Annual Accounts 2017-18

Nottinghamshire Police & Crime Commissioner and Group

Nottinghamshire
POLICE & CRIME
COMMISSIONER


BROADWAY
CINEMA

CONTENTS

COMMISSIONER'S FOREWORD

COMMISSIONER'S FOREWORD

There are many measures of success in policing, from solving crime and supporting victims, through to communicating effectively with local people, meeting expectations and preventing harm.

Throughout 2017-18 we've continued to push the boundaries of good service and this annual report reflects the positive changes.

As always, we've had to balance our aspirations against the pressures of demand, financial constraints, emerging risks and resource restrictions, but the scale of progress has once again been significant.

The proportion of crimes resulting in a positive outcome for example, continues to exceed the average rate for England and Wales and we've continued to improve our response to high risk crime, hidden harm and safeguarding, which has increased reporting of domestic abuse, sexual abuse and child exploitation, as well as strengthening public awareness of how to access help.

This progress has been recognised by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) which assessed the force as "good" at keeping people safe, reducing crime and treating the public with fairness and respect in its 2017 inspection.

We're continuing to transform the way we work and the recent budget will see much needed 'meat on the bone' in our frontline with the planned recruitment of 80 additional officers across the Force. It will also give us an opportunity to increase diversity across the Force and fulfil my commitment to build a truly balanced workforce.

Financially, we're in a strong position with reserves being repaid at a faster rate than budgeted. This will allow future planning in relation to the Force estate and continued investment in IT to support the newly recruited police officers.

Victims of crime in Nottinghamshire are receiving enhanced support through newly funded services, including a new adult Sexual Assault Referral Centre (SARC) which was co-commissioned with NHS England to deliver forensic examination and crisis support in one place. Additionally, a new regional paediatric SARC has been co-commissioned with NHS England to provide more comprehensive support to children and young people from hubs in Nottinghamshire and Northamptonshire.

Meanwhile, we've commissioned a new Independent Sexual Violence Advisor (ISVA) ensuring all victims and survivors of sexual violence will have access to practical, emotional and advocacy support.

I've also joint-funded with the City and County Councils a new support service for survivors of sexual abuse which occurred in an institutional care setting and invested extra funding into the city's Independent Domestic Violence Advisors (IDVA) service in order to meet rising demand. Elsewhere, there have been significant improvements to how well we engage with

local people. The introduction of my Police and Crime Survey in 2017-18 has enhanced our understanding of local communities, their experiences, perceptions and needs.

Similarly, the Youth Commission is building relationships with young people. Its research saw the launch of the "Know Your Rights" film giving a frank and detailed insight into the use of stop and search powers. This project went on to win third place in the National Crimebeat Awards in 2018.

None of these improvements of course, would be possible without the dedication and commitment of our staff and partners. Our police officers, PCSOs, police staff, volunteers and community workers go above the call of duty every day and are the reason why Nottinghamshire is safe. We really do appreciate their efforts.

Paddy Tipping
Nottinghamshire Police and Crime Commissioner

COMMISSIONER'S FOREWORD

WRITTEN STATEMENTS AND CHIEF FINANCE OFFICER'S NARRATIVE REPORT

NOTTINGHAMSHIRE

Nottinghamshire is a diverse county. It has a mixture of affluent communities and those developing from being former mining areas. The County's major urban area is the City and it's surrounding conurbation is mainly in the south with the majority of the north and east of the County being rural.

There is a population of approximately 1.1m within the City and County.

The majority of properties across the City and County fall within Council Tax bands of A and B.

Nottinghamshire is one of five regional Forces in the East Midlands and works closely with the other four to provide a seamless and efficient service.

Nottinghamshire also collaborates with other forces for the provision of transactional services relating to Human Resources, Payroll and Finance.

Central Government funding provides the Commissioner with approximately 70% of the funding required to police Nottinghamshire. The remainder is met from local council tax payers.

For 2017-18 the Government Grant was cut by £1.8m reflecting the assumptions of increased income from council tax. This still required savings of £5.5m to be achieved by the Force. This has been exceeded and is detailed in the Financial Performance section of this statement.

The funding formula review has been further delayed and it is unlikely to be changed before the next General Election. The current funding formula has never been fully implemented, as a result Nottinghamshire continues to lose out under a mechanism that protects over-funded forces.

Brexit will continue to create uncertainty about the future of Central Government funding, and therefore the impact this may have on police funding in the future. The results could be positive or negative, but are not currently quantifiable.

GOVERNANCE

The Commissioner is responsible for the totality of policing within the policing area; with operational policing being the responsibility of the Chief Constable.

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

The annual review of Governance and Internal Control is included within the arrangements for producing the Annual Governance Statement. This also includes the governance arrangements of the Chief Constable.

PERFORMANCE

Protect, support and respond to victims, witnesses and vulnerable people

Improve the efficiency, accessibility an effectiveness of the criminal justice process

Focus on priority crime types and those local areas that are most affected by crime and anti-social behaviour

Reduce the impact of drugs and alcohol on levels of crime and anti-social behaviour

Reduce the threat from organised crime

Prevention, early intervention and reduction in re-offending

Spending public money wisely

PERFORMANCE

Achievements 2017-18

Over the last year we have made significant changes to improve the way in which we work:

- Compliance with the National Crime Recording Standard resulted in an increase in Total Crime of 18.4%.
- A new adult Sexual Assault Referral Centre (SARC) was co-commissioned with NHS England, which has integrated forensics examination and crisis support (previously delivered separately).
- A new regional paediatric SARC has been co-commissioned with NHS England, which will provide a much more comprehensive support service to children and young people from hubs located in Nottinghamshire and Northamptonshire.
- A new Independent Sexual Violence Advisor service has been commissioned, which will ensure, for the first time that all victims and survivors of sexual violence will have access to practical, emotional and advocacy support.
- A dedicated support service for survivors of sexual abuse, which took place in institutional care has been set up, funded by the Commissioner, City and County Councils.
- The Commissioner has invested additional funding into the City's Independent Domestic Violence Advisor (IDVA) Service, in order to meet the rising demand.
- The new Chief Constable has appointed a new senior team during the year.
- Force expenditure has come in below budget and the contribution to reserves was better than originally anticipated.
- Anti-Social Behaviour (ASB) fell by 3.3% during the year.
- Crime types (ranked nationally) which reduced during the year include:
  - Most serious violence (ranked 1st)
  - Theft from a person (ranked 3rd best)
  - Bicycle theft (ranked 5th best)
- The top three crime types with the highest % increases (with national rankings) are:
  - Rape (ranked 7th)
  - Homicide (ranked 8th)
  - Vehicle theft (ranked 1st)
- The number of non-crime related mental health patients detained in custody suites fell by 40%.
- The Early Guilty Plea rate for the Magistrates' Court improved by 11.2%.
- During the year, the total number of 999 calls decreased by 1.6% (2,904 fewer calls)
- The number of young people (<15 years) Killed or Seriously Injured (KSIs) on Nottinghamshire's roads has reduced 55.5% since the 2005-2009 average baseline.
- In the 12 months to January 2018, the Force surveyed a total of 826 domestic abuse survivors, 92.4% of those surveyed were fairly, very or completely satisfied with the service they received from the Force.

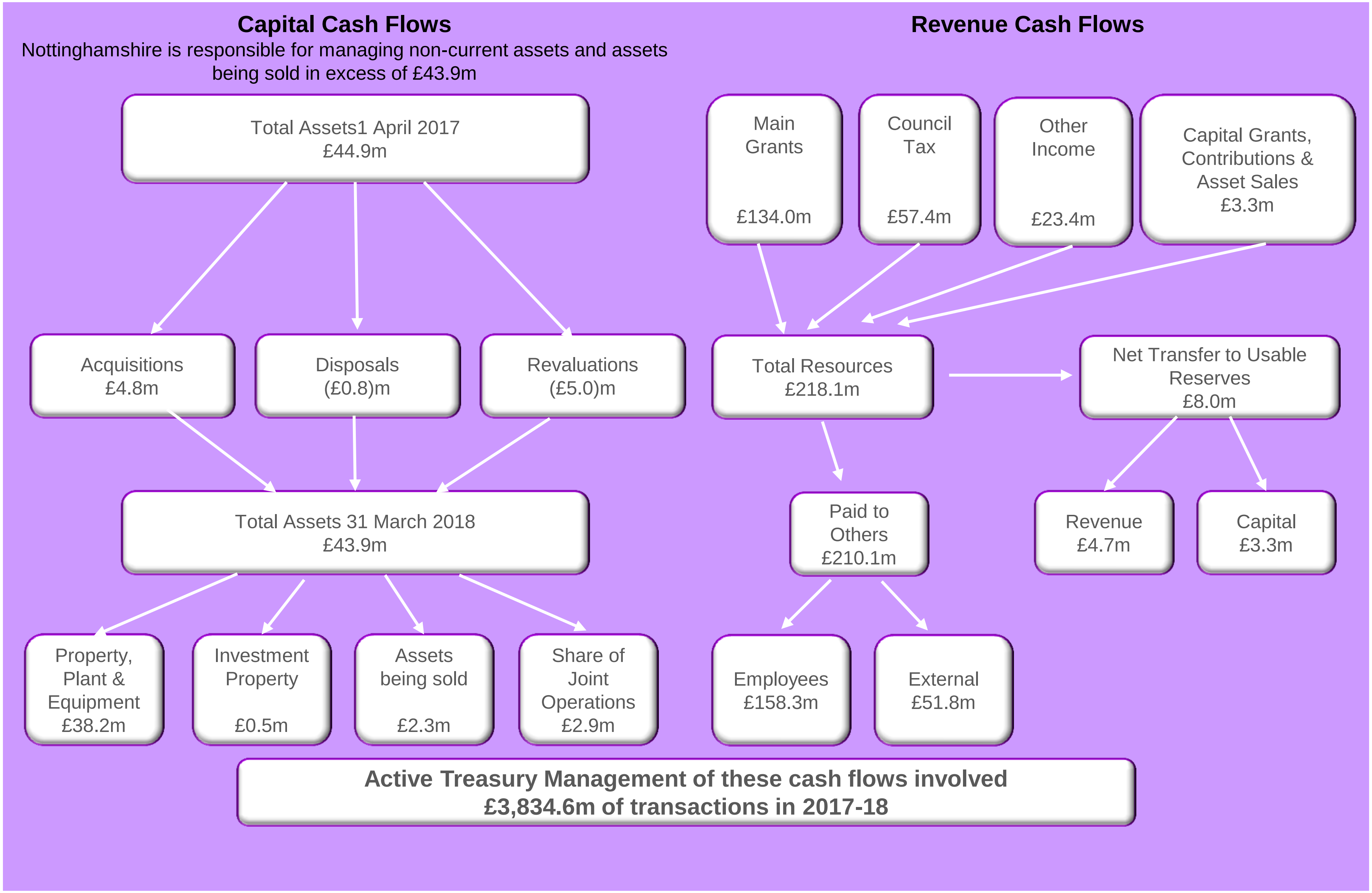
PERFORMANCE (continued)

Achievements 2017-18

- Whilst recorded crime has increased by 18.4% during the year, risk of crime (personal, excluding computer misuse and fraud) is at an all-time low at the end of March 2018.
- An increasing organisational focus on responding to issues of greatest threat, risk and harm has led to significant increases in the number of vulnerable people identified and protected in 2017-18. This included victims of historic sexual offences, missing and absent person incidents and child protection-related crimes.
- The Force has also seen marked improvements in compliance with crime recording standards during the year. This has resulted in a more accurate profile of local victimisation rates and more victims being identified and supported.
- The proportion of crimes resulting in a positive outcome such as a charge, summons, caution or out of court disposal in Nottinghamshire continues to exceed the England and Wales average.
- Continued improvements in the response to high risk crime, "hidden harm" and safeguarding in 2017-18, has led to greater reporting of domestic abuse, sexual abuse, child sexual exploitation and modern slavery over the past year. There has also been improvements in public awareness, agency recording and safeguarding practices.
- Our understanding of our communities and their experiences, perceptions and needs was significantly enhanced in 2017-18 by the introduction of the Commissioner's Police and Crime Survey. This assists in building a complete picture of the prevalence and impact of crime, including crimes not reported to the police. This ensures we target our resources more effectively.
- In 2017, HMICFRS commended Nottinghamshire Police for the significant progress it has made over the year. The Force's performance in keeping people safe, reducing crime and treating the public with fairness and respect was assessed as "good".
- Nottinghamshire Youth Commission has delivered an extensive programme of youth engagement. This culminated in the delivery of a stop and search "Know Your Rights" road show and awareness raising film. The project received national recognition and went on to receive a national Crime Beat Award in 2018.

More information regarding performance can be found within the Annual Report published on the Commissioner's website.

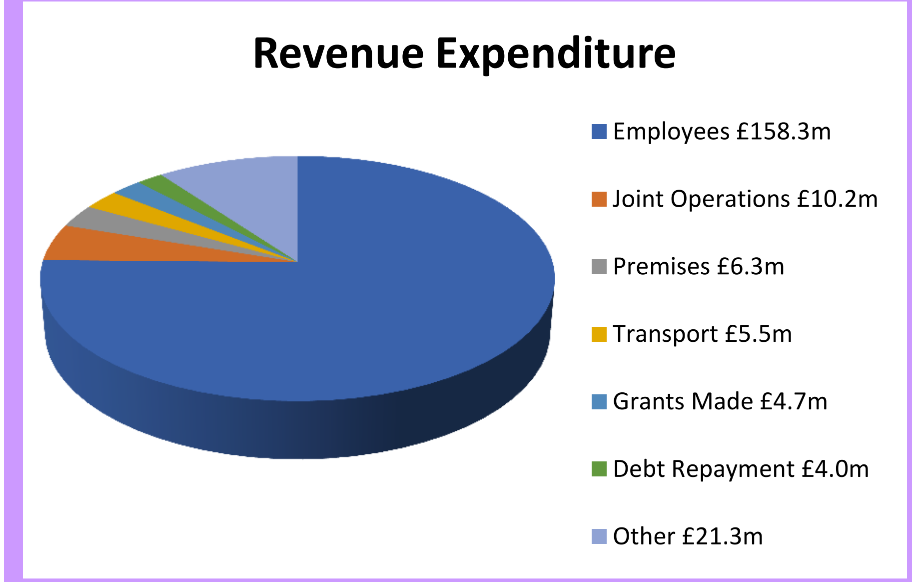
FINANCIAL PERFORMANCE



The revenue figures illustrated above do not include the adjustments made for IFRS or balances held in Joint Operations. These are included within the main financial statements which comply with the Accounting Code.

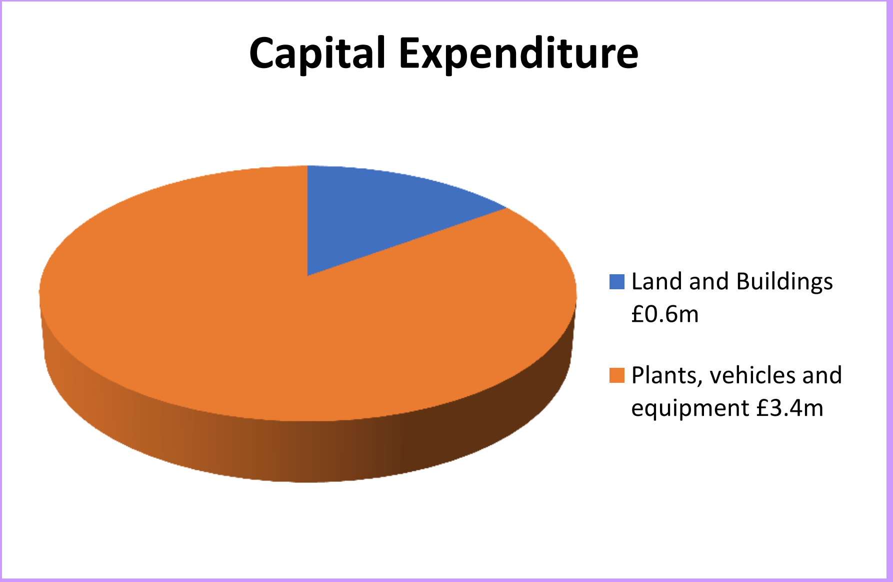
FINANCIAL PERFORMANCE (continued)

Revenue Expenditure



Financed by:	**£m**
Police and Crime Grant	124.3
Legacy Grant	9.7
Precept	57.3
Other Income	21.3
Net Contribution to Reserves	(2.3)
	210.3

Capital Expenditure



Financed by:	**£m**
Voluntary Revenue Provision	0.2
Capital Grants	2.8
External Borrowing	1.0
	4.0

Note: these revenue figures reflect the approved expenditure for the year. They do not include any adjustments required for IFRS as detailed within the financial statements.

FINANCIAL PERFORMANCE (cont.)

Capital Expenditure

Nottinghamshire continues to have an ambitious capital programme. The main areas of expenditure for the next few years are:

- New custody suite.
- Maintaining the existing estate.
- Updating and replacing IT.
- Exploring opportunities with the Fire Service and EMAS.

Provisions and Reserves

The Insurance Provision required additional contributions during the year to meet the cost of potential claims outstanding.

Reserves received in year include contributions to partly offset the reduction over the previous two years.

At 31 March 2018	**£m**
TOTAL PROVISION	4.4
TOTAL USABLE REVENUE RESERVES	23.9
TOTAL USABLE CAPITAL RESERVES	3.9

WHO WORKS FOR NOTTINGHAMSHIRE POLICE

Nottinghamshire Police (including the Office of the Police and Crime Commissioner) employs approximately 1,965 police officers, 193 PCSOs, 175 specials and 1,275 staff in full-time and part-time positions.

Active recruitment plans for 2018-19 include positive action to improve the diversity of Nottinghamshire Police to reflect more closely that of the County.

The College of Policing is working actively to provide apprenticeship entry into policing. Nottinghamshire pay an apprenticeship levy equating to 0.5% of the total pay bill. This can be utilised to pay for apprenticeship training and to accredit specific specialist roles to a professional standard, including degree level.

This will allow areas with skills shortage and future skills growth areas to be focused upon.

Overall Equality Characteristics

Gender	Headcount	%
Male	2,022	56.1
Female	1,586	43.9

Age Band	Headcount	%
25 and under	315	8.7
26-40	1,454	40.3
41-55	1,556	43.1
56 or over	283	7.9

Self-Declared Disability	Headcount	%
No	3,458	95.8
Yes	103	2.9
Unspecified	47	1.3

Ethnicity	Headcount	%
Asian/Asian British	97	2.7
Black/Black British	42	1.2
Mixed	44	1.2
White/White British	3,326	92.1
Other	3	0.1
Not known/provided	96	2.7

PRINCIPAL RISKS

A risk management strategy is in place to identify and evaluate risk. There are clearly defined steps to support better decision making through the understanding of risk. This is for both positive opportunities or threats and includes an assessment of the likely impact. The risk management processes are subject to regular review and updates. The key strategic risks are:

RISK	IMPACT	MITIGATION
Brexit	Detrimental impact of Brexit on public sector financing.	Monitor national activity of the Government – consider lobbying through representative bodies.
Funding Formula Review	Could result in either a positive or negative impact on the amount of police grant Nottinghamshire receives.	Proactive work by the Commissioner on the National Review Body.
Level of Reserves	Insufficient reserves to meet significant risks.	This has improved significantly with annual targets for replacement being exceeded each year. This now provides opportunity for investment in IT and property.
Changes to Crime Types	The need for officers to be trained in new areas of growing crime such as on-line crime. Whilst continuing to manage traditional crime such as burglary.	Recruitment and training of officers with these skills.

Explanation of Accounting Statements

The Statement of Accounts sets out the Group income and expenditure for the year and its financial position at 31 March 2018. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accountancy in the United Kingdom 2017-18; which in turn is underpinned by International Financial Reporting Standards.

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

There has been a restatement of 2016-17 This was to correct an error in the allocation of the Pension Reserve between The PCC and the Chief Constable.

The Core Statements

The Comprehensive Income and Expenditure Statement (CIES) records all income and expenditure for the year. The top half of the statement includes policing activity. The bottom half of the statement deals with corporate transactions and funding. It includes actuarial valuations in accordance with the code.

The Movement in Reserves Statement (MIRS) is a summary of the changes to the reserves during the course of the year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable", which must be set aside for specific accounting purposes.

The Balance Sheet is a "snapshot" of the assets, liabilities, cash balances and reserves at the year-end date.

The Cash Flow Statement – shows the reasons for changes in cash balances during the year, whether the change is due to operating activities, new investment or financing activities (such as the repayment of borrowing and other long term liabilities).

The Supplementary Financial Statements

- The Annual Governance Statement sets out the governance arrangements in place and the key internal controls.
- The Pension Fund Account provides detail about transactions in relation to the Pension Fund Account for police officers. Details relating to the Local Government Pension Scheme for staff (including PCSO's) are provided in the notes to the accounts.
- The Notes to the Accounts – these provide more detail about the accounting policies and individual transactions.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Nottinghamshire (the Police and Crime Commissioner) for the year ended 31 March 2018 which comprise the Police and Crime Commissioner and the Group Comprehensive Income and Expenditure Statement(s), the Balance Sheet(s), the Movement in Reserves Statement(s), the Cash Flow Statement(s) and the related notes, including the accounting policies on page 42

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 2018 and of the Police and Crime . Commissioner and the Group expenditure and income for the year then ended; and

•have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Police and Crime Commissioner in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements . We have nothing to report in these respects .

Other information published with the financial statements

The Chief Financial Officer is responsible for the other information published with the financial statements, including the Narrative Report and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Chief Financial Officer's responsibilities

As explained more fully in the statement set out on page 23, the Chief Financial Officer is responsible for: the preparation of the Police and Crime Commissioner's financial statements in accordance with proper practices as set out in the CIPFAILASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Police and Crime Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Police and Crime Commissioner will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements .

A fuller description of our responsibilities is provided on the FRC's website at www .frc.org.uklauditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2017, with the exception of the matters reported in the basis for qualified conclusion paragraph below, we are satisfied that, in all significant respects, the Police and Crime Commissioner did put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for qualified conclusion

On 22 March 2017, the Business Case for the upgrade of the Police's back office system by the Multi Force Shared Service (MFSS) to "Oracle Cloud Computing" (project Fusion) was approved. On review of the progress of the project in 2017-18, it was noted that:

- The project was unlikely to be delivered by the expected implementation date of 1 April 2018;
- As a result of the delayed implementation and the addition of a new partner, the project was projected to overspend by £4.995m of which £1.289m would be borne by Nottinghamshire Police and Crime Commissioner and the Chief Constable; and
- The expected functionality of the newly implemented system was not in line with the original scope, which will reduce the recurring revenue savings expected from implementing the project.

In investigating these issues, Nottinghamshire Police identified that MFSS did not have adequate governance and monitoring arrangements in place to enable them to exercise significant influence on the progress of the project. As such we have concluded that these issues are evidence of weaknesses in the Nottinghamshire Police and Crime Commissioner's arrangements for commissioning services effectively to support the delivery of strategic priorities.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its 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 its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner , as a body, those matters we are required to state to them 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 , as a body, for our audit work, for this report, or for the opinions we have formed.

INDEPENDENT AUDITOR'S REPORT CONTINUED

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

Due to work on the WGA Return not being completed by the date of the audit report

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

Andrew Cardoza
for and on behalf of KPMG LLP, Statutory Auditor Chartered Accountants
One Snowhill
Snow Hill Queensway Birmingham
84 6GH

31 July 2018

STATEMENT OF RESPONSIBILITIES

The Responsibilities of the Commissioner

The Commissioner is required to:

- Make arrangements for the proper administration of the financial affairs for the group and to secure that one of his officers has the responsibility for the administration of those affairs, in line with statute this is the Section 151 Officer.
- Manage the groups affairs to secure economic efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Responsibilities of the Chief Finance Officer

The Section 151 Officer is responsible for the preparation of the Group Accounts. The statements are required by the CIPFA Code of Practice on Local Government accounting, to present fairly the financial position of the Group at the accounting date and the income and expenditure for the year then ended.

In preparing the Statement of Accounts the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently except where policy changes have been noted in these accounts.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

The Section 151 Officer has also:

- Kept proper accounting records which are up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification

I certify that in my opinion this Statement of Accounts present a true and fair view of the financial position of the Chief Constable as at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

C Radford CPFA
Chief Finance Officer
Nottinghamshire Police and Crime Commissioner
30 July 2018

The Statement of Accounts was approved by the Joint Audit and Scrutiny Panel on 24 July 2018

P Tipping
Nottinghamshire Police & Crime Commissioner
30 July 2018

INTRODUCTION

Police and Crime Commissioners are designated as Local Authorities for accounting purposes. As such they are required to annually review the Governance procedures in place for the Office of the Police and Crime Commissioner and the Group.

The preparation and production of the Annual Governance Statement is in accordance with the CIPFA/SoLACE Delivering Good Governance in Local Government Framework (2016) (the Framework). This Framework requires Commissioners to be responsible for ensuring that:

- Their business is conducted in accordance with all relevant laws and regulations
- Public money is safeguarded and properly accounted for
- Resources have been used economically, efficiently and effectively to achieve agreed priorities within the Police & Crime Plan

The Framework also expects that the Commissioners will put in place proper arrangements for the governance of their affairs, which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

The Commissioner is compliant with the CIPFA Statement on the Role of the Chief Finance Officer (particularly relating to Policing).

KEY ELEMENTS OF THE COMMISSIONER'S GOVERNANCE FRAMEWORK

Police & Crime Plan

- Sets the priorities for policing
- Sets the priorities for supporting victims
- Sets direction for the use of resources

Scrutiny & Review

- Public meetings – Strategic Resources and Performance to hold the Chief Constable to account
- Joint Audit & Scrutiny Panel – to challenge and review the governance and actions of the OPCC and Force
- Public Consultation and Stakeholder events – to seek public opinion on priorities, police activity and the budget

- **Police & Crime Panel**
- Formalise the appointment of the Commissioner
- Independent body to review decisions of the Commissioner
- Challenge and support the aims of the Police & Crime Plan
- Review and agree the proposed level of precept
- Agree the appointment of the Chief Constable

Decision making

- Public meetings recorded
- Decision records published on the Commissioner's website
- Risk management reported to Audit & Scrutiny regularly

Effective Management Team

- Chief Executive is the Monitoring Officer responsible for governance
- Chief Finance Officer is the s151 Officer responsible for safeguarding the financial position of the group

HOW WE COMPLY WITH THE CIPFA SOLACE FRAMEWORK	PRINCIPLE A **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the law.**	PRINCIPLE B **Ensuring openness and comprehensive stakeholder engagement**
The Commissioner has approved and adopted: • Code of Corporate Governance • The requirements of the CIPFA/SoLACE Framework: Delivering Good Governance in Local Government Framework • A number of specific strategies and processes for strengthening corporate governance Set out below is how the Commissioner has complied with the seven principles set out in the CIPFA/SoLACE Framework during 2017-18.	The Commissioner has endorsed the Code of Corporate Governance, which provides guidance on expected standards of behaviours to ensure integrity. The Commissioner has approved the Anti-Fraud, Bribery and Corruption policies. The Audit and Scrutiny Panel receives reports on how these arrangements have been applied during the year. There is a Whistle Blowing policy in place, which together with declaration of interests from the Commissioner, staff and police officers ensures ethical standards are being monitored and adhered to. Any whistle blowing activities notified are investigated by the Professional Standards Department and appropriate action is taken. The Section 151 Officer and Monitoring Officer have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to the Commissioner and Audit and Scrutiny Panel or Police and Crime Panel.	All meetings of the Joint Audit and Scrutiny Panel, Strategic Resources and Performance Panel and the Police and Crime Panel are open to the public. Papers, reports and decisions made by the Commissioner are published on the Commissioners website together with consultation and public surveys. The Commissioner has a public engagement consultation strategy which sets out how we engage with stakeholders, partners and the public, through a combination of collaborative working, representation on boards, stakeholder consultation meetings and attendance at public community events.

PRINCIPLE C Defining outcomes in terms of sustainable, economic, social and environmental outcomes	PRINCIPLE D Determining the intervention necessary to optimise the achievement of intended outcomes	PRINCIPLE E Developing capacity and capability
The Police and Crime Commissioner publishes a four year Police and Crime Plan which is refreshed annually. This is informed by the Strategic Policing Requirement, strategic assessments of the force and local partners combining into the Police and Crimes Needs assessment and reflective of emerging priorities for policing in Nottinghamshire. This plan is used to direct the resources of the Commissioner and Chief Constable. It informs the revenue budget on where resources are most needed and the Capital investment programme to identify the priority needs for investment. Capital investment must meet the requirements of the prudential code in that they must be affordable. There are regular reports in compliance with the code during the year.	All new areas of business require a formal business case to be submitted. These business cases go through an internal approval process within the force before sign off by the Chief Constable or Commissioner depending on the value or public interest. The same is true of business cases relating to Regional collaborations. The approval process is slightly different in that groups of officers form layers of approval (e.g. Operation Group, Deputy Chief Constable Board, Chief Finance Officer Board, Chief Constable Board and Police and Crime Commissioner Board). The end result is the same with the Police and Crime Commissioners signing off the final business cases.	The Force works closely with the College of Policing to ensure we maximise our investment in officers and staff. This now includes the apprenticeship scheme for new recruits and further development of officers aspiring into senior ranks. Nottinghamshire is the first force to recruit new officers on the national apprenticeship scheme. Internally, the Force and OPCC are identifying posts within the staffing structures that could be provided through the apprenticeship scheme. We have worked with local authority partners in the training and development of CIPFA qualified staff and will continue to identify other joint training schemes wherever possible.

PRINCIPLE F Managing risks and performance		PRINCIPLE G Implementing good practices in transparency, reporting and accountability
Performance is a key driver for the Force. This year there has been a national focus on ensuring compliance with the National Crime Recording Standard. This resulted in a reported crime increase during the year (18.4% for Nottinghamshire's total crime for 2017-18). However, we were well ranked best for tackling most serious crime. The Force continues to experience a significant reduction in the number of people held in custody with mental health issues; ensuring these people are now directed to the correct help at first point of contact. The Office of the Police & Crime Commissioner and the Force have a joint risk management strategy and monitor risks through the same system. The strategy has recently been reviewed and will be reported to the Joint Audit & Scrutiny Panel in May 2018. These strategic risks are monitored reported to every meeting of the Joint Audit and Scrutiny Panel. The Office of the Police & Crime Commissioner will be developing a risk plan linked to the new Police & Crime Plan.	There are joint policies in place for Risk Management; Anti-fraud, corruption and bribery and together with the financial regulations set out expected processes and internal controls. We have a regional contract for the provision of Internal Audit. The Internal Audit team regularly provides reports on the effective operation of control and an annual report of the overall control environment. Lessons are learnt across forces through this shared contract. The Professional Standards department provides reports on actions within the disciplinary process and on lessons learnt nationally from the IPCC. An external community panel has been set up to review discrimination complaints. All recommendations from external and internal reviews (e.g. Audit and HMICFRS) are collated, reviewed and regularly reported on.	All decisions of the Commissioner are published on the website, together with any supporting information to explain why any particular option was taken. The Police and Crime plan together with financial strategies and internal policies are also published and reviewed regularly. Reporting of performance both operational and financial is undertaken on a regular basis. And the Commissioner meets with the Chief Constable on a weekly basis to challenge where the performance is slipping. The Police and Crime Panel meet regularly to hold the Commissioner to account for the decisions being taken. The minutes of this public meeting are published on the County Council website. In 2017-18 Nottinghamshire OPCC was awarded the "Transparency Quality Mark" by CoPaCC for the third year running.

REVIEW OF EFFECTIVENESS

The Commissioner uses a number of ways to review and assess the effectiveness of its governance arrangements, as set out below:

Assurance from Internal Audit

One of the key assurance statements that the Commissioner receives is the annual audit report and opinion of the Head of Internal Audit. During 2017-18, eleven areas including collaboration areas were reported on. Of which nine were deemed to be satisfactory (83% of local recommendations and 100% of regional recommendations). All key financial systems have been audited and considered satisfactory, during the year.

Of the remaining two areas reviewed, none were core financial systems and eight of fifteen recommendations were identified as Priority 1 (fundamental). These are detailed within the published annual report and will be monitored and reviewed during 2018-19. The internal auditors opinion for 2017-18 is that in the areas audited this was generally adequate and effective risk management, control and governance processes were in place to manage the achievement of the organisations objectives.

Assurance from External Audit

The External Auditor, KPMG, provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing value for money.

The Annual Governance report (ISA 260) will be issued to the Audit and Scrutiny Panel with the final statements including this Annual Governance Statement.

Self-Assessment and Review of Key Performance Indicators

The Chief Executive and Chief Finance Officer of the OPCC have undertaken a review to confirm that the arrangements described above have been in place throughout the year. Assurance questionnaires have been completed and signed to provide confirmation that Codes of Conduct, Financial Regulations and other corporate governance processes, have been operating as intended throughout the year so far as they are aware.

A number of key outcome indicators exist to assess the quality of governance arrangements. Performance is set out below:

Governance Issues Identified	Performance Indicator
Formal Reports Issued by the s151 or Monitoring Officer	None issued
Outcomes from Monitoring Officer's Investigations	None issued
Proven frauds by members of staff or officers	One identified 2017-18 relating to external funds
Objections received from local electors	None
Ombudsman referrals upheld exceed national averages	None identified 2017-18
Limited assurance from Internal Audit Reports	Two out of eleven Internal Audit reports were issued with limited assurance

Follow-up of issues identified in 2016-17	
Issues identified:	**Action taken:**
Levels of reserves were considered to be low but compared with the previous year this was improving significantly	The repayment of reserves has continued at a pace faster than estimated. This is now a good position and will allow investment in assets going forward.
Collaboration – Governance arrangements	A Section 22 Agreement for Multi-Force Shared Service has been signed. The Chair of the Oversight Board has undertaken a review of governance and suggested changes in the year. Terms of Reference have been reviewed
Internal Audit – limited assurance on Key Financial Systems	None of the Key Financial Systems were considered to have limited assurance. The two audits with limited assurance were Seized Property and the Road Safety Partnership. These will be followed-up in 2018-19. Of the five audits with limited assurance in 2016-17: two have been reviewed and found to be satisfactory (implementation of DMS and Procurement); two have been deferred to 2018-19 for follow-up (Data Protection Act Compliance and Risk Management) and one regional audit has been followed-up by Derbyshire during the year and found to be low risk. This report has now been provided to the Audit & Scrutiny Panel (EM Legal Services).
Economic Outlook	The settlement for 2018-19 and 2019-20 provides opportunity to delivery balanced budgets for the medium term. However, a funding formula review will take place probably post the next CSR and this provides some uncertainty. The public finances continue to be monitored in light of Brexit and the potential impact on police funding.

CONCLUSION

The Commissioner is satisfied that the appropriate governance arrangements are in place, however he remains committed to maintaining and wherever possible improving these arrangements, in particular by:

- Addressing the issues identified by internal audit as requires improving
- Addressing the issues identified by HMIC as requiring improvement
- Continued dialogue with the public through the Engagement Strategy and public meetings

SIGNED

Paddy Tipping
Nottinghamshire Police and Crime Commissioner
24 July 2018

Kevin Dennis
Chief Executive

24 July 2018

Charlotte Radford CPFA
Chief Finance Officer
24 July 2018

CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT (CIES)
(includes Prior Period Adjustment see note 3)

The Service analysis in the CIES is based on reporting to management and as such follows the two services being funding to the Chief Constable for policing and the Office of the Police and Crime Commissioner.

The CIES shows the accounting cost in the year of providing services in accordance with the Code, on an accruals basis rather than a cash basis. Revenue income and expenditure is measured at fair value in the year to which it relates, and not when cash payments are made or received. Interest both receivable and payable on is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than by the contractual cash flows.

Supplies not consumed within the year are carried on the Balance Sheet as Inventory. If required a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts are doubtful, the debt is written off by a charge to the CIES.

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.

There are charges to the CIES for capital to record the true cost of holding fixed assets during the year as follows:

- 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). The MRP is chargeable to the council tax payer and is the way that purchasing capital assets is made - approximately over the useful life of the asset.

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.

The reconciliation to the amount received from main grants and taxation is explained by the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2016-17					PCC & GROUP CIES		2017-18				
PCC Exp' £'000	PCC Income £'000	PCC Net £'000	CC Net £'000	Group Total £'000		Note	PCC Exp' £'000	PCC Income £'000	PCC Net £'000	CC Net £'000	Group Total £'000
228,295	0	228,295	(228,295)	0	Funding to Chief Constable		227,536	0	227,536	(227,536)	0
(17,411)	0	(17,411)	17,411	0	Prior years restatement – net pension cost error		0	0	0	0	0
5,472	(1,461)	4,011	199,619	203,630	Service cost		5,254	(1,641)	3,613	211,172	214,785
216,356	**(1,461)**	**214,895**	**(11,265)**	**203,630**	**Cost of Services**		**232,790**	**(1,641)**	**231,149**	**(16,364)**	**214,785**
20	(1,344)	(1,324)	0	(1,324)	Other Operating Expenditure	2.6	930	(1,053)	(123)	0	(123)
1,970	(648)	1,322	44,544	45,866	Financing and Investment	2.4	1,910	(194)	1,716	72,469	74,185
0	(229,314)	(229,314)	0	(229,314)	Taxation and Non Specific Grant Income	2.5	0	(238,715)	(238,715)	0	(238,715)
218,346	**(232,767)**	**(14,421)**	**33,279**	**18,858**	**(Surplus) or Deficit on Provision of Services**	**2.1 & 2.8**	**235,630**	**(241,603)**	**(5,973)**	**56,105**	**50,132**
		264	0	264	(Surplus) or deficit on revaluation of Property, Plant and Equipment				(19)	0	(19)
		871	521,784	522,655	Re-measurement of the net defined benefit liability / asset				(250)	(165,866)	(166,116)
		1,135	**521,784**	**522,919**	**Other Comprehensive (Income) and Expenditure**				**(269)**	**(165,866)**	**(166,135)**
		(13,286)	**555,063**	**541,777**	**Total Comprehensive (Income) and Expenditure**				**(6,242)**	**(109,761)**	**(116,003)**

2016-17			GROUP CIES		2017-18		
Expenditure £'000	Income (Note 2.3) £'000	Net £'000		Note	Expenditure £'000	Income (Note 2.3) £'000	Net £'000
226,637	**(23,007)**	**203,630**	**Group Cost of Services**		**237,397**	**(22,612)**	**214,785**
20	(1,344)	(1,324)	Other Operating Expenditure	2.6	930	(1,053)	(123)
86,033	(40,167)	45,866	Financing and Investment	2.4	79,944	(5,759)	74,185
0	(229,314)	(229,314)	Taxation and Non Specific Grant Income	2.5	0	(238,715)	(238,715)
312,690	**(293,832)**	**18,858**	(**Surplus) or Deficit on Provision of Services**	**2.1 & 2.8**	**318,271**	**(268,139)**	**50,132**
		264	(Surplus) or Deficit on revaluation of Property, Plant and Equipment				(19)
		522,655	Re-measurement of the net defined liability/asset				(166,116)
		522,919	**Other Comprehensive (Income) and Expenditure**				**(166,135)**
		541,777	**Total Comprehensive (Income) and Expenditure**				**(116,003)**

MOVEMENT IN RESERVES STATEMENT (includes Prior Period Adjustment see note 3)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held. Usable Reserves are set aside for future policy purposes or to cover contingencies. The Unusable Reserves manage the movements as a result of accounting adjustments required by the Code, for capital, financial instruments, retirement, and employee benefits.

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 to avoid impacting on council tax.

Group Movement in Reserves	General Fund Balance	Earmarked General Fund Reserves (Note 3.1)	Capital Receipts Reserve (Note 3.2)	Capital Grants Unapplied Account (Note 3.2)	Total Usable Reserves	Unusable Reserves (Note 3.3 & 3.4)	Group Total Reserves
2017-18	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2017	**(7,075)**	**(11,783)**	**(3,293)**	**0**	**(22,151)**	**2,746,383**	**2,724,232**
Error correction from previous year	**0**	**(40)**	**0**	**0**	**(40)**	**40**	**0**
Corrected balance as at 31 March 2017	**(7,075)**	**(11,823)**	**(3,293)**	**0**	**(22,191)**	**2,746,423**	**2,724,232**
Movement in reserves during 2017-18							
(Surplus) or deficit on the provision of services	50,132	0	0	0	**50,132**	**0**	**50,132**
Other Comprehensive (Income) / Expenditure	0	0	0	0	**0**	**(166,135)**	**(166,135)**
Total Comprehensive Income and Expenditure	**50,132**	**0**	**0**	**0**	50,132	(166,135)	(116,003)
Adjustments between accounting basis and funding basis under regulations **(Note 3.5)**	(55,162)	0	(594)	0	**(55,756)**	**55,756**	**0**
Net (Increase) or Decrease before Transfers to Earmarked Reserves	**(5,030)**	**0**	**(594)**	**0**	**(5,624)**	**(110,379)**	**(116,003)**
Transfers to / (from) Earmarked Reserves	5,030	(5,030)	0	0	**0**	**0**	**0**
(Increase) or Decrease in 2017-18	**0**	**(5,030)**	**(594)**	**0**	**(5,624)**	**(110,379)**	**(116,003)**
Balance at 31 March 2018	**(7,075)**	**(16,853)**	**(3,887)**	**0**	**(27,815)**	**2,636,044**	**2,608,229**

PCC Movement in Reserves	General Fund Balance	Earmarked General Fund Reserves (Note 3.1)	Capital Receipts Reserve (Note 3.2)	Capital Grants Unapplied Account (Note 3.2)	Total Usable Reserves	Unusable Reserves (Note 3.3 & 3.4)	PCC Total Reserves
2017-18	**£000**	**£000,**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2017	**(7,075)**	**(11,783)**	**(3,293)**	**0**	**(22,151)**	**27,653**	**5,502**
Pension Reserve Restatement	**0**	**0**	**0**	**0**	**0**	**(17,411)**	**(17,411)**
Restated Balance	**(7,075)**	**(11,783)**	**(3,293)**	**0**	**(22,151)**	**10,242**	**(11,909)**
Error correction from previous year	**0**	**(40)**	**0**	**0**	**(40)**	**40**	**0**
Corrected balance as at 31 March 2017	**(7,075)**	**(11,823)**	**(3,293)**	**0**	**(22,191)**	**10,282**	**(11,909)**
Movement in reserves during 2017-18							
(Surplus) or deficit on the provision of services	(5,974)	0	0	0	**(5,974)**	**0**	**(5,974)**
Other Comprehensive (Income) / Expenditure	0	0	0	0	**0**	**(269)**	**(269)**
Total Comprehensive Income and Expenditure	**(5,974)**	**0**	**0**	**0**	**(5,974)**	**(269)**	**(6,243)**
Adjustments between accounting basis and funding basis under regulations (**Note 3.5)**	945	0	(594)	0	**351**	**(351)**	**0**
Net (Increase) or Decrease before Transfers to Earmarked Reserves	**(5,030)**	**0**	**(594)**	**0**	**(5,624)**	**(620)**	**(6,243)**
Transfers to / (from) Earmarked Reserves	5,030	(5,030)	0	0	**0**	**0**	**0**
(Increase) or Decrease in 2017-18	**0**	**(5,030)**	**(594)**	**0**	**(5,624)**	**(620)**	**(6,243)**
Balance at 31 March 2018	**(7,075)**	**(16,853)**	**(3,887)**	**0**	**(27,815)**	**9,662**	**(18,153)**

Group Movement in Reserves	General Fund Balance	Earmarked General Fund Reserves (Note 3.1)	Capital Receipts Reserve (Note 3.2)	Capital Grants Unapplied Account (Note 3.2)	Total Usable Reserves	Unusable Reserves (Note 3.3 & 3.4)	Group Total Reserves
2016-17	**£000**	**£000,**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2016	**(7,075)**	**(8,223)**	**(548)**	**(330)**	**(16,176)**	**2,198,631**	**2,182,455**
Movement in reserves during 2016-17							
(Surplus) or deficit on the provision of services	18,858	0	0	0	**18,858**	**0**	**18,858**
Other Comprehensive (Income) / Expenditure	0	0	0	0	**0**	**522,919**	**522,919**
Total Comprehensive Income and Expenditure	**18,858**	**0**	**0**	**0**	**18,858**	**522,919**	**541,777**
Adjustments between accounting basis and funding basis under regulations **(Note 3.5)**	(22,418)	0	(2,745)	330	**(24,833)**	**24,833**	**0**
Net (Increase) or Decrease before Transfers to Earmarked Reserves	**(3,560)**	**0**	**(2,745)**	**330**	**(5,975)**	**547,752**	**541,777**
Transfers to / (from) Earmarked Reserves	3,560	(3,560)	0	0	**0**	**0**	**0**
(Increase) or Decrease in 2016-17	**0**	**(3,560)**	**(2,745)**	**330**	**(5,975)**	**547,752**	**541,777**
Balance at 31 March 2017	**(7,075)**	**(11,783)**	**(3,293)**	**0**	**(22,151)**	**2,746,383**	**2,724,232**

PCC Movement in Reserves	**General Fund Balance**	**Earmarked General Fund Reserves** (Note 3.1)	**Capital Receipts Reserve** (Note 3.2)	**Capital Grants Unapplied Account** (Note 3.2)	**Total Usable Reserves**	**Unusable Reserves** (Note 3.3 & 3.4)	**Total Reserves**
2016-17	**£000**	**£000,**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2016	**(7,075)**	**(8,223)**	**(548)**	**(330)**	**(16,176)**	**17,552**	**1,376**
Movement in reserves during 2016-17							
(Surplus) or deficit on the provision of services	2,990	0	0	0	**2,990**	**0**	**2,990**
Pension Reserve Restatement	**(17,411)**	0	0	0	**(17,411)**	**0**	**(17,411)**
Other Comprehensive (Income) / Expenditure	0	0	0	0	**0**	**1,136**	**1,136**
Total Comprehensive Income and Expenditure	**(14,421)**	**0**	**0**	**0**	**(14,421)**	**1,136**	**(13,285)**
Pension Reserve Restatement	**17,411**	**0**	**0**	**0**	**17,411**	**(17,411)**	**0**
Adjustments between accounting basis and funding basis under regulations **(Note 3.5)**	(6,550)	0	(2,745)	330	**(8,965)**	**8,965**	**0**
Net (Increase) or Decrease before Transfers to Earmarked Reserves	**(3,560)**	**0**	**(2,745)**	**330**	**(5,975)**	**(7,310)**	**(13,285)**
Transfers to / (from) Earmarked Reserves	3,560	(3,560)	0	0	**0**	**0**	**0**
(Increase) or Decrease in 2016-17	0	(3,560)	(2,745)	330	**(5,975)**	**(7,310)**	**(13,285)**
Restated Balance at 31 March 2017	**(7,075)**	**(11,783)**	**(3,293)**	**0**	**(22,151)**	**10,242**	**(11,909)**

BALANCE SHEET (includes restated amount see note 3)

The Balance Sheet shows the value of assets and liabilities. The net assets (assets less liabilities) are matched by the reserves held. Reserves are both usable, which may be used to provide services and unusable reserves which fulfil specific accounting purposes. 2016-17 has been restated for the PCC due to an error on the allocation of pension reserve between the PCC and the Chief Constable Entity. The Group was unaffected.

2016-17			PCC & Group Balance Sheet	Note	2017-18	
PCC	PCC (restated)	Group			PCC	Group
£000	£000	£000			£000	£000
41,210	41,210	41,210	Property, Plant and Equipment	4.2	41,072	41,072
415	415	415	Investment Property	4.4	534	534
451	451	451	Intangible Assets	4.5	376	376
45	45	45	Long-Term Debtors		0	0
42,121	**42,121**	**42,121**	**Long Term Assets**		**41,982**	**41,982**
2,786	2,786	2,786	Assets Held for Sale	4.7	2,364	2,364
270	270	270	Inventories		167	167
32,184	32,184	32,184	Short-Term Debtors	4.8	32,460	32,460
2,018	2,018	2,018	Cash and Cash Equivalents	5.1	10,832	10,832
37,258	**37,258**	**37,258**	**Current Assets**		**45,823**	**45,823**
(7,273)	(7,273)	(7,273)	Short-Term Borrowing	4.9	(8,249)	(8,249)
(19,886)	(19,886)	(23,228)	Short-Term Creditors	4.10	(24,444)	(27,760)
(3,281)	(3,281)	(3,281)	Provisions	4.11	(4,385)	(4,385)
(30,440)	**(30,440)**	**(33,782)**	**Current Liabilities**		**(37,078)**	**(40,394)**
(33,605)	(33,605)	(33,605)	Long-Term Borrowing	4.12	(28,920)	(28,920)
(20,836)	(3,425)	(2,736,224)	Other Long-Term Liabilities		(3,654)	(2,626,720)
(54,441)	**(37,030)**	**(2,769,829)**	**Long Term Liabilities**		**(32,574)**	**(2,655,640)**
(5,502)	**11,909**	**(2,724,232)**	**Net Assets**		**18,153**	**(2,608,229)**
(22,151)	(22,151)	(22,151)	Usable Reserves	3.1 & 3.2	(27,815)	(27,815)
27,653	10,242	2,746,383	Unusable Reserves	3.3	9,663	2,636,044
5,502	**(11,909)**	**2,724,232**	**Total Reserves**		**(18,153)**	**2,608,229**

CASH FLOW STATEMENT

This Cash Flow Statement has been prepared using the 'Indirect Method', which adjusts the surplus or deficit on the provision of services for non-cash items. This statement shows the changes in cash and cash equivalents during the reporting period.

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. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

2016-17			Cash Flow Statement	Note	2017-18		
Commissioner	**Chief Constable**	**Group**			**Commissioner**	**Chief Constable**	**Group**
£000	**£000**	**£000**			**£000**	**£000**	**£000**
2,990	15,868	18,858	Net (surplus) or deficit on the provision of services		(5,973)	56,105	50,132
(7,619)	(15,868)	(23,487)	Adjustment to (surplus) or deficit on the provision of services for non cash movements	5.2	(10,928)	(56,105)	(67,033)
4,960	0	4,960	Adjustment for items included in the net (surplus) or deficit on the provision of services that are investing or financing activities	5.2	3,795	0	3,795
331	**0**	**331**	**Net cash flows from operating activities**		**(13,106)**	**0**	**(13,106)**
2,738	0	2,738	Net cash flows from investing activities	5.3	586	0	586
4,108	0	4,108	Net cash flows from financing activities	5.3	3,709	0	3,709
7,177	**0**	**7,177**	**Net (increase) or decrease in cash and cash equivalents**		**(8,811)**	**0**	**(8,811)**
(9,198)	0	(9,198)	Cash and cash equivalents at the beginning of the reporting period		(2,021)	0	(2,021)
(2,021)	**0**	**(2,021)**	**Cash and cash equivalents at the end of the reporting period**	**5.1**	**(10,832)**	**0**	**(10,832)**

NOTES TO THE ACCOUNTS

GENERAL ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises transactions for the 2017-18 financial year and its position as at 31 March 2018. Annual Statement of Accounts are required to be published under the Accounts and Audit Regulations 2015, in accordance with proper accounting practices. These practices primarily comprise of the Code and the Best Value Accounting Code of Practice 2017-18, 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. 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). The figures in these accounts are rounded appropriately and this may cause apparent minor mathematical errors.

2. 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.

3. 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. There have been no changes in Accounting Policies requiring restatement.

Material errors discovered in prior year figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. There was an historic error in the allocation of the Pension Reserve between the Chief Constable and the Commissioners accounts which occurred several years earlier. This related to the staff pension scheme. The value of this is £17.411m. This is a material amount and the prior year's accounts have been restated. Overall the Group position was not affected. The PCC liability (and corresponding reserve) has decreased and the Chief Constables net worth has reduced by a corresponding amount.

Specifically affected for the PCC in these accounts are the following tables.

The CIES – Page 30

The MIRS – Page 34

Balance Sheet – Page 37

Note 3.3 Unusable Reserves - Page 49

Note 3.4 Unusable Reserves - Movements Page 50

The pension notes did not require any restatement because all figures are shown at the Group level

NOTES TO CORE STATEMENTS

Section 1 Judgements and Major Accounting Events

1.1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies, certain judgements about complex transactions or those involving uncertainty about future events have been made. The main critical judgement made in the Statement of Accounts is that 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.

1.2 Material items of Income and Expense

There are no changes to accounting policies this year, and no significant amendments to the code other than shorter deadlines. The accounts are produced on a 'true economic cost basis' which differs from the cost required to be met from taxpayers. The accounting for pensions which recognises benefits accrued by current employees has a significant impact on the surplus / deficit for the year and on the value of the Balance sheet These transactions are based on actuarial valuations as opposed to the transactions which have taken place in the year.

1.3 Going Concern

The Accounts have been prepared on the basis that the Group is a going concern. The provisions in the Code on the going concern accounting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would therefore not be appropriate for their financial statements to be prepared on anything other than a going concern basis.

1.4 Accounting Standards Issued but not Adopted

The standards that maybe relevant for additional disclosures that are introduced in the 2018-19 Code are:

- IFRS 9 Financial Instruments.
- IFRS 15 Revenue from Customer Contracts.
- Amendments to IAS 12 Income Taxes.
- Amendments to IAS 7 Statement of Cash Flows

The 2018-19 Code confirms that transitional arrangements have been adopted for IFRS 9 and IFRS 15 and Appendix C confirms that there is no requirement to provide financial information relating to the impact of these standards in the 2017-18 accounts.

IAS12 – is not applicable to the Group or Chief Constable.

Amendments to IAS7 – is a disclosure initiative and does not impact on the figures in the accounts for 2017-18.

There are therefore no Accounting Standards that have been issued but not yet adopted that need to be disclosed in these accounts.

1.5 Future Assumptions and Other Major Sources of Estimation Uncertainty

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

The largest area of estimation included within the Accounts is in staff related costs. These include calculations for overtime, bonuses, accumulated absences, early retirement costs, pension costs and other one-off payments.

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 pension's adjustments are based on the professional judgement of the Actuaries and these form a significant part of the accounts.

The valuations of fixed assets are based on periodic valuations plus any valuations felt required due to current circumstances from a qualified valuer. There is a chance that particular assets may not fully represent fair value.

An item in these accounts which has a significant risk of material adjustment in the forthcoming financial year is the Insurance Claim Provision. A time lag may occur between insurable liability events and the date 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. The provision of £3.2m 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% will impact the provision by (+/-) £0.3m.

1.6 Events after the Balance Sheet Date

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.

There are no such events to report here.

Section 2 Notes to Comprehensive Income & Expenditure Statement

2.1 Expenditure Funding Analysis

This note demonstrates the link between the accounting figures included in the CIES and the amounts raised by grant and taxation used in the management accounting decision making.

2016-17			Commissioner & Group Expenditure Funding Analysis	2017-18		
Net Expenditure Chargeable to the General Fund	Adjustments (Note 2.2)	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund	Adjustments (Note 2.2)	Net Expenditure in the CIES
£000	£000	£000		£000	£000	£000
228,295	(28,676)	199,619	Policing	227,536	(16,364)	211,172
(6,973)	10,984	4,011	Commissioner	4,049	(436)	3,613
221,322	**(17,692)**	**203,630**	**Net Cost of Services**	**231,585**	**(16,800)**	**214,784**
			Other (Income) and Expenditure			
0	44,542	44,542	Policing	0	72,469	72,469
(224,881)	(4,433)	(229,314)	Commissioner	(236,615)	(507)	(237,122)
(3,559)	**22,417**	**18,858**	**(Surplus) or Deficit on Provision of Service**	**(5,030)**	**55,162**	**50,132**
(15,299)			Opening General Fund Balance	(18,858)		
0			Adjustment to opening balance	(40)		
0			**Opening adjusted General Fund Balance**	**(18,898)**		
(3,559)			Plus / less (Surplus) or Deficit on the General Fund Balance for the Year (Statutory basis)	(5,030)		
(18,858)			**Closing General Fund Balance**	**(23,928)**		

2.2 Adjustments to the Expenditure Funding Analysis

2017-18	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Policing	0	(16,337)	(27)	**(16,364)**
Commissioner	(594)	124	34	**(436)**
Net Cost of Services	**(594)**	**(16,213)**	**7**	**(16,800)**
Other (Income) and Expenditure Chief Constable	0	72,469	0	**72,469**
Other (Income) and Expenditure Commissioner	(638)	67	64	**(507)**
Difference between the Statutory Charge and the (Surplus) or Deficit in the CIES	**(1,232)**	**56,323**	**71**	**55,162**

2016-17	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Policing	0	(28,284)	(392)	**(28,676)**
Commissioner	10,959	28	(3)	**10,984**
Net Cost of Services	**10,959**	**(28,256)**	**(395)**	**(17,692)**
Other (Income) and Expenditure Chief Constable	0	44,544	0	**44,544**
Other (Income) and Expenditure Commissioner	(4,634)	(384)	583	**(4,435)**
Difference between the Statutory Charge and the (Surplus) or Deficit in the CIES	**6,325**	**15,904**	**188**	**22,417**

Income

Revenue government grants, third party contributions and donations are recognised as income when the conditions of entitlement are satisfied. Grants and contributions with unsatisfied conditions are creditors on the Balance Sheet. As conditions are satisfied, it is credited to the CIES. Unconditional monies are carried as an earmarked reserve on the Balance Sheet until used.

A de-minimis level of £0.050m exists whereby it is essential that income is assessed whether it should form part of the Earmarked Reserves. Capital grants are credited to the CIES, and then reversed out of the General Fund Balance in the Movement in Reserves Statement. The grant is either used to finance capital expenditure or credited to the Capital Grants Unapplied Account.

2.3 Income Credited to Services

2016-17 £000		2017-18 £000
(1,461)	**Relating to the Commissioner - Other Income**	**(1,641)**
(5,370)	Partnership and Joint Controlled Operations	(5,883)
(1,858)	PFI Grant	(1,858)
(3,857)	Recharge of Officers	(3,002)
(10,461)	Other Income	(10,228)
(23,007)	**Total for the Group**	**(22,612)**

2.4 Financing and Investment Income and Expenditure

2016-17 £000		2017-18 £000
1,799	Interest payable and similar charges	1,753
(384)	Net interest on the net defined benefit liability (asset)	67
(93)	Interest receivable and similar income	(104)
1,322	**Relating to the Commissioner**	**1,716**
44,544	Other net interest on the defined benefit liability (asset)	72,469
45,866	**Total for the Group**	**74,185**

2.5 Taxation and Non-Specific Grant Income – Commissioner and Group

2016-17 £000		2017-18 £000
(54,888)	Council Tax Income	(57,273)
(135,780)	Non-ringfenced Government Grants	(134,018)
(36,276)	HO Police Pension Grant	(41,650)
(2,370)	Capital Grants and Contributions	(5,774)
(229,314)	**Total for the Commissioner and Group**	**(238,715)**

2.6 Other Operating Expenditure – Commissioner and Group

2016-17 £000		2017-18 £000
(1,344)	(Gains)/losses on the Disposal on Non-Current Assets	(123)
20	Other	0
(1,324)	**Total for the Commissioner and Group**	**(123)**

2.7 Impairment Losses

The Estates Manager report no instances of impairment.

2.8 Expenditure Analysed by Nature

2016-17			Nature of Expenditure or Income	2017-18		
Chief Constable	PCC	Group		Chief Constable	PCC	Group
£000	£000	£000		£000	£000	£000
172,027	585	172,612	Expenditure on services - employees	191,945	668	192,613
49,138	4,887	54,025	Expenditure on services - other	35,444	4,585	40,029
(21,546)	(1,461)	(23,007)	Income from services	(20,971)	(1,641)	(22,612)
0	(54,888)	(54,888)	Income from local taxation	0	(57,273)	(57,273)
0	(174,426)	(174,426)	Government grants and contributions	0	(181,441)	(181,441)
0	14,571	14,571	Depreciation, amortisation and impairment	4,754	0	4,754
44,544	(13,249)	31,295	Other Financing	72,469	1,716	74,185
0	(1,324)	(1,324)	(Gain) or loss on disposal of non-current assets	0	(123)	(123)
(228,295)	228,295	0	Intra Group Funding	(227,536)	227,536	0
15,868	**2,990**	**18,858**	**(Surplus) or Deficit for Year**	**56,105**	**(5,973)**	**50,132**

2.9 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 estimated 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).

The accrual is made at the estimated salary rates applicable for 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.

2.10 Termination Benefits

Termination benefits are amounts payable as a result of a decision to terminate an employees employment prior to normal retirement date or an acceptance of a voluntary redundancy.

These are charged to the CIES at the time when the decision is demonstrably committed to. If not actually paid then it is included by use of a provision.

Section Notes to the Movement in Reserves Statement

3.1 Transfers (to)/from Earmarked Reserves – Commissioner and Group

This shows how monies have been set aside or used during the year. All earmarked reserves are within the Commission accounts only.

	Balance at 31 March 2016	Transfers In 2016-17	Transfers Out 2016-17	Balance at 31 March 2017	Opening Balance Adj	Transfers In 2017-18	Transfers Out 2017-18	Balance at 31 March 2018
	£000	£000	£000	£000	£000	£000	£000	£000
Police Property Act	**(130)**	(53)	0	**(183)**	0	**(13)**	0	**(196)**
Drug Fund	**(74)**	(2)	0	**(76)**	0	**(2)**	51	**(27)**
PFI Life Cycle Costs	**(332)**	0	359	**27**	0	**(37)**	0	**(10)**
Revenue Grants	**(2,513)**	(604)	370	**(2,747)**	0	**(411)**	309	**(2,849)**
Medium Term Financial Plan	**(1,067)**	(2,208)	0	**(3,275)**	139	**0**	1,136	**(2,000)**
Tax Base Reserve	**(223)**	(1,025)	1	**(1,247)**	0	**0**	200	**(1,047)**
Animal Welfare	**(19)**	0	0	**(19)**	0	**0**	0	**(19)**
PCC	**(595)**	(57)	30	**(622)**	0	**(111)**	0	**(733)**
Grants and Commissioning	**(1,899)**	(645)	45	**(2,499)**	0	**(1,080)**	138	**(3,441)**
PCC Night Time Levy	**(161)**	(135)	12	**(284)**	0	**0**	103	**(181)**
Estimation Reserve	**0**	(13)	0	**(13)**	0	**0**	13	**0**
Target Hardening	**0**	0	0	**0**	0	**(73)**	0	**(73)**
Allard Reserve	**0**	0	0	**0**	0	**(1,200)**	0	**(1,200)**
Asset Replacement	**0**	0	0	**0**	0	**(2,731)**	0	**(2,731)**
IT Investment	**0**	0	0	**0**	0	**(1,100)**	0	**(1,100)**
Joint Operations	**(1,210)**	0	365	**(845)**	(139)	**(262)**	0	**(1,246)**
Total Earmarked Reserves	**(8,223)**	**(4,742)**	**1,182**	**(11,783)**	0	**(7,020)**	**1,950**	**(16,853)**
General Fund	**(7,075)**	**0**	**0**	**(7,075)**	0	**0**	**0**	**(7,075)**
Total General Fund Balance	**(15,298)**	**(4,742)**	**1,182**	**(18,858)**	0	**(7,020)**	**1,950**	**(23,928)**

3.2 Usable Reserves – Commissioner and Group

31 March 2017 £000	Capital Receipts Reserve	31 March 2018 £000
(548)	Balance 1 April	(3,293)
(2,745)	Capital Receipts in Year	(594)
(3,293)	**Balance 31 March**	**(3,887)**

31 March 2017 £000	Capital Grants Unapplied	31 March 2018 £000
(330)	Balance 1 April	0
(2,370)	Capital Grants Recognised in Year	(2,794)
2,700	Capital Grants and Contributions Applied	2,794
0	**Balance 31 March**	**0**

3.3 Unusable Reserves

31 March 2017				31 March 2018	
PCC	PCC(Restated)	Group		PCC	Group
£000	£000	£000		£000	£000
18,897	1,486	2,734,285	Pensions	1,427	2,624,493
183	183	3,525	Accumulated Absences	197	3,512
(1,255)	(1,255)	(1,255)	Revaluation Reserve	(1,137)	(1,137)
10,847	10,847	10,847	Capital Adjustment	10,080	10,080
(974)	(974)	(974)	Collection Fund	(891)	(891)
(45)	(45)	(45)	Deferred Receipt	(13)	(13)
27,653	**10,242**	**2,746,383**	**Total**	**9,663**	**2,636,044**

3.4 Unusable Reserves Movements

The table analyses the unusable reserves movements in the MIRS.

31 March 2017			Movement in Unusable Reserves	31 March 2018	
PCC £000	**PCC (Restated) £000**	**Group £000**		**PCC £000**	**Group £000**
17,545	134	**2,198,631**	**Balance at start of Year**	10,242	2,746,383
7	7	**0**	Adjustment	0	0
1,136	1,136	**522,919**	Comprehensive Income & Expenditure	(269)	(166,135)
8,965	8,965	**24,833**	Adjustments between accounting basis and funding basis under regulations	(310)	55,796
27,653	**10,242**	**2,746,383**	**Balance at Year End**	**9,663**	**2,636,044**

3.5 Adjustments between Accounting Basis and Funding Basis under Regulations

2017-18	General Fund Balance Commissioner £000	General Fund Balance Group £000	Capital Receipts Reserve Group £000	Capital Grants Unapplied Group £000	Movement in Unusable Reserves Commissioner £000	Movement in Unusable Reserves Group £000
Pension cost (transferred to / (from) the Pensions Reserve)	(191)	(56,324)	0	0	191	56,324
Council tax (transfers to / (from) the Collection Fund)	(83)	(83)	0	0	83	83
Receipt of deferred debtor	(32)	(32)	0	0	32	32
Holiday pay (adjustments to the Accumulated Absences Reserve)	(13)	13	0	0	13	(13)
Revaluation Reserve	(137)	(137)	0	0	137	137
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,618)	(1,618)	0	(2,794)	4,412	4,412
Total Adjustments to Revenue Resources	**(2,074)**	**(58,181)**	**0**	**(2,794)**	**4,868**	**60,975**
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	0	(594)	0	594	594
Statutory Provision for the repayment of debt	2,675	2,675	0	0	(2,675)	(2,675)
Capital expenditure financed from revenue balances	344	344	0	0	(344)	(344)
Total adjustments between Revenue and Capital Resources	**3,019**	**3,019**	**(594)**	**0**	**(2,425)**	**(2,425)**
Application of capital grant to finance capital expenditure	**0**	**0**	**0**	**2,794**	**(2,794)**	**(2,794)**
Other adjustments	**0**	**0**	**0**	**0**	**0**	**0**
Total adjustments	**945**	**(55,162)**	**(594)**	**0**	**(351)**	**55,756**

2016-17	General Fund Balance Commissioner £000	General Fund Balance Group £000	Capital Receipts Reserve Group £000	Capital Grants Unapplied Group £000	Movement in Unusable Reserves Commissioner £000	Movement in Unusable Reserves Group £000
Pension cost (transferred to / (from) the Pensions Reserve)	363	(15,904)	0	0	(363)	15,904
Council tax (transfers to / (from) the Collection Fund)	(583)	(583)	0	0	583	583
Holiday pay (adjustments to the Accumulated Absences reserve)	2	401	0	0	(2)	(401)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(13,168)	(13,168)	0	(2,369)	15,537	15,537
Total Adjustments to Revenue Resources	**(13,386)**	**(29,254)**	**0**	**(2,369)**	**15,755**	**31,623**
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,745	2,745	(2,745)	0	0	0
Statutory Provision for the repayment of debt (MRP)	3,329	3,329	0	0	(3,329)	(3,329)
Capital expenditure financed from revenue balances	363	363	0	0	(363)	(363)
Total adjustments between Revenue and Capital Resources	**6,437**	**6,437**	**(2,745)**	**0**	**(3,692)**	**(3,692)**
Application of capital grant & receipts to finance capital expenditure	**0**	**0**	**0**	**2,700**	**(2,700)**	**(2,700)**
Other adjustments	**398**	**398**	**0**	**0**	**(398)**	**(398)**
Total adjustments	**(6,551)**	**(22,419)**	**(2,745)**	**331**	**8,965**	**24,833**

Section 4 Notes to the Balance Sheet

4.1 Property, Plant and Equipment

Assets with physical substance and are held for operational or administrative purposes with an expected life of over a 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.

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.

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 £0.020m.

Component Accounting

Components with appropriate depreciation are included where this is significant as determined by the following test: Only assets with a carrying value above £0.600m 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 in accordance with IAS 16:

- Fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV) Operational buildings have been valued on this basis.
- If 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. Bridewell custody suite is valued on this basis.
- 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. Vehicles, equipment and furniture is on this basis.
- Non-operational buildings including assets for sale and investment properties have been valued on the basis of Open Market Value.
- Assets under construction are included at actual cost.

These standards are incorporated into the RICS 'Red book' valuation standards.

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.

Impairment

Assets are assessed annually for potential impairment. When 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.

Depreciation

Depreciation is charged on all operational non-current assets by the systematic allocation of their depreciable amounts, over their useful lives, after allowing for residual values.

Asset Type	Depreciation Method	Period of Years
Land	Nil	Nil as unlikely to reduce in value
Property	Straight Line	10-50 years as estimated by the valuer
Vehicles	Straight Line	1-20 years
Plant & Equipment	Straight Line	1-20 years
Finance Leases	Straight Line	Over the life of the finance lease

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 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. 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 (subject to meeting de-minimis levels).

Assets held for Sale

When a non-current asset is actively marketed, and reasonably expected to be sold in the next 12 months, it is reclassified as an Asset Held for Sale, and is a current asset.

Disposal

The asset is re-valued 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 of Assets Held for Sale, they are reclassified back to non-current assets and re-valued appropriately.

When an asset is disposed of, or decommissioned for less than £0.010m 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 £0.010m are categorised as capital receipts, and credited to the Capital Receipts Reserve for application to future capital investment. Revaluation Reserve balances relating to disposed assets are transferred to the Capital Adjustment Account.

At 31 March 2018, the Commissioner has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018-19, and the future years are budgeted to cost £3.2m (£0.6m 2016-17).

4.2 Property, Plant and Equipment Movements to 31 March 2018	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
Cost or Valuation				
at 1 April 2017	**31,773**	**33,242**	**307**	**65,322**
Adjustments to cost/value & depreciation/impairment	(699)	0	0	**(699)**
Additions	750	3,586	500	**4,836**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	19	0	0	**19**
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	827	0	0	**827**
De-recognition – disposals	(290)	(1,025)	0	**(1,315)**
Reclassifications and transfers	295	0	(330)	**(35)**
at 31 March 2018	**32,675**	**35,803**	**477**	**68,955**
Depreciation & Impairment				
at 1 April 2017	**(5,133)**	**(18,979)**	**0**	**(24,112)**
Adjustments to cost/value & depreciation/impairment	0	0	0	**0**
Depreciation charge	(882)	(4,441)	0	**(5,323)**
De-recognition – disposals	39	816	0	**855**
Reclassifications and transfers	0	0	0	**0**
Eliminated on reclassification to Held for Sale	697	0	0	**697**
at 31 March 2018	**(5,279)**	**(22,604)**	**0**	**(27,883)**
Net Book Value				
at 31 March 2018	**27,396**	**13,199**	**477**	**41,072**
at 31 March 2017	**26,640**	**14,263**	**307**	**41,210**

4.2 Property, Plant and Equipment Movements to 31 March 2017	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
Cost or Valuation				
at 1 April 2016	**44,657**	**29,026**	**47**	**73,730**
Adjustments to cost/value & depreciation/impairment	(2,753)	0	0	**(2,753)**
Additions	2,302	5,006	378	**7,686**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(264)	0	0	**(264)**
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(8,907)	0	0	**(8,907)**
De-recognition – disposals	(20)	(790)	0	**(810)**
Reclassifications and transfers	(3,242)	0	(118)	**(3,360)**
at 31 March 2017	**31,773**	**33,242**	**307**	**65,322**
Depreciation & Impairment				
at 1 April 2016	**(7,499)**	**(14,845)**	**0**	**(22,344)**
Adjustments to cost/value & depreciation/impairment	2,818	0	0	**2,818**
Depreciation charge	(807)	(4,755)	0	**(5,562)**
De-recognition – disposals	15	621	0	**636**
Reclassifications and transfers	0	0	0	**0**
Eliminated on reclassification to Held for Sale	340	0	0	**340**
at 31 March 2017	**(5,133)**	**(18,979)**	**0**	**(24,112)**
Net Book Value				
at 31 March 2017	**26,640**	**14,263**	**307**	**41,210**
at 31 March 2016	**37,159**	**14,181**	**47**	**51,387**

4.3 Property, Plant and Equipment Revaluations

Land and buildings are revalued on a five year rolling programme to ensure that their carrying amount is not materially different from their fair value. 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.

The resulting revaluations were considered by the internal valuer and it was not considered appropriate to commission any further valuations, because there were no trends emerging that would materially affect the valuations.

Revaluations	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Total
	£000	£000	£000
Carried at historical cost	10,635	34,378	**45,013**
Valued at current value as at:			
• 31/03/2018	4,445	0	**4,445**
• 31/03/2017	8,535	0	**8,535**
• 31/03/2016	565	0	**565**
• 31/03/2015	2,373	0	**2,373**
• 31/03/2014	4,064	0	**4,064**
Total Cost or Valuation	**30,617**	**34,378**	**64,995**
Share of Joint Operation Property			**3,960**
Total Gross Value			**68,955**

4.4 Investment Properties

Investment properties are used to earn rentals or for capital appreciation, and not used in any way to deliver services or being held for sale. The carrying value is annually revalued under IFRS13 to current fair value. This is currently £0.535m (£0.451m 2016-17) Rentals received in relation to investment properties are credited to the CIES.

Income is received on investment properties (telecoms masts) from Cell C.M., who 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 net of this management charge was £0.080m in 2017-18 (£0.171m in 2016-17).

4.5 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, as there is no alternate method to ascertain a fair value.

Amortisation is a revenue expense. Movements are summarised in the table below:

31 March 2017 Other Assets £000	**Intangible Assets**	**31 March 2018 Other Assets** £000
	Balance at start of year:	
3,418	Gross carrying amounts	3,584
(2,964)	Accumulated amortisation	(3,133)
454	**Net carrying amount at start of year**	**451**
	Additions:	
166	Purchases	88
(169)	Amortisation for the period	(163)
451	**Net carrying amount at end of year**	**376**
	Comprising:	
3,584	Gross carrying amounts	3,672
(3,133)	Accumulated amortisation	(3,296)
451		**376**

4.6 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 cumulative capital expenditure which is to be financed in future years by charges to revenue. The Capital Financing Requirement is determined by these factors.

This table only shows the position of the Commissioner excluding the Joint Organisations. At the 31 March 2018 the Commissioner had entered into a number of capital contracts which would continue to incur expenditure in future years. These totalled £3.2m. The contracts covered building alterations. (£0.6m 31 March 2017).

31 March 2017 £000	Capital Expenditure and Capital Financing	31 March 2018 £000
57,727	**Opening Capital Financing Requirement**	**59,137**
	Capital Investment:	
7,132	Property Plant and Equipment	4,037
0	Intangible Assets	0
7,132	**Total Capital Spending**	**4,037**
	Sources of Finance:	
0	Capital receipts	0
(2,700)	Government Grants and other contributions	(2,794)
	Sums set aside from revenue:	
(3,022)	Minimum revenue provision	(2,675)
(5,722)	**Total Sources of Finance**	**(5,469)**
59,137	**Closing Capital Financing Requirement**	**57,705**

4.7 Assets Held for Sale

The Commissioner's Estates Strategy is to review all property held and put surplus property up for sale. The following table shows the value of properties held for sale at the Balance Sheet dates.

When classified as 'Held For Sale' the asset is no longer subject to depreciation. It is shown as a current asset because the funds are due within the forthcoming year.

31 March 2017 £000	Current Assets	31 March 2018 £000
993	Balance outstanding at start of year	2,786
3,020	Newly classified as held for sale	172
(1,227)	Assets sold	(594)
2,786	**Balance Outstanding year end**	**2,364**

4.8 Debtors Commissioner and Group

A bad debt provision of £0.030m is provided against specific debts considered to be unlikely to be collected (£0.030m at 31 March 2017). A provision of £3.184m is held against Council Tax arrears of £4.953m at 31 March 2018. This level of provision has been assessed by the Council Tax Billing Authorities (Provision of £2.996m against arrears of £4.684m at 31 March 2017). Debtors relate to the Commisioner only.

31 March 2017 £000	Debtors	31 March 2018 £000
20,202	Central Government Bodies	18,107
1,316	Other Local Authorities	5,080
10,666	Other Entities and Individuals	9,273
32,184	**Total Debtors**	**32,460**

4.9 Short Term Borrowing Commissioner and Group

31 March 2017 £000	Short Term Borrowing	31 March 2018 £000
(3,500)	Market Loans	(3,500)
(3,773)	PWLB	(749)
0	Market Loans Torbay	(4,000)
(7,273)		**(8,249)**

4.10 Creditors Commissioner and Group

The creditors figure includes receipts under The Proceeds of Crime Act 2002 and The Police Property Act 1997 (as amended by the Serious Crime Act 2005 and 2007). These cover monies received from the confiscation or sale of property which has come into their possession in connection with a criminal charge.

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 2018 cash totalling £0.797m was held in the Commissioner's bank account (£1.032m at 31 March 2016).

31 March 2017		Creditors	31 March 2018	
PCC £000	Group £000		PCC £000	Group £000
(3,358)	(3,358)	Central Government Bodies	(4,876)	(4,876)
(5,499)	(5,499)	Other Local Authorities	(6,812)	(6,812)
(11,029)	(14,371)	Other Entities and Individuals	(12,756)	(16,072)
(19,886)	**(23,228)**	**Total Creditors**	**(24,444)**	**(27,760)**

4.11 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. Liability claims are generally paid out within one to three years. It is expected that the majority will be utilised within a year and hence the provision is all short term. Provisions relate to the Commisioner only.

2017-18	Insurance £000	Dilapidation £000	Legal Expenses £000	Medical Retirement £000	Redundancy £000	Pay Award £000	Total £000
Opening Balance	**(2,898)**	**(268)**	**(115)**	**0**	**0**	**0**	**(3,281)**
Increase in provision during year	(1,342)	(158)	0	0	(51)	(735)	**(2,286)**
Utilised during year	1,051	126	0	0	0	5	**1,182**
Closing Balance	**(3,189)**	**(300)**	**(115)**	**0**	**(51)**	**(730)**	**(4,385)**
2016-17							
Opening Balance	**(2,263)**	**(281)**	**(36)**	**(454)**	**(558)**	**0**	**(3,592)**
Increase in provision during year	(1,327)	(89)	(115)	0	0	0	**(1,531)**
Utilised during year	692	102	36	454	558	0	**1,842**
Closing Balance	**(2,898)**	**(268)**	**(115)**	**0**	**0**	**0**	**(3,281)**

4.12 Long Term Debt

31 March 2017 £000	Long Term Borrowing	31 March 2018 £000
(4,000)	Market Loans Torbay	0
(29,605)	PWLB	(28,921)
(33,605)	**Total Long Term Borrowing**	**(28,921)**

4.13 Leases

Leases are classified according to the conditions of IAS 17. Lease payments are made for land, buildings, vehicles and equipment. Leases are classified as finance leases if the terms of the lease transfer (substantially) 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. Operating leases are charged to the CIES. These payments in 2017-18 were £1.231m (£1.034m in 2016-17).

Finance Lease assets on the balance sheet are accounted for in the same way as other non - current assets. The de-minimis level for inclusion on the Balance Sheet is £0.020m.

These include vehicles acquired under the PFI scheme, IAS17 and IFRIC4 classifies this arrangement as a finance lease. This contract for the provision of an agreed number of vehicles runs until 2026-27. The estimated capital value of this scheme is £14.8m. The amount paid was £3.3m (£3.2m in 2016-17). Future payments are linked to inflation increases. Grant of £1.3m was received (£1.3m in 2016-17).

Lease payments are apportioned between finance charges debited to the CIES, and the acquisition charge applied to write down the lease liability.

The minimum lease payments exclude values that are contingent on events such as subsequent rent reviews. Currently there are no such events.

The minimum finance lease payments will be payable over the following periods:

Minimum Lease Payments			Finance Lease Liabilities	
31 March 2017 £000	31 March 2018 £000		31 March 2017 £000	31 March 2018 £000
193	143	Not later than one year	212	158
343	251	Later than one year and not later than five years	361	262
536	**394**	**Total**	**573**	**420**

Authority as Lessee – Operating Leases

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

31 March 2017 £000		31 March 2017 £000
1,012	Not later than one year	1,160
1,853	Later than one year and not later than five years	1,845
202	Later than five years	435
3,067	**Total**	**3,440**

4.14 Service Concession Arrangements – Private Finance Initiative Agreements

Private Finance Initiative Agreements (PFI) is a way to receive services, whereby the responsibility for asset availability is with the PFI contractor. The Commissioner has entered into two PFI contracts with some common features:

- The Group has the sole right to the PFI assets during the agreement.
- The PFI provider ensures that the assets are maintained and available for use.
- The Commissioner has no ownership rights of at the end of the agreements.

The first contractor Vensons, is responsible for the provision and maintenance of vehicles and meets the conditions of a finance lease and is included within the leasing notes above.

The second contractor Miven, provided and maintains the Riverside building on a 25 year contract until 2026-27. The capital value of this scheme is 2.145. £1.056m was paid in 2017-18 (£0.997m in 2016-17).

With the PFI agreement for Riverside now being less than 10 years until completion, the opportunity was taken to review the accounting policy to ensure that best practice was being followed.

In 2017-18 the PFI agreement has been reworked using the Code's recommended accounting methodology. This has resulted in a restatement of the opening balance sheet liability from £1.762m to £2.339m, an increase of £0.577m. This is below the level of materiality and therefore no adjustments have been made to prior year balances.

This is a non-cash adjustment on the balance sheet which does not impact the day to day operations of the Force. The cash amounts that have been charged to the income & expenditure account remain unchanged.

Future payments are linked to the retail price index but are otherwise fixed, except reductions for poor contractor performance. Specific government grant of £0.590m was received (£0.590m in 2016-17).

The annual amounts payable to Miven comprise:

- Fair value of the services received during the year – debited to the relevant service in the CIES.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, has been debited to the Financing and Investment Income and Expenditure line in the CIES for the PFI building.
- The repayment of the capital liability on the balance sheet.
- 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.

Lifecycle replacement costs – whereby a proportion of the amounts payable is carried as an earmarked reserve. This may be a negative balance in some years but by the end of the agreement the balance will be zero and the revenue charges are equalised.

Reimbursement of Capital Expenditure 2016-17 £000	Payment for Services 2016-17 £000	Riverside Premises PFI	Reimbursement of Capital Expenditure 2017-18 £000	Payment for Services 2017-18 £000
543	502	Payable within one year	203	842
2,172	2,007	Payable within two to five years	907	3,271
2,623	2,422	Payable within six to ten years	1,035	2,967
5,338	**4,931**	**Total**	**2,145**	**7,080**

Section 5 Notes to the Cash Flow Statement

5.1 Cash and Equivalents

All cash and cash equivalents consist of bank and instant access accounts.

31 March 2017 £000	Cash and Equivalents comprise	31 March 2018 £000
2,150	Money Market Funds	9,800
(132)	Cash and Bank	1,032
2,018	**Total**	**10,832**

5.2 Cash Flow from Operating Activities – Group Cash Flows

31 March 2017 £000	The cash flows for operating activities include the following items	31 March 2018 £000
(93)	Interest Received	(104)
1,864	Interest Paid	1,351
1,771	**Total**	**1,247**

31 March 2017 £000	The cash flows for operating activities include the following items	31 March 2018 £000
(5,564)	Depreciation	(5.609)
(8,844)	Impairment and downward valuations	214
(169)	Amortisation	0
3,464	(Increase)/decrease in creditors	(4,532)
4,535	Increase/(decrease) in debtors	276
39	(Increase)/decrease in inventories	(103)
(15,904)	Movement in pension liability	(56,612)
(1,401)	Carrying amount of non-current assets	(1,526)
357	Other non-cash movements charged to the (surplus) or deficit on provision of services	859
(23,487)	**Total**	**(67,033)**

31 March 2017 £000	The (surplus) or deficit on the provision of services has been adjusted for the following investing and financing activities	31 March 2018 £000
2,745	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	594
2,215	Any other items for which the cash effects are investing or financing cash flows	3,201
4,960	**Total**	**3,795**

5.3 Cash Flow from Investing and Financing Activities - Group Cash Flow

No short term investments are held

31 March 2017 £000	Cash Flow from Investing and Financing Activities	31 March 2018 £000
7,852	Purchase of property, plant and equipment, investment property and intangible assets	4,381
(2,744)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(594)
(2,370)	Other receipts from investing activities	(3,201)
2,738	**Net cash flows from investing activities**	**586**
(6,000)	Cash receipts of short-term and long-term borrowing	(11,500)
10,108	Repayments of short-term and long-term borrowing	15,209
4,108	**Net cash flows from financing activities**	**3,709**

Section 6 Remuneration Notes

6.1 Members Remuneration

Members of the Audit and Scrutiny Panel were paid £0.005m (£0.005m 2016-17).

6.2 Officers Remuneration over £50,000

Employees within the Group who are receiving over £50,000 remuneration for the year are shown in the table below. This excludes the senior officers reported in a separate table.

None are within the PCC. It includes five above the rank of Superintendent (eight in 2016-17).

Remuneration over £50,000	2016-17	2017-18
£50,001 to £55,000	136	161
£55,001 to £60,000	84	89
£60,001 to £65,000	22	27
£65,001 to £70,000	10	8
£70,001 to £75,000	7	10
£75,001 to £80,000	5	6
£80,001 to £85,000	6	6
£85,001 to £90,000	6	1
£90,001 to £95,000	0	1
Total	**276**	**309**

6.1 Senior Officer Payments

Officers Remuneration 2017-18		Salary, Fees & Allowances (Note 1) £	Bonuses £	Expenses Allowances (Note 2) £	Compensation for Loss of Office £	Pension Contribution £	Total £
Police & Crime Commissioner – P Tipping		75,017	0	1,864	0	10,052	**86,933**
Chief Finance Officer to the Police & Crime Commissioner – C Radford		86,934	0	1,577	0	11,567	**100,078**
Chief Executive to the Police & Crime Commissioner – K Dennis		95,480	0	429	0	12,794	**108,703**
TOTAL COMMISSIONER		**257,431**	**0**	**3,870**	**0**	**34,413**	**295,714**
Chief Constable – C Guildford		156,436	0	12,464	0	36,004	**204,904**
Deputy Chief Constable – R Barber	3	122,743	0	6,788	0	28,391	**157,922**
Assistant Chief Constable – S Cooper	4	92,359	0	6,117	0	22,004	**120,480**
Assistant Chief Constable – S Prior		103,916	0	3,225	0	25,148	**132,289**
Assistant Chief Officer – Finance and Resources	5	95,349	0	5,435	0	18,879	**119,663**
Director of Human Resources	5	100,385	0	8,335	0	17,683	**126,403**
Director of Information Services & IT	5,6,7	49,485	0	6,618	0	6,275	**62,378**
TOTAL CHIEF CONSTABLE		**720,673**	**0**	**48,982**	**0**	**154,384**	**924,039**
TOTAL FOR GROUP		**978,104**	**0**	**52,852**	**0**	**188,797**	**1,219,753**

Note 1: Salary, Fees & Allowances include Rent Allowance, Housing Allowance, Compensatory Grant

Note 2: Expenses Allowances include taxable expenses such as mileage, car allowances, medical expenses and mortgage interest payments relating to relocation

Note 3: Deputy Chief Constable was appointed 17 April 2017

Note 4: Assistant Chief Constable was appointed 5 April 2017

Note 5: This is the total earned. The costs are apportioned between Nottinghamshire, Northamptonshire and Leicestershire Police

Note 6: Includes Market Rate Premium

Note 7: Director of Information Services and IT resigned 15 September 2017

Officers Remuneration 2016-17	Salary, Fees & Allowances (Note 1 previous page)	Bonuses	Expenses Allowances (Note 2 previous page)	Compensation for Loss of Office	Pension Contribution	Total
	£	£	£	£	£	£
Police & Crime Commissioner – P Tipping	75,000	0	1,409	0	8,100	**84,509**
Deputy Police & Crime Commissioner – C Cutland (Retired 30 April 2016)	3,030	0	139	0	327	**3,496**
Chief Finance Officer to the Police & Crime Commissioner – C Radford	74,137	0	2,858	0	8,007	**85,002**
Chief Executive to the Police & Crime Commissioner – K Dennis	95,086	0	1,588	0	10,269	**106,943**
Chief Executive to the Police & Crime Commissioner – C Radford (Temp cover 21 November 2016 – 2 January 2017)	11,248	0	767	0	1,215	**13,230**
TOTAL COMMISSIONER	**258,501**	**0**	**6,761**	**0**	**27,918**	**293,180**
Chief Constable – C Eyre (Retired 22 July 2016)	46,373	0	0	0	10,956	**57,329**
Deputy Chief Constable – S Fish (Retired 31 March 2017)	113,166	0	8,285	0	27,181	**148,632**
Chief Constable – C Guildford (Appointed 1 February 2017)	25,338	0	11,707	0	5,966	**43,011**
Deputy Chief Constable – S Fish	29,207	0	4,206	0	6,985	**40,398**
Deputy Chief Constable – S Torr	98,133	0	2,666	0	23,805	**124,604**
Assistant Chief Constable – S Torr	21,113	0	889	0	5,006	**27,008**
Assistant Chief Constable – S Prior	73,011	0	4,848	0	14,275	**92,134**
This is the total earned by the following employees. The costs are apportioned between Nottinghamshire, Northamptonshire and Leicestershire Police						
Assistant Chief Officer – Finance & Resources	95,731	0	5,435	0	17,249	**118,415**
Director of Human Resources	94,955	0	5,494	0	17,363	**117,812**
Director of Information Services & IT (includes market premium)	110,027	0	500	0	13,300	**123,827**
TOTAL CHIEF CONSTABLE	**707,054**	**0**	**44,030**	**0**	**142,086**	**893,170**
TOTAL FOR GROUP	**965,555**	**0**	**50,791**	**0**	**170,004**	**1,186,350**

6.4 Exit Packages

Contracts were terminated for 9 employees in the group during the year (25 in 2016-17), incurring costs of £0.209m (£0.327m in 2016-17). This included redundancy payments of £0.134m and pension strain costs of £0.075m. Other departures agreed cover voluntary redundancies and compromise agreements. In 2017-18.There were no exit payments within the PCC. The Group made no material payments in relation to injury awards during the year.

6.5 Auditor remuneration

KPMG LLP are the external auditor to the Commissioner and Group the fees in the year were £0.050m of which £0.035m related to the Commissioner and no other services were purchased. This was the same fee as in 2016-17.

Exit Packages								
Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band (£)**	
	2016-17	**2017-18**	**2016-17**	**2017-18**	**2016-17**	**2017-18**	**2016-17**	**2017-18**
£0-£20,000	4	5	17	1	21	6	192,000	67,000
£20,001 - £40,000	1	2	2	0	3	2	85,000	67,000
£40,001 - £60,000	0	0	1	0	1	0	50,000	0
£60,001 - £80,000	0	1	0	0	0	1	0	75,000
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	**5**	**8**	**20**	**1**	**25**	**9**	**327,000**	**209,000**

Section 7 Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Commissioner enters a contract. They are initially measured at fair value and carried at their amortised charged 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 financial liabilities of the Group consist of short-term cost. This generally will equate to the principal outstanding plus accrued interest. Impairment may be appropriate if it becomes likely that the contract may not be fulfilled.

7.1 Risks Arising from Financial Instruments

The Commissioners activities expose it to a variety of financial risks:

- Credit risk – the possibility that the amounts due may not be received.
- Liquidity risk – the possibility that insufficient funds are available to meet expenditure commitments.
- Market risk – the possibility that loss arises as a result of changes to interest rates and stock market movements.

The Treasury Management Strategy (incorporating the Annual Investment Strategy) focuses on mitigating the risk of the unpredictability of financial markets, It includes policies on the risks above.

Credit Risk

Credit risk arises from investments and customer debt. 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 market leading rating services.

Maximum investment limits and durations are also specified to reduce credit risk. The maximum exposure to credit risk for deposits during the year was £63.7m. This was placed within the criteria of the strategy with high quality counterparties. There was no evidence at year end of potential counterparty default.

Customers owed £2.24m at year end (£2.17m in 2017-18). An allowance of £0.03m is set aside for debts to mitigate the effect of default (£0.03m in 2017-18).

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. There is no significant risk of being unable to raise the required finance. If a significant proportion of borrowing needed replacing at a time of unfavourable interest rates, this could be costly. The Treasury Management Strategy. limits the proportion of borrowing maturity in specific periods to minimise the risk 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 debt to be variable rate loans to mitigate this. Only £3.5m is held as variable which is 9% There was no temporary borrowing at 31 March 2018.

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.

The table below shows the maturity spread of debt. All trade and other payables are due within one year.

Liquidity Risk	31 March 2017 £000	31 March 2018 £000
Less than one year	(7,273)	(8,249)
Between one and two years	(4,685)	(471)
Between two and five years	(5,962)	(5,677)
More Than 5 Years	(3,317)	(3,259)
More Than 10 years	(19,642)	(19,513)
	(40,879)	**(37,169)**

7.2 Financial Instruments – Fair Value

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 2017-18 ranged between 1.3% and 8% for PWLB loans and 3.73% on the market loan .The average Interest rates received was 0.31%. 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 loans is £43.1m which is £5.98m higher than the carrying amount because there are 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 fair value of assets is the year end carrying value, being either variable rate instruments or short term.

No new long term borrowings took place in 2017-18.

7.3 Financial Instruments Outstanding

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.

Longer term borrowing was with the PWLB (£29.6m with the PWLB and £4.0m with Torbay BC 31 March 2017).

	Long-term 31 March 2017 £000	Long-term 31 March 2018 £000	Current 31 March 2017 £000	Current 31 March 2018 £000
Debtors				
Loans and receivables	0	0	34,202	43,487
Other	45	0	2,786	2,364
Total included in Debtors	**45**	**0**	**36,988**	**45,851**
Borrowings				
Financial liabilities at amortised cost	(33,605)	(28,920)	(7,273)	(8,249)
Total included in Borrowings	**(33,605)**	**(28,920)**	**(7,273)**	**(8,249)**
Other Long Term Liabilities				
PFI and finance lease liabilities	(1,938)	(2,227)	0	0
Total other long term liabilities	**(1,938)**	**(2,227)**	**0**	**0**
Creditors				
Financial liabilities carried at contract amount			(19,724)	(24,319)
Total Creditors	**0**	**0**	**(19,724)**	**(24,319)**
Financial Liabilities at amortised cost				
Interest expense			1,276	1,351
Financial Assets: Loans and receivables				
Interest income			(93)	(104)
Net expense in (Surplus) or Deficit on the Provision of Services			**1,183**	**1,247**

Section 8 Other Notes

8.1 Contingent Assets

Contingent assets arise 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 in the control of the Group. They are not recognised in the Balance Sheet, The Commissioner had no contingent assets as at 31 March 2018.

8.2 Contingent Liabilities

A contingent liability arises where a past event gives a possible obligation which depends on the outcome of uncertain future events not wholly in the control of the Group. Contingent liabilities also arise in circumstances where a provision or reserve 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 .

Nottinghamshire, the Home Office and other Chief Constables currently has 23 claims lodged against them with the Central London Employment Tribunal. These are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015 Similar claims have also been made in relation to the changes to the Judiciary and Fire fighters Pension regulations. In both of these cases the respondents were successful and then appealed during 2017-18. Subsequently the respondents are appealing against the Appeal Tribunal Judgements. In the case of the Fire fighters the claimants are also appealing against aspects of the judgement.

The outcome of these further appeals may influence the outcome of the Police claims.

The Police hearing has been stayed, and the Home Office has requested that the stay is extended pending further appeals. If the Police claims were successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact. As the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, plus uncertainty regarding remedy and quantum it is not possible to provide an estimate of the potential financial impact. It is judged that there is no liability at the Balance Sheet date.

The potential for claims for insufficient overtime being paid for some officers following successful claims in Devon and Cornwall Police, has crystallised and an estimate has been reserved for (Allard Reserve).

There has been a significant Employment Tribunal challenge against the unlawful use of the A19 Regulation, which was successfully appealed. There has an unsuccessful counter appeal against this judgement. Permission to appeal was refused and therefore this contingency has been removed.

The risk associated with potential challenges to the operations of undercover police officers.is likely to be an insurable risk. It is still not yet known whether this will impact on Nottinghamshire yet.

There are no potential environmental or Information Commissioner cases pending.

8.3 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 provides the statutory framework. and the majority of its funding in the form of grants and limits the increase in precepts. There is also influence by other Local Authority partners. This is particularly relevant to the City Council, who provide funding for specific roles.

The CIPFA Code 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. Audit and Scrutiny Panel members are required to complete a register of interest form. Senior employees can influence decisions and they also complete a declaration of personal interests. Joint Operations are areas where significant influence can be exerted by all parties.

SUPPLEMENTARY ACCOUNTS AND EXPLANATORY NOTES

8.4

2016-17 £000	Pension Fund	2017-18 £000
	Contributions Receivable	
(7,066)	Employers Contributions 1987 Scheme	(5,777)
(213)	Employers Contributions 2006 Scheme	(208)
(9,563)	Employers Contributions 2015 Scheme	(10,348)
(2,080)	Additional Contributions for early retirements - all schemes	(1,411)
(4,181)	Members contributions 1987 Scheme	(3,414)
(100)	Members contributions 2006 Scheme	(101)
(5,277)	Members contributions 2015 Scheme	(5,710)
(435)	Transfer in 1987 Scheme	0
(11)	Transfer in 2006 Scheme	0
	Transfer in 2015 Scheme	(310)
	Benefits Payable	
51,167	Pensions 1987 Scheme	53,187
7	Pensions 2006 Scheme	18
	Pensions 2015 Scheme	143
13,898	Commutations and lump sum retirement benefits 1987 Scheme	15,517
129	GAD V Milne payments	15
	Payments to / on account of leavers	
0	Refund of contributions 2006 Scheme	2
0	Refund of contributions 2015 Scheme	4
0	Transfers out 1987 Scheme	0
0	Transfers out 2006 Scheme	43
0	Transfers out 2015 Scheme	0
36,275	**Sub-total before transfer from the Commissioner of amount equal to the deficit**	**41,650**
(36,275)	**Transfer of Government Grant from the Commissioner to meet the deficit**	**(41,650)**
0	**Balance at 31 March**	**0**

This fund account relates solely to the Police Officer Pension Scheme

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. The Pension Reserve absorbs the timing differences between the difference in accounting and funding for post-employment benefits in accordance with statutory provisions. 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. Actuarial gains and losses are charged to the Pension Reserve.

The CIES recognises the benefits earned by employees accruing service in accordance with IFRS19. but the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. This ensures that there is no effect on the amounts to be met from government grant and local taxpayers.

The liabilities are adjusted for inflation, valuation assumptions and investment returns.

The Group makes contributions towards the pension schemes and. contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations.

The Local Government Pensions Scheme

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 the appropriate discount rate. The discount rate is the annualised yield at the 22 year point on the Merrill Lynch AA-rated corporate bond yield curve which meets the requirements of IAS19.

The Police Pension Scheme

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 of up to 100%, subject to parliamentary scrutiny and approval. More details are included in the Pension Fund Statement. 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. This means that the true liability relating to police pensions rests with the Home Office. The element relating to The Group's assets and liabilities is included within these accounts. Since 1 April 2015 pensions have been based on a career average value.

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. Assets are not built up within the scheme to meet these pension liabilities.

Accounting Treatment

The Group Balance Sheet recognises the net pension liability and reserve The actuarial valuation of the Staff LGPS Fund was carried out as at 31 March 2016 and set contributions for the period from 1 April 2018 to 31 March 2020. This scheme includes both staff working for the Chief Constable entity and 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 pro rata 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 for are based on a detailed valuation based on information as at 31 March 2016.

The figures for the LGPS are calculated by Barnett Waddingham (Actuaries), based on membership data as at 31 March 2016 for members receiving funded benefits and as at 31 March 2014 for any members receiving unfunded benefits. This has then been rolled forward to reflect the position as at 2018.. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

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.

2016-17		Pension Scheme Comprehensive Income and Expenditure Statement	2017-18	
LGPS £000	**Police £000**		**LGPS £000**	**Police £000**
7,542	27,080	Current service cost	12,814	37,330
0	0	Admin Expense	82	0
0	50	Past service cost	58	1,660
678	0	(Gain) / loss from curtailments	0	0
(30,060)	74,220	Net interest expense / (income)	4,206	68,330
(21,840)	**101,350**	**Total charged to (Surplus) and Deficit on Provision of Services**	**17,160**	**107,320**
		Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement		
		Re-measurement of the net defined benefit liability comprising:		
3,314	0	Return on plan assets (excluding the amount included in the net interest expense)	0	0
(6,533)	(5,330)	Actuarial (gains) and losses – experience	0	(142,220)
3,824	(42,720)	Actuarial (gains) and losses arising on changes in demographic assumptions	0	(83,260)
80,690	489,410	Actuarial (gains) and losses arising on changes in financial assumptions	(15,696)	75,060
59,455	**542,710**	**Total charged to the Comprehensive Income and Expenditure Statement**	**1,464**	**(43,100)**

2016-17		Movement in Reserves Statement	2017-18	
LGPS £000	Police £000		LGPS £000	Police £000
21,840	(101,350)	Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services	(17,160)	(107,320)
		Actual amount charged against the general fund balance for pensions in the year:		
5,576	0	Employers' contributions payable to scheme	5,187	0
0	58,030	Retirement benefits payable to pensioners	0	62,970

2016-17		Pensions Assets and Liabilities Recognised in the Balance Sheet	2017-18	
LGPS £000	Police £000		LGPS £000	Police £000
(354,700)	(2,590,570)	Present value of the defined obligation	(356,627)	(2,484,500)
210,984	0	Fair value of plan assets	216,634	0
(143,716)	(2,590,570)	Value of Assets / (Liabilities)	(139,993)	(2,484,500)
(143,716)	**(2,590,570)**	**Net (liability) / asset arising from the defined benefit obligation**	**(139,993)**	**(2,484,500)**

2016-17		Movement in the Value of Scheme Assets	2017-18	
LGPS £000	**Police Officer Pension Scheme £000**		**LGPS £000**	**Police Officer Pension Scheme £000**
174,146	0	Opening fair value of scheme assets	210,984	0
40,009	0	Interest income	5,655	0
		Re-measurement gain / (loss):		
(3,314)	0	The return on plan assets, excluding the amount included in the net interest expense	0	0
5,576	58,030	Contributions from employer	5,187	62,970
2,059	9,980	Contributions from employees into the scheme	2,119	9,530
(7,492)	(68,010)	Benefits / transfers paid	(7,229)	(72,500)
		Admin Expense	(82)	0
210,984	**0**	**Closing value of scheme assets**	**216,634**	**0**

2016-17		Movements in the Fair Value of Scheme Liabilities	2017-18	
LGPS £000	**Police Officer Pension Scheme £000**		**LGPS £000**	**Police Officer Pension Scheme £000**
(263,983)	**(2,105,890)**	**Opening balance at 1 April**	**(354,700)**	**(2,590,570)**
(7,542)	(27,080)	Current service cost	(12,814)	(37,330)
(9,949)	(74,220)	Interest cost	(9,861)	(68,330)
(2,059)	(9,980)	Contributions from scheme participants	(2,119)	(9,530)
		Re-measurement gains and losses:		
6,533	5,330	- Actuarial gains / (losses) - experience	0	142,220
(3,824)	42,720	- Actuarial gains / (losses) from changes in demographic assumptions	0	83,260
(80,690)	(489,410)	- Actuarial gains / (losses) from changes in financial assumptions	15,696	(75,060)
0	(50)	Past service cost	(58)	(1,660)
(678)	0	Gains / (losses) on curtailments	0	0
7,492	68,010	Benefits / transfers paid	7,229	72,500
(354,700)	**(2,590,570)**	**Balance as at 31 March**	**(356,627)**	**(2,484,500)**

The liabilities show the underlying commitments that the Group will eventually have for retirement benefits. The total liability of £2,624m has a substantial impact on the net worth of the Balance Sheet. Statutory accounting arrangements to fund the deficit neutralise the effect on taxpayers. Finance is only required when the pensions are actually paid.

The deficit on the local government scheme has been recovered by increased monetary contributions for three years until this year. The situation will be re-assessed for the next three years based on an actuarial valuation report.

The total contributions expected to be made to the Staff Pension Scheme and the Police Officer Pension Scheme in the year ending 31 March 2019 are £5.1m and £16.8m respectively.

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 £5.6m (2016-17, £40.0m). The pension liability is sensitive to changes and the actuaries give an indication of this.

For the LGPS an increase of 0.1% on the present value of liabilities decreases the pension liability by £8.0m and a decrease by the same amount increases the pension liability by £8.1m.

For the police officers scheme an extra 0.5% on the discounting rate used increases the liability by £257m with a 0.5% decrease in the rate decreasing the liability by the same amount.

Pension Assumptions	**LGPS**		**Police**	
	2016-17	**2017-18**	**2016-17**	**2017-18**
Mortality assumptions				
Longevity at 65 retiring today				
Men	22.5 yrs	22.6 yrs	23.2 yrs	22.6 yrs
Women	25.5 yrs	25.6 yrs	25.2 yrs	24.2 yrs
Longevity at 65 retiring in 20 years				
Men	24.7 yrs	24.8 yrs	25.2 yrs	24.5 yrs
Women	27.8 yrs	27.9 yrs	27.3 yrs	26.1 yrs
Rate of inflation				
CPI Increases	2.70%	2.30%	2.35%	2.30%
Rate of increase in salaries	4.20%	3.80%	4.35%	4.30%
Rate of increase in pensions	2.70%	2.30%	2.35%	2.30%
Rate for discounting scheme liabilities	2.80%	2.60%	2.65%	2.55%

Value of LGPS Assets at Bid Value	31 March 2017 £000's	31 March 2017 %	31 March 2018 £000's	31 March 2018 %
Equity Investments	147,562	70	142,444	66
Gilts	6,450	3	4,963	2
Other Bonds	12,729	6	25,306	12
Property	23,458	11	27,213	13
Cash	10,615	5	4,280	2
Inflation-linked pooled fund	5,267	3	5,360	2
Infrastructure	4,903	2	7,068	3
	210,984	**100**	**216,634**	**100**

JOINT OPERATIONS

8.5 Joint Operations

Joint operations (JO's) are treated in accordance with IAS 31 - Interests in Joint Ventures. They are governed by legally binding Section 22 Agreements and incorporated into the accounts on agreed proportions. The Group participates in 12 collaborative arrangements with other PCC's covered by formal legal documents. The police officers involved are seconded from the individual forces and costs are borne in agreed proportions. These agreements meet the definition of JO's in that decisions on relevant activities require the unanimous consent of the parties sharing control. The relevant proportions of these assets are incorporated throughout these Accounts.

The collaboration formed this year is the Regional Emergency Services Network which has been the replacement for the Airwave system.

The proportion relating to Nottinghamshire has generally gone down due to the periodical measurement in accordance with an agreed formula.

There are six JO's between Nottinghamshire, Derbyshire, Leicestershire, Lincolnshire and Northamptonshire and Nottinghamshire's proportion is 27.3% (27.6% 2016-17).

- 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 Unit (EMCHRS OHU).
- The East Midlands Forensic Support Services (EMFSS).
- The East Midlands Legal Service (EMLS).
- The Regional Emergency Services Network (ESN) 22.6%.

There are two collaborations which are four way shared services with Leicestershire, Lincolnshire and Northamptonshire.

Nottinghamshire's proportion is 34.9% (36.29% 2016-17)

1. The East Midlands Criminal Justice Service (EMCJS).
2. The East Midlands Operational Support Services (EMOpSS).

The other collaborations are:

- The East Midlands Commercial Services Unit (EMSCU), is a two way shared service with Northamptonshire. The share of costs for Nottinghamshire this year is 50% (50% 2016-17).
- The East Midlands Learning & Development (EMCHRS L&D) is a four way shared service with Leicestershire, Derbyshire, and Northamptonshire. Nottinghamshire's proportion is 31.42% (31.7% 2016-17).
- The shared service for transactional HR and finance - MFSS with Cheshire and Northamptonshire and Civil Nuclear Police has expanded to include Avon & Somerset for a small part of the year. The share of costs for Nottinghamshire this year is 29.81% (32.64% 2016-17).

2016-17			Joint Operations Comprehensive Income and Expenditure Statement	2017-18		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
12,823	0	12,823	Cost of Police Services	14,586	0	14,586
12,823	**0**	**12,823**	**Cost of Services**	**14,586**	**0**	**14,586**
28	(639)	(611)	Other Operating Expenditure / Income	174	(866)	(692)
	(1,593)	(1,593)	External Grants and Contributions	0	(2,573)	(2,573)
0	(10,883)	(10,883)	Contributions From Partners	0	(11,955)	(11,955)
12,851	**(13,115)**	**(264)**	**(Surplus) or Deficit on Provision of Services**	**14,760**	**(15,394)**	**(634)**
		0	Other CIES			(12)
		(264)	**Total CIES**			**(646)**

Joint Operations Movement in Reserves	General Fund Balance £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2017	**(75)**	**(1,023)**	**0**	**(1,098)**	**(2,473)**	**(3,571)**
Movement in reserves during 2017-18						
(Surplus) / deficit on the provision of services	(634)	0	0	(634)	0	(634)
Other CIES	(12)	0	0	(12)	0	(12)
Total CIES	**(646)**	**0**	**0**	**(646)**	**0**	**(646)**
Adjustments between accounting basis and funding basis under regulations	423	0	0	423	(423)	0
Net(Increase) or Decrease before Transfers to Earmarked Reserves	**(223)**	**0**	**0**	**(223)**	**0**	**0**
Transfers to / (from) Earmarked Reserves	223	(223)	0	0	0	0
(Increase) or Decrease in 2017-18	**0**	**(223)**	**0**	**(223)**	**(423)**	**(646)**
Balance at 31 March 2018	**(75)**	**(1,246)**	**0**	**(1,321)**	**(2,896)**	**(4,217)**

31 March 2017 £000	Joint Operations Balance Sheet	31 March 2018 £000
2,373	Property, Plant and Equipment	2,917
142	Intangible Assets	182
2,515	**Long Term Assets**	**3,099**
123	Assets Held for Sale	0
634	Short Term Debtors	1,262
470	Cash and Cash Equivalents	1,541
1,227	**Current Assets**	**2,803**
(171)	Short-Term Creditors	(1,685)
(171)	**Current Liabilities**	**(1,685)**
0	**Long Term Liabilities**	**0**
3,571	**Net Assets**	**4,217**
(1,098)	Usable Reserves	(1,321)
(2,473)	Unusable Reserves	(2,896)
(3,571)	**Total Reserves**	**(4,217)**

GLOSSARY

GLOSSARY

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCOUNTING POLICIES

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

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACT

The Police Reform and Social Responsibilities Act 2011.

ACTURIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or the actuarial assumptions have changed.

ASSET

An item having value to the Authority in monetary terms. Assets are categorised as either current or non-current.

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock).
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a police station, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET	CAPITAL EXPENDITURE	CAPITAL FINANCING
The forecast of net revenue and capital expenditure over the accounting period.	Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.	Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.
CAPITAL PROGRAMME	**CAPITAL RECEIPT**	**CIPFA**
The capital schemes the Authority intends to carry out over a specific period of time.	The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.	The Chartered Institute of Public Finance and Accountancy.
CODE	**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**	**CONSISTENCY**
The CIPFA Code of Practice on Local Authority Accounting governs the content of these accounts.	The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.	The concept that the accounting treatment of like items, within an accounting period and from one period to the next, are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CREDITOR

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of the accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has not legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EVENTS AFTER BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS	FAIR VALUE	FINANCE LEASE
For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.	The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lease.
GOING CONCERN	**IFRS**	**GROUP**
The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.	International Financial Reporting Standards are developed by the International Accounting Standards Board (IASB) and regulate the preparation and presentation of Financial Statements. Any material departures from these Standards would be disclosed in the notes to the Accounts.	Nottinghamshire Office of the Police and Crime Commissioner and its Group.
IMPAIRMENT	**INTANGIBLE ASSTS**	**INTEREST COSTS (PENSION)**
A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.	An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.	For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

LIABILITY	MATERIALITY	MINIMUM REVENUE PROVISION (MRP)
A liability is where the Authority owes payment to an individual or another organisation: • A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn. • A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.	The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.	The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.
NET BOOK VALUE	**NON-DISTRIBUTED COSTS**	**NON-OPERATIONAL ASSETS**
The amount at which fixed assets are included in the balance sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.	These are overheads for which no user now benefits and as such are not apportioned to services.	Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.
OPERATING LEASE	**OPERATIONAL ASSETS**	**PAST COSTS (PENSIONS)**
A lease where the ownership of the fixed asset remains with the lessor.	Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.	For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to the employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES	PRECEPT	PRIOR YEAR ADJUSTMENT
The liabilities of a defined benefit pension scheme for our goings due after the valuation date. Scheme liabilities measure during the projected unit method reflect the benefits that the employer is committed to provide for services up to the valuation date.	The levy made by precepting authorities to billing authorities, requiring the latter to collect income from Council Tax on their behalf.	Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.
PROVISION	**PUBLIC WORKS LOAN BOARD (PWLB)**	**REMUNERATION**
An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.	A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.	All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.
RESERVES	**RETIREMENT BENEFITS**	**REVENUE EXPENDITURE**
The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.	All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.	The day-to-day expenses of providing services.

REVENUE EXPENIDUTURE CAPITALISED UNDER STATUTE (REFCUS)	TEMPORARY BORROWING	USEFUL ECONOMIC LIFE (UEL)
Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.	Money borrowed for a period of less than one year.	The period over which the Authority will derive benefits from the use of a fixed asset.