -441 | **Transfer in 2006 Scheme** | -37 |
| | **Benefits Payable** | |
| 40,197 | Pensions 1987 Scheme | 43,569 |
| 5 | Pensions 2006 Scheme | 6 |
| 18,120 | Commutations and lump sum retirement benefits 1987 Scheme | 9,731 |
| 99 | Lump sum death benefits 1987 Scheme | 0 |
| | **Payments to / on account of leavers** | |
| 2 | Refund of contributions 2006 Scheme | 0 |
| 331 | Transfers out 1987 Scheme | 147 |
| 0 | Transfers out 2006 Scheme | 0 |
| **28,228** | **Sub total before transfer from the NOPCC of amount equal to the deficit** | **23,928** |
| **-28,228** | Transfer of Government Grant from the NOPCC to meet the deficit | **-23,928** |
| **0** | **Balance at 31 March** | **0** |

All notes relating to pensions can be found at Note 17 with the net asset statement being at 17.8.

## Notes to the Accounts

### 1. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 12-22, the NOPCC has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for the Police Service. However, it is considered that this uncertainty is not yet sufficient to provide an indication that assets might be impaired as a result of a need to close facilities.

- Capital improvements have previously been undertaken to a property store. There is an ongoing dispute with the contractor in relation to faults that have developed subsequently. Legal advice has been sought and because of the uncertainty of the outcome no account has been taken of any monies which may be received in the future. There is insufficient certainty to treat this as a probable contingent asset either.

**Major Estimations**

The largest area of estimation included within the Accounts is in staff related costs. Accruals for overtime, bonuses, early retirement costs and other one off payments have been checked retrospectively and found to be reasonable.

The professional judgement of the Transport Manager is relied upon to provide vehicle valuations added to the Balance Sheet. These estimations are required due to the unavailability of the purchase information from the PFI supplier.

The item in the accounts for 2012-2013 for which there is a significant risk of material adjustment in the forthcoming financial year is the Insurance Claim Provision. There is generally a time lag between insurable events and the date insurance liability claims are received. No allowance is made for this value unless specific incidents have occurred which make it appropriate to do so. One potential use of the General Reserve is to cover for emerging trends of liability claims or an exceptional value of incurred but not reported claims. Estimates of the value of claims change as information regarding the circumstances evolve. A provision of £2.3m has been made to meet the estimated outstanding amount of insurance claims. This is based on estimates provided by Insurance Companies and by the Regional Legal Services Team. An increase / decrease in the value of claims of 10% have the effect of adding to / or reducing the provision by £0.2m.

### 2. Prior Period Adjustments and Post Balance Sheet Events

There are no prior period adjustments in 2012-2013. There are no post balance sheet events which have affected the Accounts presented.

## 3. Surplus or Deficit on Provision of Services

The presentation of the JCO's within the Cost of Services has been amended slightly, to give a more accurate representation of how income and expenditure has been spent. To assist comparisons with 2011-2012, the transactions for 2011-2012 have been restated using the new methodology and detailed in note 3.1 below.

### 3.1

| 2011-2012 Gross Exp' £000 | 2011-2012 Gross Income £000 | 2011-2012 Net Exp' £000 | 2011-2012 Restated Gross Exp' £000 | 2011-2012 Restated Gross Income £000 | 2011-2012 Restated Net Exp' £000 | |
|---|---|---|---|---|---|---|
| 126,192 | -11,067 | 115,125 | 126,192 | -11,067 | 115,125 | Local Policing |
| 16,232 | -116 | 16,116 | 16,232 | -116 | 16,116 | Dealing with the Public |
| 16,614 | -651 | 15,963 | 16,614 | -651 | 15,963 | Criminal Justice Arrangements |
| 5,046 | -2,370 | 2,676 | 5,046 | -2,370 | 2,676 | Road Policing |
| 13,678 | -403 | 13,275 | 13,678 | -403 | 13,275 | Specialist Operations |
| 11,234 | -191 | 11,043 | 11,690 | -703 | 10,987 | Intelligence |
| 29,026 | -1,215 | 27,811 | 29,026 | -1,215 | 27,811 | Specialist Investigations |
| 6,798 | -49 | 6,749 | 6,798 | -49 | 6,749 | Investigative Support |
| 4,601 | -2,756 | 1,845 | 4,601 | -2,756 | 1,845 | National Policing |
| 456 | -512 | -56 | 0 | 0 | 0 | JCO's |
| 1,371 | 0 | 1,371 | 1,371 | 0 | 1,371 | Corporate and Democratic Core |
| 2,372 | 0 | 2,372 | 2,372 | 0 | 2,372 | Non Distributed Costs |
| **233,620** | **-19,330** | **214,290** | **233,620** | **-19,330** | **214,290** | **Cost Of Services** |
| 738 | 0 | 738 | 738 | 0 | 738 | **Other Operating Expenditure** |
| 91,406 | 0 | 91,406 | 99,549 | -8,143 | 91,406 | **Financing and Investment** |
| 0 | -228,673 | -228,673 | 0 | -228,673 | -228,673 | **Taxation and Non-Specific Grant Income** |
| **325,764** | **-248,003** | **77,761** | **333,907** | **-256,146** | **77,761** | **Surplus (-) or Deficit on Provision of Services** |
| | | -867 | | | -867 | Surplus (-) / deficit on revaluation of assets |
| | | 67,920 | | | 67,920 | Pension Fund Adjustment under regulations |
| | | **67,053** | | | **67,053** | **Other Comprehensive Income & Expenditure** |
| | | **144,814** | | | **144,814** | **Total Comprehensive Income & Expenditure** |

More detail regarding JCO's is included in Note 13. The non-distributed costs represent the costs of restructuring. The following items give information regarding items in the CIES;

### 3.2

| 2011-12 £000 | Other Operating Expenses | 2012-13 £000 |
|---|---|---|
| 102 | Gains (-) and Losses on Disposal of Non Current Assets | 415 |
| 636 | Levies to National Police Services | 666 |
| **738** | **Total PCC** | **1,081** |

### 3.3

| 2011-12 £000 | Financing and Investment Income and Expenditure | 2012-13 £000 |
|---|---|---|
| 1,013 | Interest payable on Debt | 1,232 |
| -236 | Interest element of Finance Leases (Lessee) | 431 |
| 492 | Interest payable on PFI Unitary Payments | 500 |
| 98,044 | Pensions Interest Cost | 91,245 |
| -7,785 | Expected return on Pensions Assets | -6,885 |
| 0 | Interest Income | -1 |
| -120 | Investment Interest Income | -185 |
| **91,408** | **Total** | **86,337** |

3.4

| 2011-12 £000 | Taxation and Non-Specific Grant Income | 2012-13 £000 |
|---|---|---|
| -53,257 | Council Tax Income | -55,936 |
| -43,561 | National Non Domestic Rates | -52,504 |
| | Council Tax Freeze Compensation | -1,332 |
| -13,465 | Revenue Support Grant | -1,044 |
| -88,181 | Non-ringfenced Government Grants | -80,686 |
| -28,228 | Home Office Pension Grant | -23,928 |
| -1,981 | Capital Grants and Contributions | -2,247 |
| **-228,673** | **Total** | **-217,677** |

## 4. Movement in Reserves

This note forms the link between CIES and the Balance Sheet Reserves. It includes all the adjustments that are made to the CIES in accordance with proper accounting practice and how they are incorporated into Reserve balances.

### 4.1. Transfers to / from Earmarked Reserves

This shows how monies have been set aside or used during the year. Two new Earmarked Reserves were created during the year, in accordance with the approved reserves strategy. The first being to meet one off costs associated with transitional costs of the NOPCC. The other is to meet the costs of improving animal welfare.

| | Balance 31 March 2011 £000 | T/f Out 2011-12 £000 | T/f In 2011-12 £000 | Balance 31 March 2012 £000 | T/f Out 2012-13 £000 | T/f In 2012-13 £000 | Balance 31 March 2012 £000 |
|---|---|---|---|---|---|---|---|
| Medium Term Financial Plan | -7919 | 0 | -4177 | -12,096 | 0 | -2,365 | -14,461 |
| Helicopter Operational | -90 | 0 | 0 | -90 | 0 | 0 | -90 |
| Police Property Act | 0 | 0 | -81 | -81 | 0 | -2 | -83 |
| Drug Fund | 0 | 0 | -60 | -60 | 3 | 0 | -57 |
| Revenue Grants | -768 | 768 | -380 | -380 | 380 | -2,673 | -2,673 |
| Animal Welfare | 0 | 0 | 0 | 0 | 0 | -20 | -20 |
| PCC Transitional Costs | 0 | 0 | 0 | 0 | 54 | -500 | -446 |
| PFI Life Cycle Costs | -271 | 119 | -35 | -187 | 0 | -35 | -222 |
| **Total PCC** | **-9,048** | **887** | **-4,733** | **-12,894** | **437** | **-5,595** | **-18,052** |
| JCO's | -190 | 0 | -69 | -259 | 0 | -12 | -271 |
| **Total** | **-9,238** | **887** | **-4,802** | **-13,153** | **437** | **-5,607** | **-18,323** |

### 4.2 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences from accruing for compensated absences earned but not taken in the year, (e.g. 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 (CS2).

### 4.3 Revaluation Reserve

The Revaluation Reserve was created 1 April 2007 and contains revaluation gains arising from increases in the value of non current assets. The balance is reduced when assets with accumulated gains are:

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

| 2011-12 £000 | | 2012-13 £000 |
|---|---|---|
| **-2,174** | **Balance 1 April** | **-2,853** |
| -1,030 | Upward revaluation of assets | -573 |
| 163 | Downward revaluation of assets and impairments losses not charged to the Surplus/ Deficit on the provision of Services | 720 |
| **-867** | **Surplus (-) or deficit on revaluation of non-current assets not posted to the Surplus/ Deficit on the Provision of Services** | **147** |
| 125 | Difference between fair value depreciation and historical cost depreciation | 101 |
| 63 | Accumulated gains on assets sold or scrapped | 74 |
| **188** | **Amount written off to the Capital Adjustment Account** | **175** |
| **-2,853** | **Balance 31 March** | **-2,531** |

### 4.4 Pension Reserve

The Pension Reserve absorbs the timing differences between the difference in accounting and funding for post employment benefits in accordance with statutory provisions. The CIES recognises the benefits earned by employees accruing service. The liabilities are adjusted for inflation, valuation assumptions and investment returns. Statutory arrangements require benefits to be financed as employers contributions are paid to pension funds and pensioners. The debit balance on the Pension Reserve represents a substantial shortfall in the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements ensure that funding will meet payments.

| 2011-12 £000 | | 2012-13 £000 |
|---|---|---|
| **1,617,137** | **Balance 1 April** | **1,761,655** |
| 67,920 | Actuarial gains or losses on pensions assets and liabilities | 325,166 |
| 135,787 | Reversal of pension benefits charged to the Provision of Services in the CIES | 128,822 |
| -59,189 | Employers pensions contributions & direct payments to pensioners payable. | -52,222 |
| **1,761,655** | **Balance 31 March** | **2,163,421** |

### 4.5. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences between the difference in accounting for the consumption of non-current assets and for financing of those assets under statutory provisions. The Account is debited with the costs of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with postings from the Revaluation Reserve to convert fair value to a historical cost basis). The Account is credited with amounts set aside to finance the costs of non-current assets. It also contains revaluation gains accumulated on non-current assets before 1 April 2007. From that date that the Revaluation Reserve holds such gains.

| 2011-12 £000 | | 2012-13 £000 |
|---:|---|---:|
| **-10,822** | **Balance 1 April** | **-4,611** |
| 6,176 | Charges for depreciation and impairment of non-current assets | 5,032 |
| 3,781 | Revaluation losses on Property, Plant and Equipment | 6,617 |
| 303 | Amortisation of intangible assets | 340 |
| 1,076 | Amounts of non current assets written off on disposal to the CIES | 1,437 |
| **11,336** | | **13,426** |
| -188 | Adjusting amounts written out of the Revaluation Reserve | -175 |
| **11,148** | Net written out amount of the cost of non current assets consumed in the year | **13,251** |
| | **Capital financing applied in the year:** | |
| -241 | Use of Capital Receipts to finance new capital expenditure | 0 |
| -2,079 | Capital grants and contributions credited to the CIES applied to capital financing | -2,260 |
| | **Statutory provision for capital financing charged to the General Fund** | |
| -1,836 | Minimum Revenue Provision | -1,959 |
| -781 | Finance Lease Liability | -806 |
| **-4,937** | | **-5,025** |
| **-4,611** | **Total NOPCC 31 March** | **3,615** |
| -179 | JCO's | -324 |
| **-4,790** | **Total** | **3,291** |

## 5. Non Current Assets

| 5.1 Non-current Asset Movements | Land & Buildings £000 | Plant Vehicle & Equipment £000 | Investment Properties £000 | Assets under Construction £000 | Assets Held for Sale £000 | Total £000 | PFI Assets Included £000 |
|---|---|---|---|---|---|---|---|
| **1 April 2012** | **45,351** | **40,595** | **585** | **0** | **1,891** | **88,422** | **2,044** |
| Additions | 2,106 | 3,083 | 0 | 0 | 0 | **5,189** | 16 |
| Revaluation Increases/ Decreases (-) recognised in the Revaluation Reserve | -147 | 0 | 0 | 0 | 0 | **-147** | 0 |
| Revaluation Increases/ Decreases (-) recognised in the Surplus / Deficit on the Provision of Services | -6,566 | 0 | -205 | 0 | -20 | **-6,791** | 0 |
| Derecognition - Disposals | 0 | -20,377 | 0 | 0 | -948 | **-21,325** | 0 |
| Accumulated Depreciation and Impairment written off | -1,765 | 0 | 0 | 0 | 0 | **-1,765** | 0 |
| Assets reclassified to/ from Held for Sale | -1,505 | 0 | 0 | 0 | 1,505 | **0** | 0 |
| Other Movements in cost or valuation | 0 | 0 | 0 | 0 | 0 | **0** | 0 |
| **31 March 2013** | **37,474** | **23,301** | **380** | **0** | **2,428** | **63,583** | **2,060** |
| **Accumulated Depreciation and Impairment** | | | | | | | |
| **1 April 2012** | **2,775** | **31,958** | **0** | **0** | **0** | **34,733** | **328** |
| Depreciation charge | 1,006 | 4,025 | 0 | 0 | 0 | **5,031** | **96** |
| Accumulated Depreciation and Impairment written off | -1,765 | 0 | 0 | 0 | 0 | **-1,765** | 0 |
| Derecognition - Disposals | 0 | -19,887 | 0 | 0 | 0 | **-19,887** | 0 |
| **31 March 2013** | **2,016** | **16,096** | **0** | **0** | **0** | **18,112** | **424** |
| **NOPCC 31 March 2012** | 42,576 | 8,637 | 585 | 0 | 1,891 | **53,689** | **1,716** |
| **JCO's 31 March 2012** | 0 | 175 | 0 | 0 | 0 | **175** | **0** |
| **TOTAL 31 March 2012** | **42,576** | **8,812** | **585** | **0** | **1,891** | **53,864** | **1,716** |
| **NOPCC 31 March 2013** | 35,458 | 7,205 | 380 | 0 | 2,428 | **45,471** | **1,636** |
| **JCO's 31 March 2013** | 0 | 324 | 0 | 0 | 0 | **324** | **0** |
| **TOTAL 31 March 2013** | **35,458** | **7,529** | **380** | **0** | **2,428** | **45,795** | **1,636** |

| 5.1 Non-current Asset Movements prior year comparator | Land & Buildings £000 | Plant Vehicle & Equipment £000 | Investment Properties £000 | Assets under Construction £000 | Assets Held for Sale £000 | Total £000 | PFI Assets Included £000 |
|---|---|---|---|---|---|---|---|
| **1 April 2011** | **47,931** | **40,684** | **585** | **1,528** | **210** | **90,938** | **2,044** |
| Adjustment for leasing residual values | | -1,727 | 0 | 0 | 0 | -1,727 | 0 |
| Additions | 2,552 | 2,994 | 0 | 4 | 0 | **5,550** | 0 |
| Revaluation Increases/ Decreases (-) recognised in the Revaluation Reserve | 867 | 0 | 0 | 0 | 0 | **867** | 0 |
| Revaluation Increases/ Decreases (-) recognised in the Surplus / Deficit on the Provision of Services | -3,164 | 0 | 0 | -1,207 | 0 | **-4,371** | 0 |
| Derecognition - Disposals | 0 | -1,356 | 0 | 0 | -750 | **-2,106** | 0 |
| Assets reclassified to/ from Held for Sale | -2,435 | 0 | 0 | 0 | 2,431 | **-4** | 0 |
| Other Movements in cost or valuation | -400 | 0 | 0 | -325 | 0 | **-725** | 0 |
| **31 March 2012** | **45,351** | **40,595** | **585** | **0** | **1,891** | **88,422** | **2,044** |
| **Accumulated Depreciation and Impairment** | | | | | | | |
| **1 April 2011** | **2,331** | **30,135** | **0** | **0** | **0** | **32,466** | **221** |
| Adjustment for leasing residual values | 0 | -2,317 | 0 | 0 | 0 | -2,317 | 0 |
| Depreciation charge | 1,173 | 5,003 | 0 | 0 | 0 | **6,176** | **107** |
| Impairment losses (Reversals) recognised in the Surplus / deficit on the Provision of Service | -725 | 0 | 0 | 0 | 0 | **-725** | 0 |
| Derecognition - Disposals | 0 | -863 | 0 | 0 | 0 | **-863** | 0 |
| Assets reclassified to/ from Held for Sale | -4 | 0 | 0 | 0 | 0 | **-4** | 0 |
| Other Movements in Depreciation and Impairment | 0 | 0 | 0 | 0 | 0 | **0** | 0 |
| **31 March 2012** | **2,775** | **31,958** | **0** | **0** | **0** | **34,733** | **328** |
| **Net Book Value** **NPA 31 March 2011** | 45,600 | 10,549 | 585 | 1,528 | 210 | **58,472** | **1,823** |
| **JCO's 31 March 2011** | 0 | 180 | 0 | 0 | 0 | **180** | **0** |
| | **45,600** | **10,729** | **585** | **1,528** | **210** | **58,652** | **1,823** |
| **NPA 31 March 2012** | 42,576 | 8,637 | 585 | 0 | 1,891 | **53,689** | **1,716** |
| **JCO's 31 March 2012** | 0 | 175 | 0 | 0 | 0 | **175** | **0** |
| | **42,576** | **8,812** | **585** | **0** | **1,891** | **53,864** | **1,716** |

## 5.2 Capital Commitments

At 31 March 2013, the NOPCC has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012-2013 and the future years is budgeted to cost £0.2 million. (1.7 million 2011-2012).

| Main Capital Commitments | 31 March 2013 £000 |
|---|---|
| Custody Improvements | 66 |
| CCTV Non Custody | 83 |
| Other (under £50k) | 67 |
| Total | **216** |

## 5.3 Revaluations

During 2012-2013, 19 properties which equated to approximately 35% of the portfolio value were revalued. Property revaluations were undertaken by Lambert Smith Hampton, external valuers. These valuations were subject to componentised valuation as prescribed by IAS 16 and adopted by the Royal Institute of Chartered Surveyors in its Red Book. The depressed commercial market caused significant net valuation reductions (£4.7m). As a result the remaining three significant assets (representing a further 20% of the portfolio) not revalued in the last two years was subject to a 'desk top' revaluation. This involved an assessment of market conditions and information provided by the Estates team, but not actual inspections. The result was a further revaluation loss of £4m.

**Valuation Summary (excluding JCO's)**

| | Land & Buildings £000 | Plant Vehicles & Equipment £000 | Investment Properties £000 | Assets Held for Sale £000 | Assets under Construction £000 | Total £000 | PFI Assets Included £000 |
|---|---|---|---|---|---|---|---|
| **Historical Cost** | 5 | 7,205 | 0 | 0 | 0 | 7,210 | 0 |
| **Fair Value** | | | | | | | |
| **01 April 2007** | 0 | 0 | 0 | 250 | 0 | 250 | 0 |
| **01 April 2009** | 5,423 | 0 | 0 | 38 | 0 | 5,461 | 1,636 |
| **01 April 2010** | 86 | 0 | 0 | 0 | 0 | 86 | 0 |
| **01 April 2011** | 12,215 | 0 | 0 | 290 | 0 | 12,505 | 0 |
| **01 April 2012** | 17,729 | 0 | 380 | 1,850 | 0 | 19,959 | 0 |
| **Total Valuation** | 35,458 | 7,205 | 380 | 2,428 | 0 | 45,471 | 1,636 |

## 5.4 Investment Properties

Income is received on investment properties (telecoms masts) from an external organisation, which also undertakes the maintenance and repair of the telecoms masts. This had been undertaken by Arqiva and during the year this was taken over by Cell C.M. These costs are not identified separately in the Statement of Accounts and are included within the management charge. Investment income received during the year is shown net of this management charge. The investment income was £0.181 million in 2012-2013 (£0.113 million 2011-2012).

## 5.5 Intangible Assets

Software (including purchased licences) is classified as intangible assets. This is because the software is not an integral part of a particular IT item. All software is amortised on a straight -line basis over a finite useful life of 7 years. The amortisation of £0.303 million in 2012-2013 was a revenue expense. Movements are summarised in the table below:

| 2011-2012 £000 | | 2012-2013 £000 |
|---|---|---|
| **1,042** | **Balance 1 April** | **821** |
| 2,575 | Gross Carrying amounts | 2,657 |
| -1,533 | Accumulated amortisation | -1,836 |
| | **Additions:** | |
| 82 | Purchases | 263 |
| -303 | Amortisation for the period | -341 |
| **821** | **Net Carrying amount 31 March** | **743** |
| 2,657 | Gross carrying amounts | 2,920 |
| -1,836 | Accumulated amortisation | -2,179 |
| **821** | **Total NOPCC** | **741** |
| 5 | JCO's | 2 |
| **826** | **Total** | **743** |

## 5.6 Capital Expenditure and Capital Financing

The total amount of capital expenditure, including PFI and finance leases and sources of finance are shown in the table below, it shows cumulatively capital expenditure which is to be financed in future years by charges to revenue.

| 2011-12 £000 | | 2012-13 £000 |
|---|---|---|
| **47,516** | **Opening Capital Financing Requirement** | **47,993** |
| | **Capital investment** | |
| 5,550 | Property, Plant and Equipment | 5,190 |
| 82 | Intangible Assets | 263 |
| | **Sources of finance** | |
| -241 | Capital Receipts | 0 |
| -2,080 | Government grants and other contributions | -2,261 |
| -1,836 | Sums set aside from revenue - MRP / loans funded principal | -1,959 |
| -998 | Sums set aside from revenue - Lease liability | 0 |
| **47,993** | **Closing Capital Financing Requirement** | **49,226** |
| **477** | **Movement in the year - analysed as follows** | **1,233** |
| 1,178 | Increase in underlying borrowing need (supported by government finance) | 0 |
| 1,665 | Increase in underlying need to borrowing (unsupported by government finance) | 2,929 |
| -998 | Lease liability previous years | 0 |
| -1,836 | MRP / Loans funded principles | -1,959 |
| 468 | Assets acquired under finance leases | 263 |
| **477** | **Increase / decrease (-) in Capital Financing Requirement** | **1,233** |

### 5.7 Heritage Assets

The Code of Practice 2013 requires that Heritage Assets are accounted for separately. An assessment has been made and The Group have no assets which meet the definition.

## 6. Current Assets

### 6.1 Short Term Investments

| 31 Mar 2012 £000 | | 31 Mar 2013 £000 |
|---|---|---|
| 4,000 | Bank Call Accounts | 3,000 |
| 0 | Bank Short Term Fixed Accounts | 4,000 |
| 5,000 | Greater London Authority | 0 |
| 0 | Worthing Borough Council | 2,000 |
| 2,600 | Money Market Funds | 7,300 |
| **11,600** | | **16,300** |

### 6.2 Inventories

| 2011-12 £000 | Movement on stock inventories during the year | 2012-13 £000 |
|---|---|---|
| **748** | **Balance 1 April** | **720** |
| 2,208 | Purchases | 1,650 |
| -2,201 | Recognised as an expense in the year | -1,748 |
| -35 | Written off balances | 0 |
| **720** | **Balance 31 March** | **622** |
| | **Analysed as follows;** | |
| 71 | Petrol | 56 |
| 272 | Derv | 172 |
| **343** | **Fuel Total** | **228** |
| **377** | **Clothing Total** | 394 |
| **720** | **Balance 31 March** | **622** |

### 6.3 Debtors

| 2011-12 £000 | 2011-12 Restated £000 | | 2012-13 £000 |
|---|---|---|---|
| 5,552 | 9,105 | Central Government Bodies | 14,565 |
| 2,089 | 2,089 | Other Local Authorities | 1,608 |
| 5,684 | 5,684 | Other Entities and Individuals | 6,039 |
| **13,325** | **16,878** | **Total PCC** | **22,212** |
| 530 | 530 | JCO's | 719 |
| **13,855** | **17,408** | **Total** | **22,931** |

This note was restated due to the reclassification of Pension Fund Cash Balance (See Balance Sheet).

A bad debt provision of £0.092 million is provided against specific debts considered to be irrecoverable (£0.197 million at 31st March 2012). A provision of £2.488 million is held against Council Tax arrears of £4.089 million at the 31st March 2013. This level of provision has been assessed by the Council Tax Billing Authorities. (Provision of £2.407 million against arrears of £3.901 million at 31st March 2012).

### 6.4 Cash and Cash Equivalents

| 31 Mar 2012 £000 | 31 Mar 2012 Restated £000 | | 31 Mar 2013 £000 |
|---|---|---|---|
| 75 | 75 | Imprest Accounts | 45 |
| 1,796 | -1,757 | Monies held on behalf of others | -928 |
| 744 | 744 | Bank Accounts inc JCO's | -120 |
| **2,615** | **-938** | **Total** | **-1,003** |

This note was restated due to the reclassification of Pension Fund Cash Balance. (See Balance Sheet).

## 7. Current Liabilities

### 7.1 Short Term Borrowing

The Market Loan of £3.5m was taken out with Danske Bank in May 2006 for 60 years. Since May 2011 it has featured a break clause every 6 months (Lenders Option, Borrowers Option LOBO).There has been no exercising of this option so far. In accordance with the CIPFA Treasury Management Code this is treated as a short term liability.

| 31 Mar 2012 £000 | | 31 Mar 2013 £000 |
|---|---|---|
| -3,500 | Market Loans | -3,500 |
| -1,444 | PWLB | -4,225 |
| **-4,944** | | **-7,725** |

### 7.2 Creditors

| 31 Mar 2012 £000 | | 31 Mar 2013 £000 |
|---|---|---|
| -3,728 | Central Government Bodies | -3,710 |
| -3,348 | Other Local Authorities | -2,040 |
| -13,834 | Other Entities and Individuals | -16,358 |
| -344 | JCO's | -942 |
| **-21,254** | **Total** | **-23,050** |

### 7.3 Provisions

Liability claims are generally paid out within 1 and 3 years. It is expected that the majority will be used within a year and has all been classified as short-term. Two new provisions were set up this year; both are expected to be spent during the forthcoming year. The first relates to legal expenses regarding a major claim and the other for dilapidation relating to leases approaching the end of the term.

| | EL& PL Claims £000 | MV Liability Claims £000 | Legal Expenses £000 | Dilapidation £000 | Total £000 |
|---|---|---|---|---|---|
| **Balance 31 March 2012** | **-1,962** | **-750** | **0** | **0** | **-2,712** |
| Provisions made in 2012-13 | 21 | -360 | -190 | -202 | -731 |
| Amounts Used in 2012-13 | 275 | 522 | 0 | 0 | 797 |
| **Balance 31 March 2013** | **-1,666** | **-588** | **-190** | **-202** | **-2,646** |

## 8. Long Term Liabilities

### 8.1 Long Term Borrowing

All longer term borrowing of £28.016 million was with the PWLB (£26.915 million 2011-2012)

### 8.2 Other Long Term Liabilities

| 2011-12 £000 | | 2012-13 £000 |
|---:|---|---:|
| -973 | Finance Leases | -596 |
| -1,762 | PFI Liability | -1,762 |
| **-2,735** | | **-2,358** |

## 9. Contingent Assets

The NOPCC had no contingent assets as at 31 March 2013.

## 10. Contingent Liabilities

The following contingent liabilities have been identified:

- There is still the potential of a proportion of a fine from the Information Commissioner. This has been estimated to be up to the value of £0.3 million.
- There is the possibility of a further fine from the Information Commissioner. Insufficient information is available to quantify but the maximum available fine is £0.5 million.
- The NOPCC is also defending employment claims relating to A19. It is estimated that the maximum impact could be £3.5 million.

## 11. Collection Fund Adjustment Account

This account absorbs the difference between the recognition of council tax income in the CIES as it falls due from the council tax payers compared to the statutory arrangements which pays across amounts from the Collection Fund.

| 2011-12 £000 | | 2012-13 £000 |
|---:|---|---:|
| **-140** | **Balance 1 April 2012** | **-13** |
| 127 | Difference between the CIES and statutory arrangements | -183 |
| **-13** | **Balance 31 March 2013** | **-196** |

## 12. Cash Flow

### 12.1 Analysis of interest included within Operating Activities

| 31 Mar 2012 £000 | | 31 Mar 2013 £000 |
|---:|---|---:|
| -358 | Interest received | -187 |
| 1,506 | Interest paid | 2,164 |
| **1,148** | **Total** | **1,977** |

### 12.2 Analysis of Investment Activities

| 31 Mar 2012 £000 | | 31 Mar 2013 £000 |
|---|---|---|
| 5,228 | Purchase of non current assets | 5,065 |
| -1,141 | Proceeds from the sale of non current assets | -1,023 |
| 9,000 | Short Term investments made | 4,700 |
| -1,981 | Other receipts for investing activities | -2,298 |
| **11,106** | **Net cash flows from investing activities** | **6,444** |

### 12.3 Analysis of Financing Activities

| 31 Mar 2012 £000 | | 31 Mar 2013 £000 |
|---|---|---|
| -10,000 | Cash receipts of short and long-term borrowing | 5,000 |
| 5,223 | Repayment of borrowing | -8,882 |
| **-4,777** | **Net cash flows from financing activities** | **-3,882** |

## 13 Jointly Controlled Operations

The Group participates in collaborative arrangements with Leicestershire, Derbyshire, Lincolnshire and Northamptonshire. The police officers involved are seconded from the individual PCC's and all costs are borne in agreed proportions. Not all of the Collaborations include all 5 Forces, further details are included in point 12 of the Explanatory Foreword. Collaborative working also features in Air Support Maintenance. This cost is borne by the Office of the Police and Crime Commissioner Derbyshire and expenditure incurred in accordance to partnership proportions. These costs are included within revenue costs.

## 13.1 Comprehensive Income & Expenditure Statement Jointly Controlled Operations

| 2011-12 £000 | | 2012-13 £000 |
|---|---|---|
| 1,609 | Employees | 5,120 |
| 241 | Premises | 285 |
| 109 | Transport | 253 |
| 420 | Supplies and services | 852 |
| 89 | Capital Charges | 82 |
| **2,468** | **Gross Operating Expenditure** | **6,592** |
| -26 | Other Income | -131 |
| 9 | Loss / Profit (-) on Disposal of Fixed Assets | 0 |
| **2,451** | **Amount to be met from Partners** | **6,461** |
| -2,013 | Contributions from Partners | -6,082 |
| -494 | External Grants | -479 |
| **-56** | **Surplus (-) / Deficit for the year** | **-100** |
| **0** | **Surplus (-) / Deficit revaluation non current assets** | **0** |
| **-56** | **Total Comprehensive Income and Expenditure** | **-100** |

## 13.2 Balance Sheet Jointly Controlled Operations

| 2011-12 £000 | | 2012-13 £000 |
|---|---|---|
| 174 | Property, Plant & Equipment | 322 |
| 5 | Intangible Assets | 2 |
| **179** | **Long Term Assets** | **324** |
| 530 | Short Term Debtors | 719 |
| 168 | Cash and Cash Equivalents | 569 |
| **698** | **Current Assets** | **1,288** |
| -36 | Employee Benefits | -85 |
| -356 | Short Term Creditors | -942 |
| **-392** | **Current Liabilities** | **-1,027** |
| **485** | **Net Assets** | **585** |
| -84 | General Fund | -74 |
| -257 | Earmarked Reserves | -272 |
| -144 | Unusable Reserves | -239 |
| **-485** | **Total Reserves** | **-585** |

## 13.3 Movement In Reserves Jointly Controlled Operations

| 2011-2012 | | | | | 2012-2013 | | | |
|---|---|---|---|---|---|---|---|---|
| **Total General Fund** | **Earmarked Reserves** | **Total Unusable Reserves** | **Total all JCO Reserves** | | **Total General Fund** | **Earmarked Reserves** | **Total Unusable Reserves** | **Total all JCO Reserves** |
| **£000** | **£000** | **£000** | **£000** | | **£000** | **£000** | **£000** | **£000** |
| **-75** | **-190** | **-164** | **-429** | **Balance at Year start** | **-84** | **-259** | **-142** | **-485** |
| -56 | 0 | 0 | -9 | Surplus / deficit (-) on the provision of services | -100 | 0 | 0 | -100 |
| | | | | Other CIES | | | | |
| 0 | 0 | 0 | 0 | Surplus / deficit (-) on reval' of non current assets | 0 | 0 | 0 | 0 |
| **-56** | **0** | **0** | **-9** | **Total CIES** | **-100** | **0** | **0** | **-100** |
| | | | | **Adjustments between accounting & funding basis** | | | | |
| -80 | 0 | 80 | 0 | Depreciation / amortisation | -82 | 0 | 82 | 0 |
| -9 | 0 | 9 | 0 | Revenue expenditure funded from capital under statute | 0 | 0 | 0 | 0 |
| -10 | 0 | 10 | 0 | Disposal of non-current assets | -1 | 0 | 1 | 0 |
| 11 | 0 | -11 | 0 | Capital grants /contributions | 0 | 0 | 0 | 0 |
| 8 | 0 | -8 | 0 | Charges for Employee Benefits | -48 | 0 | 48 | 0 |
| | | | | **Insertion of items not charged to the CIES** | | | | 0 |
| 58 | 0 | -58 | 0 | Capital expenditure charged against the General Fund | 228 | 0 | -228 | 0 |
| **-78** | **0** | **22** | **-9** | **Net increase / Decrease (-) before transfers to Earmarked Reserves** | **-3** | **0** | **-97** | **-100** |
| 69 | -69 | 0 | 0 | Transfers  Earmarked Reserves | 13 | -13 | 0 | 0 |
| **-9** | **-69** | **22** | **-10** | **Increase / Decrease (-)** | **10** | **-13** | **-97** | **-100** |
| **-84** | **-259** | **-142** | **-485** | **Balance at year end** | **-74** | **-272** | **-239** | **-585** |

## 14. Christopher McDonald Memorial Trust

The Christopher McDonald Memorial Trust, which did not form part of the Group Accounts, was set up in the late 1970's with public donations, following the murder of PC McDonald whilst on duty in Worksop. During the year the trust was wound up with the £963.03 being returned to Christopher McDonald's mother to spend in honour of his memory.

## 15. Proceeds Of Crime Act and Police Property Act

The Police Property Act 1997 and Proceeds of Crime Act 2002, (amended by the Serious Crime Act 2005 and the Serious Crime Act 2007) monies received from the confiscation or sale of property which has come into their possession in connection with a criminal charge to be set aside. Once judgement is made monies are either, paid over to the State, repaid to the individual or made available for the PCC to use on specific purposes. Monies held before judgements reduce the available cash balance. At 31 March 2013 cash totalling £0.604 million was held in the Force bank account (£0.658 million at 31 March 2012).

## 16. External Audit Costs

The Audit Commission has outsourced the work formerly undertaken by its Audit Practice. KPMG were appointed as external auditor on1 September 2012, for 2012-2013 onwards.

| | **2011-12 £000** | **2012-13 £000** |
|---|---|---|
| NOPCC | | 52 |
| CCN | | 20 |
| Group | **92** | **72** |
| Additional fraud initiative work | 0 | 1 |
| Total fees payable by the group | **92** | **73** |

## 17. Defined Benefit Pension Schemes

The Group makes contributions towards the cost of separate pension schemes for Officers and Staff. Benefits are paid on retirement, but future commitments are recognised.

The Local government pension scheme for police staff is administered by Nottinghamshire County Council. This is a funded defined benefit final salary scheme. Both the NOPCC and employees pay contributions into a fund, at a level intended to balance the pension's liabilities with investment assets. The scheme has been assessed by Barnett Waddingham, Public Sector Consulting. Estimates are based on the last full valuation of the scheme as at 31 March 2010. The next full valuation of this scheme will be in 2013-2014.

Police officer pension schemes are unfunded defined benefit final salary schemes. Contributions from officers are paid into the fund and pension payments are met from the fund. Any surplus or deficit is either paid to or recovered from Central Government. Employee's and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department. The figures are based on the latest full valuation of the scheme as at 31 March 2012, with updates to 31 March 2013. Particularly for additional service accrued and known pension and salary increases. The next full valuation of the scheme will be 2014-2015. The Pension Fund account is shown in note P1. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

### 17.1 The principal assumptions used by the Actuaries

Liabilities have been assessed on an actual basis using the projected unit credit method, an estimate of future pension payments dependent on assumptions about mortality rates, salary levels etc. The long term expected rate of return on scheme assets is no longer provided by the actuaries under amendments to IAS 19 Employee Benefits (June 2011 amendments).

| | Staff Pension Scheme | | Officer Pension Scheme | |
|---|---|---|---|---|
| | **2011-12** | **2012-13** | **2011-12** | **2012-13** |
| **Mortality assumptions** | | | | |
| Longevity at 65 retiring today | | | | |
| Men | 18.6 Yrs | 18.7 Yrs | 23.3 Yrs | 23.4 Yrs |
| Women | 22.7 Yrs | 22.8 Yrs | 25.7 Yrs | 25.8 Yrs |
| Longevity at 65 retiring in 20 years | | | | |
| Men | 20.6 Yrs | 20.7 Yrs | 25.6 Yrs | 25.7 Yrs |
| Women | 24.5 Yrs | 24.6 Yrs | 27.8 Yrs | 27.9 Yrs |
| **Rate of inflation** | | | | |
| RPI Increases | 3.30% | 3.40% | 3.60% | 3.70% |
| CPI Increases | 2.50% | 2.60% | 2.80% | 2.50% |
| Rate of increase in salaries | 4.70% | 4.80% | 4.70% | 4.75% |
| Rate of increase in pensions | 2.50% | 2.60% | 2.50% | 2.50% |
| Rate for discounting scheme liabilities | 4.60% | 4.70% | 4.90% | 4.30% |

During 2012-2013, the actuaries for the Police Officer scheme advised that the net pension liability had increased by £407.6 million, from £1691.1 million 31 March 2012 to £2098.7 million 31 March 2013. This is mainly attributable to the changes in yields on long-term corporate bonds over the year. This has led to a fall in the discount rate assumption from 4.90% pa last year to 4.30% pa this year. This fall in the discount rate, when compounded over the typically long duration of a pension scheme, causes a significant change in the value of the liabilities. Other changes in financial and demographic assumptions have had a minor impact.

### 17.2 The Local Government Pension Scheme Assets

| | 31-Mar-2012 | 31-Mar-2013 |
|---|---|---|
| | % | % |
| Equity Investments | 70.0 | 73.0 |
| Gilts | 7.0 | 7.0 |
| Other Bonds | 5.0 | 6.0 |
| Property | 14.0 | 12.0 |
| Cash | 4.0 | 2.0 |
| | **100.0** | **100.0** |

### 17.3 Analysis of Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012-2013 can be, measured as a percentage of assets or liabilities;

| | 2008-09 % | 2009-10 % | 2010-11 % | 2011-12 % | 2012-13 % |
|---|---|---|---|---|---|
| Expressed as a percentage of assets | -29.7 | 19.5 | 3.1 | -4.2 | 8.4 |
| Expressed as a percentage of liabilities | 0.0 | 0.2 | -4.9 | 2.9 | - |

### 17.4 Scheme History

| | 2008-09 £000 | 2009-10 £000 | 2010-11 £000 | 2011-12 £000 | 2012-13 £000 |
|---|---|---|---|---|---|
| **Present Value of Liabilities** | | | | | |
| Local Government Pension Scheme | -111,703 | -178,589 | -150,153 | -189,364 | 0 |
| Discretionary benefits | -1,112,130 | -1,709,070 | -1,580,100 | -1,691,190 | 0 |
| Fair value of assets in the Local Government Pension Scheme | 69,849 | 98,648 | 113,116 | 118,899 | 0 |
| **Surplus / deficit (-) on the scheme** | **-1,153,984** | **-1,789,011** | **-1,617,137** | **-1,761,655** | **0** |
| Local Government Pension Scheme | -41,854 | -79,941 | -37,037 | -70,465 | 0 |
| Discretionary benefits | -1,112,130 | -1,709,070 | -1,580,100 | -1,691,190 | 0 |
| **Total** | **-1,153,984** | **-1,789,011** | **-1,617,137** | **-1,761,655** | **0** |

The liabilities show the underlying commitments that the Group has in the long run to pay post employment (retirement) benefits. The total liability of £2,163.4 million has a substantial impact on the net worth of the Balance Sheet. However, statutory accounting arrangements for funding the deficit, neutralise this.

The deficit on the local government scheme will be recovered by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. Finance is only required when the pensions are actually paid.

The total contributions; expected to be made to the Staff Pension Scheme and the Police Officer Pension Scheme in the year ending 31 March 2014 are £4.8 million. and £19.0 million respectively.

### 17.5 Pensions Liability and Sensitivity

The sensitivity of the pension liabilities as provided by the actuaries are:

| | £000 |
|---|---|
| **For the Staff Pension Scheme** | |
| + 0.1% change to the discount rate would reduce the pension liability by | -5,542 |
| - 0.1% change to the discount rate would increase the pension liability by | 5,722 |
| **For the Police Pension Schemes** | |
| +0.5% change to the discount rate would reduce the pension liability by | -52,470 |
| -0.5% change to the discount rate would increase the pension liability by | 52,470 |

### 17.6 Transactions Relating to Pension Benefits

The pension transactions are prepared in accordance with IAS 19 which requires that the cost of pensions is recognised in the cost of services when they are earned by employees, rather than when eventually paid as pensions. However, the charge that is required to be against Council Tax is based on the cash payable in the year. The true cost of employer retirement benefits is reversed out of The Movement in Reserves Statement. The following table shows the transactions made during the year:

| | Staff Pension Scheme | | Officer Pension Schemes | |
|---|---|---|---|---|
| | 2011-12 £000 | 2012-13 £000 | 2011-12 £000 | 2012-13 £000 |
| **CIES** | | | | |
| Cost of services | | | | |
| Current service cost | 7,508 | 9,215 | 35,650 | 34,860 |
| Past service costs | 0 | 0 | 40 | 110 |
| Settlements and curtailments | 2,332 | 277 | 0 | 0 |
| **Financing & Investment Transactions** | | | | |
| Interest cost | 8,452 | 8,665 | 89,590 | 82,580 |
| Expected return on scheme assets | -7,785 | -6,885 | 0 | 0 |
| **Total Pension Charges in Provision of Services** | **10,507** | **11,272** | **125,280** | **117,550** |
| Other Pension Benefit charged to the CIES | | | | |
| Actuarial gains (-) and losses | -29,810 | 11,694 | -38,110 | -336,860 |
| **Movement in Reserve Statement** | | | | |
| Reversal of net charges to Provision of Services | -10,507 | -11,272 | -125,280 | -117,550 |
| **Amount charged to the General Fund** | | | | |
| Employers' contributions payable to scheme | 6,889 | 5,282 | 0 | 0 |
| Retirements benefits payable to pensioners | 0 | 0 | 49,490 | 43,560 |

The cumulative amount of actuarial loss recognised in the CIES between 2004 and 2013 is £796.5 million.

### 17.7 Assets and Liabilities in Relation to Post-Employment Benefits

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

| **Reconciliation of present value of the scheme liabilities (defined benefit obligation)** | Local Government Pension Scheme Staff | | Police Pension Schemes Officers | |
|---|---|---|---|---|
| | 2011-12 £000 | 2012-13 £000 | 2011-12 £000 | 2012-13 £000 |
| **Opening Balance 1 April** | **-150,153** | **-189,364** | **-1,580,100** | **-1,691,190** |
| Current service Cost | -7,508 | -9,215 | -35,650 | -34,860 |
| Interest Cost | -8,452 | -8,665 | -89,590 | -82,580 |
| Contributions by scheme participants | -2,421 | -2,240 | -9,380 | -9,510 |
| Actuarial gains and losses | -24,782 | -50 | -38,110 | -336,860 |
| Benefits paid | 6,284 | 4,501 | 61,680 | 56,450 |
| Past service costs | 0 | 0 | -40 | -110 |
| Curtailments | -2,332 | -277 | 0 | 0 |
| **Closing Balance 31 March** | **-189,364** | **-205,310** | **-1,691,190** | **-2,098,660** |

Reconciliation of fair value of the scheme assets:

| Reconciliation of fair value of the scheme assets | Local Government Pension Scheme Staff | |
|---|---|---|
| | 2011-12 £000 | 2012-13 £000 |
| **Opening Balance at 1 April** | **113,116** | **118,899** |
| Expected rate of return | 7,785 | 6,885 |
| Actuarial gains and losses | -5,028 | 11,744 |
| Employers contributions | 6,889 | 5,282 |
| Contributions by scheme participants | 2,421 | 2,240 |
| Benefits paid | -6,284 | -4,501 |
| Entity combinations | 0 | 0 |
| Settlements | 0 | 0 |
| **Closing Balance at 31 March** | **118,899** | **140,549** |

The expected return on scheme assets is determined by considering the expected returns available on the assets with the current investment policy.

- Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.
- Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £18.6 million (2011-2012, £2.8 million).

## 17.8 Pension Net Assets Statement

| 2011-12 £000 | Discretionary Benefits - Officers | 2012-13 £000 |
|---|---|---|
| 3,553 | Debtors - Pensions paid in advance | 3,740 |
| -3,553 | Other Current Assets | -3,740 |
| **0** | | **0** |

## 18. Financial Instruments

## 18.1 Gains and Losses

| 2012-13 | Financial Liabilities at amortised cost £000 | Financial Assets Loans & receivables £000 | Total £000 |
|---|---|---|---|
| Total interest expense in CIES | 2,164 | 0 | **2,164** |
| Total interest income in CIES | 0 | -187 | **-187** |
| **Net Gain / Loss (-) for the year** | **2,164** | **-187** | **1,977** |
| **2011-12** | **£000** | **£000** | **£000** |
| Total interest expense in CIES | 1,506 | 0 | **1,506** |
| Total interest income in CIES | 0 | -358 | **-358** |
| **Net Gain / Loss (-) for the year** | **1,506** | **-358** | **1,148** |

## 18.2 Nature and Extent of Risks Arising from Financial Instruments

The NOPCC's activities expose it to a variety of financial risks:

- Credit Risk - the possibility that the amounts due may not be received.
- Liquidity Risk - the possibility that in sufficient funds are available to meet expenditure commitments.
- Market Risk - the possibility that financial loss might arise from changes in such as interest rates or stock market movements.

The Treasury Management Strategy focuses on mitigating the risk of the unpredictability of financial markets. It seeks to minimise potential adverse effects on the resources available to fund services. It includes policies covering specific areas, such as interest rate risk, credit risk and investment of surplus cash.

### Credit Risk

Credit risk arises from investments with financial institutions, and credit exposures to customers. The risk is minimised through the Annual Investment Strategy (included within the Treasury Management Strategy), which requires that deposits are only made with financial institutions meeting identified minimum credit criteria, as laid down by Fitch, Moody's and Standard and Poor's Rating Services. Maximum investment limits and durations are also specified which reduces credit risk.

The maximum exposure to credit risk in relation to investments during the year was £42 million. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. There was no evidence at the 31 March 2013 that this was likely to happen.

At 31 March 2013 the amount owed by customers was £2.2 million (£2.3 million in 2011-2012). It is policy is to set aside an allowance for debts in order to mitigate the effect of default. The provision for bad or doubtful debts was £0.1 million (£0.2 million in 2011-2012).

| 31 Mar 2012 £000 | | 31 Mar 2013 £000 |
|---:|---|---:|
| 1,897 | Less than three months | 2,044 |
| 254 | Three to six months | 80 |
| 22 | Six to twelve months | 37 |
| 140 | More than twelve months | 56 |
| 2,313 | | 2,217 |

**Liquidity Risk**

Managing cashflow ensures that cash is available as needed. For unexpected events, there is ready access to borrowings from the money markets and the PWLB. There is no significant risk of being unable to raise finance to meet commitments. There is a risk of having to replace a significant proportion of borrowing at a time of unfavourable interest rates. The Treasury Management Strategy limits on the proportion of borrowing maturity during specified periods to minimise this risk.
The strategy specifies upper and lower limits as set out in the table below:

| | Lower Limit | Upper limit |
|---|---|---|
| Less than one year | 0% | 30% |
| Between one and two years | 0% | 40% |
| Between two and five years | 0% | 50% |
| More than five years | 0% | 70% |
| More than 10 years | 0% | 100% |

The maturity analysis of financial liabilities is shown as follows:

| 31 Mar 2012 £000 | 31 Mar 2012 Total % | | 31 Mar 2013 £000 | 31 Mar 2013 Total % |
|---|---|---|---|---|
| -4,944 | 15.5% | Less than one year | 7,725 | 21.6% |
| -3,771 | 11.8% | Between one and two years | 1,399 | 3.9% |
| -8,363 | 26.3% | Between two and five years | 10,948 | 30.6% |
| -9,605 | 30.1% | More than five years | 6,833 | 19.2% |
| -5,176 | 16.2% | More than 10 years | 8,836 | 24.7% |
| **-31,859** | **100.0%** | | **35,741** | **100.0%** |
| | | Summarised as follows | | |
| -4,944 | 15.5% | Due in less than one year | 7,725 | 21.6% |
| -26,915 | 84.5% | Due in more than one year | 28,016 | 78.4% |
| **-31,859** | **100.0%** | | **35,741** | **100.0%** |

All trade and other payables are due within one year.

**Interest Rate Risk**

There is a risk from exposure to interest rate movements on borrowings and investments. Borrowings are not carried out at fair value, so nominal gains and losses on fixed rate borrowings do not impact on the CIES. A rise in interest rates would have the following effects:

- Borrowing at variable rates- the interest charged to the CIES will rise.
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- Investments at variable rates- the interest credited to the CIES will rise.
- Investments at fixed rates – the fair value of the assets will fall.

The Treasury Management Strategy sets a maximum of 50% of borrowings to be held as variable rate loans to mitigate interest rate risk. The borrowing portfolio is reviewed quarterly for opportunities to re-finance. During the year £5 million of new long term borrowings was arranged in two from the Public Works Loan Board.

| | **Loan Type** | **Value £million** | **Interest rate %** | **Period for Repayment (years)** |
|---|---|---|---|---|
| **1** | Fixed Interest Payable at Maturity | 2.5 | 3.31 | 14.5 |
| **2** | Fixed Interest Equal Instalments of Principal | 2.5 | 2.72 | 19.5 |

If interest rates had been 1% higher or lower with all other variables held constant, the full year financial effect would have been £0.050 million more or less expense.

**Price Risk**

Investments are not held as equity shares, and therefore there is no exposure to losses arising from movements in the prices of the shares.

**Foreign Exchange Risk**

Investments are not held in foreign currencies and therefore there is no exposure to loss arising from movements in exchange rates.

### 18.3 Fair Values of Assets and Liabilities

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

- The range of interest rates paid during 2012 - 2013 of 1.59% - 8% for loans from the PWLB and 3.73% on the market loan (LOBO) The range of interest rates received was 0.5% -1.2%.
- No early repayment or impairment is recognised.
- Where an instrument, matures in the next year, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

The fair value of the liabilities is higher than the carrying amount because the portfolio of loans includes a number of fixed rate loans with the PWLB 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 2013) arising from this commitment to pay the PWLB an average rate above current market rates.

| | 31 March 2012 | | 31 March 2013 | |
|---|---|---|---|---|
| | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 |
| Financial Liabilities | -31,859 | -35,245 | -35,741 | -39,703 |
| PFI and Finance Lease Liabilities | -2,735 | -2,735 | -2,358 | -2,358 |
| Receipts in Advance | -1,091 | -1,091 | -315 | -315 |
| Creditors | -20,910 | -20,910 | -23,050 | -23,050 |
| | **-56,595** | **-59,981** | **-61,464** | **-65,426** |

The fair value of the assets is the carrying value at 31 March 2013 since these are all variable rate instruments. Long Term Debtors are car loans to staff, which are not adjusted to fair value because they are at a prevailing PWLB rate when initially recognised. Debtors are reviewed and impaired for the likelihood of default hence the carrying value approximates to fair value.

| | 31 March 2012 | | 31 March 2013 | |
|---|---|---|---|---|
| | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 |
| Loans and Receivables | 27,371 | 27,371 | 39,276 | 39,276 |
| Long Term Debtors | 23 | 23 | 11 | 11 |
| | **27,394** | **27,394** | **39,287** | **39,287** |

## 19. Amounts reported for resource allocation decisions

The analysis of Income and Expenditure in the CIES is in accordance with the Best Value Accounting Code of Practice as modified by the Police Objective Analysis. Decisions about resource allocation are taken by the NOPCC and Force on the basis of budget reports analysed across directorates. Budget management reports differ from the CIES in that they do not include the statutory accounting adjustments, which do not impact upon the precept required to be levied. The main differences include:

- The impact of capital expenditure
- The treatment of pension cash flows
- The impact of accrued emoluments
- The impact of PFI and Finance Leases
- Adjustments relating to external bodies

## 19.1 The income and expenditure as recorded in the budget management reports;

| Division & Department Income and Expenditure 2012-2013 | Local Policing £m | Specialist Services £m | Corporate Services £m | Total £m | Notes |
|---|---|---|---|---|---|
| **Total Income** | **-6.1** | **-1.4** | **-3.4** | **-10.9** | 1 |
| Employee expenses | 99.3 | 41.0 | 17.5 | 157.8 | |
| Other service expenses | 8.5 | 15.2 | 13.5 | 37.2 | 2 |
| Capital Financing | 0.0 | 0.0 | 3.2 | 3.2 | |
| PCCs Office | 0.0 | 0.0 | 1.1 | 1.1 | |
| **Total Expenditure** | **107.8** | **56.2** | **35.3** | **199.3** | |
| **Net Expenditure** | **101.7** | **54.8** | **31.9** | **188.4** | |
| **2011-2012** | | | | | |
| **Total Income** | **-2.2** | **-0.7** | **-8.3** | **-11.2** | |
| Employee expenses | 104.0 | 41.8 | 20.7 | 166.5 | |
| Other service expenses | 8.5 | 12.9 | 13.9 | 35.3 | |
| Capital Financing | 0.0 | 0.0 | 2.8 | 2.8 | |
| Police Authority Dept | 0.0 | 0.0 | 1.2 | 1.2 | |
| **Total Expenditure** | **112.5** | **54.7** | **38.6** | **205.8** | |
| **Net Expenditure** | **110.3** | **54.0** | **30.3** | **194.6** | |

Note 1. PCSO grant of £5.5 was allocated to Local Policing in 2012-13 instead of Corporate Services. Additional income relating to the Olympics was received in 2012-13 and credited to Specialist Services.

Note 2 Other service expenses are increasing due to additional collaboration arrangements.

### 19.2 Reconciliation of the budget management reports to the CIES

| £ million | | £ million |
|---|---|---|
| | **As reported for decision making in the budget management reports** | |
| 205.8 | Expenditure | 199.3 |
| -11.2 | Income | -10.9 |
| **194.6** | **Net** | **188.4** |
| | **Items excluded from Management Reports** | |
| -0.2 | Items capitalised | 0.0 |
| | Income transferred to Grant Reserves after final report | -2.2 |
| -0.1 | Other than Found Property income | -0.2 |
| | **Items related to External Bodies** | |
| -0.1 | Surplus on JCO's | -0.1 |
| 0.1 | Collection Fund adjustment | -0.2 |
| | **Included for budget management purposes but not in Provision of Services** | |
| -1.8 | Minimum Revenue Provision | -2.0 |
| 0.0 | Transfers from reserves | -0.1 |
| -1.0 | Interest Payable | -1.2 |
| 0.1 | Interest Receivable | 0.2 |
| -0.6 | Levies to National Police Services | -0.7 |
| | **Excluded for budget management purposes but included Provision of Services - Valuation adjustments** | |
| -0.9 | Adjustments relating to Finance leases / PFI | -1.3 |
| 14.7 | Adjustments relating to Pensions | 16.1 |
| 10.3 | Adjustments relating to Capital Financing | 12.1 |
| -0.7 | Adjustments relating to Accumulated Absences | 0.4 |
| **214.4** | **Cost of Services** | **209.2** |
| 0.7 | Other Operating Expenditure | 1.1 |
| 91.4 | Financing & Investment Income and Expenditure | 86.3 |
| -228.6 | Taxation & Non-specific Grant Income | -217.7 |
| **77.9** | | **78.9** |

## 20. NOPCC as Lessee

Leases are classified according to the conditions of IAS 17. Lease payments are made for land, buildings, vehicles and equipment.

Part of the efficiency plan is to reduce the cost of our estates and ensure our officers can work from premises that are more accessible to the community they serve. As a result of this, a number of arrangements have been entered into with our partners to share facilities for which a fixed term rental payment is made, for example sharing council offices.

There is a contract for multifunctional copying devices which expires in 2015. A number of machines that had previously been classed a Finance Leases have been replaced with machines which fall below our de-minimis limit for treatment as a Finance Lease.

A number of vehicles used under the PFI scheme included as Finance Leases had come to the end of their useful life during the year. These have been replaced with vehicles which are below our de-minimis limit for treatment as a Finance Lease.

## 20.1 Finance Leases

Vehicles acquired under the PFI Scheme and some equipment are classified as finance leases, in the Balance Sheet as Property, Plant & Equipment. The value was £0.811 million net value as at 31 March 2013 (£1.302 million 31 March 2012). There is a commitment to make payments under these leases comprising settlement of the long-term liability for the interest in the property, and finance costs. The minimum lease payments exclude values that are contingent on events such as subsequent rent reviews. Currently there are no such events. The gross finance lease liabilities as at 31 March 2012 between one and five years has been restated due to a minor error from £0.859 million to £0.924 million.

| | Finance Lease Liabilities Gross | | Finance Lease Liabilities Net | |
|---|---|---|---|---|
| | 31 Mar 2012 £000 | 31 Mar 2013 £000 | 31 Mar 2012 £000 | 31 Mar 2013 £000 |
| No later than one year | 741 | 350 | 648 | 308 |
| Later than one year and no later than five years | 924 | 635 | 826 | 568 |
| Later than five years | 149 | 30 | 147 | 28 |
| | **1,814** | **1,016** | **1,621** | **904** |
| Future finance charges on finance leases | | | 193 | 111 |
| Present Value of lease obligations | | | 1,621 | 904 |
| | | | **1,814** | **1,016** |

## 20.2 Operating Leases

Some vehicles and equipment were acquired under operating leases. Rental payments in 2012-13 were £0.729 million (£637 million in 2011-12).The outstanding commitments are;

| | 31 Mar 2012 £000 | 31 Mar 2013 £000 |
|---|---|---|
| No later than one year | 658 | 805 |
| Later than one year and not later then 5 years | 1,984 | 2,037 |
| Later than 5 years | 1,067 | 1,288 |
| | **3,709** | **4,130** |

## 20.3 Private Finance Initiatives (PFI)

Two PFI agreements have been entered into with some common features;

- The Group has the sole right to use the PFI assets over the period of the agreement.
- Both PFI providers have to ensure that the assets are maintained and available for use.
- The NOPCC has no right to ownership of the assets at the end of the agreements.

### Building PFI Scheme

The PFI contract with Miven, for the provision of the Riverside building commenced in February 2002, for 25 years ending in 2026-27. The estimated capital value of this scheme is £6.6 million. The amount paid in 2012-2013 was £1.0m (£1.0m in 2011-2012). Future payments are linked to RPI inflation but are otherwise fixed. It can be reduced for poor contractor performance. Specific government grant of £588k was received towards its financing (£588k in 2011-2012).

| Riverside Accomodation Future PFI Payments | Services £000 | Capital £000 | Total £000 |
|---|---|---|---|
| 2013-2014 | 467 | 543 | 1,010 |
| 2014-2015 to 2018-2019 | 2,334 | 2,714 | 5,049 |
| 2019-2020 to 2023-2024 | 2,334 | 2,714 | 5,049 |
| 2024-2025 to 2026-2027 | 1,319 | 1,538 | 2,858 |

### Vehicle PFI Scheme

The PFI contract for the provision of an agreed number of vehicles commenced in October 2001. The estimated capital value of this scheme is £14.8 million. The agreement is for 25 years from 2001-02 to 2026-27. The amount paid in 2012-2013 was £3.2 million (£3.1 million in 2011-2012). In addition a provision was made for £123k to allow for an inflation increase which is still being negotiated. Future payments are linked to the movement in inflation. Grant is received towards the financing of the vehicle services PFI scheme. Grant of £1.3m was received in 2012-2013 (£1.3m in 2011-2012). IAS17 classifies this arrangement as a finance lease. The future liability for the resultant finance lease payments is shown in note 20.1. Contractual PFI obligation is included within this note.

## 21. Members Allowances

The new governance arrangements following the election of the PCC involved the disbanding of the previous committee structure. The revised structure involves a much reduced Audit and Scrutiny Panel. The NOPCC paid £0.150 million of allowances and £0.004 million expenses to members up to the Police Authority ceasing to exist (£0.233 million and £0.010 million 2011-2012). Under the new arrangements £0.001 million of allowances and £0k of expenses have been paid. The purpose of the Audit and Scrutiny Panel is to advise the NOPCC and CCN on matters relating to external or internal audit work. They also perform a further scrutiny relating to the Commissioner's business such as in relation to crime prevention.

## 22. Officer Emoluments

### 22.1 Employees earning over £50,000

All employees receiving over £50,000 remuneration for the year are shown in the following table excluding, senior officers reported in 22.2 and employers pension contributions. This includes 4 above the rank of Superintendent (7 in 2011-2012)

| 2011-12 No of employees | Remuneration Band | 2012-13 No of employees |
|---:|---|---:|
| 102 | £50,000 - £54,999 | 115 |
| 67 | £55,000 - £59,999 | 71 |
| 13 | £60,000 - £64,999 | 10 |
| 5 | £65,000 - £69,999 | 2 |
| 3 | £70,000 - £74,999 | 6 |
| 12 | £75,000 - £79,999 | 17 |
| 4 | £80,000 - £84,999 | 2 |
| 1 | £85,000 - £89,999 | 1 |
| 1 | £90,000 - £94,999 | 1 |

## 22.2 Senior Officers Remuneration

**SENIOR OFFICERS EMOLUMENTS 2012-2013**

| 2012-2013 Post Holder Information | Note | Salary £ | Benefits in Kind £ (Note 7) | Other Payments £ (Note 8) | Sub Total £ | Employers Pension Contrib' £ | Total inc Pension Contrib' £ |
|---:|---:|---:|---:|---:|---:|---:|---:|
| Police & Crime Commissioner from 22/11/12 | | 26,875 | 0 | 0 | 26,875 | 0 | 26,875 |
| Deputy Police & Crime Commissioner from 22/11/12 | | 11,806 | 0 | 0 | 11,806 | 1,676 | 13,482 |
| Deputy Chief Executive and Treasurer to the Police Authority up to 21/11/12 & Chief Finance Officer to the Police & Crime Commissioner from 22/11/12 | | 80,988 | 417 | 0 | 81,405 | 11,500 | 92,905 |
| Chief Executive to Police Authority up to 21/11/12 & Chief Executive to the Police & Crime Commissioner from 22/11/12 | | 84,613 | 0 | 0 | 84,613 | 12,015 | 96,628 |
| TOTAL PCC | | 204,282 | 417 | 0 | 204,699 | 25,191 | 229,890 |
| Chief Constable - A | 1 | 59,879 | 3,312 | 8,848 | 72,039 | 14,292 | 86,331 |
| Chief Constable - B | 2 | 142,143 | 4,649 | 3,554 | 150,346 | 34,399 | 184,745 |
| Deputy Chief Constable | 3 | 107,177 | 6,076 | 3,930 | 117,183 | 25,936 | 143,119 |
| Assistant Chief Constable - Crime | | | | | | | 0 |
| Assistant Chief Constable - A | 4 | 84,549 | 4,486 | 9,224 | 98,259 | 18,510 | 116,769 |
| Acting Assistant Chief Constable | 5 | 28,983 | 0 | 931 | 29,914 | 8,905 | 38,819 |
| Assistant Chief Constable - Territorial | | | | | | | 0 |
| Assistant Chief Constable - A | 6 | 8,585 | 0 | 2,610 | 11,195 | 2,078 | 13,273 |
| Assistant Chief Constable - B | | 105,849 | 8,002 | 8,003 | 121,854 | 25,615 | 147,469 |
| Assistant Chief Officer - Resources | | 105,846 | 6,636 | 0 | 112,482 | 15,030 | 127,512 |
| TOTAL CHIEF CONSTABLE | | 643,011 | 33,161 | 37,100 | 713,272 | 144,765 | 858,037 |
| TOTAL FOR GROUP | | 847,293 | 33,578 | 37,100 | 917,971 | 169,956 | 1,087,927 |

Note 1: Chief Constable (A) retired on 31st August 2012.

Note 2: Chief Constable (B), Chris Eyre, was Acting Chief Constable from 1 April 2012 & substantive in post from 1September 2012

Note 3: Deputy Chief Constable from 2nd May 2012 (previously Assistant Chief Constable - Territorial A)

Note 4: Assistant Chief Constable A retired on 7th January 2013

Note 5: Acting Assistant Chief Constable from 10th December 2012. This officer was a Chief Superintendent up to this time. The costs shown are only related to the period in the ACC role.

Note 6: Assistant Chief Constable (A) until 1st May 2012

Note 7: Benefits in Kind include taxable expenses e.g. mileage, car allowances, medical expenses and mortgage interest payments relating to relocation.

Note 8: Other payments include Rent Allowance, Housing Allowance, Compensatory Grant and Compensation for Loss of Office

**SENIOR OFFICERS EMOLUMENTS 2011-2012**

| 2011-2012 Post Holder Information | Note | Salary £ | Expenses Allowances £ | Benefits in Kind £ | Other Payments £ | Sub Total £ | Employers Pension Contrib' £ | Total inc Pension Contrib' £ |
|---|---|---|---|---|---|---|---|---|
| | | | Note 3 | Note 4 | Note 5 | | | |
| Chief Constable | | 142,143 | 357 | 8,046 | 8,112 | 158,658 | 34,399 | 193,057 |
| Deputy Chief Constable | | 139,119 | 591 | 7,870 | 3,554 | 151,134 | 33,667 | 184,801 |
| Assistant Chief Constable (TKAP) | 1 | 105,849 | 5,134 | 8,603 | 9,780 | 129,366 | 25,615 | 154,981 |
| Assistant Chief Constable (Crime ) | | 98,337 | 688 | 7,265 | 5,603 | 111,893 | 23,798 | 135,691 |
| Assistant Chief Constable (Change) | 2 | 90,408 | 20 | 5,570 | 2,828 | 98,826 | 20,404 | 119,230 |
| Assistant Chief Constable (Territorial) | | 98,337 | 37 | 7,056 | 5,603 | 111,033 | 23,798 | 134,831 |
| Assistant Chief Officer ( Resources) | | 96,780 | 29 | 7,517 | 0 | 104,326 | 13,743 | 118,069 |
| Deputy Chief Executive and Treasurer | | 69,496 | 0 | 0 | 0 | 69,496 | 9,868 | 79,364 |
| Chief Executive | | 76,935 | 0 | 0 | 0 | 76,935 | 12,240 | 89,175 |

Note1: Assistant Chief Constable (TKAP) was attached to the Home Office and was required to be based in London.

Note 2: Assistant Chief Constable (Change) retired on 17th January 2013.

Note 3: Expenses include Travel, Accommodation, Subsistence and Relocation Expenses.

Note 4: Benefits in Kind include Car Allowance, Lease Car benefit, Medical Insurance, and Mortgage Interest Payments for relocation
.

Note 5: Other Payments includes Rent Allowance, Housing Allowance, Compensatory Grant and Compensation for loss of Office

## 23. Termination Benefits

The NOPCC terminated contracts of 22 employees in 2012-2013 (324 in 2011-2012), incurring costs of £0.6 million (£4.2 million in 2011-2012). This comprised redundancy payments of £0.3 million, pension strain costs of £0.2 million, other payments £0.1 million. Other departures agreed covers voluntary redundancies and compromise agreements. All of the employees were part of the Chief Constable Organisation. At the time of publication of the Statement of Accounts for 2011-2012 it was disclosed that 71 officers had left under the use of the A19 regulation, this was actually 86 officers and the table below shows the revised disclosure. The cost of these lump sums was £1.846 million and was charged to the Pension Fund in 2011-2012. The A19 regulation has not been used in 2012-2013. The Group made no material payments in relation to injury awards during the year ended 31 March 2013.

| Exit Package cost band (inc special payments) | Number of compulsory redundancies | | Officers who left on A19 with lump sum | | Other departures agreed | | Total exit packages by cost band | | Total cost of exit packages | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011-12 | 2012-13 | 2011-12 | 2011-12 amended | 2011-12 | 2012-13 | 2011-12 amended | 2012-13 | 2011-12 £000 | 2011-12 amended | 2012-13 £000 |
| £0 - £20k | 12 | 3 | 0 | 0 | 150 | 9 | 162 | 12 | 1,455 | 1,455 | 111 |
| £20 -£40k | 3 | 3 | 0 | 0 | 53 | 4 | 56 | 7 | 1,578 | 1,578 | 216 |
| £40 -£60k | 0 | 0 | 0 | 1 | 16 | 0 | 17 | 0 | 795 | 853 | 0 |
| £60 -£80k | 0 | 1 | 0 | 0 | 2 | 1 | 2 | 2 | 131 | 131 | 139 |
| £80 -£100k | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 89 | 89 | 0 |
| £100 -£150k | 0 | 0 | 50 | 63 | 1 | 1 | 64 | 1 | 6,632 | 8,232 | 104 |
| £200k | 0 | 0 | 19 | 20 | 0 | 0 | 20 | 0 | 3,398 | 3,586 | 0 |
| £250k | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Over £250k | 0 | 0 | 2 | 2 | 0 | 0 | 2 | 0 | 525 | 525 | 0 |
| **Total** | **15** | **7** | **71** | **86** | **223** | **15** | **324** | **22** | **14,603** | **16,449** | **570** |

## 24. Related Parties

Disclosures are required for material transactions with related parties, bodies or individuals that have the potential to control or influence the Group or vice versa. This allows transparency to the extent that the Group might have been constrained in its ability to operate independently, or might have limited another party's ability to bargain freely.

Central Government asserts significant influence over the general operations of the police. It is responsible for providing the statutory framework. It provides the majority of its funding in the form of grants and sets out the precepting legislation. (Note 3.4)

Members of the Audit and Scrutiny Panel have influence over finances and operations. Note 21 shows members allowances paid during the year. The CIPFA Code of Practice requires members to complete a declaration of personal interests under section 81(1) of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) Order 2007. Members of the Audit and Scrutiny Panel will be required to complete a register of interest form. Senior employees can influence decisions and they also complete a declaration of personal interests.

Joint arrangements and collaborations are areas where significant influence can be exerted by all parties. (explanatory foreword note 12, and note 13).

# Independent auditor's report to the Nottinghamshire Police and Crime Commissioner

We have audited the financial statements of the Nottinghamshire Police and Crime Commissioner for the year ended 31 March 2013 on pages 12 to 22 and 25 to 62. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012-2013.

This report is made solely to the Police and Crime Commissioner in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Chief Finance Officer and Auditor

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

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Police and Crime Commissioner's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner and the Group as at 31 March 2013 and of the Police and Crime Commissioner's and the Group's expenditure and income for the year then ended;

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

### Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 65 - 76 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

### Other matters on which we are required to conclude

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission, we have considered the results of the following:

- our review of the annual governance statement; and
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities.

As a result, we have concluded that there are no matters to report.

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Nottinghamshire Police and Crime Commissioner's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

**John R Cornett, for and on behalf of KPMG LLP, Appointed Auditor**
KPMG LLP
1 Waterloo Way,
Leicester,
LE1 6LP

27 September 2013

# THE NOTTINGHAMSHIRE OFFICE OF THE POLICE AND CRIME COMMISSIONER

## ANNUAL GOVERNANCE STATEMENT

## 2012-2013

### 1. SCOPE OF RESPONSIBILITIES

1.1 The Nottinghamshire Police & Crime Commissioner (Commissioner) is responsible for ensuring that 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.

1.2 The Commissioner also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.3 In discharging this overall responsibility the Commissioner is responsible for putting in place suitable arrangements for the governance of the organisations affairs, which facilitate the effective exercise of its functions and include arrangements for the management of risk.

1.4 The Commissioner has approved and adopted jointly with the Chief Constable a Joint Corporate Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government.* A copy of our code is available on our website at www.nottinghamshire.pcc.police.uk or from:

The Nottinghamshire Office of the Police & Crime Commissioner
County Hall
West Bridgford
Nottinghamshire
NG2 7QP

This statement explains how we have followed the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011.

1.5 Throughout this statement there are references made to other documents being available on the Commissioners website (or the website). This reference relates to the Police & Crime Commissioners website at the address given above.

## 2. THE AIM OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework is basically the systems and processes, and the culture and values, we are controlled by and which we answer to, get involved with and lead the community. The framework allows us to monitor how we are achieving our long-term aims, and to consider whether our aims have helped us deliver appropriate services that are value for money.

2.2 The system of internal control is an important part of the framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failing to achieve our policies and aims, so it can only offer reasonable protection. The system of internal control is based on an ongoing process designed to:

- Identify and prioritise risks that could prevent us from achieving our policies and aims
- Assess how likely it is that the identified risks will happen, and what will be the result if they did;
  and
- Manage the risks efficiently, effectively and economically.

We have had a governance framework in place for the year ended the 31st March 2013 and up to the date of approval of the annual statement of accounts.

## 3. THE GOVERNANCE FRAMEWORK

Our governance framework is made up of many systems, policies, procedures and operations we have in place to do the following:

### 3.1 *Introduction*

The Policing and Social Responsibility Act 2011 (the Act) introduced one of the biggest changes in governance arrangements for policing. The act created two legal entities the Police & Crime Commissioner and the Chief Constable.

The Chief Constable retained the responsibility for operational policing whereas; the Commissioner has the responsibility for the totality of policing in the area. The Commissioners responsibilities were also extended to include crime prevention and the protection of vulnerable people and victims.

The Commissioner was elected on 15th November and took up post on the 22nd November 2012. All assets, liabilities and staff were transferred directly from the former Police Authority to the Commissioner and for accounting purposes the Commissioner and Chief Constable assumed responsibility retrospectively as though they had been legal entities since 1st April 2012.

3.2 ***Publish our aims for local people and others who use our services***

We have created a Police & Crime Plan, which builds upon the promises made by the Commissioner during his election. The plan sets out our priorities for the next five years, focusing on achieving seven priorities which aim to make communities safer and place victims at the centre of what we do. The plan reflects the time period covered by the Medium Term Financial Plan (MTFP).

The Police & Crime Plan is based upon the following seven priorities:

- Protect, support and respond to victims, witnesses and vulnerable people
- Improve the efficiency, accessibility and effectiveness of criminal justice processes
- Focus on areas most affected by crime and antisocial behaviour
- Reduce the impact of drugs and alcohol on crime and antisocial behaviour
- Reduce the threat from organised crime
- Prevention, early intervention and reduction in reoffending
- Spending your money wisely

These priorities build upon the Commissioners vision of giving victims and citizens a bigger voice in policing to achieve a safer Nottingham and Nottinghamshire.

The plan was built after listening to members of the public and with our partners. It includes the requirement of each organisations strategic assessments, incorporating regional and national requirements in relation to policing and crime. The performance measures and targets within the plan have all been agreed with partners and the force.

3.3 ***Review our aims and the effect they have on our governance arrangements***

We have worked hard to communicate (and receive feedback on) our aims for the community. We have done this a number of ways, including:

- The Commissioner listened to the public during his campaign and this informed his plans on what he wanted to deliver through the Police and Crime Plan. For example, he promised 150 extra police officers and 100 extra PCSO's. Recruitment plans have been put in place to deliver this and the resources prioritised within the budget.

- The Commissioner has also instigated a number of review/scrutiny pieces of work to build upon the Police and Crime Plan priorities such as a review of BME Recruitment and Retention, Base Budget Review, Domestic Violence, Restorative Justice, Criminal Justice processes and Alcohol.

- However, this is not all - since coming into post the Commissioner has listened to partners, the public and the force on what are emerging issues and started working with people on areas such as taxis in the City Centre, Alcohol, Mental Health issues particularly in custody and community safety issues relating to the Forest Recreation Ground.

- The Commissioner and Deputy Commissioner have attended meetings with community groups across the City and County and many public events during their first 6 months of office. This work is informing them of the priorities they will be implementing in the next police and crime plan update.

- Focus groups were held with ASB victims and members of the public in relation to the draft police & crime plan priorities and the precept.

- An on-line survey was used for consulting on the precept and a telephone survey was undertaken in relation to the plan and the precept.

- Public meetings have been held with a variety of groups, to discuss a variety of issues and at a variety of venues - for example with the Asian Youth Group, the City Council Youth Cabinet, Broxtowe Youth Council, Women's groups and at African Caribbean National Artistic Centre.

- The Commissioner has held discussion groups and web chats with young people and undertaken patch walks across the City and County.

- The Commissioner and OPCC staff have attended events across the City and County, promoting the PCC elections in 2012 and with an Alcohol Survey in 2013.

We use feedback that we receive from all sources to help inform decisions. Feedback that the Commissioner received during the election period resulted in us setting our outcomes, which reflect our communities top priorities of improving antisocial behaviour, supporting our vulnerable people and victims of crime and increasing community safety.

3.4 ***Measure the quality of our services and make sure we provide them in line with our aims and that they provide value for money***

The Commissioner is provided with weekly briefings on performance and formally holds the Chief Constable to account for performance in the Strategic Resources and Performance meetings that are held in public venues around the County and City.

The Commissioner is also briefed on a monthly basis on expenditure against the budget. The Chief Finance Officer to the Commissioner also advises on any changes and emerging issues that could impact on the Medium Term Financial Plan.

In addition to the Strategic Resources and Performance meetings the Joint Audit and Scrutiny Committee receives updates on performance and financial monitoring and the Police & Crime Panel receive update reports from the Commissioner.

The Commissioner has instigated several pieces of review/scrutiny work, drawing on professionals in the field and community representation. Such areas of work under review include:

- BME representation within the force and the use of stop and search in BME communities.
- Base Budget Review – an in-depth analysis of the current budget to identify where savings can be made and how to align the budget with police & crime priorities. This will also ensure value for money.
- Alcohol Strategy – the aim to devise a Countywide (including the City) Joint Alcohol Strategy.
- Restorative Justice – A review into its use and any improvements that can be made.
- Transforming Rehabilitation – A review with interested stakeholders within Nottinghamshire and the region following the announcement of reform of probation by the Government.
- Mental Health – A review on an area of work that has increasing demands being made on policing resources as all agencies are affected by reducing resources.

The reports from these pieces of work will be presented to the Audit & Scrutiny Panel and the recommendations will be monitored by the Panel.

### 3.5 *Ensuring a High Quality Service*

The Police and Crime Plan is based upon the Commissioners values which are:

| | |
|---|---|
| **V**ictims - | by listening and taking action to protect and safeguard vulnerable people. |
| **O**penness- | by putting victims and public at the heart of open and transparent decision–making. |
| **I**nclusiveness- | by working effectively with communities and business to tackle crime and anti social behaviour. |
| **C**ommunities - | by ensuring fairness, respect and accountability to victims and communities. |
| **E**mpowering - | by engaging with victims and communities to help shape policing services and building partnerships. |

The Plan itself incorporates national, regional and local requirements into the seven priorities and details how these will be met, measured and monitored. Specific targets for the force and partners are included in this and the overall measure of success will be the improvement in victim satisfaction and public confidence.

Each year the Commissioner will produce an annual report detailing how well performance against the plan is progressing. A copy of the Annual Report is available on the Commissioners website.

In addition to this is the role of the Police & Crime Panel. The Commissioner is held to account by this panel, which also has power to veto the precept and the appointment of a new Chief Constable. This panel is administered by the County Council and its terms of Reference can be found on Nottinghamshire County Councils website.

3.6 ***Ensuring Value for Money***

In times of austerity there is a great deal of focus on the "money" and how it is being spent. The Commissioner wanted to do more than this and has implemented a base budget review in 2013 on the principles of priority based budgeting. This means that no budget is protected; each element of expenditure must demonstrate that it is being used in the achievement of the police and crime plan and in doing this is the work being done at the most economic level.

This review should identify where and how further savings can be achieved. It will link closely with the vision of the Commissioner for putting victims at the heart of what we do and what policing in Nottinghamshire will look like in 2016-2017.

The review will be the start of a process involving all staff, officers and partners in continuously looking at what services we provide, how we provide them and at what cost; thereby, ensuring that we are putting value for money at the heart of all decisions made.

The Commissioner is also commissioning working with partners and the third sector. Each commissioning agreement requires performance details and achievement. Similarly, the grant monies that are being allocated to community groups and the third sector also have a requirement to achieve performance aims linked to the Police and Crime Plan.

The Commissioner is also the Regional PCC representative on the Regional Efficiency Board; ensuring regional activities continue to drive out further savings over the medium term financial period.

The joint audit and scrutiny panel receive audit reports, update report and the strategic risk register. These reports enable the panel to challenge the OPCC and the Force on ensuring value for money across all activities. The terms of reference for the joint audit & scrutiny panel, together with all reports and minutes are available on the website.

3.7 ***Working Together***

As has been reported in previous sections the Commissioner is listening to victims, communities and partners and this is at the heart of how he does business. He is involving people from across these areas to develop and work with him in bringing about improvements.

Each partnership, commissioning agreement, grant agreement and review work terms of reference link to the clear achievement of the police and crime plan priorities. These agreements clearly define the responsibility of each participant.

Regionally the five Commissioners and Forces collaborate to ensure resilience and deliver value for money. This is done under Section 22 agreements (previously section 23 agreements).

The "Act" required Commissioners to put a Scheme of Delegation in place to ensure the business continued to run smoothly. There was one significant change relating to this in that delegations could no longer be made to the Chief Constable (or any Constable) and therefore have been made to specific members of staff employed by the Commissioner, but some of whom are under the direction and control of the Chief Constable. The scheme of delegation is approved and operating effectively. The Scheme of Delegation is available on the Commissioner's website.

The OPCC and Force also have a working relationship agreement, bringing clarity to the service required by the OPCC from functions under the Chief Constable's direction and control.

### 3.8 *Ensuring High Standards of Conduct and Behaviour*

There are a number of ways that this is achieved:

- The Commissioner, Deputy Commissioner, Chief Executive and Chief Finance Officer have published declarations of interest on the OPCC website.
- Details of salaries and expenses claimed are also published on the website.
- A gifts and hospitality register is in place for all staff and members of the OPCC to record details of all offers made and this is reviewed annually.
- Members of the Joint Audit and Scrutiny Panel and staff attending the Strategic Resources and Performance meeting are required to make declarations of interest where appropriate and that these are formally minuted.
- Professional bodies codes of conduct, that staff have to comply with (e.g. Chartered Institute of Public Finance and Accountancy) are part of what we do.
- A complaints procedure is in place for complaints against the Commissioner, Deputy Commissioner, staff and members in the OPCC and the Chief Constable.
- An anti-fraud and anti-corruption policy is in place and reported on together with fraud returns annually to the Audit Commission.
- Financial Regulations are in place together with standing orders for Land and Property.

All of the above together with other policies and the culture of working in the OPCC ensure the high standards of conduct and behaviour are achieved.

### 3.9 *Decision Making Transparency*

All decisions not specifically delegated are made by the Commissioner. There are two ways in which decisions can be made, either:

1. In a public meeting of Strategic Resources and Performance, where minutes are taken recording decisions made. These minutes are published on the website.

2. In day-to-day management activity by the Commissioner. This is done by a report with any required supporting information and Executive Decision Record being completed and submitted to the Commissioner. Once approved the decision record is published on the website.

The Commissioner refers to the professional officers within the OPCC to inform the decisions being made.

The role of the Joint Audit and Scrutiny Panel also ensures transparency in the decisions made. It receives reports and can make recommendations to the Commissioner on issues relating to audit and inspection, risk management, recommendations from other sources such as scrutiny working groups and governance.

The strategic risks of the OPCC are incorporated in the joint strategic risk register that is reported regularly to the Joint Audit and Scrutiny Panel.

All significant public interest decisions are published on the Commissioner's website.

3.10 ***Developing Capacity and Capability***

Staff within the OPCC were directly transferred from the former Police Authority, bringing those skills with them. However, in certain areas the work has changed: we no longer require members support; whereas, communication particularly in social media areas is now more important.

A gap analysis was undertaken to ensure that either the OPCC staff or staff within the force could work to ensure the statutory requirements of the OPCC are met. This identified the need for a Commissioning Manager, Executive Support Officer and a Communications and New Media Assistant.

As part of this review all job descriptions have been updated and skills-matching is being undertaken in line with the agreed policies.

In addition to this the Commissioner has been supportive of a new scheme for CIPFA Graduate Trainees. This is a scheme where trainees rotate across local authorities', fire and police. The partnering authorities share the resource and cost. This ensures good quality trainees within the finance function that will have received a good and varied experience across local government, fire and police; and provides financial managers for the future.

Members of the Joint Audit and Scrutiny Panel have planned inductions with staff and senior management in the force and OPCC. Internal audit and external audit will also provide training on their roles and the roles of the members in providing an effective Audit Panel. CIPFA are also going to provide their training course to members in the region in September and this will allow networking.

3.11 ***Engagement***

Throughout the previous sections you will have seen that engagement with people in our communities, in business, in third sector organisations, in partners and in our own staff and police officers is very important to us.

We are constantly striving to ensure inclusion of all stakeholders especially in driving improvement in community safety that is important to you.

We encourage you to complete our surveys and questionnaires which we have available at public events and on line.

The Commissioner is committed to establishing two stakeholder boards to allow stakeholders to have a direct influence and voice over policing priorities and how resources are allocated.

How the Commissioner proposes to engage with the public and victims of crime is set out in the published Community Engagement and Consultation Strategy. This document can be found on the Commissioners website.

## 4. REVIEW OF EFFECTIVENESS

4.1 The Office of the Police and Crime Commissioner (OPCC) has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:

- The system of internal audit
- The system of internal control

The review by the OPCC has two elements to it. Firstly, it has to be satisfied that the process put in place by the Chief Constable for the force's assurance review is adequate and reliable. This was done through a joint consultation early in the review process.

Secondly, is the process upon which the OPCC can rely. This consists of obtaining individual assurances from the Chief Constable, the ACO Resources, the Chief Executive and the Chief Finance Officer, together with the annual assurance provided by the internal auditors and regional DCC. These assurances form the basis of assessing whether governance is operating effectively and that controls which are in place are being adhered to.

4.2 The comments made on the assurance forms are incorporated where applicable in the accounts and action plans. For example contingent liabilities and accruals have been made where appropriate.

4.3 In addition to this a review based upon the use of resources self assessment principles and the schedule provided in the CIPFA/SOLACE framework has been developed and completed. This provides links to documentary evidence to support this statement and has been provided to the external auditor for their review.

4.3 The Chief Finance Officer has had responsibility for reviewing and updating the Scheme of Delegation and Financial Regulations during the year to ensure they were fit for purpose and met the new requirements of the Act. The reviewed delegation and regulations have been approved by the Commissioner, but will require further review and changes once the implications of the Stage 2 transfer are understood.

4.4 The internal auditors produce reports for the Joint Audit & Scrutiny Panel throughout the year and use this work to inform their annual assurance opinion in their annual report. For 2012-13 they have rated the assurance level as adequate. The internal audit annual report is available on the website under the Audit & Scrutiny Panel meeting papers for June 2013.

4.5 The work of the HMIC is also reported to the Joint Audit & Scrutiny Panel and the force produce regular reports to the panel on the implementation of all audit and inspection recommendations. The Audit & Scrutiny Panel papers on the website include as a standing item a report on all audit and inspection report recommendations, which includes a tracker for their implementation.

4.6 Internal Audit verifies the implementation of all audit and inspection recommendations in their follow-up audits during the year. The results of the follow-up audit are reported in the Internal Audit Progress Reports to the Audit & Scrutiny panel.

4.7 Other assurance mechanisms include the Regional meeting of Commissioners and Chief Constables and the Police & Crime Panel.

## 5. SIGNIFICANT GOVERNANCE ISSUES

### *FINANCIAL CLIMATE*

5.1 The financial climate continues to dominate the public sector risk registers. The current Comprehensive Spending Review (CSR) required up to 20% cuts in grant funding to 2014-15. On 26th June 2013 a further CSR is to be announced for 2015-16 and the indications to date are that The Home Office will have their resources cut by up to a further 10% and the police and crime budget accounts for 75% of their expenditure.

5.2 To date the force has delivered savings on average of £10m per annum. A 10% cut in funding for 2015-16 will create a funding gap of £18.5m, with a potential for another £11m needing to be found in 2016-17.

5.3 The Medium Term Financial Plan is approved by the Commissioner in February and is available on the website. It is updated during the year as significant changes emerge. These updates are also available on the website. The update following Junes CSR announcement was reported to the Strategic Resources and Performance meeting in July 2013.

5.4 There are further risks that could impact on the above estimates for example the impact of the Single Rate Pension from April 2016 this could put an additional cost of £3.5m in the budget.

5.5 We are also limited in any other mitigation that we could take. Council Tax referendum limits are being set low and the freeze grant ceases in 2015-2016.

5.6 We are further impacted by the localisation of council tax – the billing authorities in response to the Governments limited delegation, have made decisions that have significantly reduced the tax base estimates and therefore the amount to be raised through the precept.

5.7 Whilst funding continues to reduce it is imperative that good governance structures and processes continue to operate in the OPCC and Force.

### *PERFORMANCE*

5.8 Performance continued to improve during 2012-2013. However, targets to become the best performing force are stretching and further cuts in resources available may impact on delivery of this objective.

5.9 Details on performance and the improvements made are reported to the Strategic Resources & Planning meeting as a standing item on the agenda. Performance details are also provided in the Commissioners update report which is reported to the Police & Crime Panel and the Audit & Scrutiny Panel. These are also available on the website and Nottinghamshire County Councils website.

5.10 The support of the Commissioner in increasing the numbers of offices and PCSO's and working closely with partner organisations does mitigate this currently.

### *HUMAN RESOURCES*

5.11 The "turning" back on of recruitment has put an additional strain on the resources. There are plans to regionally collaborate on HR transactional services which may affect the continuing recruitment plans. We will continue to monitor this.

5.12 BME recruitment and retention to reflect the communities of Nottinghamshire continues to be a cause for concern and the force positive action campaigns' will continue to be reviewed.

5.13 A contingent liability has been identified within the statement of accounts relating to the application of regulations A19 during 2011-2012.

### *STAGE 2 TRANSITION*

5.14 This will bring further changes to governance arrangements and will require changes to the existing scheme of delegation, financial regulations and all jointly owned policies.

5.15 A board of senior management has been put in place to develop the transfer order for the Home Secretary and ensure a smooth transition.

### *INFORMATION GOVERNANCE*

5.16 The arrangements for information governance need to be reviewed and improved to provide the assurance needed by the Commissioner. This particularly relates to the unauthorised use of Force data and the need for information sharing protocols to be standardised for partner organisations.

5.17 The Information Sharing Protocol between the Force and the Commissioner is being developed.

# ANNUAL ASSURANCE STATEMENT

## 2012-2013

**SIGNED:**

**Mr Paddy Tipping**
**Police & Crime Commissioner**
24 September 2013

**Mr Kevin Dennis**
**Chief Executive - OPCC**
24 September 2013

**Mrs Charlotte Radford**
**Chief Finance Officer – OPCC**
24 September 2013

## Glossary of Terms and Abbreviations –

**The definitions within the glossary are designed to give the user an understanding of the technical terminology contained in the Statement of Accounts. It also contains a guide to the abbreviations used within.**

**Accounting Policies**
These are a set of rules and codes of practice used when preparing the Accounts.

**Accrual**
A sum included in the final Accounts to cover income or expenditure attributable to an accounting period for goods supplied and received or works done, but for which payment has not been received or made by the end of the period.

**Actuarial Gain or Loss**
The change in actuarial deficits or surpluses that arise because either events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or because the actuarial assumptions have changed.

**Actuarial Valuation**
A valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

**Amortisation**
This is the amount set aside to pay for the loss in value of intangible assets.

**Budget**
This is a statement of the financial plans for a specific period of time. A budget is prepared and approved by the NOPCC prior to the start of the financial year. The budget is prepared on an outturn basis, which means that increases for pay and prices during the financial year are contained within the total budget figure.

**Capital Expenditure**
This is expenditure on new assets or on the enhancement of existing assets so as to prolong their useful life or enhance market value.

**Capital Financing Requirement (CFR)**
The Capital Financing Requirement represents Capital Expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or third party contributions at the time of spending. It measures the underlying need to borrow for a capital purpose.

**Capital Grant**
Grant from Central Government used to finance specific schemes in the Capital Programme.

**Capital Grants Unapplied**
The Grants as described above which contractual arrangements to finance future capital expenditure have not yet incurred.

**Capital Receipts**
Proceeds, exceeding £10,000, from the sale of an asset which may be used to finance new Capital Expenditure or to repay outstanding loan debt as laid down within rules set by Central Government. They cannot be used to finance normal day to day revenue spending.

**Chief Constable of Nottinghamshire (CCN)**

**Comprehensive Income and Expenditure Statement (CIES)**

**Consumption of Economic Benefits (CEB)**
Impairment caused by either physical damage, or deterioration in the quality of the service provided by the asset. Impairment caused by a general fall in prices is referred to as No CEB.

**Corporate & Democratic Core**
The costs associated with corporate policy making and member based activities, together with costs relating to corporate management, public accountability and treasury management.

**Creditor**
An amount owed for work done, goods received, or services rendered, but for which payment had not been made at the date of the Balance Sheet.

**Current Service Cost (Pensions)**
These measure the increase in the present value of pension liabilities generated in the financial year by employees. It is an estimate of the true economic cost of employing people in the financial year, earning service that will eventually entitle them to the receipt of a lump sum and pension when they retire.

**Debtor**
A sum of money due in the relevant financial year but not received at the Balance Sheet date.

**Depreciation**
The measure of the consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

**Earmarked Reserves**
These reserves represent monies set aside that can only be used for that specific, “earmarked”, purpose.

**Emoluments**
All taxable sums paid to or received by an employee including the value of any non cash benefits received.

**Financial Year**
The period covered by a set of financial Accounts – the NOPCC financial year commences 1 April and finishes 31 March the following year.

**General Fund**
This reserve is to provide for unexpected expenditure that cannot be managed within existing budgets.

**Heritage Assets**
These assets have historical, artistic, scientific, technological, geophysical or environmental qualities and are held mainly for educational or cultural reasons.

**International Financial Reporting Standard (IFRS)**
These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of Financial Statements. International Financial Reporting Standards are new standards developed by the IASB.

**International Accounting Standards (IAS)**
The International Accounting Standards Board issue and update these standards which are numerically identified.

**International Accounting Standards Board (IASB)**
The International Accounting Standards Board is an independent, privately-funded accounting standard-setter based in London with representatives from several countries in the world.

**Government Grants Deferred**
The balance of grants applied to the financing of fixed assets, awaiting amortisation to the Income and Expenditure Account to match depreciation on relevant assets.

**Impairment**
A reduction in the value of a fixed asset below the amount included on the balance sheet.

**Imprest Account**
Cash held locally to pay for small or urgent items.

**Intangible Fixed Assets**
These are assets which are not physical such as software licences.

**Minimum Revenue Provision (MRP)**
This is the statutory minimum amount which is required to charge to revenue on an annual basis as a provision to redeem debt.

**Non Current Assets**
These are assets which are physical such as buildings or land.

**Nottinghamshire Office of the Police and Crime Commissioner (NOPCC)**

**Nottinghamshire Office of the Police and Crime Commissioner and it's Group (The Group)**

**Net Book Value**
This is the amount at which non-current assets are included in the balance sheet.

**Operational Assets**
These are non-current assets held, occupied, or utilised in the direct delivery of those services for which it has statutory responsibility.

**Past Service Cost (Pensions)**
These costs represent the increase in liabilities arising from decisions taken in the current year to improve retirement benefits, but whose financial effect is derived from prior years service.

**Police and Crime Commissioner (PCC)** or Commissioner

**Police Grant**
Central government support for policing distributed to Police & Crime Commissioners according to a pre-determined formula.

**Precept**
This is a levy, which the NOPCC makes through the Council Tax to pay for services.

**Public Works Loan Board (PWLB)**
A Government Agency that provides longer term loans to Local Authorities at advantageous interest rates.

**Remuneration**
Reward for employment in the form of pay, salary, or wage, including allowances, benefits (such as company car, medical plan, and pension plan), bonuses, cash incentives, and monetary value of the noncash incentives.

**Revenue Expenditure**
The day to day running costs incurred in providing services.

**Revenue Financing**
Resources provided from the revenue budget to finance the cost of capital projects.

**Revenue Support Grant (RSG)**
Grant provided by Central Government, to all Local Authorities, distributed according to a pre-determined formula.

**The Act**
The Police Reform and Social Responsibility Act 2011.

**The Code**
The Code of Practice on Local Authority Accounting 2012-2013.

**Unusable Reserves**
These are reserves resulting from the interaction of legislation and proper accounting practices. These reserves are not resource backed and cannot be used for any other purpose.

**Usable Reserves**
These are held as a working balance or for a specific future purpose.