Nottinghamshire

POLICE & CRIME COMMISSIONER

& Group Statement of Accounts

2013 - 2014

The Nottinghamshire Office of the Police and Crime Commissioner & Group Statement of Accounts

Contents Page

Welcome to the Statement of Accounts 2013-2014

Delivering value for money policing is a goal that underpins almost every other priority outlined in my Police and Crime Plan. Throughout 2013 - 2014 we've continued to battle serious financial and economic pressures which have restricted our ability to protect the public in the way we would like. Without careful consideration of how best to invest our limited funding and resources, every one of my ambitious plans to make Nottinghamshire safer would not be possible. We've had to closely match any investment with need and make hard choices between competing priorities.

We've invested over £3m into our local partnerships for community safety and victims' services so that they can expand the support programmes available for those affected by crime. This will ensure vulnerable people receive the help they need before their problems escalate.

We recognise that early intervention and a more holistic approach is key to reducing demand on the emergency services and delivering a permanent reduction in offending. In response, we're expanding our partnership work to address the mental health needs of vulnerable people who come into contact with police which includes the Street Triage scheme whereby specially-trained mental health nurses from Nottinghamshire Healthcare join police officers on callouts in unmarked street triage cars to assist vulnerable people in need of immediate mental health support. We're supporting the expansion of diversionary activities for young people at most risk of offending to give them a chance of leading a more fulfilled, law-abiding lifestyle. And we're also investing time and funding into increasing the use of restorative justice in the City and County to give low-level offenders a chance to learn by their mistakes and make amends. This is just a fraction of the changes we're making in terms of our budget provision to build a framework for policing that seeks to treat the core of criminality - not the effects.

Twelve months ago I published a Police and Crime Plan which set out in some detail my vision for a safer Nottinghamshire. Pleasingly, we're already delivering on many of these targets and promises and I'm optimistic the positive results we're seeing now are going to be felt for many years to come. We're working very closely with our partners, for example, to form a united front against alcohol misuse in the county which is driven by our aim to reduce antisocial behaviour by 50%. Our Alcohol Strategy – a multi-agency agreement to reduce the harm caused by alcohol abuse – is tackling every strand of the issue to reduce the impact of problem drinking including signposting those in the grip of alcohol addiction to the help they need quickly and adopting nationally-recognised schemes to promote responsible management and operation in licensed premises to reduce violent crime.

From day one I've prioritised our duty to respond to victims of crime, witnesses and vulnerable people, introducing a series of measures in 2013-2014 to do this more effectively. We've commissioned research into repeat domestic violence, assessed local provision for all victims (including survivors of domestic abuse) to identify gaps in support services, analysed the relationship between police and Black, Minority & Ethnic communities to identify better means of engagement and looked at how we can make the journey through the criminal justice system easier for all victims. Importantly, our research has been backed up with resolute action with the launch of schemes such as Track My Crime to give victims greater information and involvement with their case and a more unified approach between those agencies responsible for delivering criminal justice.

We have fought hard against the financial challenges we've faced in 2013-2014 and have continued to build up police officer numbers to increase our visible police presence at a time when many forces are enduring further cuts. An additional 78 police officers are now deployed on our streets – and more are planned - backed by 67 new PCSOs which is testament to shrewd financial and resource management. Such careful budget control and preparation received independent approval by Her Majesty's Inspectorate of Constabulary's (HMIC) Policing in Austerity: Rising to the Challenge inspection which agreed the Force had demonstrated overall sound progress rising to the funding challenge and had responded well through a savings programme that has allowed it to reduce costs while continuing to fight crime. A Base Budget Review has been completed to help us identify opportunities to better align the Force budget with my Police and Crime Plan priorities, compare cost savings and uncover potential opportunities for collaborative working with regional forces as part of my priority to be fair, honest and protect taxpayers' money.

We have a more difficult job than most Forces when it comes to negotiating the financial challenge as a result of the current funding formula. The distinct disadvantage we face afforded by such an approach will continue to put us under pressure in 2014-2015 but I'm confident that with the ongoing commitment of our staff and officers, our increased focus on victims and healing the root causes of offending, and our collective thinking, a safer and happier Nottinghamshire will emerge.

From October, I will take over responsibility for Victims' Services which will enable me to channel funding where need is greatest and make decisions which will improve outcomes for vulnerable people who suffer through crime. In addition, we will welcome the formal introduction of the new Code of Practice to improve victims' experience of the criminal justice system and aim to deliver better systems for increasing confidence among victims of Forced Marriage and Domestic Violence so that they come forward and report their experiences.

There are challenges ahead of us. Difficult decisions which have to be made. But I'm confident that the Force, working with partners, will continue to ensure that we live in safe and secure neighbourhoods.

Paddy Tipping
Nottinghamshire Police and Crime Commissioner

Explanatory Foreword

1 Introduction

On the 15 September 2011 the Police Reform and Social Responsibility Act 2011 (The Act) received Royal Assent in Parliament. This legislation radically changes the way the police in England and Wales are administrated and held accountable. This reform changed the governance of the police, with an elected Police and Crime Commissioner. The first election took place November 2012, and Paddy Tipping took up 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 (the Chief Constable), who is responsible for operational policing duties. The primary function of the Police and Crime Commissioner (the Commissioner) is to set the priorities for the police force within Nottinghamshire, respond to the needs and demands of communities and ensure that local and national priorities are suitably funded by setting a budget. They are also responsible for the local performance of the Force. The Police and Crime Panel has responsibility for scrutinising the decisions and actions of the Commissioner. This panel is administered independently by the County Council.

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

This set of Accounts is for the Commissioner and incorporates the Chief Constable as a Group. The Chief Constable is also required to produce a set of Accounts as a single entity.

The guidance relating to how this change is accounted for has evolved during this year namely in the issuance of Local Authority Accounting Panel (LAAP) bulletin 98A. Additionally the Chief Constable is now confirmed in law as a Local Authority and any transactions not relating to taxation can be neutralised. This has resulted in a restating of both the Chief Constables and Commissioners Accounts. The overall position of the Group remains unchanged. More information is included in point 5 of this foreword.

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 2013-2014 and its financial position as at 31 March 2014. The values within the financial statements have been rounded appropriately, and the extent of rounding is clearly labelled.

3 Background

The Commissioner & Group is responsible for providing policing services to a population of approximately 1.1million in the City of Nottingham and County of Nottinghamshire, with a net budget of £196.9m for 2013-2014. Duties also extend to include crime prevention initiatives with responsibility for victim services coming in to effect in October 2014.

4 The Financial Statements

The Accounts are prepared in accordance with the Code of Practice on Local Authority Accounting 2013-2014 (The Code).

The main sections contained within the Statement of Accounts are:

- **The Statement of Accounting Policies (page 14)** This states the policies adopted in compiling the Statement of Accounts.

- **The Statement of Responsibilities (page 24)** This sets out the respective responsibilities of the Commissioner and the Chief Financial Officer and also includes the signed certificate of approval.

- **Comprehensive Income & Expenditure Statement (CIES) (page 26)** 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 18.2 shows the differences between taxation and accounting entries.

- **Movement in Reserves Statement (MIRS) (page 28)** 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 30)** 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 31)** 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 32)** Shows the years transactions on the police officers pension account.

- **Notes to the Accounts (page 33)** These provide additional information concerning items in the above statements and additional relevant information.

- **Independent Auditor's Report (page 64)**
  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 Commissioner and Group for 2013-2014.

- **Annual Governance Statement (page 67)** This sets out governance arrangements in place and areas for improvement.

5 Review of the Financial Statements

As mentioned in the introduction the content of the financial statements for the Commissioner and Chief Constable have been reviewed to ensure that not only legislative requirements are reflected but also the reality of local circumstances. Specifically the Principal and Agent relationship can no longer be relied upon and a CIES, rather than a Statement of Resources Consumed is needed. Therefore a Balance Sheet and MIRS is also required. In the Statement of Resources Consumed, the true cost of pensions and employee emoluments were included but the reserve relating to this was carried on the Commissioners Balance Sheet. This is now carried on the Chief Constable Balance Sheet. Although the contract of employment is with the Commissioner the control of most staff and officers is with the Chief Constable and hence this treatment.

The Commissioner receives all income and makes all payments from the Police Fund for the Group and has responsibility for entering into contracts and establishing the contractual framework under which the Chief Constable's staff operates. The Commissioner has not set up a separate bank account for the Chief Constable, which reflects the fact that all income is paid to the Commissioner. The Commissioner has not made arrangements for the carry forward of balances or for the Chief Constable to hold cash backed reserves. However the Chief Constable does control much of the income and it is appropriate to account for it within its CIES. The funding for the Chief Constables net cost is reimbursed by the Commissioner.

The International Accounting Standards Board framework states that assets, liabilities and reserves should be recognised when it is probable that any 'future' economic benefits associated with the item will occur. At the outset the Commissioner took responsibility for the finances of the whole group and controls the assets, liabilities and reserves and accepts the risks and rewards relating to these. Therefore with the exception of the staff related reserves previously mentioned no other balances will be on the Chief Constables Accounts. Non-current Assets are controlled by the Commissioner and all decisions relating to sales or decommissioning are taken by the Commissioner. The Capital Programme to purchase Non-current assets is also controlled by the Commissioner. The Chief Constable uses these assets in the provision of service, and to recognise this, the depreciation is charged to the Chief Constable Accounts as a proxy.

The Police Officer Pension Fund account will continue to sit within the Commissioners Accounts. Although the transactions relate to Officers within the Chief Constables, the Pension Fund Account demonstrates how the pension liability between the Commissioner and Home Office has been calculated.

This review will result in restatements mainly in the Chief Constables Accounts. A further review following Stage 2 Transition on 1 April 2014 will take place.

6 Governance Arrangements

The Commissioner is responsible for ensuring that its business is conducted in accordance with the law and proper standards. The Commissioner is also responsible for ensuring that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this accountability the Commissioner and senior officers are responsible for putting in place proper procedures for the governance and 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. He 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 also takes account of the governance arrangements of the Chief Constable. It details how the Commissioner is doing the right things, in the right way, for the people of Nottinghamshire, in a timely, inclusive, open, honest and accountable manner.

7 Budget Variance

Budget Management Statement for the Group

Sources of Finance

Actual 2012-13 £m	Taxation and Non-Specific Grant Income	Budget 2013-14 £m	Actual 2013-14 £m	Variance + (-) £m	NOTE
-80.7	Police Grant	-93.5	-93.5	0.0	
-55.7	Precept (including surplus)	-48.6	-48.6	0.0	
-1.0	Revenue Support Grant	0.0	0.0	0.0	
0.0	Community Safety Grant	-2.8	-2.8	0.0	
-52.6	Non Domestic Rates Redistribution	-52.6	-52.6	0.0	
-1.3	Precept Freeze Grant	-1.3	-1.3	0.0	
-191.3	**Total Financing**	**-198.8**	**-198.8**	**0.0**	

The revenue expenditure was very much in line with income received and therefore the expected contributions to reserves did not take place.

Revenue Expenditure

Actual 2012-13 £m	Revenue Expenditure	Budget 2013-14 £m	Actual 2013-14 £m	Variance + (-) £m	NOTE
157.8	Employee Costs	158.9	157.7	-1.2	1
6.1	Premises Maintenance	5.8	6.5	0.7	2
6.0	Transport	5.8	6.2	0.4	3
13.6	Supplies and Services	19.1	21.7	2.6	4
7.8	Agency costs	0.6	0.5	-0.1	5
3.2	Capital Financing	3.8	3.5	-0.3	6
3.7	Pensions	3.3	4.3	1.0	7
1.1	Commissioner	4.5	4.4	-0.1	8
-10.9	Income	-4.8	-6.3	-1.5	9
188.4	**Net Expenditure**	**197.0**	**198.5**	**1.5**	
0.0	Contribution to Reserves	1.8	0.0	-1.8	10
188.4	**Net Budget Requirement**	**198.8**	**198.5**	**-0.3**	11

Notes

1 The saving against budget is due to staff vacancies held throughout the year and a reduction in overtime.

2 The increase in expenditure year on year is largely on higher energy costs and the outsourcing of cleaning to a cleaning contractor.
Versus budget the variance is due to increased energy costs and the budget including an efficiency target which was achieved through savings in other lines of expenditure.

3 Versus budget the variance is due the budget including an efficiency target which was achieved through savings in other lines of expenditure.

4 The reduction in expenditure year on year and against budget reflects the increase in the cost of insurance, uniforms due to the force's committment to recruiting new officers and efficiency target which was achieved through savings in other lines of expenditure.

5 The increase in expenditure versus budget reflects additional regional collaboration contributions for activities/services undertaken during 2013-2014, both new and full year impacts. These activities/services include legal, learning & development, occupational health services and East Midlands serious & organised crime function.

6 The increase in expenditure year on year reflects higher interest payments and an increased minimum revenue provision (MRP) charge reflecting the capital spend from 2012-2013.

7 Reflects an increased number of officers leaving on medical retirements.

8 The increase year on year reflects the new responsibility for £3.6m community engagement projects.

9 The decrease in income year on year largely reflects reflects the transfer of the PCSO grant, which was £5.5m in 2012-2013 to main stream funding.

10 The budget was based on making a £1.8m contribution to reserves. However this was not achieved due to cost pressures and the Commissioner agreed a spending limit of the 2013-2014 funding being £198.8m.

8 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.
The Police Pension Scheme for police officers, is an unfunded defined benefit final salary scheme. This means that investment assets are not built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year are less than amounts payable, the Commissioner must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by a central government pension top up grant. If however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Commissioner who then must repay the amount to central government.

Police Staff (including Police Community Support Officers) are, generally, eligible to join the funded Local Government Pension Scheme (LGPS); administered by Nottinghamshire County Council. This is a funded defined benefit final salary scheme, meaning that the Commissioner and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

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. From 1 April 2014 this will be moving to a career average scheme.

Discretionary post-retirement benefits Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. Assets are not built up within the scheme to meet these pension liabilities.

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

9 Changes to Accounting Policies

The Accounting Policies have been reviewed and no changes have been made.

10 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 £3.5m Market Loan which is due to mature in 2066. No new long term borrowing took place during the year. The majority of borrowings are due to mature within the next 10 years.

The Treasury Management Strategy, ensures that borrowing is prudent and only for capital purposes. At 31 March 2014 the accumulated capital financing requirement from all previous capital expenditure was £52.8m. This has assets with a current value of £45.5m. The associated outstanding borrowing is £31.5m (excluding finance lease liabilities).

11 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 updating computer systems. Although the actual expenditure was in line with the budget there was several new schemes approved in year offset by delays in existing schemes.

Actual 2012-13 £m	**Capital Expenditure**	**Original Budget 2013-14 £m**	**Actual 2013-14 £m**	**Variation + (-) £m**
0.3	Intangible Fixed Assets	0.0	0.4	0.4
2.4	Operational Land & Buildings	3.9	3.4	-0.5
2.5	Plant, Vehicles & Equipment	4.0	4.1	0.1
0.0	Assets Under Construction	0.0	0.0	0.0
5.2	**Total**	**7.9**	7.9	**0.0**
2.3	Grants & Contributions	1.7	2.0	0.3
0.0	Internal Borrowing from Reserves	0.0	4.0	4.0
0.0	Capital Receipts	1.7	1.9	0.2
2.9	External Borrowing	4.5	0.0	-4.5
5.2	**Total Financing**	**7.9**	**7.9**	**0.0**

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

	Budget 2014-15 £m	**Budget 2015-16 £m**	**Budget 2016-17 £m**	**Budget 2017-18 £m**
Building Projects	2.3	7.5	3.6	0.2
Technology & Other Projects	6.1	3.2	1.4	0.2
Total	**8.4**	**10.7**	**5.0**	**0.4**
Financed by				
Capital Receipts	0.8	3.2	3.2	0.0
Capital Grants	1.8	1.8	1.8	0.4
External Borrowing	5.8	5.7	0.0	0.0
Total	**8.4**	**10.7**	**5.0**	**0.4**

12 Significant Provisions and Contingencies

Provisions are made to meet estimated insurance claim liabilities outstanding. This has increased by £0.4m during the year. A new provision has been created during the year for medical retirements. The A19 legal action, which is pending appeal which is not certain enough to be designated as a provision or reserve but is noted as a contingent liability. A breakdown of Provisions is provided in Note 7.3, and Contingent Liabilities in Note 10.

13 Jointly Controlled Operations

There are 8 areas of collaboration which have been treated as Jointly Controlled Operations (JCOs):

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

These are all between Nottinghamshire, Derbyshire, Leicestershire, Lincolnshire and Northamptonshire and Nottinghamshire's proportion is 27.3% (27.6%. 2012-2013).

- The East Midlands Legal Services (EMLS), a 4 way shared service between Nottinghamshire, Derbyshire, Leicestershire and Northamptonshire. The proportion for this year has been calculated as 31.3% (41.1% 2012-2013)
- The East Midlands Commercial Services Unit (EMSCU), between Nottinghamshire, Northamptonshire and Derbyshire. The proportion for this year has been calculated as 33.33% (33.42% 2012-2013)
- The East Midlands Forensic Services (EMFSS) is between Nottinghamshire, Derbyshire, and Lincolnshire. The proportion for this year has been calculated as 43.8% (44.37% 2012-2013)
- The East Midlands Learning & Development (EMLD) is between Leicestershire, Nottinghamshire, Derbyshire, and Lincolnshire and Nottinghamshire's proportion is 31.3% (31.6% 2012-2013)

All of these arrangements are covered by a Section 22 Agreement, which is a formal legal document. Financial information is included within note 13 to the Accounts.

14 Other Significant Events during the year

There has been a significant Employment Tribunal challenge against the use of the A19 Regulation. The decision is that the enforcement of retirement for officers with 30 years pensionable service contravenes age discrimination legislation. Nottinghamshire have appealed against the decision, and the outcome of this is expected towards the end of 2014. There is a contingent liability noted for this event.

The helicopter service shared with Derbyshire Constabulary ended in October 2013. Nottinghamshire is now a member of the National Police Air Service (NPAS), which has improved resilience, and has resulted in cost savings.

Nottinghamshire have withdrawn from proceeding with the shared Human Resources service with Derbyshire, which was in its preliminary stages.

There was an actuarial valuation report as at 31 March 2013 on Nottinghamshire County Council Pension Fund, which covers the Police Staff Pension Scheme. This resulted in additional payments to the scheme being required as follows; £1.5m in 2014-2015, and £1.6m in each of the following two financial years. However the employer rate of contributions did reduce from 14.2% to 10.8%.

15 Post Balance Sheet Events

There are no post balance sheet events.

16 Future Outlook

The changes resulting from the Stage 2 Transition Order, of the Act, will come into effect from 1 April 2014. Therefore there will be significant changes in the Accounts to reflect the changes in responsibilities which will take place. 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.

17 Going Concern

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

Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises transactions for the 2013-2014 financial year and its position at the 31 March 2014. 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 2013-2014 (The Code) and the Best Value Accounting Code of Practice 2013-2014, 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 stage 2 transitional arrangements for the Commissioner are not considered to affect the applicability of this principle.

Under The Act 2011 the Commissioner and Chief Constable are separate 'corporation sole' bodies. Both are required to prepare a separate Statement of Accounts. The Financial Statements included here represent the Commissioner and the Commissioner as a group with the Chief Constable (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 the Commissioner including employee pay, the recognition in the 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 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.

4 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.

5 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 year figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6 Charges to Revenue for Non-Current Assets

The 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).

7 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 salary rates applicable in the following accounting year, being when 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 22).

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 16).

The Local Government Pensions Scheme (LGPS) 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 4.5% 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.

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.

8 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.

9 Financial Instruments

Financial assets and liabilities are recognised on the Balance Sheet when the Commissioner 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.

10 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 either used to finance capital expenditure or it is posted to the Capital Grants Unapplied Account to fund future capital expenditure.

11 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 amortised over seven years, because there is no alternate method to ascertain a fair value.

12 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 Commissioner has the lead controlling influence in the Group.

13 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.

14 Jointly Controlled Operations and Jointly Controlled Assets

Jointly Controlled Operations (JCOs) are treated in accordance with IAS 31- Interests in Joint Ventures. They are governed by Section 22 Agreements and incorporated on agreed proportions. More information about the collaborations is included in the Explanatory Foreword 12 and Note 13 to the Accounts.

15 Leases

The Code only uses the term lease, replacing all references to hire or rental. Under IAS 17, Leases are classified as finance leases if 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 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.

16 Overhead Costs

The Service analysis is based on Service Reporting Code of Practice (SeRCOP) 2013-2014 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 being a single purpose, democratic organisation
- The cost of discretionary benefits awarded to employees retiring early, is a Non distributed cost

17 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 the cost of the item can be measured reliably and it is probable it can generate future economic benefits or service potential. 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 in bringing the asset to the location and to be fit for purpose. 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
- 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

18 Investment Properties

Investment properties are used to earn rentals or for capital appreciation, and not used in any way to deliver services or is not 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 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 CIES. 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 is 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 Commissioner'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 which provides the services remains with the PFI contractor. The Commissioner has entered into two PFI contracts. The first relates to the initial design and construction, and now the ongoing maintenance of the Riverside building. The second contractor is responsible for the provision and maintenance of vehicles. The vehicles have been judged against IFRIC4 and those valued above the 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, are classified as finance leases. The majority of vehicles met these conditions and the small remainder are included within the Cost of Services in the CIES.

For Riverside the annual amounts payable to the PFI operators comprise 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 21.67% 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 on becoming aware of the obligation. They are measured as 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 Group had no REFCUS during the year.

Statement of Responsibilities

The Responsibilities of the Commissioner

The Commissioner is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs. The Commissioner has determined the Chief Finance Officer as that officer
- Manage its affairs to ensure economic, efficient and effective use of resources and safeguard 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 Commissioner's Statement of Accounts and the incorporation of the Chief Constable's Accounts to form the Group Accounts. This is in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. The statement is required to present fairly, the financial position of the Commissioner and the Group at the accounting date and its Income and Expenditure for the year ended 31 March 2014.

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 2014 and its income and expenditure for the year ended 31 March 2014.

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

I, the Commissioner certify 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 2014 and its income and expenditure for the year ended 31 March 2014.

Paddy Tipping
The Police and Crime Commissioner
23 September 2014

Core Financial Statements

CS1 Comprehensive Income and Expenditure Statement for the Group

2012-2013				2013-2014			
Gross Exp' £000	Gross Income £000	Net Exp' £000		Gross Exp' £000	Gross Income £000	Group Net Exp' £000	Note
103,468	-11,384	92,084	Local Policing	108,271	-5,258	103,013	a
16,121	-234	15,886	Dealing with the Public	19,388	-310	19,078	b
13,663	-576	13,088	Criminal Justice Arrangements	18,272	-1,107	17,165	c
5,002	-3,639	1,363	Road Policing	6,137	-2,563	3,574	
12,702	-226	12,476	Specialist Operations	11,314	-705	10,609	d
15,007	-739	14,268	Intelligence	15,449	-986	14,463	
55,036	-1,342	53,694	Investigation	46,536	-1,168	45,368	e
3,223	-21	3,202	Investigative Support	7,766	-51	7,715	e
5,299	-3,949	1,350	National Policing	5,594	-3,330	2,264	
1,569	-146	1,423	Corporate and Democratic Core	1,441	-203	1,238	
0	0	0	Community Safety & Crime Prevention	3,613	0	3,613	
387	0	387	Non Distributed Costs	73	0	73	
231,477	**-22,256**	**209,221**	**Cost Of Services**	**243,854**	**-15,681**	**228,173**	3.1
1,081	0	1,081	**Other Operating Expenditure**	916	0	916	3.2
93,408	-7,071	86,337	**Financing and Investment Income & Expenditure**	101,704	-8,807	92,897	3.3
0	-217,677	-217,677	**Taxation and Non-Specific Grant Income**	0	-228,210	-228,210	3.4
325,966	**-247,004**	**78,962**	**Surplus (-) or Deficit on Provision of Services**	**346,474**	**-252,698**	**93,776**	
		147	Surplus (-) or deficit on revaluation of non-current assets			-479	4.3
		325,166	Pension Fund Adjustment under regulations			-103,795	4.4
		325,313	**Other Comprehensive Income & Expenditure**			**-104,274**	
		404,275	**Total Comprehensive Income & Expenditure**			**-10,497**	

Notes

a The main movement is due to the Police Community Support Officer grant £5.5m moving into main stream funding in 2013-2014

b This now includes the Crime Management Bureau previously part of Investigation

c This now includes file preparation previously part of Investigation

d This has reduced in officer numbers and received additional income relating to the G8 summit

e Regional Forensic costs are now included in Investigative Support, not Investigations

CS1 Comprehensive Income and Expenditure Statement for the Commissioner and Chief Constable

2012-2013 Restated					2013-2014				
CCN	Commissioner				CCN	Commissioner			
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
92,084	0	0	92,084	Local Policing	103,013	0	0	103,013	a
15,885	0	0	15,885	Dealing with the Public	19,078	0	0	19,078	b
13,088	0	0	13,088	Criminal Justice Arrangements	17,165	0	0	17,165	c
1,363	0	0	1,363	Road Policing	3,574	0	0	3,574	
12,476	0	0	12,476	Specialist Operations	10,609	0	0	10,609	d
14,268	0	0	14,268	Intelligence	14,463	0	0	14,463	
53,694	0	0	53,694	Investigation	45,368	0	0	45,368	e
3,202	0	0	3,202	Investigative Support	7,715	0	0	7,715	e
1,350	0	0	1,350	National Policing	2,264	0	0	2,264	
216	1,353	-146	1,423	Corporate and Democratic Core	216	1,225	-203	1,238	
0	0	0	0	Community Safety & Crime Prevention	0	3,613	0	3,613	
387	0	0	387	Non Distributed Costs	73	0	0	73	
-125,107	125,107	0	0	Funding within Group	-123,060	123,060	0	0	
82,906	**126,460**	**-146**	**209,221**	**Cost Of Services**	**100,478**	**127,898**	**-203**	**228,173**	
0	1,081	0	1,081	**Other Operating Expenditure**		916	0	916	3.2
-6,775	93,408	-296	86,337	**Financing and Investment Income & Expenditure**	-8,502	101,704	-305	92,897	3.3
0	0	-217,677	-217,677	**Taxation and Non-Specific Grant Income**		0	-228,210	-228,210	3.4
76,131	**220,949**	**-218,119**	78,962	**Surplus (-) or Deficit on Provision of Services**	**91,976**	**230,518**	**-228,718**	93,776	
0	147	0	147	Surplus (-) or deficit on revaluation of non-current assets	0		-479	-479	4.3
321,394	3,772	0	325,166	Pension Fund Adjustment under regulations	-102,425		-1,370	-103,795	4.4
321,394	**3,919**	**0**	**325,313**	**Other Comprehensive Income & Expenditure**	**-102,425**	**0**	**-1,849**	**-104,274**	
397,525	**224,868**	**-218,119**	**404,275**	**Total Comprehensive Income & Expenditure**	**-10,449**	**230,518**	**-230,567**	**-10,497**	

Notes

a The main movement is due to the Police Community Support Officer grant £5.5m moving into main stream funding in 2013-2014

b This now includes the Crime Management Bureau previously part of Investigation

c This now includes file preparation previously part of Investigation

d This has reduced in officer numbers and received additional income relating to the G8 summit

e Regional Forensic costs are now included in Investigative Support, not Investigations

CS2 Movement in Reserves for the Group 2013-2014

2013-2014	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	4.2		
Balance at 1 April 2013	-7,074	-18,326	-1,923	-121	-27,444	-2,531	3,291	2,163,421	-196	5,588	2,169,574	2,142,130
Surplus - (deficit) on the provision of services (accounting basis)	93,779	0	0	0	93,779	0	0	0	0	0	0	93,779
Other Comprehensive I & E - revaluation gains & losses	0	0	0		0	-479	0	-103,795			-104,274	-104,274
Total CIES	93,779	0	0	0	93,779	-479	0	-103,795	0	0	-104,274	-10,495
Depreciation/Amortisation of non-current assets	-7,237	0	0	0	-7,237	0	7,237	0	0	0	7,237	0
Impairment/Revaluation losses	-2,113	0	0	0	-2,113	0	2,113	0	0	0	2,113	0
Capital grants and contributions credited to the CIES	4,063	0	0	0	4,063	0	-4,063	0	0	0	-4,063	0
Net gain or loss (-) on sale of non-current assets	-105	0	-1,553	0	-1,658	0	1,658	0	0	0	1,658	0
Pension costs adj between calculated in accordance with IAS19 and the contributions due under pension scheme regulations	-145,639	0	0	0	-145,639	0	0	145,639	0	0	145,639	0
Amount by which council tax income included in the CIES	460	0	0	0	460	0	0	0	-460	0	-460	0
Minimum Revenue Provision	2,212	0	0	0	2,212	0	-2,212	0	0	0	-2,212	0
Minimum Revenue Provision (Finance Lease Liabilities)	728	0	0	0	728	0	-728	0	0	0	-728	0
Capital Expenditure charged against the General Fund	236				236		-236				-236	0
Employers contribution to Pension Scheme	52,477	0	0	0	52,477	0	0	-52,477	0	0	-52,477	0
Use of Capital Receipts Reserve to finance capital	0	0	1,923	0	1,923	0	-1,923	0	0	0	-1,923	0
Use of Capital grants unapplied for capital exp	0	0	0	6	6	0	-6	0	0	0	-6	0
Adj for depreciation between historical and revalued basis	0	0	0	0	0	95	-95	0	0	0	0	0
Loss on disposal of non current assets met from revaluation reserve	0	0	0	0	0	605	-605	0	0	0	0	0
Charges for Employee Benefits	-23	0	0	0	-23	0	0	0	0	23	23	0
Total adjustment between accounting basis & funding basis under regulations	-94,941	0	370	6	-94,565	700	1,140	93,162	-460	23	94,565	0
Net decrease / (- increase) before transfers to earmarked reserves	-1,162	0	370	6	-786	221	1,140	-10,633	-460	23	-9,709	-10,495
Transfers from / (- to) earmarked reserves	1,162	-1,162	0	0	0	0	0	0	0	0	0	0
Balance at 31 March 2014	-7,074	-19,488	-1,553	-115	-28,230	-2,310	4,431	2,152,788	-656	5,611	2,159,865	2,131,635

CS2 Movement in Reserves for the Group 2012-2013 Comparators

2012-2013	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		4.1				4.3	4.5	4.4	11	4.2		
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**

CS3 Balance Sheet for the Commissioner and Group

During the year the cash balances relating to money market funds and some bank accounts were reclassified from a Short Term Investment to a Cash and Cash Equivalent having reviewed the terms and conditions in line with our accounting policy number 3. Therefore the figures for 2013 were restated as the value of the change £14.3m was material. This also entailed a restatement of the Cashflow Statement and some supporting notes 6.1.

31 Mar 2013 £000	31 Mar 2013 PCC only £000	31 Mar 2013 Restated £000	Note		31 Mar 2014 PCC only £000	31 Mar 2014 £000
42,987	42,987	42,987	5	Property, Plant & Equipment	44,641	44,641
380	380	380	5	Investment Properties	350	350
2,428	2,428	2,428	5	Assets Held for Sale	2,091	2,091
743	743	743	5.5	Intangible Assets	897	897
11	11	11		Long Term Debtors	4	4
46,549	**46,549**	**46,549**		**Non-Current Assets**	**47,983**	**47,983**
16,300	2,000	2,000	6.1	Short Term Investments	2,000	2,000
622	622	622	6.2	Inventories	315	315
22,931	22,931	22,931	6.3	Short Term Debtors	21,247	21,247
45	14,345	14,345	CS4	Cash and Cash Equivalents	13,602	13,602
39,898	**39,898**	**39,898**		**Current Assets**	**37,163**	**37,163**
-7,725	-7,725	-7,725	7.1	Short Term Borrowing	-7,636	-7,636
-315	-315	-315		Grant Receipts in Advance	-180	-180
-23,050	-17,467	-23,050	7.2	Short Term Creditors	-18,647	-24,225
-1,048	-1,048	-1,048	CS4	Overdraft	-1,097	-1,097
-2,646	-2,646	-2,646	7.3	Short Term Provisions	-3,596	-3,596
-34,784	**-29,201**	**-34,784**		**Current Liabilities**	**-31,156**	**-36,734**
-28,016	-28,016	-28,016	8.1	Long Term Borrowing	-24,053	-24,053
-2,358	-2,358	-2,358	8.2	Other Long Term Liabilities	-3,207	-3,207
-2,163,421	-18,225	-2,163,421	16.3	Net Pension Liability	-18,084	-2,152,788
-2,193,795	**-48,599**	**-2,193,795**		**Long Term Liabilities**	**-45,344**	**-2,180,048**
-2,142,132	**8,647**	**-2,142,132**		**Net Assets**	**8,647**	**-2,131,635**
-7,074	-7,074	-7,074		General Fund	-7,075	-7,075
-1,923	-1,923	-1,923		Capital Receipts Reserve	-1,553	-1,553
-18,323	-18,323	-18,323	4.1	Earmarked Reserves	-19,488	-19,488
-121	-121	-121		Capital Grants Unapplied	-115	-115
-27,441	**-27,441**	**-27,441**		**Usable Reserves**	**-28,230**	**-28,230**
-2,531	-2,531	-2,531	4.3	Revaluation Reserve	-2,310	-2,310
3,291	3,291	3,291	4.5	Capital Adjustment Account	4,431	4,431
2,163,421	18,225	2,163,421	4.4	Pensions Reserve	18,084	2,152,788
-196	-196	-196	11	Collection Fund Adjustment	-656	-656
5,588	5	5,588	4.2	Accumulated Absences	34	5,612
2,169,573	**18,794**	**2,169,573**		**Unusable Reserves**	**19,583**	**2,159,865**
2,142,132	**-8,647**	**2,142,132**	**CS2**	**Total Reserves**	**-8,647**	**2,131,635**

CS4 Cash Flow Statement for the Commissioner and Group

Restated due to the reclassification of some investments, (See Balance Sheet).

31 Mar 2013 £000	31 Mar 2013 Restated £000	Note		31 Mar 2014 £000
	2,831		Commissioner	1,800
	76,131		Chief Constable	91,976
78,962	**78,962**		**Net surplus (-) or deficit on the provision of services**	**93,779**
-81,460			**Adjust for non cash movements**	
	-5,111		Depreciation	-7,006
	-6,791		Impairment and downward valuations	-2,113
	-343		Amortisations	-231
	-847		(-)Increase/decrease in creditors	-308
	5,561		Increase/ (-)decrease in debtors	-1,691
	-97		Increase/ (-)decrease in inventories (stock)	-947
	67		(-)Increase/decrease in provisions	-950
	376		(-)Increase/decrease in other longterm liabilities	-849
	5,172		Increase/ (-)decrease earmarked reserves	1,162
	-76,600		Movement in pension liability	-93,161
	979		Finance Lease Liability	728
	-1,439		Carrying amount of non-current assets held for sale, sold or de-recognised	-1,657
	179		Capital grants applied (but not received in the year)	0
	-5,887		Other non-cash items included	-20
			Adjust for items that are investing and financing activities	
	1,023		Proceeds from the sale of non current assets	1,553
	2,298		Capital grants received during the financial year	4,063
-2,498	**-2,498**	**12**	**Net cash flows from Operating Activities**	**-7,648**
5,065	5,065		Purchase of non current assets	10,004
-1,023	-1,023		Proceeds from the sale of non current assets	-1,553
4,700	0		Purchase of short-term and long-term investments	0
0	-3,000		Proceeds from short-term and long-term investments	0
-2,298	-2,298		Capital grants received during the financial year	-4,063
6,444	**-1,256**		**Net cash flows from Investing Activities**	**4,388**
-5,000	-5,000		Cash receipts of short and long-term borrowing	-2,500
1,118	1,118		Repayment of short and long-term borrowing	6,552
-3,882	**-3,882**		**Net cash flows from Financing Activities**	**4,052**
64	**-7,636**		**Net (-)increase / decrease in cash & cash equivalents**	**792**
-64	**7,636**		**Represented by a Balance Sheet movement**	**-792**
-939	5,661		Cash and cash equivalents 1 April	13,297
-1,003	**13,297**		**Cash and cash equivalents 31 March**	**12,505**
			Analysed as follows;	
45	45		Imprest Accounts	45
-928	-928		Monies held on behalf of others	-1,097
-120	-120		Overdraft	0
	14,300		Bank Accounts	13,557
-1,003	**13,297**		**Total**	**12,505**

P1 Police Officers Pension Fund Account

2012-13 £000		2013-14 £000
	Contributions Receivable	
-16,773	Employers Contributions 1987 Scheme	-16,023
-2,426	Employers Contributions 2006 Scheme	-2,653
-622	Additional Contributions for early retirements 1987 Scheme	-699
-8,469	Members contributions 1987 Scheme	-8,928
-1,036	Members contributions 2006 Scheme	-1,240
-163	**Transfer in 1987 Scheme**	-46
-37	**Transfer in 2006 Scheme**	-310
	Benefits Payable	
43,569	Pensions 1987 Scheme	45,683
6	Pensions 2006 Scheme	6
9,731	Commutations and lump sum retirement benefits 1987 Scheme	8,453
	Payments to / on account of leavers	
0	Refund of contributions 2006 Scheme	188
147	Transfers out 1987 Scheme	85
0	Transfers out 2006 Scheme	1
23,928	**Sub total before transfer from the Commissioner of amount equal to the deficit**	**24,519**
-23,928	Transfer of Government Grant from the Commissioner to meet the deficit	**-24,519**
	Balance at 31 March	

All notes relating to pensions can be found at Note 16 with the Net Asset Statement being at 16.8.

Notes to the Accounts

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 14 to 23, the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The main critical judgement made in the Statement of Accounts is:

- 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

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 2013-2014 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 £2.7m 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 £0.3m.

2 Prior Period Adjustments and Post Balance Sheet Events

There are prior period adjustments in 2013-2014 for the reclassification of some short term investments. The total value of this is £14.3m. The restatement affected the Balance Sheet, the Cash Flow and associated notes. Also restatement has occurred following new accounting guidelines as described in the explanatory foreword. There are no post balance sheet events which have affected the Accounts presented.

3 Surplus or Deficit on Provision of Services

3.1 Income within Cost of Services

The significant reduction in partnership income is due to £5.5m of PCSO grant which has been incorporated into mainstream funding. Also DIP (drugs control) funding £0.6m is no longer available.

2012-13 £000		2013-14 £000
-13,856	Partnership and Joint Controlled Operations	-6,508
-1,858	P.F.I. Grant	-1,858
-2,141	Recharge of Officers	-1,550
-4,255	Other Income	-5,562
-22,110	**Relating to Chief Constable**	**-15,478**
-146	**Relating to the Commissioner - other income**	**-203**
-22,256	**Total for the Group**	**-15,681**

3.2 Other Operating Expenses

2012-13 £000		2013-14 £000
415	Gains (-) and Losses on Disposal of Non Current Assets	102
666	Levies to National Police Services	814
1,081	**Total for the Commissioner & Group**	**916**

3.3 Financing and Investment Income and Expenditure

2012-13 £000		2013-14 £000
90,187	Pensions Interest Cost	98,466
-6,775	Expected return on Pensions Assets	-8,502
83,412	**Relating to Chief Constable**	**89,964**
1,232	Interest payable on Debt	1,323
431	Interest element of Finance Leases (Lessee)	81
500	Interest payable on PFI Unitary Payments	514
1,058	Pensions Interest Cost	1,317
-110	Expected return on Pensions Assets	-114
-1	Interest Income	-1
-185	Investment Interest Income	-190
2,925	**Relating to the Commissioner**	**2,930**
86,337	**Total for the Group**	**92,894**

3.4 Taxation and Non-Specific Grant Income

2012-13 £000		2013-14 £000
-55,936	Council Tax Income	-49,051
-52,504	National Non Domestic Rates	-52,572
-1,332	Council Tax Freeze Compensation	-1,332
0	Community Safety Grant	-2,800
-1,044	Revenue Support Grant	0
-80,686	Non-ringfenced Government Grants	-93,500
-23,928	Home Office Pension Grant	-24,519
-2,247	Capital Grants and Contributions	-4,437
-217,677	**Total for the Commisioner & Group**	**-228,210**

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.

	Balance 31 March 2012 £000	T/f Out 2012-13 £000	T/f In 2012-13 £000	Balance 31 March 2013 £000	T/f Out 2013-14 £000	T/f In 2013-14 £000	Balance 31 March 2014 £000
Medium Term Financial Plan	-12,096	0	-2,365	-14,461	277	0	-14,184
Helicopter Operational	-90	0	0	-90	90	0	0
Police Property Act	-81	0	-2	-83	0	-12	-95
Drug Fund	-60	3	0	-57	0	-4	-61
Revenue Grants	-380	380	-2,673	-2,673	118	-449	-3,004
Animal Welfare	0	0	-20	-20	0	0	-20
Tax Base Reserve	0	0	0	0	0	-230	-230
Grants & Commissioning	0	0	0	0	0	-280	-280
PCC Transitional Costs	0	54	-500	-446	41	0	-405
PFI Life Cycle Costs	-187	0	-35	-222	0	-36	-258
Total Commissioner	**-12,894**	**437**	**-5,595**	**-18,052**	**526**	**-1,011**	**-18,540**
JCO's	-259	0	-12	-271	0	-677	-948
Total	**-13,153**	**437**	**-5,607**	**-18,323**	**526**	**-1,688**	**-19,488**

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 as shown in the MIRS (CS2).

2012-13 CC £000	2012-13 PCC £000	2012-13 Total £000		2013-14 CC £000	2013-14 PCC £000	2013-14 Total £000
5,116	**8**	**5,124**	**Balance 1 April**	**5,535**	**5**	**5,540**
419	-3	416	Increase / (-) Decrease	43	28	71
5,535	**5**	**5,540**	**Balance 31 March**	**5,578**	**33**	**5,611**

4.3 Revaluation Reserve

The Revaluation Reserve was created 1 April 2007 for the revaluation gains on 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

2012-13 £000		2013-14 £000
-2,853	**Balance 1 April**	**-2,531**
-573	Upward revaluation of assets	-483
720	Downward revaluation of assets and impairments losses not charged to the Surplus/ Deficit on the provision of Services	4
147	**Surplus (-) or deficit on revaluation of non-current assets not posted to the Surplus/ Deficit on the Provision of Services**	**-479**
101	Difference between fair value depreciation and historical cost depreciation	95
74	Accumulated gains on assets sold or scrapped	605
175	**Amount written off to the Capital Adjustment Account**	**700**
-2,531	**Balance 31 March**	**-2,310**

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.

2012-13 Total £000	2012-13 CC £000	2012-13 PCC £000	2012-13 Restated £000		2013-14 CC £000	2013-14 PCC £000	2013-14 Total £000
1,761,655	**1,748,090**	**13,565**	**1,761,655**	**Balance 1 April**	**2,145,196**	**18,225**	**2,163,421**
128,822	115,720	1,358	117,078	Pension Costs Adj' for IAS 19	143,717	1,923	145,640
325,166	333,002	3,908	336,910	Other CIES gains / (-) losses	-102,425	-1,370	-103,795
-52,222	-51,616	-606	-52,222	Employers contributions & payments to pensioners	-51,785	-693	-52,478
2,163,421	**2,145,196**	**18,225**	**2,163,421**	**Balance 31 March**	**2,134,703**	**18,085**	**2,152,788**

4.5 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences between the accounting for the consumption of non-current assets and for their financing under statutory provisions. The Account is debited with depreciation, impairment losses and amortisations. The Account is credited with minimum revenue provision.

2012-13 £000		2013-14 £000
-4,611	**Balance 1 April**	**3,615**
5,032	Charges for depreciation and impairment of non-current assets	6,895
6,617	Revaluation losses on Property, Plant and Equipment	1,221
340	Amortisation of intangible assets	229
1,437	Amounts of non-current assets written off on disposal to the CIES	1,655
13,426		**10,000**
-175	Adjusting amounts written out of the Revaluation Reserve	-699
13,251	Net written out amount of the cost of non-current assets consumed	**9,301**
	Capital financing applied in the year:	
0	Use of Capital Receipts to finance new capital expenditure	-1,922
0	Capital expenditure charged against the General Fund	-50
-2,260	Capital grants and contributions applied to capital financing	-1,993
	Statutory provision for capital financing charged to the CIES	
-1,959	Minimum Revenue Provision	-2,212
-806	Finance Lease Liability	-729
-5,025		**-6,906**
3,615	**Total Commissioner 31 March**	**6,010**
-324	JCO's	-1,579
3,291	**Total**	**4,431**

5 Non-Current Assets

5.1 Movements in the Year

	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 2013	**37,474**	**23,301**	**380**	**0**	**2,428**	**63,583**	**2,060**
Additions	2,933	6,391	0	0	0	**9,324**	49
Revaluation Increases/ Decreases (-) recognised in the Revaluation Reserve	479	0	0	0	0	**479**	0
Revaluation Increases/ Decreases (-) recognised in the Surplus / Deficit on the Provision of Services	-1,191	0	-30	0	0	**-1,221**	0
Derecognition - Disposals	0	-1,197	0	0	-1,423	**-2,620**	0
Accumulated Depreciation and Impairment written off	-281	0	0	0	0	**-281**	0
Assets reclassified to / from Held for Sale	-1,086	0	0	0	1,086	**0**	0
Other Movements in cost or valuation	0	0	0	0	0	**0**	0
31 March 2014	**38,328**	**28,495**	**350**	**0**	**2,091**	**69,264**	**2,109**
Accumulated Depreciation and Impairment							
1 April 2013	**2,016**	**16,096**	**0**	**0**	**0**	**18,112**	**424**
Depreciation charge	3,078	3,818	0	0	0	**6,896**	**94**
Accumulated Depreciation and Impairment written off	-281	0	0	0	0	**-281**	0
Derecognition - Disposals	0	-965	0	0	0	**-965**	0
31 March 2014	**4,813**	**18,949**	**0**	**0**	**0**	**23,762**	**518**
Commissioner 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**
Commissioner 31 March 2014	33,515	9,546	350	0	2,091	**45,502**	**1,591**
JCO's 31 March 2014	1,167	355	0	58	0	**1,580**	**0**
Total 31 March 2014	**34,682**	**9,901**	**350**	**58**	**2,091**	**47,082**	**1,591**

5.1 Non-current Assets prior year comparators

	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**
Commissioner 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**
Commissioner 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**

5.2 Capital Commitments

At 31 March 2014, the Commissioner has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013-2014, and the future years are budgeted to cost £0.2m (£0.2m 2012-2013).

Main Capital Commitments	31 March 2014 £000
FHQ Office Alterations	103
Mansfield Server Room improvements	32
Miscellaneous minor commitments	15
Total	**150**

5.3 Revaluations

Land and Buildings 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. At 1 April 2013 18% were valued completing a five year cycle. 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. 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 resulting revaluations were considered by the internal valuer and it was not considered appropriate to commission any further valuations.

Valuation Summary (excluding JCO's)

	Land & Buildings £000	Plant Vehicles & Equipment £000	Investment Properties £000	Assets Held for Sale £000	Total £000	PFI Assets Included £000
Historical Cost	5	9,546	0	0	9,551	0
Fair Value						
01 April 2007	0	0	0	18	18	0
01 April 2009	4,035	0	0	0	4,035	1,591
01 April 2010	77	0	0	0	77	0
01 April 2011	12,086	0	0	82	12,168	0
01 April 2012	12,433	0	180	1,080	13,693	0
01 April 2013	4,879	0	170	911	5,960	0
Total Valuation	33,515	9,546	350	2,091	45,502	1,591

5.4 Investment Properties

Income is received on investment properties (telecoms masts) from Cell C.M., which also undertakes the maintenance and repair of the telecoms masts. 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 £0.238m in 2013-2014 (£0.181m 2012-2013).

5.5 Intangible Assets

Software (including purchased licences) is classified as an intangible asset. 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 £0.2m in 2013-2014 was a revenue expense. Movements are summarised in the table below:

2012-13 £000		2013-14 £000
821	**Balance 1 April**	**743**
2,657	Gross Carrying amounts	2,920
-1,836	Accumulated amortisation	-2,176
	Additions:	
263	Purchases	382
-341	Amortisation for the period	-229
743	**Net Carrying amount 31 March**	**897**
2,920	Gross carrying amounts	3,302
-2,179	Accumulated amortisation	-2,405
741	**Total Commissioner**	**897**
2	JCO's	0
743	**Total**	**897**

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.

2012-13 £000		2013-14 £000
47,993	**Opening Capital Financing Requirement**	**49,226**
	Capital investment	
5,190	Property, Plant and Equipment	9,324
263	Intangible Assets	382
	Sources of finance	
0	Capital Receipts	-1,922
-2,261	Government grants and other contributions	-1,993
-1,959	Sums set aside from revenue - MRP	-2,212
0	Sums set aside from revenue - Direct Revenue Financing	-49
49,226	**Closing Capital Financing Requirement**	**52,756**
1,233	**Movement in the year - analysed as follows**	**3,530**
2,929	Increase in underlying need to borrowing	3,862
-1,959	Minimum Revenue Provision	-2,212
263	Assets acquired under finance leases	1,880
1,233	**Increase / decrease (-) in Capital Financing Requirement**	**3,530**

6 Current Assets

6.1 Short Term Investments

Following a review of cash and cash equivalents, £14.3m has been reclassified from short term investments to cash and cash equivalents. As this was a material amount this involved restating prior year comparators, where relevant.

31 Mar 13 £000	Restated 31 Mar 13 £000		31 Mar 14 £000
3,000	0	Bank Call Accounts	0
4,000	0	Bank Short Term Fixed Accounts	0
2,000	2,000	Worthing Borough Council	2,000
7,300	0	Money Market Funds	0
16,300	**2,000**		**2,000**

6.2 Inventories

2012-13 £000	Movement during the year	2013-14 £000
720	**Balance at 1 April**	**622**
1,650	Purchases	659
-1,748	Recognised as an expense in the year	-959
0	Written off balances	-7
622	**Balance at 31 March**	**315**
	Analysed as follows;	
56	Petrol	49
172	Diesel	133
394	Clothing	133
622	**Balance at 31 March**	**315**

6.3 Debtors

31 Mar 2013 £000		31 Mar 2014 £000
14,565	Central Government Bodies	13,402
1,608	Other Local Authorities	2,883
1,636	Council Tax	1,668
4,403	Other Entities and Individuals	2,453
22,212	**Total Commissioner**	**20,406**
719	JCO's	840
22,931	**Total**	**21,247**

A bad debt provision of £0.110m is provided against specific debts considered to be irrecoverable (£0.092m at 31 March 2013). A provision of £2.748m is held against Council Tax arrears of £4.416m at 31 March 2014. This level of provision has been assessed by the Council Tax Billing Authorities (Provision of £2.488m against arrears of £4.089m at 31 March 2013).

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).This option has not yet been used. The CIPFA Treasury Management Code categorises this as a short term liability.

31 Mar 2013 £000		31 Mar 2014 £000
-3,500	Market Loans	-3,500
-4,225	PWLB	-1,636
0	Short Term Loans	-2,500
-7,725		**-7,636**

7.2 Creditors

31 Mar 2013 £000		31 Mar 2014 £000
-3,710	Central Government Bodies	-4,600
-2,040	Other Local Authorities	-4,563
-10,775	Other Entities and Individuals	-8,960
-942	JCO's	-524
-17,467	**Total Commissioner**	**-18,647**
-5,583	Other Entities and Individuals - Chief Constable	-5,578
-23,050	**Total for Group**	**-24,225**

7.3 Provisions

Liability claims are generally paid out within 1 to 3 years. It is expected that the majority will be utilised within a year and has all been classified as short-term. A new provision was set up this year expected to be spent during the forthcoming year relating to medical retirements.

	EL & PL Claims £000	MV Liability Claims £000	Legal Expenses £000	Dilapidation £000	Medical Retirement £000	Total £000
Balance 31 March 2013	**-1,666**	**-588**	**-190**	**-202**	**0**	**-2,646**
Provisions made	-1,004	-325	0	0	-616	-1,945
Amounts Used	569	280	140	6	0	995
Balance 31 March 2014	**-2,101**	**-633**	**-50**	**-196**	**-616**	**-3,596**

8 Long Term Liabilities

8.1 Long Term Borrowing

All longer term borrowing of £24.1m was with the PWLB (£28.0m 2012-2013).

8.2 Other Long Term Liabilities

2012-13 £000		2013-14 £000
-596	Finance Leases	-1,445
-1,762	PFI Liability	-1,762
-2,358		**-3,207**

9 Contingent Assets

The Commissioner had no contingent assets as at 31 March 2014.

10 Contingent Liabilities

The following contingent liability has been identified:

- The Commissioner is currently appealing the decision of the London Central Employment Tribunal that the use of Regulation A19 of the Police Pensions Regulations 1987 was disproportionate. Counsel advised that prospects of success in the appeal are good. Counsel has also advised in relation to the potential financial exposure should the appeal, ultimately, prove to be unsuccessful. This was not possible to evaluate with any certainty as it would depend on the individual circumstances of the officers involved.

At the end of 2012-2013 there were two contingent liabilities reported for potential breaches of Information Commissioner rules. Both issues have now been settled without financial penalties.

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. The figures included in these accounts represent the proportion of balances relating to Local Authorities relating to Nottinghamshire Police as preceptor.

2012-13 £000		2013-14 £000
-13	**Balance 1 April 2012**	**-196**
-183	Difference between the CIES and statutory arrangements	-460
-196	**Balance 31 March 2013**	**-656**

12 Cash Flow

The net cash flows from operating activities include interest paid of £1.921m (£2.164m 2012-2013) and interest received of £0.191m (£0.187m 2012-2013).

13 Jointly Controlled Operations (JCOs)

The Group participates in collaborative arrangements with Leicestershire, Derbyshire, Lincolnshire and Northamptonshire. The police officers involved are seconded from the individual forces 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. The following tables relate to Nottinghamshire's share only.

13.1 Comprehensive Income & Expenditure Statement Jointly Controlled Operations

2012-13 £000		2013-14 £000
5,120	Employees	5,137
285	Premises	141
253	Transport	276
852	Supplies and services	893
82	Capital Charges	1,004
6,592	**Gross Operating Expenditure**	**7,451**
-131	Other Income	-797
6,461	**Amount to be met from Partners**	**6,654**
-6,082	Contributions from Partners	-6,177
-479	External Grants	-2,400
-100	**Surplus (-) / Deficit for the year**	**-1,923**
-100	**Total Comprehensive Income and Expenditure**	**-1,923**

13.2 Balance Sheet Jointly Controlled Operations

2012-13 £000		2013-14 £000
322	Property, Plant & Equipment	1,522
0	Assets under Construction	58
2	Intangible Assets	0
324	**Long Term Assets**	**1,580**
719	Short Term Debtors	694
569	Cash and Cash Equivalents	927
1,288	**Current Assets**	**1,621**
-85	Employee Benefits	-90
-942	Short Term Creditors	-603
-1,027	**Current Liabilities**	**-693**
585	**Net Assets**	**2,508**
-74	General Fund	-74
-272	Earmarked Reserves	-948
-239	Unusable Reserves	-1,486
-585	**Total Reserves**	**-2,508**

13.3 Movement In Reserves Jointly Controlled Operations

2012-2013					2013-2014			
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**
-84	**-259**	**-142**	**-485**	**Balance at Year start**	**-74**	**-272**	**-239**	**-585**
-100	0	0	-100	Surplus / deficit (-) on the provision of services	-1,923	0	0	-1,923
0	**0**	**0**	**0**	Other CIES	0	0	0	0
-100	**0**	**0**	**-100**	**Total CIES**	**-1,923**	**0**	**0**	**-1,923**
				Adjustments between accounting & funding basis				
-82	0	82	0	Depreciation / amortisation	-112	0	112	0
-1	0	1	0	Disposal of non-current assets	-2	0	2	0
0	0	0	0	Capital grants /contributions	2,076	0	-2,076	0
-48	0	48	0	Charges for Employee Benefits	-9	0	9	0
			0	**Insertion of items not charged to the CIES**				
228	0	-228	0	Capital expenditure charged against the General Fund	186	0	-186	0
				Revaluation of non-current assets	-892	0	892	0
-3	**0**	**-97**	**-100**	**Net increase / Decrease (-) before transfers to Earmarked Reserves**	**-677**	**0**	**-1,247**	**-1,923**
13	-13	0	0	Transfers Earmarked Reserves	677	-677	0	0
10	**-13**	**-97**	**-100**	**Increase / Decrease (-)**	**0**	**-677**	**-1,247**	**-1,923**
-74	**-272**	**-239**	**-585**	**Balance at year end**	**-74**	**-949**	**-1,486**	**-2,508**

14 Proceeds of Crime Act and Police Property Act

Proceeds of Crime Act 2002 and The Police Property Act 1997 (as amended by the Serious Crime Act 2005 and the Serious Crime Act 2007) covers 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 Commissioner to use on specific purposes. At 31 March 2014 cash totalling £0.691m was held in the Commissioner's bank account (£0.604m at 31 March 2013).

15 External Audit Costs

KPMG are the external auditor to the Commissioner and Group. The additional work costing £5k related to workshops provided.

	2012-13 £000	2013-14 £000
The Commissioner	52	47
The Chief Constable	20	20
Group	**72**	**67**
Additional work	1	5
Total fees payable by the group	**73**	**72**

16 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 (LGPS) for police staff is administered by Nottinghamshire County Council. This is a funded defined benefit final salary scheme. From 1 April 2014 the scheme moves to a career average scheme. Both the Commissioner and employees pay contributions into a fund, at a level set 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 2013. The next full valuation of this scheme will be March 2016 for the financial year 2017 – 2018. This scheme includes both staff working for the Chief Constable entity and to a lesser extent the staff who work for the Commissioner. It was not practical or economical to obtain separate actuary reports for the two entities. As a reasonable estimate the relevant information was calculated on a prorata basis to scheme participants in the year.

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 2014, 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 a core statement. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

16.1 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. This depends on assumptions about mortality rates, salary levels etc. The long term expected rate of return on scheme assets is not required following amendments to IAS 19 Employee Benefits (June 2011 amendments).

	Staff Pension Scheme		Officer Pension Scheme	
	2012-13	**2013-14**	**2012-13**	**2013-14**
Mortality assumptions				
Longevity at 65 retiring today				
Men	18.7 yrs	22.1 yrs	23.4 yrs	23.4 yrs
Women	22.8 yrs	25.0 yrs	25.8 yrs	25.9 yrs
Longevity at 65 retiring in 20 years				
Men	20.7 yrs	24.1 yrs	25.7 yrs	25.6 yrs
Women	24.6 yrs	27.4 yrs	27.9 yrs	28.0 yrs
Rate of inflation				
RPI Increases	3.40%	3.70%	3.70%	3.65%
CPI Increases	2.60%	2.90%	2.50%	2.50%
Rate of increase in salaries	4.80%	4.70%	4.75%	4.50%
Rate of increase in pensions	2.60%	2.90%	2.50%	2.50%
Rate for discounting scheme liabilities	4.70%	4.50%	4.30%	4.40%

The actuaries for the Police Officer scheme advised that the net pension liability had decreased by £21.3m, from £2,098.7m 31 March 2013 to £2,077.3m 31 March 2014. As there are very few corporate bonds in the market with a sufficiently long duration the discount rate assumption has been increased from 4.30% pa last year to 4.40% pa this year. This rise 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.

16.2 The Local Government Pension Scheme Assets

Assets at Bid Value	31 Mar 2013	31 Mar 2013	31 Mar 2014	31 Mar 2014
	£000's	%	£000's	%
Equity Investments	102,601	73.0	113,009	73.0
Gilts	9,838	7.0	12,385	8.0
Other Bonds	8,433	6.0	7,740	5.0
Property	16,866	12.0	17,029	11.0
Cash	2,811	2.0	4,644	3.0
	140,549	**100.0**	**154,807**	**100.0**

16.3 Scheme History

	2009-10 £000	2010-11 £000	2011-12 £000	2012-13 £000	2013-14 £000
Present Value of Liabilities					
Local Government Pension Scheme	-178,589	-150,153	-189,364	-205,310	-230,305
Discretionary benefits	-1,709,070	-1,580,100	-1,691,190	-2,098,660	-2,077,290
Fair value of assets in the Local Government Pension Scheme	98,648	113,116	118,899	140,549	154,807
Surplus / deficit (-) on the scheme	**-1,789,011**	**-1,617,137**	**-1,761,655**	**-2,163,421**	**-2,152,788**
Local Government Pension Scheme	-79,941	-37,037	-70,465	-64,761	-75,498
Discretionary benefits	-1,709,070	-1,580,100	-1,691,190	-2,098,660	-2,077,290
Total	**-1,789,011**	**-1,617,137**	**-1,761,655**	**-2,163,421**	**-2,152,788**

The liabilities show the underlying commitments that the Group will eventually have for retirement benefits. The total liability of £2,152.8m has a substantial impact on the net worth of the Balance Sheet. Statutory accounting arrangements to fund the deficit neutralise this.

The deficit on the local government scheme will be recovered by increased monetary contributions in the next three years until financial year 2016-2017 based on an actuarial valuation report as at 31 March, in line with the remaining working life of employees (i.e. before payments fall due). 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 2015 are £5.5m and £19.2m respectively.

16.4 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	-4,709
- 0.1% change to the discount rate would increase the pension liability by	4,812
For the Police Pension Schemes	
+0.5% change to the discount rate would reduce the pension liability by	-155,797
-0.5% change to the discount rate would increase the pension liability by	155,797

16.5 Transactions Relating to Pension Benefits

The pension transactions are prepared in accordance with IAS 19 published in June 2011 and apply to accounting periods beginning on or after 1 January 2013. The standard 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. The charge required against Council Tax is based on the cash payable in the year. The true cost of employer retirement benefits is reversed out in the MIRS.

The revised standard has the following changes:

- Removal of expected return on assets to be replaced by net interest cost comprising interest on the assets and interest expense on the liabilities, both calculated on discount rate
- Current service cost is now known as service cost, this includes the current service cost plus ‘past service cost’ plus any ‘curtailments’ plus any ‘settlements’
- Administration costs are charged to CIES, previously the charge was deducted on the actual and expected returns on assets
- Deferral of actuarial gains and losses will no longer be permitted and deficit (or surplus) will be recognised in full on the balance sheet (subject to restrictions imposed by IFRIC 14)

The result of this change has required further analysis and a restatement of figures for 2012-2013. This is included in the following table:

16.6 Transactions relating to pension benefits

	Staff Pension			Police Officer Pension			Total		
	2012-13	2012-13 Restated	2013-14	2012-13	2012-13 Restated	2013-14	2012-13	2012-13 Restated	2013-14
	£000	£000	£000	£000	£000	£000	£000	£000	£000
CIES									
Cost of services									
Service Costs	0	9,492	10,002	0	34,970	44,470	0	44,462	54,472
Current service cost	9,215	0	0	34,860	0	0	44,075	0	0
Past service costs	0	0	0	110	0	0	110	0	0
Settlements and curtailments	277	0	0	0	0	0	277	0	0
Financing & Investment Transactions									
Interest cost	8,665	8,665	9,604	82,580	82,580	0	91,245	91,245	9,604
Expected return on scheme assets	-6,885	0	0	0	0	0	-6,885	0	0
Interest on Assets	0	-5,538	-6,681	0	0	0	0	-5,538	-6,681
Return on Assets less interest	0	-13,103	-1,945	0	0	0	0	-13,103	-1,945
Administration Costs	0	12	10	0	0	0	0	12	10
Net Interest on the defined liability (asset)	0	0	0	0	0	90,180	0	0	90,180
Increase in income 2013/14									
Pension Cost adjustment in Accordance with IAS 19	**11,272**	**-472**	**10,990**	**117,550**	**117,550**	**134,650**	**128,822**	**117,078**	**145,640**
Other Pension Benefit charged to the CIES									
Experience (loss)/gain on defined benefit obligation	0	0	-15,826	0	-28,270	-44,140	0	-28,270	-59,966
Actuarial gains (-) and losses	-11,694	0	-2,413	336,860	0	0	325,166	0	-2,413
Change in Financial Assumptions	0	50	17,705	0	-308,590	-64,690	0	-308,540	-46,985
Change in dempgraphic obligation	0	0	5,569	0	0	0	0	0	5,569
Other comprehensive CIES gains/losses	-11,694	50	5,035	336,860	-336,860	-108,830	325,166	-336,810	-103,795
Movement in Reserve Statement									
Reversal of net charges to Provision of Services	-11,272	472	-10,990	-117,550	-117,550	-134,650	-128,822	-117,078	-145,640
Amount charged to the General Fund									
Employers' contributions payable to scheme	5,282	5,282	5,288	0	0	0	5,282	5,282	5,288
Retirements benefits payable to pensioners	0	0	0	46,940	46,940	47,190	46,940	46,940	47,190
Employers' contributions to Scheme	5,282	5,282	5,288	46,940	46,940	47,190	52,222	52,222	52,478

16.7 Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities 2013-14 (defined benefit obligation)	Local Government Pension Scheme Staff		Police Pension Schemes Officers		Total	
	2012-13 £000	2013-14 £000	2012-13 £000	2013-14 £000	2012-13 £000	2013-14 £000
Opening Balance at 1 April	**-189,364**	**-205,310**	**-1,691,190**	**-2,098,660**	-1,880,554	**-2,303,970**
Current service Cost	-9,215	-9,929	-34,860	-44,470	-44,075	**-54,399**
Interest Cost	-8,665	-9,603	-82,580	-90,180	-91,245	**-99,783**
Contributions by scheme participants	-2,240	-2,451	-9,510	-10,170	-11,750	**-12,621**
Actuarial gains and losses	-50	0	0	0	-50	**0**
Experience gain/loss on pension liabilities	0	0	-28,270	44,140	-28,270	**44,140**
Financial & Demographic assumption changes	0	-23,274	-308,590	64,690	-308,590	**41,416**
Experience loss/(-gain) defined benefit obligation	0	15,826	0	0	0	**15,826**
Benefits paid	4,501	4,509	56,450	57,360	60,951	**61,869**
Past service costs	0	0	-110	0	-110	**0**
Curtailments	-277	-73	0	0	-277	**-73**
Closing Balance at 31 March	**-205,310**	**-230,305**	**-2,098,660**	**-2,077,290**	**-2,303,970**	**-2,307,595**

Reconciliation of fair value of the scheme assets	Local Government Pension Scheme		
	2012-13 £000	Restated 2012-13 £000	2013-14 £000
Opening Balance at 1 April	**118,899**	**118,899**	**140,549**
Expected return on scheme assets	6,885	0	0
Interest on Assets	0	5,538	6,681
Return on Asset less interest	0	13,103	1,945
Actuarial gains and losses	11,744	0	2,413
Employers contributions	5,282	5,282	5,288
Contributions by scheme participants	2,240	2,240	2,451
Benefits paid	-4,501	-4,501	-4,510
Administration Expenses	0	-12	-10
Closing Balance at 31 March	**140,549**	**140,549**	**154,807**

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 £8.6m (2012-2013, £18.6m).

16.8 Pension Net Assets Statement

2012-13 £000	Discretionary Benefits - Police Officers	2013-14 £000
3,740	Debtors - Pensions paid in advance	3,917
-3,740	Other Current Assets	-3,917
0		**0**

17 Financial Instruments Commissioner & Group

17.1 Gains and Losses

2012-13				2013-14		
Financial Liabilities amortised cost £000	Financial Assets Loans & receivables £000	Total £000		Financial Liabilities amortised cost £000	Financial Assets Loans & receivables £000	Total £000
2,164	0	**2,164**	Total interest expense in CIES	1,921	0	**1,921**
0	-187	**-187**	Total interest income in CIES	0	-191	**-191**
2,164	**-187**	**1,977**	**Net Gain / Loss (-) for the year**	**1,921**	**-191**	**1,730**

17.2 Nature and Extent of Risks arising from Financial Instruments

The Commissioner is exposed to a variety of financial risks:

- Credit Risk - the possibility that the amounts due may not be received
- Liquidity Risk - the possibility that insufficient 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 (incorporating the Annual Investment Strategy) focuses on mitigating the risk of the unpredictability of financial markets, in order to protect against loss of money. It includes policies on the risks above.

Credit Risk

Credit risk arises from investments and credit exposures to customers. The risk is minimised through the Annual Investment Strategy. This 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 for investments during the year was £42m.This was placed within the criteria of the strategy with high quality counterparties. It is rare for such entities not to meet their commitments. There was no evidence at 31 March 2014 that this was likely to happen with any of the investments outstanding or with cash equivalents.

Customers owed £1.95m at year end (£2.2m in 2012-2013). An allowance is set aside for debts to mitigate the effect of default. This was £0.11m (£0.1m in 2012-2013).

31 Mar 2013 £000		31 Mar 2014 £000
2,044	Less than three months	1,718
80	Three to six months	83
37	Six to twelve months	70
56	More than twelve months	76
2,217		1,947

Liquidity Risk

Cash flow management ensures that cash is available as needed. For unexpected events, there is ready access to borrowings from the money markets and the PWLB, and there is no significant risk of being unable to raise the required finance. 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 the proportion of borrowing maturity during specified periods to minimise this risk. The strategy specifies the following upper and lower limits:

	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 ten years	0%	100%

The maturity analysis of financial liabilities is shown as follows:

31 Mar 2013 £000	31 Mar 2013 Total %		31 Mar 2014 £000	31 Mar 2014 Total %
7,725	21.6%	Less than one year	7,636	23.5%
1,399	3.9%	Between one and two years	1,249	4.0%
10,948	30.6%	Between two and five years	7,883	25.1%
6,833	19.2%	Between five and ten years	6,336	20.1%
8,836	24.7%	More than ten years	8,585	27.3%
35,741	**100.0%**		**31,689**	**100.0%**
		Summarised as follows		
7,725	21.6%	Due in less than one year	7,636	23.5%
28,016	78.4%	Due in more than one year	24,053	76.5%
35,741	**100.0%**		**31,689**	**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. There was no temporary borrowing at 31 March 2014. The borrowing portfolio is reviewed quarterly for opportunities to refinance. £5m long term borrowing was repaid to the PWLB prematurely and replaced with short term borrowing, which was advantageous. During the year no new long term borrowings took place.

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.

17.3 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;

- Interest rates paid during 2013-2014 ranged between 1.59% and 8% for PWLB loans and 3.73% on the market loan. Interest rates received ranged from 0.34% to 1.2%
- No early repayment or impairment is recognised
- For instruments maturing in the next year, the carrying amount is assumed to be fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair value of the liabilities is higher than the carrying amount because the loans include a number of fixed rate loans with the PWLB with an interest rate payable, higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss as there is a commitment to pay the PWLB a rate above current market rates. The restatement relates to certain types of creditors which have been assessed not to be financial instruments.

	31 March 2013		Restated 31 March 2013		31 March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial Liabilities	-35,741	-39,703	-35,741	-39,703	-31,689	-33,611
PFI & Finance Lease Liabs'	-2,358	-2,358	-2,666	-2,666	-3,818	-3,818
Receipts in Advance	-315	-315	-315	-315	-180	-180
Overdraft	0	0	-1,048	-1,048	-1,097	-1,097
Creditors	-23,050	-23,050	-16,557	-16,557	-17,356	-17,356
	-61,464	**-65,426**	**-56,327**	**-60,289**	**-54,140**	**-56,062**

The fair value of assets is the year end carrying value, being either variable rate instruments or short term. Long Term Debtors are car loans to staff, which are now minimal.

	31 March 2013		31 March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and Receivables	39,276	39,276	36,853	36,853
Long Term Debtors	11	11	4	4
	39,287	**39,287**	**36,857**	**36,857**

18 Amounts reported for resource allocation decisions

18.1 The income and expenditure as recorded in the budget management reports

Segmental Income & Expenditure (core funded only)	Local Policing	Specialist Services	Corporate Services	Chief Constable Subtotal	PCC (Note 5)	Group Total	Notes
2013-14	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	
Total Income	**-0.8**	**-1.8**	**-3.7**	**-6.3**	**-0.4**	**-6.7**	**1**
Employee expenses	94.5	46.5	16.6	157.7	0.7	158.4	**2**
Other service expenses	8.7	15.5	14.9	39.2	4.1	43.3	**3**
Capital Financing	0.0	0.0	3.5	3.5	0.0	3.5	**4**
Total Expenditure	**103.3**	**62.0**	**35.1**	**200.4**	**4.8**	**205.2**	
Net Expenditure	**102.5**	**60.2**	**31.4**	**194.1**	**4.4**	**198.5**	
2012-13							
Total Income	**-6.1**	**-1.4**	**-3.4**	**-10.9**	**-0.2**	**-11.1**	
Employee expenses	99.3	41.0	17.5	157.8	0.7	158.5	
Other service expenses	8.5	15.2	13.5	37.2	0.6	37.8	
Capital Financing	0.0	0.0	3.2	3.2	0.0	3.2	
Total Expenditure	**107.8**	**56.2**	**35.3**	**198.2**	**1.3**	**199.5**	
Net Expenditure	**101.7**	**54.8**	**31.9**	**187.3**	**1.1**	**188.4**	

Notes:

1 - The decrease in income year on year largely reflects the transfer of the Police Community Support Officer grant in Local Policing, which was £5.5m in 2012-2013 to main stream funding.

2 - The decrease year on year is largely due to staff vacancies held throughout the year and transfer of the cleaning to a contractor. There were a number of departments such as Intelligence and Integrated Offender Management which transferred from Local Policing to Specialist Services during 2013-2014.

3 - The increase year on year reflects additional regional collaboration contributions for activities/services undertaken during 2013-2014, both new and full year impacts. These activities/services include legal, learning & development, occupational health services and East Midlands serious & organised crime function; increased numbers of officers leaving on medical retirements; insurance; and costs such as uniforms due to the force's commitment to recruiting new officers and Police Community Support Officers.

4 - The increase in expenditure year on year reflects higher interest payments and an increased minimum revenue provision (MRP) charge reflecting the capital spend from 2012-2013.

5 - The increase year on year reflects £3.6m spend on the community engagement projects in 2013-2014.

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 Commissioner 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 - Commissioner only
- The treatment of pension cash flows - Commissioner and Chief Constable
- The impact of accrued emoluments - Commissioner and Chief Constable
- The impact of PFI and Finance Leases - Commissioner only
- Adjustments relating to external bodies and JCO’s

18.2 Reconciliation of the budget management reports to the CIES

2012-2013 £ million	Reported for decision making in the budget management reports reconciled to the CIES	2013-2014 £ million
199.3	Expenditure	204.8
-10.9	Income	-6.3
188.4	**Net**	**198.5**
	Items excluded from budgeting reports	
-2.2	Ear marked grants reserve	0.0
-0.2	Other than Found Property income	0.0
	Items related to External Bodies	
-0.1	JCO's Net Cost of Services	0.6
-0.2	Collection Fund adjustment	-0.5
	Included for budgeting purposes but not in Provision of Services	
-2.0	Minimum Revenue Provision - Chief Constable	-2.2
-0.1	Transfers from reserves - Chief Constable	0.2
0.0	Income for capital Finance - Chief Constable	0.1
-1.2	Interest Payable - Chief Constable	-1.3
0.2	Interest Receivable - Chief Constable	0.2
-0.7	Levies to National Police Services - Chief Constable	-0.8
	Excluded for budgeting purposes but included Provision of Services - Valuation adjustments	
-1.3	Adjustments relating to Finance leases / PFI - Commissioner	-1.3
12.1	Adjustments relating to Capital Financing - Commissioner	8.3
15.9	Adjustments relating to Pensions - Chief Constable	26.2
0.2	Adjustments relating to Pensions - Commissioner	0.3
0.4	Adjustments relating to Accumulated Absences - Chief Constable	0.0
0.0	Adjustments relating to Accumulated Absences - Commissioner	0.0
209.2	**Cost of Services**	**228.2**
1.1	Other Operating Expenditure - Commissioner	0.9
86.3	Financing & Investment Income and Expenditure - Commissioner	92.9
-217.7	Taxation & Non-specific Grant Income - Commissioner	-228.2
78.9		**93.8**

19 The Commissioner 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 as finance leases have been replaced with machines, which fall below our de-minimis limit for treatment as a finance lease.

A significant number of vehicles were above the de-minimis for treatment as a finance lease and have been added to the Balance Sheet.

19.1 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 net value was £1.88m as at 31 March 2014 (£0.81m 31 March 2013). 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.

	Finance Lease Liabilities Gross		Finance Lease Liabilities Net	
	31 Mar 2013 £000	31 Mar 2014 £000	31 Mar 2013 £000	31 Mar 2014 £000
No later than one year	350	673	308	611
Later than one year and up to five years	635	1,462	568	1,365
Later than five years	30	83	28	69
	1,016	**2,218**	**904**	**2,045**
Future finance charges on finance leases			111	161
Present Value of lease obligations			904	2,057
			1,016	**2,218**

19.2 Operating Leases

Some vehicles and equipment were acquired under operating leases. Rental payments in 2013-2014 were £0.859m (£0.729m in 2012-2013).The outstanding commitments are:

	31 Mar 2013 £000	31 Mar 2014 £000
No later than one year	805	747
Later than one year and not later then 5 years	2,037	1,878
Later than 5 years	1,288	1,192
	4,130	**3,817**

19.3 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 Commissioner has no right to ownership of the assets at the end of the agreements.

Building PFI Scheme

The 25 year PFI contract with Miven, runs until 2026-2027. The capital value of this scheme is £6.6m. £1.0m was paid in 2013-2014 (£1.0m in 2012-2013). Future payments are linked to retail price index inflation but are otherwise fixed, except reductions for poor contractor performance. Specific government grant of £0.59m was received (£0.59m in 2012-2013).

Riverside Accomodation Future PFI Payments	Services £000	Capital £000	Total £000
2014-2015	467	543	1,010
2016-2017 to 2019-2020	2,334	2,714	5,048
2020-2021 to 2024-2025	2,334	2,714	5,048
2025-2026 to 2026-2027	852	995	1,847
	5,987	6,966	12,953

Vehicle PFI Scheme

The 25 year PFI contract for the provision of an agreed number of vehicles runs until 2026-2027. The estimated capital value of this scheme is £14.8m. The amount paid in 2013-2014 was £3.1m (£3.2m in 2012-2013). Future payments are linked to inflation increases. Grant of £1.3m was received in 2013-2014 (£1.3m in 2012-2013). IAS17 classifies this arrangement as a finance lease. The future liability for the resultant finance lease payments is shown in note 19.1. Contractual PFI obligation is included within this note.

20 Members Allowances

The Commissioner paid £0.004m to the members of the Audit and Scrutiny Panel in allowances and expenses. This was the first full year of this Panel. (£0.155m 2012-2013 included expenses relating to the Police Authority). The purpose of the Audit and Scrutiny Panel is to advise the Commissioner and Chief Constable on matters relating to external or internal audit work. They also perform scrutiny relating to The Commissioner's wider role.

21 Officer Emoluments

21.1 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 21.2 and employers pension contributions. This includes 3 above the rank of Superintendent (4 in 2012-2013).

2012-13 No of employees	Remuneration Band	2013-14 No of employees
115	£50,000 - £54,999	132
71	£55,000 - £59,999	63
10	£60,000 - £64,999	13
2	£65,000 - £69,999	7
6	£70,000 - £74,999	4
17	£75,000 - £79,999	14
2	£80,000 - £84,999	0
1	£85,000 - £89,999	3
1	£90,000 - £94,999	0
225		**236**

21.2 Senior Officers Remuneration

	Note	Salary £	Benefits in Kind (Note 7) £	Other Payments (Note 8) £	Sub Total £	Employers Pension Contrib' £	Total inc Pension Contrib' £
Police & Crime Commissioner		75,000	0	0	75,000	10,466	85,466
Deputy Police & Crime Commissioner		36,210	37	0	36,247	5,142	41,389
Chief Finance Officer to the Police & Crime Commissioner		80,988	0	0	80,988	11,500	92,488
Chief Executive to the Police & Crime Commissioner		87,500	215	0	87,715	12,425	100,140
Total Police & Crime Commissioner		**279,698**	**252**	**0**	**279,950**	**39,533**	**319,483**
Chief Constable (Chris Eyre)		142,973	6,292	3,554	152,819	34,599	187,418
Deputy Chief Constable (A)	**1**	23,719	1,119	5,812	30,650	5,740	36,390
Deputy Chief Constable (B)	**2**	94,170	9,177	6,096	109,443	22,789	132,232
Assistant Chief Constable - Crime, Justice & Protective Services							
Assistant Chief Constable (C)	**3**	82,275	6,900	3,000	92,175	17,822	109,997
Assistant Chief Constable (D)	**4**	21,876	0	1,171	23,047	5,294	28,341
Assistant Chief Constable - Local Policing							
Assistant Chief Constable (E)	**5**	78,716	3,753	2,873	85,342	18,912	104,254
Assistant Chief Constable (F)	**6**	21,464	112	1,551	23,127	5,194	28,321
Assistant Chief Officer - Resources		102,828	6,111	0	108,939	14,601	123,540
Total Chief Constable		**568,021**	**33,464**	**24,057**	**625,542**	**124,951**	**750,493**
Group Total		**847,719**	**33,716**	**24,057**	**905,492**	**164,484**	**1,069,976**

Note 1: Deputy Chief Constable (A) retired on 13 June 2013

Note 2: Deputy Chief Constable (B), in post from 14 June 2013. She was previously an Assistant Chief Constable up until 13 June 2013 (see note 6)

Note 3: Assistant Chief Constable (C) in post from 28 May 2013

Note 4: Assistant Chief Constable (D) was acting in role until 24 June 2013, substantive post for remainder of the year was as a Chief Superintendent. The costs shown only relate to his time in the ACC role.

Note 5: Assistant Chief Constable (E) in post from 10 June 2013

Note 6: Assistant Chief Constable (F) in post until 13 June 2013

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

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

Senior Officers Remuneration 2012-2013

	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 Police & Crime Commissioner		**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							
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							
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**
Group Total		**847,293**	**33,578**	**37,100**	**917,971**	**169,956**	**1,087,927**

Note 1: Chief Constable (A) retired on 31 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 7 January 2013

Note 5: Acting Assistant Chief Constable from 10 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 1 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

22 Termination Benefits

Contracts were terminated for 17 employees during the year (22 in 2012-2013), incurring costs of £0.3m (£0.6m in 2012-2013). This comprised redundancy payments of £0.1m, pension strain costs of £0.2m. Other departures agreed cover voluntary redundancies and compromise agreements. All of the employees were part of the Chief Constable Entity. The Group made no material payments in relation to injury awards during the year ended 31 March 2014.

Exit Package cost band (inc special payments)	Number of compulsory redundancies		Other departures agreed		Total exit packages by cost band		Total cost of exit packages	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13 £000	2013-14 £000
£0 - £20k	3	7	9	6	12	13	111	127
£20 -£40k	3	1	4	1	7	2	216	59
£40 -£60k	0	1	0	0	0	1	0	49
£60 -£80k	1	0	1	1	2	1	139	76
£80 -£100k	0	0	0	0	0	0	0	0
£100 -£150k	0	0	1	0	1	0	104	0
Total	**7**	**9**	**15**	**8**	**22**	**17**	**570**	**311**

23 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 precept legislation (explanatory foreword point 6).

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 point 12).

24 Accounting Standards Issued but not Adopted

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

IFRS 10 Consolidated Financial Statements; introduces a new definition of control, used to determine which entities are consolidated for the purposes of group accounts. The Commissioner group includes the Chief Constable. There are partnerships with other agencies but none meet the definition of an associate. The regional collaboration work is considered within Joint Arrangements below. No impact is expected on the 2013-2014 Statement of Accounts.

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

IFRS 12 Disclosures of Involvement with Other Entities; this is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. There is a partnership with our PFI providers and more detail is provided in note 19 to the Accounts. The authority has a number of working arrangements with other entities; however none are of significant value.

THE INDEPENDENT AUDITOR'S REPORT TO THE NOTTINGHAMSHIRE POLICE & CRIME COMMISSIONER

We have audited the financial statements of the Nottinghamshire Police and Crime Commissioner for the year ended 31 March 2014 on pages 14 to 23 and 26 to 63. 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 2013/2014.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 2013/2014.

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 67 to 80 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.

Conclusion on the Nottinghamshire Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources

The Police and Crime Commissioner's responsibilities

The Police and Crime Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

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 the use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission October 2013, as to whether the Police and Crime Commissioner has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime

Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2014.
We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Police and Crime Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects the Nottinghamshire Police and Crime Commissioner put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of the Nottinghamshire Police and Crime Commissioner in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

John R Cornett
for and on behalf of KPMG LLP, Appointed Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ
30th September 2014

ANNUAL GOVERNANCE STATEMENT

2013 - 2014

1. SCOPE OF RESPONSIBILITIES

1.1 The Nottinghamshire Police and 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 and Crime Commissioner
Arnot Hill House
Arnot Hill Park
Arnold
Nottinghamshire
NG5 6LU

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 and Crime Commissioners website at the address given above.

1.6 The Police & Crime Commissioners financial management arrangements conform to the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government* (2010); as set out in the Application Note to *Delivering Good Governance in Local Government: Framework.*

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 2014 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 Police Reform 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 and 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.

Initially, all assets, liabilities and staff were transferred to the Commissioner. This continued to be the case until 31 March 2014 when the staff under the Chief Constables direction and control transferred to the Chief Constable from the Police and Crime Commissioner. This significant change was planned and prepared for in 2013-2014 and will be reflected in the next Statement of Accounts and Annual Governance Statement for 2014-2015.

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

The Commissioner has refreshed the Police and Crime Plan taking account of the feedback he has received during the year and the achievements that have been made. The plan sets out our priorities for the remaining four 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 and Crime Plan is based upon the following seven priorities:
1. Protect, support and respond to victims, witnesses and vulnerable people
2. Improve the efficiency, accessibility and effectiveness of the criminal justice process
3. Focus on ***priority crime types*** and those local areas that are most affected by crime and antisocial behaviour
4. Reduce the impact of drugs and alcohol on levels of crime and antisocial behaviour
5. Reduce the threat from organised crime
6. Prevention, early intervention and reduction in reoffending
7. 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 and refreshed after listening to members of the public and with our partners. It includes a review of each organisations strategic assessment, 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.

For the plan next year we are already working with partners to further develop a Police and Crime Needs Assessment which will refresh the Joint Partnership Strategic Assessment, aiming to maximise analytical capacity, minimise duplication and share learning, good practice and innovation across the City and County. This will provide a comprehensive threat, risk and harm assessment, which will identify local consultation and engagement and improve the identification of need across the Commissioners priorities.

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 attendance at partner meetings and his walkabouts within the City and County. 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. During the year a significant step towards achieving this target has already been made.

- 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, a Victim Consortium to inform the commissioning strategy and Alcohol.

- The Base Budget Review made recommendations to achieve further savings which have been implemented.

- A BME Steering Group has been established to oversee the implementation of the Project Group's report recommendations and an internal Working Group established chaired by the Commissioner and Deputy Chief Constable.

- Domestic violence has undergone a thorough review across the County to identify the best service delivery for victims. There is a longer piece of academic work, commissioned by the Deputy Commissioner, which aims to identify triggers for repeat victims and opportunities for associated support and prevention; with an emphasis on methods used for identifying what has happened in relationships and how future relationships can be built without domestic violence. An Alcohol Strategy has been developed with partners and is being delivered.

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 CCTV in taxis in the City Centre, Alcohol, Mental Health issues particularly in custody and community safety issues relating to the Forest Recreation Ground. Also there is a new and emerging community's project, which will include an academic scoping of the impact of economic migrants on public services and crime. There will be the identification of further research working within the 'Better Policing Collaborative', which the Commissioner is a member, and which has received College of Policing innovation funding for academics to work with operational areas to develop innovation and improve effectiveness of service delivery.

- The Commissioner and Deputy Commissioner have continued to attend meetings with community groups across the City and County and many public events during their first 18 months of office. This work is informing them of the priorities they are implementing in the refreshed police and crime plan update.

- Focus groups were held with ASB victims and members of the public in relation to the refreshed Police and 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 the African Caribbean National Artistic Centre and Public Stakeholder Forums in the City and the County.

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

- The Commissioner and the Office of the Police and Crime Commissioner (OPCC) staff have attended events across the City and County. These events were used to canvass opinion in relation to the Alcohol Strategy and general issues relating to policing.

We use feedback that we receive from all sources to help inform decisions. Feedback that the Commissioner received during the public events, meetings and walkabouts resulted in us reviewing 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 and Crime Panel receive update reports from the Commissioner. Public Stakeholder meetings have also been held in the City and the County.

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. The group formed out of this review continue to meet and drive forward change.
- 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 and crime priorities. This will also ensure ongoing value for money.
- Alcohol Strategy – the aim to devise a Countywide (including the City) Joint Alcohol Strategy with a supporting action plan with strategic partners leading the actions to delivery. The Commissioner has worked closely with Nottinghamshire County Council Public Health to jointly commission substance misuse services, together with delivering the Alcohol Strategy and Action Plan, which addresses night time economy issues. Funding has been provided to the Safer Nottinghamshire Board and to the Nottingham Crime and Drugs Partnership to ensure drug misusing offenders have access to treatment and recovery services.
- Restorative Justice – A review into its use and any improvements that can be made. Independent Consultants have been appointed to develop a strategy; to ensure that victims receive a good service.
- Transforming Rehabilitation – A review with interested stakeholders within Nottinghamshire and the region following the announcement of reform of probation by the Government. Commissioning and OPCC staff have been working closely with MOJ officials to maximise the change for the benefit of the people of Nottinghamshire and to ensure partnership arrangements are maintained. The OPCC are part of East Midlands Regional Advisory Group and have provided grants to third sector organisations to enable them to form consortiums of 2nd or 3rd tier providers. Briefings have been provided for potential interested providers.

- 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. This work involves decision on overarching mental health and criminal justice strategy; which work with partners to improve access and processes for effective dealing with patients under section 136 of the Mental Health Act 2007. Community Psychiatric nurses with the Police are currently providing a ‘Street Triage’ service through joint partnership in the City and the County. A conference on Mental health is being planned for later this year.

The reports from these pieces of work will continue to be presented to the Audit and Scrutiny Panel and the recommendations will continue to be monitored by the Panel. Progress on these reviews is also reported to the Police and Crime Panel.

3.5 *Ensuring a High Quality Service*

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

Victims -	by listening and taking action to protect and safeguard vulnerable people.
Openness-	by putting victims and public at the heart of open and transparent decision making.
Inclusiveness-	by working effectively with communities and business to tackle crime and anti social behaviour.
Communities -	by ensuring fairness, respect and accountability to victims and communities.
Empowering -	by engaging with victims and communities to help shape policing services and building partnerships.

The Plan itself incorporates global, 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 and 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 identified where and how further savings could be achieved. The recommendations from the final report are being implemented and making savings in existing budgets.

The Commissioner has also commissioned specific pieces of work with partners and the third sector. Each commissioning agreement requires performance details and achievement goals. 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 Chair from 1st April 2014 on the PCC Board, which; ensures regional activities continue to drive out further savings and improved working over the medium term financial period.

The joint audit and scrutiny panel receive audit reports, update reports 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 and 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 has terms of reference linked to the clear achievement of the police and crime plan priorities. These agreements clearly define the responsibility of each participant.

Regionally the five PCC's and forces collaborate to ensure resilience and deliver value for money. This is done under Section 22 agreements. During 2013-2014 the following arrangements for collaboration have been agreed and were in place: EMSOU, EMSOU-CT, EMSOU-FFI, EMSOU-MC, EMTSU, EMSCU, Learning and Development, Occupational Health, Payroll, Protected Person Services, RIPA and Risk Register.

The "Act" required PCC's 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 Commissioners website.

The OPCC and Force also have a Working Relationship Agreement, bringing clarity to the services required by the OPCC from functions under the Chief Constable's direction and control. The Draft Working Relationship Agreement is available on the Commissioners website.

2014-2015 will see further significant change as stage 2 of the Act is put in place. This has been planned for and the required changes to Governance arrangements have been put in place to ensure a smooth transition.

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. Charted 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 and Contracts.
- The Commissioner and Deputy Commissioners Code of Ethics.

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 him on 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 Commissioners website.

3.10 ***Developing Capacity and Capability***

Staff within the OPCC were directly transferred from the former Police Authority, bringing those skills with them. During 2013-2014 a further review of the existing staffing structure has been undertaken and a new structure reflecting the needs of an efficient and effective OPCC has been implemented.

During 2013-2014 and together with other local authorities and the fire service a CIPFA Graduate Trainee scheme has been put in place. The success of this scheme is being held as best practice for other areas to follow.

The Commissioner is now considering Apprenticeships for a post already identified within the new OPCC structure.

Members of the Joint Audit and Scrutiny Panel have undertaken inductions within the OPCC and Force during the year. Internal audit and external audit have also provided training on their roles and the roles of the members in providing an effective Audit Panel. CIPFA provided their training course to members in the region in September 2013.

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 has met his commitment to establishing two Public Stakeholder Forums 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.

3.12 **OTHER ACHIEVEMENTS DURING THE YEAR:**

- **Online Chats:** The Commissioner has supported further consultation with Young People with on line Chats and joined the Chief Constable for online chats with police officers and police staff.

- **Consultation on the policing estate:** The Force is continuing its work to examine areas of business where services can become more efficient and savings made as a means of navigating the current financial challenges.

- **Rural Crime Focus:** The Commissioner hosted a Strategic Resources and Performance Meeting which highlighted issues of rural and wildlife crime, marking his commitment to tackling the issues.

- **Purchase of EMSOU HQ:** The operational headquarters of the East Midlands Special Operations Unit has been bought by the region's five police forces. The purchase had been agreed by the Regional Police and Crime Commissioners and Chief Constables, with the East Midlands forces sharing the long-term financial savings.

- **Home Office rethink of PCSO powers:** The Commissioner initiated the Home Office to rethink PCSO powers, and it has been announced that there will be consideration of expanding PCSO legal powers.

- **Victims Code:** The publiction of the new Code of Practice for Victims of Crime (the Victims' Code) in October 2013 has been welcomed, with a Victims Strategy being prepared for 2014 for Nottinghamshire and Integrated Victims Services from October 2014 as the Commissioner is an early adopter.

- **The living wage accreditation:** Nottinghamshire Police is to be the first police force in England and Wales to sign up to a national campaign calling for all workers to be paid an hourly rate that matches the cost of living. The new Living Wage is £7.65 per hour, which is significantly higher than the Minimum Wage, which is £6.31.

4. REVIEW OF EFFECTIVENESS

4.1 The 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, it 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 Deputy Chief Constable. 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.

4.4 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. These have been reviewed further by the Chief Finance Officer with the Chief Executive, ACO Resources and the Deputy Chief Constable, in preparation for the Stage 2 Staff Transfer.

4.5 The internal auditors produce reports for the Joint Audit and Scrutiny Panel throughout the year and this work informs their annual assurance opinion in their annual report. For 2013-2014 they have rated the assurance level as adequate. The internal audit annual report is available on the website under the Audit and Scrutiny Panel meeting papers for June 2014.

4.6 The work of the HMIC is also reported to the Joint Audit and Scrutiny Panel and the Force produce regular reports to the panel on the implementation of all audit and inspection recommendations. The Audit and 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.

4.7 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 and Scrutiny panel.

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

4.9 There are areas to monitor further, which include the development and delivery of the Forces efficiency savings, which form part of the HMIC inspection regime, under Valuing the Police.

4.10 There will be further challenges and opportunities for partnership and community working for the Commissioner with the introduction of the Anti-Social Behaviour, Crime and Policing Act 2014, particularly around the need to consult on Community Triggers and Community Remedies.

4.11 Effectiveness of victims' services will transfer to the Commissioner from October 2014. As an early adopter, the Commissioner has in place an Integrated Victims Services Programme Board to manage the interoperability and delivery of services to victims.

4.12 The effectiveness of the Strategic Policing Requirement will be monitored by the use of a Strategic Toolkit produced by the College of Policing, and will form part of the assurance processes of the Joint Audit and Scrutiny Panel.

5. SIGNIFICANT GOVERNANCE ISSUES

FINANCIAL CLIMATE

5.1 This continues to dominate the public sector risk registers. The current Comprehensive Spending Review (CSR) required up to 20% cuts in grant funding to 2014-2015. Further cuts in the next CSR were announced on 26th June 2013.

5.2 To date the Force has delivered savings on average of £10m per annum. The Medium Term Plan sees this continuing up to 2020 at least. Savings of £12.7m have to be achieved in 2014-2015.

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.

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 is likely to result in 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 2015-16.

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. Similarly any further change to Partners funding is likely to have an impact on the Police and Crime budget or service delivery.

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 During 2013-2014, crime increased by 0.7% and ASB fell by 6.5% against an 8% target. Over the two year period (2011-12 to 2013-2014) crime has reduced 11.4% and ASB 38.8% toward a 50% reduction target.

5.9 Details on performance and the improvements made are reported to the Strategic Resources and Performance meeting as a standing item on the agenda. Performance details are also provided in the Commissioners update report which is reported to the Police and Crime Panel and the Audit and Scrutiny Panel. These are also available on the website and Nottinghamshire County Councils website. The Commissioner has weekly bi-lateral meetings with the Chief Constable to review performance.

5.10 The support of the Commissioner in increasing the numbers of officers and PCSO's and working closely with partner organisations mitigates this currently. However, as funding is restricted further it is probable that recruitment will be affected and risk mitigation reduced.

HUMAN RESOURCES

5.11 The Target Operating Model is developing a picture of what the Force will look like in 2020 as funding reduces year on year. One major change will be to the way of working and therefore the workforce mix and numbers of officers and staff will change.

5.12 BME recruitment and retention to reflect the communities of Nottinghamshire will continue 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 2011-12. The ruling is currently being appealed.

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. Work on this commenced in 2013-2014 and is currently being finalised.

5.15 A board of senior management had been in place to develop the transfer order for the Home Secretary and ensure a smooth transition. The Transfer Order has now been finalised and signed off by the Home Secretary.

INFORMATION GOVERNANCE

5.16 The arrangements for information governance need 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.

Nottinghamshire
POLICE & CRIME COMMISSIONER

ANNUAL ASSURANCE STATEMENT

2013-2014

SIGNED:

Mr Paddy Tipping
Police & Crime Commissioner
23 September 2014

Mr Kevin Dennis
Chief Executive – Office of the Police & Crime Commissioner
23 September 2014

Mrs Charlotte Radford
Chief Finance Officer – Office of the Police & Crime Commissioner
23 September 2014

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 Commissioner 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 (Chief Constable or CCN)

Comprehensive Income and Expenditure Statement (CIES)

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)
This calculates the increase in the present value of pension liabilities generated in the financial year by employees. It estimates the true economic cost of employment, 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 to be used only for a specific, “earmarked” purpose.

Emoluments
See remuneration below

Financial Year
The period covered by a set of financial Accounts – these accounts cover 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 (The Commissioner)

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 (The Commissioner, PCC)

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 Commissioner 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 the monetary value of non-cash 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)
Central Government grant, distributed to Local Authorities according to a pre-determined formula.

Section 22 Agreement
Official legal agreement used to formalise the arrangements of the JCO's.

The Act
The Police Reform and Social Responsibility Act 2011.

The Code
The Code of Practice on Local Authority Accounting 2013-2014.

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.