



# Statement of Accounts 2020-21

Nottinghamshire Police & Crime Commissioner and Group



**NOTTINGHAMSHIRE  
POLICE & CRIME  
COMMISSIONER**

(V1 as at 25<sup>th</sup> July 2022)







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An aerial photograph of a city, likely Birmingham, featuring a prominent red brick clock tower with a dome and two clock faces. The tower is surrounded by a mix of modern glass-fronted buildings and older brick structures. In the background, there are green hills under a clear blue sky. The right side of the image is overlaid with a semi-transparent purple gradient.

# WRITTEN STATEMENT 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 of the City and 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 66% of the funding required to police Nottinghamshire. The remainder is met from local council tax payers.

For 2020-21 the Government Grant was increased as a result of the National Uplift Programme to a total of £146.1m.

For 2020-21 precept freedoms to raise council tax by £10 per annum (Band D equivalent) were given.

The Force still needed to achieve savings of £2.0m to balance the budget. Whilst those efficiencies have been met other costs have been incurred resulting in an overspend position of £0.1m.

The impact of the Covid-19 Pandemic is reflected in the Statement of Accounts for 2020-21 and will continue to impact in 2021-22. However, to date the impact has not been as severe as initially anticipated.

The impact of Brexit has yet to be felt and could also impact on future financial statements and public sector funding.

## 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.

## PRIORITIES

Protecting People from Harm

Helping and Supporting Victims

Tackling Crime and Antisocial  
Behaviour

Transforming Services and  
Delivering Quality Policing

## PERFORMANCE

### Achievements 2020-21

During 2020-21 the PCC continued to fund safe and effective victim support services, in addition to further developing sexual violence support, with specific action including:

- Leading local discussions with clinical commissioning groups and the City and County Councils to ensure safe and effective sexual violence therapeutic support. This resulted in agreement of nearly £1m pa for new support.
- Leading work with survivors to co-produce a new therapeutic support service.
- Leading the co-commissioning of a new sexual violence hub and therapy service with Bassetlaw Clinical Commissioning Group, Nottingham and Nottinghamshire Clinical Commissioning Group, Nottingham City Council and Nottinghamshire County Council. The new service began operating on 2 January 2021.
- During 2020 the PCC extended contracts for Victim CARE and both Sexual Assault Referral Centres (SARCs). Victim CARE will be recommissioned during 2021 and the SARCs during 2022. The PCC also extended the pilot of non domestic stalking, as the service was heavily impacted by the Covid pandemic.
- The PCC also maintained financial investment into outcomes focussed domestic abuse support services and has agreed to fund a new pilot domestic abuse car. This initiative will begin in April 2021.

The PCC continued to work with local authorities to ensure that high quality substance misuse support has been provided to offenders in the criminal justice system.

- The Covid pandemic and the measures taken to slow its spread presented a variety of complex challenges for all victim support services, particularly domestic abuse. Necessary lockdowns and other restrictions are widely considered to have exacerbated and escalated the risk of domestic abuse in some situations. In addition, the PCC's Independent Sexual Violence Adviser (ISVA) services have faced increased demand from survivors whose court cases are being substantially delayed.
- The PCC worked closely with local authorities to ensure that all PCC commissioned victim support services responded quickly and well to the Covid pandemic. Support services (with the exception of SARCs) were swiftly adapted to telephone and online support. SARCs adapted services and have remained fully open during Covid. Some victim support initiatives (for example group programmes) were put on hold, however the vast majority of victims have continued to access support remotely. Support services incurred additional costs in equipping staff and adapting services to work remotely and in meeting additional and changed demand.

To help services manage, the PCC successfully secured £954,429 of Ministry of Justice emergency Covid funding for both commissioned and non-commissioned domestic and sexual violence support services.

- In addition, during 2020 the PCC secured £295,313 of new Ministry of Justice funding for 3.5 full time equivalent additional ISVAs for 2020-21 and 2021-22
- During 2020-21 the PCC's commissioned services supported over 6,000 victims in the Victim CARE service, over 650 in ISVA services and over 3,000 in domestic abuse support services. In addition Victim CARE expanded its community points (local access points) to 41, supporting many of them with small grants.
- During 2020 the PCC developed, consulted on and published a Domestic Abuse Position Paper "Improving the response to domestic abuse in Nottinghamshire, a whole systems approach". The paper identifies 23 actions, all of which are either complete or at the expected progress point.
- In March 2020 the PCC developed, consulted on and published their Violence Against Women and Girls Strategy.

## Achievements 2020-21 (continued)

- The PCC has continued to fund work to manage domestic abuse perpetrators by funding Independent Domestic Violence Advisers (IDVA) to support the partners of offenders who are being managed through Nottinghamshire DVA Integrated Offender Management (IOM) scheme.
- In addition to the Domestic Abuse IOM Scheme, the PCC has begun to expand the range of domestic abuse prevention activity in Nottinghamshire, successfully securing just over £0.2m of funding from the Home Office to pilot the delivery of domestic abuse perpetrator programmes in Nottinghamshire. The programmes will run in 2021. They will be independently evaluated and contribute to the national evidence base.
- The PCC awarded just over £0.4m in small grants to 36 community organisations and charities as part of the 2020-21 joint Community Safety and Violence Reduction Unit Fund. The funding enabled third sector organisations to undertake a variety of projects tackling pressing issues such as knife crime, domestic violence, serious violence, hate crime and sexual violence.
- Nottingham and Nottinghamshire Violence Reduction Unit (VRU) received funding from the Home Office for the second year in 2020-21. Working in partnership with both local authorities, Nottinghamshire Police, health, education and the community sector, the role of the VRU is to lead and coordinate the response to serious violence by taking an early intervention, preventative approach, which is evidence and data led.
- Between April 2020 and December 2021 the VRU have supported 1,547 young people at risk of being impacted by serious violence, through commissioned interventions. This has included targeted outreach, counselling and mentoring and diversionary activity, as well as reaching 142,181 through a commissioned social media campaign, which was co-produced with young people.
- Outcomes from participants have included increased access to pathways of support, reduced offending, improved emotional resilience, decreased substance misuse and readiness for education, training and employment. The team have also commissioned research and evaluation to increase the local and national evidence base around what works to prevent and reduce serious violence. Latest performance has shown a 14.4% decrease in serious violence offences from November 2019 to October 2020.

During the year overall crime reduced by 20.3% compared to no significant change in the previous year (-0.5%).

The City saw a reduction of 24.0% and the County had a reduction of 17.5%.

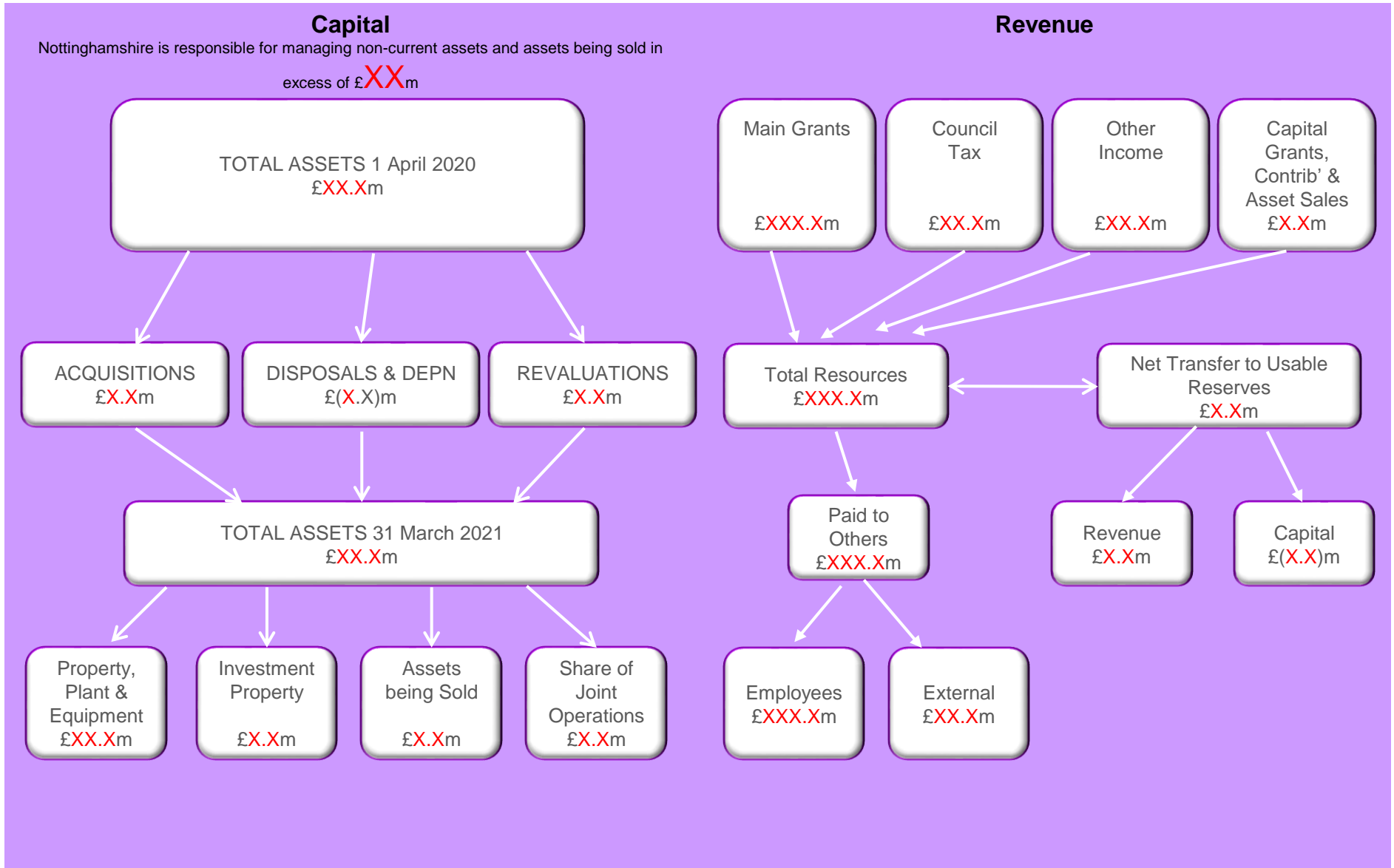
Victim based crime reduced by 22.6%.

Some key performance successes include:

- All theft offences down 31.2%
- Vehicle crime down 36.2%
- Burglary down 34.4%
- Robbery down 35.9%
- Violence against the person offences down 11.5%
- Domestic crimes and incidents (non crime) down 7.9%
- Hate crimes and incidents (non crime) down 4.9%
- Sexual offences down 23.3%
- Arson and criminal damage down 17.7%
- Possession of weapon offences down 16.3%
- Public order offences down 7.5%

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





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.

<b>Financed by:</b>	£m
<b>Police &amp; Crime Grant</b>	
<b>Legacy Grant</b>	
<b>Precept</b>	
<b>Other Income</b>	
<b>Net Contribution to Reserves</b>	_____
	_____

<b>Financed by:</b>	£m
<b>Reserves &amp; contributions</b>	
<b>Capital Grants</b>	
<b>Capital Receipts</b>	
<b>External Borrowing</b>	
<b>Internal Borrowing</b>	_____
	_____

**Note:**

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

Capital figures do not contain any amendments for Joint Operations.



**FINANCIAL PERFORMANCE (cont.) – to follow****Capital Expenditure**

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

- New Custody Suite.
- New Joint HQ Building with Fire.
- Maintaining the existing estate.
- Updating and replacing IT.
- Vehicle replacements.
- Exploring opportunities with the Fire Service and East Midlands Ambulance Service (EMAS).

There was some delay due to the pandemic affecting progress in 2020-21, but this was just a few weeks and is being caught up.

**Provisions and Reserves**

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

Reserves continue to be replenished to finance significant capital expenditure over the medium term.

<b>At 31 March 2021</b>	<b>£m</b>
TOTAL PROVISION	
TOTAL USABLE REVENUE RESERVES	
TOTAL USABLE CAPITAL RESERVES	

## WHO WORKS FOR NOTTINGHAMSHIRE POLICE

Nottinghamshire Police (including the Office of the Police and Crime Commissioner) employs approximately 2,188 police officers, 164 PCSOs, 140 specials and 1,416 staff in full-time and part-time positions.

### Overall Equality Characteristics

Gender	Headcount	%
Male	2,137	54.68%
Female	1,771	45.32%
<b>Totals</b>	<b>3,908</b>	<b>100.00%</b>

Age Band	Headcount	%
25 and under	498	12.74%
26 to 40	1,552	39.72%
41 to 55	1,532	39.20%
Over 55	326	8.34%
<b>Totals</b>	<b>3,908</b>	<b>100.00%</b>

Self-Declared Disability	Headcount	%
Yes	151	3.86%
No or not specified	3,757	96.14%
<b>Totals</b>	<b>3,908</b>	<b>100.00%</b>

Ethnicity	Headcount	%
Asian or Asian British	138	3.53%
Black or Black British	46	1.18%
Mixed	75	1.92%
Chinese or Other	1	0.03%
White	3,622	92.68%
Not Stated	19	0.48%
Not Known	7	0.18%
<b>Totals</b>	<b>3,908</b>	<b>100.00%</b>



## 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, whether a positive opportunity or threat and the likely impact. The risk management processes are subject to regular review and updates. The key strategic notes are:

RISK	IMPACT	MITIGATION
Significant Incidents	Response to Covid-19 Pandemic. Detrimental impact of Brexit on public sector financing.	Monitor national activity by the Government – consider lobbying through representative bodies.
Comprehensive Spending Review	Delay by a further year impacts on the total amount available for funding policing nationally.	The Commissioner is a lead for this work at a national level.
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 continues to be managed within the resources available.
System Reviews	Within the next two years there will be need to change our Core Finance System providers.	This will be managed as a major project and a business case developed which will include a risk register.
Expansion of business to create LLPs	Impact of this change on accounting treatment and accountability (e.g. Companies House and VAT implications).	Advice from consultants experienced in this field and specific advice from our tax advisors.
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.
Changes affecting the Pension Administration	The impact of McCloud.	Advice from Pension Providers XPS and Nottinghamshire LGPS. Involvement with National Implementation Group via NPCC.

<b>Explanation of Accounting Statements</b>	<b>The Core Statements</b>	<b>The Supplementary Financial Statements</b>
<p>The Statement of Accounts sets out the Group income and expenditure for the year and its financial position at 31 March 2021. 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 2020-21; which in turn is underpinned by International Financial Reporting Standards.</p> <p>A new financial management code comes into effect on 1 April 2021. The 2020-21 financial year is a transition year to prepare for this.</p> <p>A glossary of terms can be found at the end of this publication.</p>	<p>The Comprehensive Income and Expenditure Statement (CIES). This 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.</p> <p>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.</p> <p>The Balance Sheet is a “snapshot” of the assets, liabilities, cash balances and reserves at the year-end date.</p> <p>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).</p>	<p>The Annual Governance Statement – this sets out the governance arrangements in place and the key internal controls.</p> <p>The Pension Fund Accounts – these provide detail about the 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.</p> <p>The Notes to the Accounts – these provide more detail about the accounting policies and individual transactions.</p>



















## 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 their 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.
- Ensure that the Section 151 Officer is a key member of their strategic management team and is adequately resourced and trained to fulfil this role.

## 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.
- Kept up to date with professional development.

The Section 151 Officer has also:

- Kept proper accounting records which are up to date, and
- 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 Nottinghamshire Office of the Police and Crime Commissioner as at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

M Kimberley CPFA  
Chief Finance Officer  
Nottinghamshire Police and Crime  
Commissioner

Approval: The Statement of Accounts was approved by the Joint Audit and Scrutiny Panel

C Henry  
Nottinghamshire Police and Crime  
Commissioner

**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 (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 the direction for the use of resources and commissioning

**Scrutiny & Review**

- Public meetings – Strategic Resources and Performance to hold the Chief Constable to account
- Joint Audit & Scrutiny Panel (JASP) – to challenge and review the governance and actions of the OPCC and Force
- Public Consultation, Stakeholder events and surveys – 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 JASP regularly

**Effective Management Team**

- Chief Executive is the Monitoring Officer responsible for governance
- Chief Finance Officer is the Section 151 Officer responsible for safeguarding the financial position of the group
- The PCC and Chief Financial Officer are part of a Joint Governance Board with Fire for collaboration

**Governance during Covid-19**

During 2020-21 we needed to work differently, but still remain effective and legally compliant. Therefore, our governance meetings went online and were supported by our decision record process. Claim forms, contracts and returns requiring signature were checked and use of electronic signature approved where the signatories were working from home. This ensured timely decision making and business as usual during the year.

HOW WE COMPLY WITH THE CIPFA SOLACE FRAMEWORK	PRINCIPLE A <b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the law.</b>	PRINCIPLE B <b>Ensuring openness and comprehensive stakeholder engagement</b>
<p>The Commissioner has approved and adopted:</p> <ul style="list-style-type: none"> <li>• Code of Corporate Governance</li> <li>• The requirements of the CIPFA/SoLACE Framework: Delivering Good Governance in Local Government Framework</li> <li>• A number of specific strategies and processes for strengthening corporate governance</li> </ul> <p>Set out here is how the Commissioner has complied with the seven principles set out in the CIPFA/SoLACE Framework during 2020-21.</p>	<p>The Commissioner has endorsed the Code of Corporate Governance, which provides guidance on expected standards of behaviours to ensure integrity.</p> <p>The Commissioner has approved the Anti-Fraud, Bribery and Corruption policies. JASP 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 Directorate and appropriate action is taken.</p> <p>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 JASP or the Police and Crime Panel.</p>	<p>All meetings of the JASP, 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.</p> <p>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.</p> <p>During the pandemic, public engagement continued wherever possible. Meetings such as the Police and Crime Panel were recorded and put on-line. Surveys continued to gauge public opinion.</p>



**PRINCIPLE C****Defining outcomes in terms of sustainable, economic, social and environmental outcomes**

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 is 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.

The 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.

The Commissioner has also invested in environmental outcomes by making funding available for electric cars and bicycles and also ensures that new buildings are as energy efficient as possible.

**PRINCIPLE D****Determining the intervention necessary to optimise the achievement of intended outcomes**

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 Commissioner signing off the final business cases.

**PRINCIPLE E****Developing capacity and capability**

The Commissioner and Chief Constable have taken full advantage of the funding made available to uplift the number of police officers. The Chief Constable has ensured that recruitment is ahead of schedule.

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**

The Force continues to ensure compliance with the National Crime Recording Standard (NCRS) and has a dedicated Force Crime Registrar who monitors performance and reports progress to the Crime & Data Quality Board chaired by an Assistant Chief Constable.

Performance is monitored against a comprehensive Police and Crime Performance Framework and risks identified in the bi-monthly Performance and Insight Report. The OPCC is represented at the Force Performance Board where risks are reviewed and mitigation activity undertaken.

The Joint PCC and Force Risk Management Strategy details how corporate risks are managed and mitigated. In addition, the independent JASP meeting receives a copy of the Force and PCC Strategic Risk Progress Report every six months, as per the Policy.

There are joint policies in place for risk management, anti-fraud, corruption and bribery and together with the financial regulations, these 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 Directorate provides reports on actions within the disciplinary process and on lessons learnt nationally from the IOPC.

An external community panel is being set up to review discrimination complaints, use of force and stop and search.

All recommendations from external and internal reviews (e.g. Audit and HMICFRS) are collated, reviewed and regularly reported on.

**PRINCIPLE G****Implementing good practices in transparency, reporting and accountability**

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. The Commissioner meets with the Chief Constable on a weekly basis to challenge where 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.

The CC and PCC CFO have applied the CIPFA guidance in relation to the Management Code of Practice. This assessment of compliance and sustainability has identified potential areas for improvement which will be implemented in 2021-22. When the methodology relating to sustainability has been defined for Policing we will undertake a review to ensure ongoing financial sustainability.

## 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 2020-21, thirteen audits were carried out, three with significant/substantial assurance and seven with satisfactory assurance provided. Two limited assurance reports (Risk Management and IT: Information Assurance Follow Up) were provided in the year and one audit report (Seized Property) has no assurance, these will be followed up in 2021-22.

During 2020-21 Core Financial systems were audited and assess as having significant assurance.

The total number of recommendations made in the year was thirty six. This represents a decrease of three from the prior year (thirty nine). The number of fundamental recommendations has decreased from eleven in 2019/20 to five in 2020/21.

### Assurance from External Audit

The External Auditor, Ernst & Young, 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 Joint 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 Section 151 Monitoring Officer	None issued
Outcomes from Monitoring Officer's Investigations	None 2020-21
Proven frauds by members of staff or officers	None
Objections received from local electors	None
Ombudsman referrals upheld exceed national averages	None identified 2020-21
Limited assurance from Internal Audit Reports	2 out of 13 Internal Audit reports were issued with limited assurance, 1 with no assurance.
ISA 260 2019-20 issues identified	Please refer to Chief Constable's Annual Governance Statement for full details

### Follow-up of issues identified in 2019-20

Issues identified:	Action taken:
Levels of Reserves were considered to be low, but compared with the previous year this was improving significantly	This remains a pressure and risk. Although significantly better than previous years. Reserves are now being generated to finance major capital spend to reduce the impact on future revenue budgets. A full review of the General Reserve is planned during the current medium Term Financial Planning (MFTP) period.
Internal Audit – limited assurance on Key Financial Systems	<p>The Key Financial Systems - The Payroll was given limited assurance in 2019-20, this was followed up in 2020-21 and was given substantial assurance.</p> <p>Of the six other audits in 2019-20 Information Assurance was followed up in 2020-21 progress had been made, but remains with a limited assurance opinion. Four were not followed up in 2020-21:</p> <ul style="list-style-type: none"> <li>• Custody Arrangements is monitored through the 'tracker; and relates to an HMICFS recommendation</li> <li>• OPCC supplies was a one off informing an OPCC decision at that time</li> <li>• Force Management of MFSS has transformed into advisory work on move to new system</li> <li>• Health and Safety follow up will be in 2021-22.</li> </ul> <p>The OPCC Business continuity plan was completely refreshed in 2020-21 and will be followed up in 2022-23. The previously outstanding follow up audits for 2018-19 are complete. GDPR was found to be satisfactory and Seized Property was given no assurance.</p>
VFM Qualification of MFSS	This continues to be a challenge and this service will be brought in house for the 2022-23 financial year.
HMCFRS "requires improvement"	This relates to data integrity and Police Custody. Further details can be found in the Chief Constables AGS and reports to the Joint Audit and Scrutiny Panel.
Economic Outlook	The pandemic and to a lesser extent Brexit have had a significant impact on national funding. It will take years for the additional national borrowing to be replaced. This will impact the funding available for the public sector and the NHS will be the priority. We will continue to monitor and make representation on this at a national level. The continuous delay in the next CSR and Funding Formula Review provides ongoing uncertainty over the future financial health. However, the additional funding for 20,000 police officers nationally is positive.

## REVIEW OF EFFECTIVENESS – Response to Covid-19

The Covid-19 Pandemic took hold in March 2020 and therefore a review of Governance subsequent to this and into the 2021-22 financial year is set out below:

### Governance Meetings

The usual Governance meetings have continued where possible. This has been through a variety of mediums. Initially telephone conferencing was used for JASP meetings, moving to Microsoft Teams meetings. The latter being the preferred option for all Governance meetings going forward.

Public Meetings have been recorded and uploaded to the OPCC website.

This will continue to be monitored and where appropriate delegation to complete key tasks will be approved through the decision making process.

Risks continue to be monitored and managed including those specific to Covid-19.

### Decision making

Decision making has continued in the usual way with meeting reports or decision records and all are published on the Commissioners website.

### Sustainability

As mentioned previously, we have undertaken the assessment within the Financial Management Code of Practice, identified areas for improvement and will review sustainability in line with the CIPFA model.

### Financial impact

There has been some financial impact mainly in relation to the purchase of PPE for staff and officer protection. This is now part of a national procurement process.

The Home Office requests monthly returns on expenditure relating to Covid-19 and it is expected that some grant will be made available.

As at 31 March 2021 Covid-19 related expenditure submitted on claims to the Government totalled £0.37m.

During 2020-21 the Home Office and Ministry of Justice made several additional amounts of funding available, most of this was passported to the third sector organisations we work closely with for protecting victims and reducing crime.



## CONCLUSION

The Commissioner is satisfied that a sound system of Governance is in place. This includes the system of internal control which is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. However they remain committed to maintaining and wherever possible improving these arrangements, in particular by:

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

## SIGNED

Caroline Henry  
Nottinghamshire Police and Crime Commissioner

Sharon Caddell  
Chief Executive

Mark Kimberley CPFA  
Chief Finance Officer



## CORE FINANCIAL STATEMENTS

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT (CIES)

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 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.

2019-20					PCC & GROUP CIES		2020-21				
PCC Exp'	PCC Income	PCC Net	CC Net	Group Total		Note	PCC Exp'	PCC Income	PCC Net	CC Net	Group Total
£'000	£'000	£'000	£'000	£'000			£'000	£'000	£'000	£'000	£'000
239,312	-	239,312	(239,312)	-	Funding to Chief Constable		245,417	-	245,417	(245,417)	-
7,415	(3,505)	3,910	224,342	228,252	Service cost		9,406	(5,341)	4,065	239,609	243,674
<b>246,727</b>	<b>(3,505)</b>	<b>243,222</b>	<b>(14,970)</b>	<b>228,252</b>	<b>Cost of Services</b>		<b>254,823</b>	<b>(5,341)</b>	<b>249,482</b>	<b>(5,808)</b>	<b>243,674</b>
1,703	(2,252)	(549)	-	(549)	Other Operating (Income) and Expenditure	2.6	2,617	(3,564)	(947)	-	(947)
2,194	(399)	1,795	69,513	71,308	Financing and Investment	2.4	2,434	(417)	2,017	60,250	62,267
-	(248,115)	(248,115)	-	(248,115)	Taxation and Non Specific Grant Income	2.5	-	(260,675)	(260,675)	-	(260,675)
<b>250,624</b>	<b>(254,271)</b>	<b>(3,647)</b>	<b>54,543</b>	<b>50,896</b>	<b>(Surplus) or Deficit on Provision of Services</b>	2.1 & 2.8	<b>259,874</b>	<b>(269,997)</b>	<b>(10,123)</b>	<b>54,442</b>	<b>44,319</b>
		(375)	-	(375)	(Surplus) or deficit on revaluation of Property, Plant and Equipment				(64)	-	(64)
		(275)	(229,564)	(229,839)	Re-measurement of the net defined benefit liability / asset				1,368	229,802	231,170
		<b>(650)</b>	<b>(229,564)</b>	<b>(230,214)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>1,304</b>	<b>229,802</b>	<b>231,106</b>
		<b>(4,297)</b>	<b>(175,021)</b>	<b>(179,318)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(8,819)</b>	<b>284,244</b>	<b>275,425</b>

2019-20			GROUP CIES		2020-21		
Expenditure	Income (Note 2.3)	Net		Note	Expenditure	Income (Note 2.3)	Net
£'000	£'000	£'000			£'000	£'000	£'000
249,595	(21,343)	228,252	<b>Group Cost of Services</b>		278,504	(34,830)	243,674
1,703	(2,252)	(549)	Other Operating (Income) and Expenditure	2.6	2,617	(3,564)	(947)
71,707	(399)	71,308	Financing and Investment	2.4	62,684	(417)	62,267
-	(248,115)	(248,115)	Taxation and Non Specific Grant Income	2.5	-	(260,675)	(260,675)
<b>323,005</b>	<b>(272,109)</b>	<b>50,896</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>2.1 &amp; 2.8</b>	<b>343,805</b>	<b>(299,486)</b>	<b>44,319</b>
		(375)	(Surplus) or deficit on revaluation of Property, Plant and Equipment				(64)
		(229,839)	Re-measurement of the net defined benefit liability / asset				231,170
		<b>(230,214)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>231,106</b>
		<b>(179,318)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>275,425</b>



## MOVEMENT IN RESERVES STATEMENT

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 (Note 3.1)	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
2020-21	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2020</b>	(7,075)	(19,516)	(4,882)	-	(31,473)	2,684,359	2,652,886
<b>Movement in reserves during 2020-21</b>							
(Surplus) or deficit on the provision of services	44,319	-	-	-	44,319	-	44,319
Other Comprehensive (Income) / Expenditure	-	-	-	-	-	231,106	231,106
<b>Total Comprehensive Income and Expenditure</b>	<b>44,319</b>	-	-	-	<b>44,319</b>	<b>231,106</b>	<b>275,425</b>
Adjustments between accounting basis and funding basis under regulations (Note 3.5)	(44,428)	-	(661)	(300)	(45,389)	45,389	-
<b>Net (Increase) or Decrease before Transfers to Earmarked Reserves</b>	<b>(109)</b>	-	<b>(661)</b>	<b>(300)</b>	<b>(1,070)</b>	<b>276,495</b>	<b>275,425</b>
Transfers to / (from) Earmarked Reserves	75	1,208	-	-	1,283	(1,283)	-
<b>(Increase) or Decrease in 2020-21</b>	<b>(34)</b>	<b>1,208</b>	<b>(661)</b>	<b>(300)</b>	<b>213</b>	<b>275,212</b>	<b>275,425</b>
<b>Balance at 31 March 2021</b>	<b>(7,109)</b>	<b>(18,308)</b>	<b>(5,543)</b>	<b>(300)</b>	<b>(31,260)</b>	<b>2,959,571</b>	<b>2,928,311</b>

<b>PCC Movement in Reserves</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves (Note 3.1)</b>	<b>Capital Receipts Reserve (Note 3.2)</b>	<b>Capital Grants Unapplied Account (Note 3.2)</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves (Note 3.3 &amp; 3.4)</b>	<b>Group Total Reserves</b>
<b>2020-21</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2020</b>	<b>(7,075)</b>	<b>(19,516)</b>	<b>(4,882)</b>	<b>-</b>	<b>(31,473)</b>	<b>13,902</b>	<b>(17,571)</b>
<b>Movement in reserves during 2020-21</b>							
(Surplus) or deficit on the provision of services	(10,123)	-	-	-	<b>(10,123)</b>	-	<b>(10,123)</b>
Other Comprehensive (Income) / Expenditure	-	-	-	-	-	<b>1,304</b>	<b>1,304</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(10,123)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,123)</b>	<b>1,304</b>	<b>(8,819)</b>
Adjustments between accounting basis and funding basis under regulations (Note 3.5)	10,014	-	(661)	(300)	<b>9,053</b>	<b>(9,053)</b>	-
<b>Net (Increase) or Decrease before Transfers to Earmarked Reserves</b>	<b>(109)</b>	<b>-</b>	<b>(661)</b>	<b>(300)</b>	<b>(1,070)</b>	<b>(7,749)</b>	<b>(8,819)</b>
Transfers to / (from) Earmarked Reserves	75	1,208	-	-	<b>1,283</b>	<b>(1,283)</b>	-
<b>(Increase) or Decrease in 2020-21</b>	<b>(34)</b>	<b>1,208</b>	<b>(661)</b>	<b>(300)</b>	<b>213</b>	<b>(9,032)</b>	<b>(8,819)</b>
<b>Balance at 31 March 2021</b>	<b>(7,109)</b>	<b>(18,308)</b>	<b>(5,543)</b>	<b>(300)</b>	<b>(31,260)</b>	<b>4,870</b>	<b>(26,390)</b>

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
2019-20	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2019</b>	(7,075)	(16,588)	(3,000)	-	(26,663)	2,858,939	2,832,276
<b>Movement in reserves during 2019-20</b>							
(Surplus) or deficit on the provision of services	50,896	-	-	-	50,896	-	50,896
Other Comprehensive (Income) / Expenditure	-	-	-	-	-	(230,214)	(230,214)
<b>Total Comprehensive Income and Expenditure</b>	<b>50,896</b>	-	-	-	<b>50,896</b>	<b>(230,214)</b>	<b>(179,318)</b>
Adjustment PPE	(72)	-	-	-	(72)	-	(72)
Adjustments between accounting basis and funding basis under regulations (Note 3.5)	(53,752)	-	(1,882)	-	(55,635)	55,635	-
<b>Net (Increase) or Decrease before Transfers to Earmarked Reserves</b>	<b>(2,928)</b>	-	<b>(1,882)</b>	-	<b>(4,811)</b>	<b>(174,579)</b>	<b>(179,390)</b>
Transfers to / (from) Earmarked Reserves	2,928	(2,928)	-	-	-	-	-
<b>(Increase) or Decrease in 2019-20</b>	<b>-</b>	<b>(2,928)</b>	<b>(1,882)</b>	<b>-</b>	<b>(4,811)</b>	<b>(174,579)</b>	<b>(179,390)</b>
<b>Balance at 31 March 2020</b>	<b>(7,075)</b>	<b>(19,516)</b>	<b>(4,882)</b>	<b>-</b>	<b>(31,473)</b>	<b>2,684,359</b>	<b>2,652,886</b>

<b>PCC Movement in Reserves</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves (Note 3.1)</b>	<b>Capital Receipts Reserve (Note 3.2)</b>	<b>Capital Grants Unapplied Account (Note 3.2)</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves (Note 3.3 &amp; 3.4)</b>	<b>Group Total Reserves</b>
<b>2019-20</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2019</b>	<b>(7,075)</b>	<b>(16,588)</b>	<b>(3,000)</b>	<b>-</b>	<b>(26,663)</b>	<b>13,461</b>	<b>(13,202)</b>
<b>Movement in reserves during 2019-20</b>							
(Surplus) or deficit on the provision of services	(3,647)	-	-	-	(3,647)	-	(3,647)
Other Comprehensive (Income) / Expenditure	-	-	-	-	-	(650)	(650)
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,647)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,647)</b>	<b>(650)</b>	<b>(4,297)</b>
Adjustment PPE	(72)	-	-	-	(72)	-	(72)
Adjustments between accounting basis and funding basis under regulations (Note 3.5)	791	-	(1,882)	-	(1,091)	1,091	-
<b>Net (Increase) or Decrease before Transfers to Earmarked Reserves</b>	<b>(2,928)</b>	<b>-</b>	<b>(1,882)</b>	<b>-</b>	<b>(4,810)</b>	<b>441</b>	<b>(4,369)</b>
Transfers to / (from) Earmarked Reserves	2,928	(2,928)	-	-	-	-	-
<b>(Increase) or Decrease in 2019-20</b>	<b>-</b>	<b>(2,928)</b>	<b>(1,882)</b>	<b>-</b>	<b>(4,810)</b>	<b>441</b>	<b>(4,369)</b>
<b>Balance at 31 March 2020</b>	<b>(7,075)</b>	<b>(19,516)</b>	<b>(4,882)</b>	<b>-</b>	<b>(31,473)</b>	<b>13,902</b>	<b>(17,571)</b>

## BALANCE SHEET

The Balance Sheet shows the value of assets and liabilities, as at the end of the accounting year. 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 which fulfil specific accounting purposes.

2019-20		PCC & Group Balance Sheet	Note	2020-21	
PCC	Group			PCC	Group
£000	£000			£000	£000
43,318	43,318	Property, Plant and Equipment	4.2	64,926	64,926
575	575	Investment Property	4.4	575	575
1,827	1,827	Intangible Assets	4.5	1,348	1,348
-	-	Long-Term Debtors		-	-
<b>45,720</b>	<b>45,720</b>	<b>Long Term Assets</b>		<b>66,849</b>	<b>66,849</b>
1,248	1,248	Assets Held for Sale	4.7	-	-
121	121	Inventories		91	91
25,257	25,257	Short-Term Debtors	4.8	27,410	27,410
18,000	18,000	Short-Term Investments	4.9	30,000	30,000
28,852	28,852	Cash and Cash Equivalents	5.1	26,784	26,784
<b>73,478</b>	<b>73,478</b>	<b>Current Assets</b>		<b>84,285</b>	<b>84,285</b>
(17,057)	(17,057)	Short-Term Borrowing	4.12	(35,468)	(35,468)
(24,402)	(27,952)	Short-Term Creditors	4.10	(24,448)	(28,708)
(4,160)	(4,160)	Provisions	4.11	(4,045)	(4,045)
<b>(45,619)</b>	<b>(49,169)</b>	<b>Current Liabilities</b>		<b>(63,961)</b>	<b>(68,221)</b>
(52,337)	(52,337)	Long-Term Borrowing	4.12	(55,370)	(55,370)
(3,671)	(2,670,578)	Other Long-Term Liabilities		(5,043)	(2,955,484)
<b>(56,008)</b>	<b>(2,722,915)</b>	<b>Long Term Liabilities</b>		<b>(60,413)</b>	<b>(3,010,854)</b>
<b>17,571</b>	<b>(2,652,886)</b>	<b>Net Assets</b>		<b>26,760</b>	<b>(2,927,941)</b>
(31,474)	(31,474)	Usable Reserves	3.1 & 3.2	(31,151)	(31,151)
13,903	2,684,360	Unusable Reserves	3.3	4,391	2,959,092
<b>(17,571)</b>	<b>2,652,886</b>	<b>Total Reserves</b>		<b>(26,760)</b>	<b>2,927,941</b>



## 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 to 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.

2019-20			Cash Flow Statement	Note	2020-21		
Commissioner	Chief Constable	Group			Commissioner	Chief Constable	Group
£000	£000	£000			£000	£000	£000
(3,647)	54,543	50,896	Net (surplus) or deficit on the provision of services		(10,123)	54,442	44,319
(9,998)	(54,543)	(64,541)	Adjustment to (surplus) or deficit on the provision of services for noncash movements	5.2	(8,041)	(54,442)	(62,483)
3,076	-	3,076	Adjustment for items included in the net (surplus) or deficit on the provision of services that are investing or financing activities	5.2	4,663	-	4,663
<b>(10,570)</b>	-	<b>(10,570)</b>	<b>Net cash flows from operating activities</b>		<b>(11,803)</b>	-	<b>(11,803)</b>
20,074	-	20,074	Net cash flows from investing activities	5.3	35,315	-	35,315
(17,548)	-	(17,548)	Net cash flows from financing activities	5.3	(21,444)	-	(21,444)
<b>(8,044)</b>	-	<b>(8,044)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>2,068</b>	-	<b>2,068</b>
(20,808)	-	(20,808)	Cash and cash equivalents at the beginning of the reporting period		(28,852)	-	(28,852)
<b>(28,852)</b>	-	<b>(28,852)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	5.1	<b>(26,784)</b>	-	<b>(26,784)</b>



# NOTES TO THE ACCOUNTS



## GENERAL ACCOUNTING POLICIES

### 1. General Principles

The Statement of Accounts summarises transactions for the 2020-21 financial year and its position as at 31 March 2021. 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 2020-21, 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 arithmetical errors.

The basis of cost allocation between The Commissioner and Chief Constable is outlined in Note 8.1.

### 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.

## 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. 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 concept of a going concern assumes that the functions of the Police and Crime Commissioner and the Force will continue in operational existence for the foreseeable future. The provisions in the Code (Code Of Practice On Local Authority Accounting In The United Kingdom 2020-21) in respect of going concern reporting requirements reflect the economic and statutory environment in which Police and Crime Commissioners and police forces operate. These provisions confirm that, as Police and Crime Commissioners and Police Forces cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Police and Crime Commissioners and Chief Constables carry out functions essential to the local community and Police and Crime Commissioners are revenue-raising bodies (with limits on revenue-raising powers arising only at the discretion of central government). If a Police and Crime Commissioner was in financial difficulty, the prospects are thus that alternative arrangements would be made by central government either for the continuation of the functions it provides or for assistance with the recovery of a deficit over more than one financial year.

As a result of this, it would not be appropriate for the financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a Police and Crime Commissioner and force will continue to operate for the foreseeable future.

The current restrictions in place within the United Kingdom in response to Covid-19 have created issues for police forces in terms of policing the government lockdown in addition to continuing normal policing functions. This has given rise to additional costs in terms of overtime and providing personal protective equipment (PPE) to operational police officers and staff.

The financial and social outcomes of Covid-19 are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy.

The PCC and CC CFOs have carried out a detailed assessment of the likely impact of COVID-19 on the financial position and performance of the PCC & Group during 2020-21 and beyond which has included modelling scenarios that consider the impact on:

## Section 1 Judgements and Major Accounting Events

### 1.3 Going Concern (continued)

- Increased expenditure
- Reductions in income
- Cashflow and liquidity
- General fund balances and reserves

In carrying out the detailed assessment, the PCC has taken into account its statutory duty to allocate assets and funds to the Chief Constable.

The review has considered known and expected government funding and determined that the PCC & Group has sufficient liquidity from its ability to access short term investments and sufficient general fund balances and reserves to continue to deliver services. As a result, the PCC and Group are satisfied that they can prepare their accounts on a going concern basis.

#### Increased Expenditure

The outturn report for 2020/21 shows a net minor overspend for the force of £0.06m and at the end of 2020/21 the force had incurred additional costs of £1.4m and loss of income of £0.6m in relation to Covid-19 as well as £0.3m in relation to orders that had been delayed, the cost of which should have been incurred during 2019/20. These costs along with additional overtime spends would have resulted in a larger overspend position than that being reported, however they are offset by additional government grants of £1.6m and considerable savings on vacant staff posts.

#### Reductions in income

The speed of recovery of council tax income is dependent on external factors surrounding Covid-19 and how quickly activities return to normal or whatever the post Covid-19 normal is, but, in all cases, the PCC is taking a cautious approach to the recovery rate of council tax income.

#### Cashflow and Liquidity Risk Exposure:

The Group's treasury function ensures that cash flow is adequately planned and liquidity risk exposure is controlled in accordance with the relevant professional codes.

Cash and equivalents at the balance sheet date were £28.9m and are held by the PCC as detailed in Note 5, this has remained positive during 2021-22 and is estimated to be £37.3m at the end of November 2022.

Cashflow is monitored on a daily basis and should short-term cash be required to meet unforeseen bills this could be borrowed from other local authorities. There is also an overdraft facility with Barclays Bank that can be increased at relatively short notice.

The Cashflow forecast and the Treasury Management Strategy also incorporate the capital borrowing requirements and demonstrate how the Group will be able to raise funds to meet its commitments whilst maintaining the positive cash and equivalent balances and remaining well within its borrowing limits.

The PCC also has ongoing ready access to borrowings from the Public Works Loan Board and other approved lenders.

#### General Fund Balances and Reserves

There are no aborted capital schemes; a number of schemes have been brought forward (e.g. purchase of laptops) whilst others have been paused or delayed. The prioritisation of capital schemes is still being reassessed given the changing circumstances. At this stage, there are no unbudgeted costs forecast.

The General Fund balance at 31st March 2021 remains at £7m and there are no plans to reduce this within the 2021/22 budget. The Outturn shows that covid hasn't presented the financial challenge expected due to grants and lower costs and therefore it is unlikely this will directly have an impact on the Medium Term Financial Plan.

It is considered that there is sufficient headroom within these measures and the general balances to absorb the estimated financial impact of COVID-19 in the short to medium-term. For these reasons, the PCC and CC do not consider that there is material uncertainty in respect of their ability to continue as a going concern for the foreseeable future.



## Section 1 Judgements and Major Accounting Events

### 1.4 Accounting Standards Issued but not Adopted

For 2020/21 new standards that have been issued but not adopted relate to;

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

These changes were issued after the new CIPFA Code Of Practice for Local Authority Accounts was published but the impact on the financial statements of the PCC Group is either not applicable or not considered to be material.

### 1.5 Prior Period Adjustments

There have been no prior period adjustments made to the PCC & Group Accounts.

### 1.6 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.

Assessment and estimations are provided by the Transport Manager for vehicles previously purchased by the Force outside of the PFI contract.

The pensions 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 £3.3m 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.

## 1.7 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.

Covid-19 was declared a global pandemic by the World Health Organisation on 11 March 2020. However, the full impact on the UK and world economy was not felt until after 31 March 2020 and is therefore a non-adjusting event.

The economic and social consequences of the global pandemic are still uncertain but there will be an impact on the UK and global economies that may extend into the medium and long term.

Figures showing the financial impact of Covid-19 on the reporting entity during 2020-21 have been provided in note 1.3 and are not material.

The financial impact for subsequent financial years is not considered to be significant at this point but this will remain under review as part of the MTFP and there may be further implications and considerations for future accounts, for example, asset impairments, pension fund liability valuations and council tax collection fund.

Any future financial cost would be recognised within the Comprehensive Income and Expenditure Statement (CIES) in the year to which it relates. This would be adjusted for within the Movement in Reserve Statement (Adjustments between Accounting Basis and Funding Basis under Regulations) to negate any immediate financial impact on the council tax payer.

## Section 2 Notes to Comprehensive Income & Expenditure Statement

### Expenditure

#### 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.

2019-20			Commissioner & Group Expenditure Funding Analysis	2020-21		
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
239,312	(14,970)	224,342	Policing	245,417	(5,808)	239,609
3,724	186	3,910	Commissioner	3,903	162	4,065
<b>243,036</b>	<b>(14,784)</b>	<b>228,252</b>	<b>Net Cost of Services</b>	<b>249,320</b>	<b>(5,646)</b>	<b>243,674</b>
			Other (Income) and Expenditure			
-	69,513	69,513	Policing	-	60,250	60,250
(245,965)	(904)	(246,869)	Commissioner	(255,540)	(4,065)	(259,605)
<b>(2,928)</b>	<b>53,824</b>	<b>50,896</b>	<b>(Surplus) or Deficit on Provision of Service</b>	<b>(6,220)</b>	<b>50,539</b>	<b>44,319</b>
(23,663)			Opening General Fund Balance	(26,591)		
<b>(26,591)</b>			<b>Closing General Fund Balance</b>	<b>(25,308)</b>		

## 2.2 Adjustments to the Expenditure Funding Analysis

2020-21	Net Capital Statutory Adjustments £000	Net Pensions Statutory Adjustments £000	Other Statutory Adjustments £000	Total Adjustments £000
Policing	-	(6,519)	711	(5,808)
PCC	-	162	-	162
<b>Net Cost of Services</b>	-	<b>(6,357)</b>	<b>711</b>	<b>(5,646)</b>
Other (Income) and Expenditure Chief Constable	-	60,250	-	60,250
Other (Income) and Expenditure PCC	(11,579)	65	7,449	(4,065)
<b>Difference between the Statutory Charge and the (Surplus) or Deficit in the CIES</b>	<b>(11,579)</b>	<b>53,958</b>	<b>8,159</b>	<b>50,539</b>

2019-20	Net Capital Statutory Adjustments £000	Net Pensions Statutory Adjustments £000	Other Statutory Adjustments £000	Total Adjustments £000
Policing	-	(15,749)	779	(14,970)
PCC	-	186	-	186
<b>Net Cost of Services</b>	-	<b>(15,563)</b>	<b>779</b>	<b>(14,784)</b>
Other (Income) and Expenditure Chief Constable	-	69,513	-	69,513
Other (Income) and Expenditure PCC	744	63	(1,711)	(904)
<b>Difference between the Statutory Charge and the (Surplus) or Deficit in the CIES</b>	<b>744</b>	<b>54,013</b>	<b>(933)</b>	<b>53,824</b>

## 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 deminimis 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

2019-20 £000		2020-21 £000
<b>(3,505)</b>	<b>Relating to the PCC - Other Income</b>	<b>(5,341)</b>
(1,789)	Partnership and Joint Controlled Operations	(1,299)
(1,858)	PFI Grant	(1,540)
(1,640)	Recharge of Officers	(1,645)
(12,551)	Other Income	(25,005)
<b>(21,343)</b>	<b>Total for the Group</b>	<b>(34,830)</b>

### 2.4 Financing and Investment Income and Expenditure

2019-20 £000		2020-21 £000
2,131	Interest payable and similar charges	2,369
63	Net interest on the net defined benefit liability (asset)	65
(399)	Interest receivable and similar income	(417)
<b>1,795</b>	<b>Relating to the PCC</b>	<b>2,017</b>
69,513	Other net interest on the defined benefit liability (asset)	60,250
<b>71,308</b>	<b>Total for the Group</b>	<b>62,267</b>

## 2.5 Taxation and Non-Specific Grant Income – PCC and Group

2019-20 £000		2020-21 £000
(69,461)	Council tax income	(73,246)
(137,614)	Non-ring fenced government grants	(147,313)
(40,211)	HO Police Pension Grant	(38,416)
(830)	Capital grants and contributions	(1,699)
<b>(248,115)</b>	<b>Total for the PCC and Group</b>	<b>(260,675)</b>

## 2.6 Other Operating Expenditure – PCC and Group

2019-20 £000		2020-21 £000
(759)	(Gains)/losses on the Disposal of Non-Current Assets	(947)
210	Other – Increase in Bad Debt Provision	-
<b>(549)</b>	<b>Total for the PCC and Group</b>	<b>(947)</b>

## 2.7 Impairment Losses

There are no instances of impairment to report.



## 2.8 Income and Expenditure Analysed by Nature

2019-20			Nature of Expenditure or Income	2020-21		
PCC	Chief Constable	Group		PCC	Chief Constable	Group
£000	£000	£000		£000	£000	£000
1,131	199,788	200,919	Expenditure on services - employees	1,477	223,861	225,338
6,284	36,336	42,620	Expenditure on services - other	7,929	37,331	45,260
(3,505)	(17,838)	(21,343)	Income from services	(5,341)	(29,489)	(34,830)
(69,461)	-	(69,461)	Income from local taxation	(73,246)	0	(73,246)
(178,654)	-	(178,654)	Government grants and contributions	(187,429)	0	(187,429)
-	6,056	6,056	Depreciation, amortisation and impairment	-	7,905	7,905
1,795	69,513	71,308	Other Financing	2,017	60,250	62,267
(549)	-	(549)	(Gain) or loss on disposal of non-current assets	(947)	0	(947)
239,312	(239,312)	-	Intra Group Funding	245,417	(245,417)	-
<b>(3,647)</b>	<b>54,543</b>	<b>50,896</b>	<b>(Surplus) or Deficit for Year</b>	<b>(10,123)</b>	<b>54,441</b>	<b>44,318</b>

## 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 (where applicable). 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 3 Notes to the Movement in Reserves Statement

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

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

	Balance at 31 March 2019	Transfers In 2019-20	Transfers Out 2019-20	Balance at 31 March 2020	Transfers In 2020-21	Transfers Out 2020-21	Balance at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Police Property Act	(196)	-	-	(196)	-	147	(49)
Drug Fund	(27)	-	-	(27)	-	-	(27)
PFI Life Cycle Costs	(48)	(39)	-	(87)	(39)	-	(126)
Revenue Grants	(1,974)	(4)	280	(1,698)	(2)	247	(1,453)
Medium Term Financial Plan	-	-	-	-	38	-	38
Tax Base Reserve	(1,514)	(166)	1	(1,679)	-	65	(1,614)
Animal Welfare	(19)	-	-	(19)	-	-	(19)
PCC	(760)	(83)	26	(817)	(156)	226	(747)
Grants and Commissioning	(3,999)	(1,180)	43	(5,136)	(1,406)	187	(6,355)
Target Hardening	(73)	-	-	(73)	-	-	(73)
PCC Night Time Levy	(201)	(68)	22	(247)	(69)	15	(301)
Allard Reserve	(1,200)	-	-	(1,200)	-	-	(1,200)
Asset Replacement	(4,947)	(3,440)	2,088	(6,299)	(10,487)	13,201	(3,585)
IT Investment	(722)	(427)	265	(884)	(554)	-	(1,438)
TPAC Collisions	-	(100)	-	(100)	-	-	(100)
McCloud	-	-	-	-	(125)	-	(125)
Joint Operations	(908)	(146)	-	(1,054)	(75)	(3)	(1,132)
<b>Total Earmarked Reserves</b>	<b>(16,588)</b>	<b>(5,653)</b>	<b>2,725</b>	<b>(19,516)</b>	<b>(12,876)</b>	<b>14,085</b>	<b>(18,308)</b>
<b>General Fund</b>	<b>(7,075)</b>	<b>-</b>	<b>-</b>	<b>(7,075)</b>	<b>-</b>	<b>75</b>	<b>(7,000)</b>
<b>Total General Fund Balance</b>	<b>(23,663)</b>	<b>(5,653)</b>	<b>2,725</b>	<b>(26,591)</b>	<b>(12,876)</b>	<b>14,160</b>	<b>(25,308)</b>

## 3.2 Usable Reserves – PCC and Group

31 March 2020 £000	Capital Receipts Reserve	31 March 2021 £000
(3,000)	Balance 1 April	(4,882)
(2,246)	Capital Receipts in Year	(3,564)
364	Applied in Year	2,903
<b>(4,882)</b>	<b>Balance 31 March</b>	<b>(5,543)</b>

31 March 2020 £000	Capital Grants & Contributions Unapplied	31 March 2021 £000
-	Balance 1 April	-
(830)	Capital Grants and Contributions Recognised in Year	(1,399)
830	Capital Grants and Contributions Applied	1,099
-	<b>Balance 31 March</b>	<b>(300)</b>

## 3.3 Unusable Reserves

31 March 2020		Type of Reserve	31 March 2021	
PCC £000	Group £000		PCC £000	Group £000
1,425	2,668,332	Pensions	3,019	2,953,460
12	3,562	Accumulated Absences	12	4,273
(1,225)	(1,225)	Revaluation Reserve	(1,261)	(1,261)
14,227	14,227	Capital Adjustment	2,648	2,648
(536)	(536)	Collection Fund	(28)	(28)
<b>13,903</b>	<b>2,684,360</b>	<b>Total</b>	<b>4,390</b>	<b>2,959,092</b>

## 3.3 Unusable Reserves (continued)

31 March 2020		Pensions Reserve	31 March 2021	
PCC £000	Group £000		PCC £000	Group £000
(2,149)	(2,844,158)	<b>Balance 1 April</b>	(1,425)	(2,668,332)
698	-	Analysis adjustment between PCC and CC		
275	229,839	Re-measurements of the net defined benefit liability/(asset)	(1,368)	(231,170)
(345)	(125,377)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement	(364)	(128,866)
96	71,364	Employer's contributions to pensions schemes	137	74,908
<b>(1,425)</b>	<b>(2,668,332)</b>	<b>Balance 31 March</b>	<b>(3,020)</b>	<b>(2,953,460)</b>

2019-20				Accumulated Absences	2020-21			
PCC		Group			PCC		Group	
£000	£000	£000	£000		£000	£000	£000	£000
	(10)		(3,479)	<b>Balance 1 April</b>		(12)		(3,562)
10		3,479		Settlement or cancellation of accrual made at the end of the preceding year	12		3,562	
(12)		(3,562)		Amounts accrued at the end of the current year	(12)		(4,273)	
	(1)		(83)	Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-		(711)
	(12)		(3,562)	<b>Balance at 31 March</b>		(12)		(4,273)

### 3.3 Unusable Reserves (continued)

31 March 2020 £000	Revaluation Reserve	31 March 2021 £000
(1,422)	<b>Balance 1 April</b>	(1,225)
(423)	Upward Revaluation of assets	(64)
-	Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the provision of services	-
(423)	<b>(Surplus) or deficit on revaluation of non-current assets not posted to the (surplus)/deficit on the provision of services</b>	(64)
27	Difference between fair value depreciation and historical cost depreciation	(28)
593	Accumulated gains on assets disposed	
620	<b>Amount written off to the Capital Adjustment Account</b>	(28)
(1,225)	<b>Balance 31 March</b>	(1,317)

31 March 2020 £000	Capital Adjustment Account	31 March 2021 £000
13,483	<b>Balance 1 April</b>	14,227
	<b>Capital Accounting</b>	
6,221	Depreciation & Amortisation	7,589
900	Disposals	2,617
(140)	Revaluations & Impairments	316
(27)	Historic Cost Adjustments	(28)
	<b>Capital Financing</b>	
(830)	Grants & Contributions	(1,399)
(364)	Receipts Reserve	(2,903)
(988)	Earmarked Reserves	(3,301)
(239)	Revenue financing	(10,860)
(162)	<b>Lease Accounting</b>	(222)
(2,827)	<b>MRP charge</b>	(3,388)
(800)	<b>ARP charge</b>	-
14,227	<b>Balance 31 March</b>	2,648

### 3.3 Unusable Reserves (continued)

2019-20 £000	Collection Fund	2020-21 £000
(759)	<b>Balance 1 April</b>	(536)
223	Amount by which council tax income credited to the comprehensive income and expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	508
(536)	<b>Balance 31 March</b>	(28)



### 3.4 Unusable Reserves Movements

The table analyses the unusable reserves movements in the MIRS.

31 March 2020		Movement in Unusable Reserves	31 March 2021	
PCC £000	Group £000		PCC £000	Group £000
13,461	2,858,939	Balance at Start of year	13,903	2,684,360
(650)	(230,214)	Comprehensive Income and Expenditure	1,304	231,106
1,092	55,636	Adjustments between accounting basis and funding basis under regulations	(9,053)	45,389
-	-	Transfers from Earmarked Reserves	(1,763)	(1,763)
13,903	2,684,360	Balance at End of Year	4,391	2,959,092

## 3.5 Adjustments between Accounting Basis and Funding Basis under Regulations

2020-21	General Fund Balance PCC £000	General Fund Balance Group £000	Capital Receipts Reserve Group £000	Capital Grants Unapplied Group £000	Movement in Unusable Reserves PCC £000	Movement in Unusable Reserves Group £000
Pension costs (transferred to/(from) the Pensions Reserve)	(227)	(53,958)	-	-	227	53,958
Pension reserve adjustment of PCC/CC b/f split	-	-	-	-	-	-
Council tax (transfers to/(from) the Collection Fund)	(508)	(508)	-	-	508	508
Holiday pay (adjustments to the Accumulated Absences reserve)	-	(711)	-	-	-	711
Revaluation Reserve	(92)	(92)	-	-	92	92
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)	(11,372)	(11,372)	-	-	11,372	11,372
Capital Grants	1,099	1,099	-	(1,399)	300	300
<b>Total Adjustments to Revenue Resources</b>	<b>(11,099)</b>	<b>(65,541)</b>	<b>-</b>	<b>(1,399)</b>	<b>12,498</b>	<b>66,940</b>
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3,564	3,564	(3,564)	-	-	-
Statutory Provision for the repayment of debt	3,388	3,388	-	-	(3,388)	(3,388)
Capital expenditure financed from revenue balances	10,860	10,860	-	-	(10,860)	(10,860)
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	<b>17,812</b>	<b>17,812</b>	<b>(3,564)</b>	<b>-</b>	<b>(14,248)</b>	<b>(14,248)</b>
Application of capital grant to finance capital expenditure	-	-	-	1,099	(1,099)	(1,099)
Use of capital receipts reserve to finance capital expenditure	-	-	2,903	-	(2,903)	(2,903)
Use of earmarked reserves to finance capital expenditure	3,301	3,301	-	-	(3,301)	(3,301)
<b>Total Adjustments to Grants/Contributions &amp; Reserves</b>	<b>3,301</b>	<b>3,301</b>	<b>2,903</b>	<b>1,099</b>	<b>(7,303)</b>	<b>(7,303)</b>
<b>Total Adjustments</b>	<b>(10,014)</b>	<b>(44,428)</b>	<b>(661)</b>	<b>(300)</b>	<b>(9,053)</b>	<b>45,389</b>

2019-20	General Fund Balance	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	Movement in Unusable Reserves
	PCC	Group	Group	Group	PCC	Group
	£000	£000	£000	£000	£000	£000
Pension costs (transferred to/(from) the Pensions Reserve)	(249)	(54,013)	-	-	249	54,013
Pension reserve adjustment of PCC/CC b/f split	698	-	-	-	(698)	-
Council tax (transfers to/(from) the Collection Fund)	(223)	(223)	-	-	223	223
Holiday pay (adjustments to the Accumulated Absences reserve)	(1)	(83)	-	-	2	83
Revaluation Reserve	197	197	-	-	(197)	(197)
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)	(7,559)	(7,559)	-	-	7,559	7,559
Capital Grants	830	830	-	(830)	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(6,308)</b>	<b>(60,851)</b>	<b>-</b>	<b>(830)</b>	<b>7,138</b>	<b>61,681</b>
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,246	2,246	(2,246)	-	-	-
Statutory Provision for the repayment of debt	3,627	3,627	-	-	(3,627)	(3,627)
Capital expenditure financed from revenue balances	239	239	-	-	(239)	(239)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>6,112</b>	<b>6,112</b>	<b>(2,246)</b>	<b>-</b>	<b>(3,866)</b>	<b>(3,866)</b>
Application of capital grant to finance capital expenditure	-	-	-	830	(830)	(830)
Use of capital receipts reserve to finance capital expenditure	-	-	364	-	(364)	(364)
Use of earmarked reserves to finance capital expenditure	988	988	-	-	(988)	(988)
<b>Total Adjustments to Grants/Contributions &amp; Reserves</b>	<b>988</b>	<b>988</b>	<b>364</b>	<b>830</b>	<b>(2,182)</b>	<b>(2,182)</b>
<b>Total Adjustments</b>	<b>792</b>	<b>(53,751)</b>	<b>(1,882)</b>	<b>-</b>	<b>1,090</b>	<b>55,634</b>

## Section 4 Notes to the Balance Sheet

### 4.1 Property, Plant and Equipment

Assets with physical substance which 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 (including finance leases) 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.

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 utilised.

### 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 year's 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 deminimis 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 held as 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.

Amounts received for a disposal 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.

## 4.2 Property Plant and Equipment Movements to 31 March 2021

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
<b>at 1 April 2020</b>	<b>34,797</b>	<b>28,409</b>	<b>4,314</b>	<b>67,520</b>
Adjustments to cost/value	(215)	-	-	(215)
Additions	1,147	11,650	17,311	30,108
Revaluation increases/(decreases) recognised in the Revaluation Reserve	64	-	-	64
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(316)	-	-	(316)
De-recognition – disposals	(1,147)	(152)	-	(1,299)
Reclassifications and transfers	-	-	-	-
<b>at 31 March 2021</b>	<b>34,330</b>	<b>39,907</b>	<b>21,625</b>	<b>95,863</b>
<b>Depreciation &amp; Impairment</b>				
<b>at 1 April 2020</b>	<b>(6,285)</b>	<b>(17,917)</b>	<b>-</b>	<b>(24,202)</b>
Adjustments to depreciation/impairment	149	-	-	149
Depreciation charge	(921)	(6,187)	-	(7,108)
De-recognition – disposals	121	103	-	224
Reclassifications and transfers	-	-	-	-
<b>at 31 March 2021</b>	<b>(6,935)</b>	<b>(24,001)</b>	<b>-</b>	<b>(30,937)</b>
<b>Net Book Value</b>				
<b>at 31 March 2021</b>	<b>27,395</b>	<b>15,906</b>	<b>21,625</b>	<b>64,926</b>
<b>at 31 March 2020</b>	<b>28,512</b>	<b>10,492</b>	<b>4,314</b>	<b>43,318</b>



## 4.2 Property Plant and Equipment Movements to 31 March 2020

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
<b>at 1 April 2019</b>	<b>32,305</b>	<b>24,751</b>	<b>1,477</b>	<b>58,533</b>
Adjustments to cost/value	(163)	-	-	(163)
Additions	2,106	3,634	3,294	9,034
Revaluation increases/(decreases) recognised in the Revaluation Reserve	375	-	-	375
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	-	-	-	-
De-recognition – disposals	(140)	(119)	-	(259)
Reclassifications and transfers	314	143	(457)	-
<b>at 31 March 2020</b>	<b>34,797</b>	<b>28,409</b>	<b>4,314</b>	<b>67,520</b>
<b>Depreciation &amp; Impairment</b>				
<b>at 1 April 2019</b>	<b>(5,537)</b>	<b>(13,221)</b>	<b>-</b>	<b>(18,758)</b>
Adjustments to depreciation/impairment	163	-	-	163
Depreciation charge	(920)	(4,753)	-	(5,673)
De-recognition – disposals	9	57	-	66
Reclassifications and transfers	-	-	-	-
<b>at 31 March 2020</b>	<b>(6,285)</b>	<b>(17,917)</b>	<b>-</b>	<b>(24,202)</b>
<b>Net Book Value</b>				
<b>at 31 March 2020</b>	<b>28,512</b>	<b>10,492</b>	<b>4,314</b>	<b>43,318</b>
<b>at 31 March 2019</b>	<b>26,768</b>	<b>11,530</b>	<b>1,477</b>	<b>39,775</b>

### 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	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets under Construction	Total
	£000	£000	£000	£000
<b>Carried at historical cost</b>	<b>7,384</b>	<b>15,015</b>	<b>21,625</b>	<b>44,024</b>
<b>Valued at current value as at:</b>				
31/03/2021	2,025	-	-	<b>2,025</b>
31/03/2020	1,862	-	-	<b>1,862</b>
31/03/2019	7,920	-	-	<b>7,920</b>
31/03/2018	-	-	-	<b>0</b>
31/03/2017	6,124	-	-	<b>6,124</b>
<b>Total Cost or Valuation</b>	<b>25,315</b>	<b>15,015</b>	<b>21,625</b>	<b>61,955</b>
Share of Joint Operations Property/Plant/Equipment				2,971
<b>Total Gross Value</b>				<b>64,926</b>

#### 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 are being held for sale. The carrying value is annually revalued under IFRS13 to current fair value. This is currently £0.575m (£0.575m 2019-20). 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 undertake 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 is retained by Cell C.M. to cover maintenance.

#### 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 2020 Other Assets £000	Intangible Assets	31 March 2021 Other Assets £000
6,071	Balance at start of year:	
(3,836)	Gross carrying amounts	6,187
	Accumulated amortisation	(4,360)
<b>2,235</b>	<b>Net carrying amount at start of year</b>	<b>1,827</b>
116	Purchases	3
(524)	Amortisation for the period	(481)
<b>1,827</b>	<b>Net carrying amount at end of year</b>	<b>1,348</b>
	Comprising:	
6,187	Gross carrying amounts	6,190
(4,360)	Accumulated amortisation	(4,841)
<b>1,827</b>		<b>1,348</b>

#### 4.6 Capital Expenditure and Capital Financing

The total amount of capital expenditure, including capitalised PFI and 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.

At the 31 March 2021 the Commissioner had entered into a number of capital contracts which would continue to incur expenditure in future years. These future obligations totalled £11m. The contracts covered new buildings, building renovations and IT systems. (£14.0m 31 March 2020).

31 March 2020 £000	Capital Expenditure and Capital Financing	31 March 2021 £000
57,054	<b>Opening Capital Financing Requirement</b>	60,194
38	<b>In Year Adjustment</b>	-
	<b>Capital Investment:</b>	
9,034	Property Plant and Equipment	30,108
116	Intangible Assets	3
9,150	<b>Total Capital Spending</b>	30,111
	<b>Sources of Finance:</b>	
(364)	Capital Receipts	(2,903)
(988)	Earmarked Reserves	(3,301)
(830)	Government Grants and other contributions	(1,399)
(239)	Revenue Contributions	(10,860)
	<b>Sums set aside from revenue:</b>	
(2,827)	Minimum Revenue Provision	(3,388)
(800)	Additional Revenue Provision	-
(6,048)	<b>Total Sources of Finance</b>	(21,851)
<b>60,194</b>	<b>Closing Capital Financing Requirement</b>	<b>68,454</b>

#### 4.7 Assets Held for Sale

The Commissioner's Estates Strategy is to review all property held and place 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 2020 £000	Assets Held for Sale	31 March 2021 £000
2,586	Balance outstanding at start of year	1,,248
-	Newly classified as held for sale	-
-	Revaluations	-
(1,338)	Assets sold	(1,248)
<b>1,248</b>	<b>Balance outstanding year end</b>	<b>-</b>

#### 4.8 Debtors PCC and Group

An impairment allowance of £4.925m is held against Council Tax arrears of £7.668m at 31 March 2021 (£4.081m and £6.448m respectively at 31 March 2020). This level of allowance has been assessed by the Council Tax Billing Authorities. Debtors relate to the Commissioner only.

31 March 2020 £000	Debtors	31 March 2021 £000
11,729	Central Government Bodies	3,138
4,376	Other Local Authorities	4,625
9,152	Other Entities and Individuals	19,647
<b>25,257</b>	<b>Total Debtors</b>	<b>27,410</b>

#### 4.9 Short Term Investments PCC and Group

31 March 2020 £000		Short Term Investments	31 March 2021 £000	
3,000		Blaenau Gwent County Borough Council		-
5,000		Lancashire County Council		-
-		London Borough of Croydon		5,000
-		London Borough of Islington		5,000
5,000		South Ayrshire Council		5,000
-		Thurrock Council		5,000
-		West Dunbartonshire Council		10,000
5,000		Woking Borough Council		-
<b>18,000</b>		<b>Total Short Term Investments</b>		<b>30,000</b>

#### 4.10 Creditors PCC 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 2021 cash totalling £0.028m was held in the Commissioner's bank account (£3.051m at 31 March 2020).

31 March 2020		Creditors	31 March 2021	
PCC £000	Group £000		PCC £000	Group £000
(7,341)	(6,674)	Central Government Bodies	(4,193)	(4,193)
(8,108)	(8,108)	Other Local Authorities	(7,511)	(7,511)
(8,953)	(13,170)	Other Entities and Individuals	(12,744)	(17,004)
<b>(24,402)</b>	<b>(27,952)</b>	<b>Total Creditors</b>	<b>(24,448)</b>	<b>28,708</b>



#### 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 Commissioner only.

2020-21	Insurance £000	Dilapidation £000	Legal Expenses £000	Medical Retirement £000	Redundancy £000	Joint Operations £000	Pay Award £000	Total £000
<b>Opening Balance</b>	<b>(3,396)</b>	<b>(672)</b>	-	<b>(78)</b>	<b>(14)</b>	-	-	<b>(4,160)</b>
Increase in provision during year	(493)	-	-	-	-	-	-	<b>(493)</b>
Utilised during year	608	-	-	-	-	-	-	<b>608</b>
<b>Closing Balance</b>	<b>(3,281)</b>	<b>(672)</b>	-	<b>(78)</b>	<b>(14)</b>	-	-	<b>(4,045)</b>

2019-20	Insurance £000	Dilapidation £000	Legal Expenses £000	Medical Retirement £000	Redundancy £000	Joint Operations £000	Pay Award £000	Total £000
<b>Opening Balance</b>	<b>(3,218)</b>	<b>(488)</b>	-	<b>(78)</b>	<b>(27)</b>	<b>(2)</b>	-	<b>(3,813)</b>
Increase in provision during year	(913)	(304)	-	-	-	-	-	<b>(1,217)</b>
Utilised during year	735	120	-	-	13	2	-	<b>870</b>
<b>Closing Balance</b>	<b>(3,396)</b>	<b>(672)</b>	-	<b>(78)</b>	<b>(14)</b>	-	-	<b>(4,160)</b>

#### 4.12 Short and Long Term Debt

31 March 2020 £000	Short Term Borrowing	31 March 2021 £000
(3,500)	Market Loan – L.O.B.O.	
(5,000)	Market Loan - Oxfordshire County Council	(10,000)
(5,000)	Market Loan - PCC West Yorkshire	-
-	Market Loan - East Suffolk Council	(2,000)
-	Market Loan - Mid Devon DC	(2,000)
-	Market Loan - Rushcliffe BC	(5,000)
-	Market Loan - Buckinghamshire Council	(8,000)
-	Market Loan - Runnymede Borough Council	(2,000)
-	Market Loan - Broxbourne Borough Council	(3,000)
(3,557)	PWLB	(3,468)
<b>(17,057)</b>	<b>Total Short Term Borrowing</b>	<b>(35,468)</b>

31 March 2020 £000	Long Term Borrowing	31 March 2021 £000
(2,000)	Market Loan - Elmbridge Borough Council (1)	(2,000)
-	Market Loan - Elmbridge Borough Council (1)	(3,000)
-	Market Loan - Elmbridge Borough Council (1)	(3,500)
(50,337)	PWLB	(46,870)
<b>(52,337)</b>	<b>Total Long Term Borrowing</b>	<b>(55,370)</b>

#### 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. There is a liability for the obligation to pay the lessor. Initial direct costs are added to the carrying amount of the asset.

Finance Lease assets on the balance sheet are accounted for in the same way as other non-current assets.

The contract for the provision of an agreed number of vehicles which was originally in place until 2026-27 ceased during 2020-21 and a grant of £8.1m was received in 2020-21 from the Home Office to fund the costs as part of the exit arrangements.

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 Payments	
31 March 2020 £000	31 March 2021 £000		31 March 2020 £000	31 March 2021 £000
85	85	Not later than one year	85	85
340	340	Later than one year and not later than five years	340	340
397	227	Later than five years	397	227
<b>822</b>	<b>652</b>	<b>Total</b>	<b>822</b>	<b>652</b>

Included in short-term creditors

31 March 2020 £000	31 March 2021 £000
85	85

Included in other long-term liabilities

31 March 2020 £000	31 March 2021 £000
737	567

### PCC as Lessee - Operating Leases

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

31 March 2020 £000		31 March 2021 £000
1,466	Not later than one year	-
2,794	Later than one year and not later than five years	-
314	Later than five years	-
<b>4,574</b>	<b>Total</b>	<b>-</b>

#### 4.14 Service Concession Arrangements – Private Finance Initiative Agreements

Private Finance Initiative Agreements (PFI) is a way to receive assets, whereby the responsibility for asset availability is with the PFI contractor.

The first contractor, Vensons, was responsible for the provision and maintenance of vehicles on a 25 year contract until 2026-27, from a building at Chilwell. The vehicle provision and maintenance was accounted for as an operating lease as opposed to the building being on the balance sheet with a capital value of £1.152m.

The second contractor, Miven, provides and maintains the Riverside building on a 25 year contract until 2026-27, at which point the Commissioner has the option to purchase. The capital value of this scheme is £1.943m. £1.045m was paid in 2020-21 (£1.045m in 2019-20).

With the PFI agreement 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.

Future payments are linked to the retail price index but are otherwise fixed, except reductions for poor contractor performance. Specific government grant of £1.858m was received (£1.858m in 2019-20).

The annual amounts payable for the buildings 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 buildings.
- The repayment of the capital liability on the balance sheet.
- Contingent rent – increases in the amount to be paid for the properties arising during the contracts, 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 2019-20 £000	Payment for Services 2019-20 £000	Riverside Premises PFI	Reimbursement of Capital Expenditure 2020-21 £000	Payment for Services 2020-21 £000
222	823	Payable within one year	232	813
991	3,187	Payable within two to five years	1,036	3,142
517	1,394	Payable within six to ten years	241	626
<b>1,731</b>	<b>5,404</b>	<b>Total</b>	<b>1,509</b>	<b>4,582</b>

2019-20 £000	PFI	2020-21 £000
2,079	<b>Gross PFI liabilities</b>	1,745
	Due:	
304	Not later than one year	304
1,217	Later than one year and not later than five years	1,217
558	Later than five years	254
2,079		1,775
(349)	Finance charges allocated to future periods	(266)
<b>1,731</b>	<b>Net PFI liabilities</b>	<b>1,509</b>
	<b>Net PFI liabilities</b>	
	Due:	
222	Not later than one year	232
991	Later than one year and not later than five years	1,036
517	Later than five years	241
<b>1,731</b>		<b>1,509</b>
	<b>Finance cost payments committed in respect of PFI</b>	
83	Not later than one year	73
226	Later than one year and not later than five years	181
40	Later than five years	13
<b>349</b>		<b>266</b>
	<b>Services and contingent rents payable to PFI operator (included in the unitary payment)</b>	
740	Not later than one year	740
2,962	Later than one year and not later than five years	2,962
1,354	Later than five years	614
<b>5,056</b>		<b>4,316</b>
	<b>Total unitary payments to PFI operator</b>	
1,045	Not later than one year	1,045
4,179	Later than one year and not later than five years	4,179
1,912	Later than five years	867
<b>7,135</b>		<b>6,091</b>



## Section 5 Notes to the Cash Flow Statement

### 5.1 Cash and Equivalents

Cash and cash equivalents consist of bank, temporary investments and instant access accounts.

31 March 2020 £000	Cash and Equivalents Comprise	31 March 2021 £000
12,090	Low Volatility Net Asset Value Funds (LVNAVs)	7,500
12,000	Temporary Investments	17,000
4,762	Cash and Bank	2,283
<b>28,852</b>	<b>Total</b>	<b>26,783</b>

## Section 5 Notes to the Cash Flow Statement

### 5.2 Cash Flow from Operating Activities – Group Cash Flows

31 March 2020 £000	The cash flows for operating activities include the following items	31 March 2021 £000
(399)	Interest Received	(417)
1,555	Interest Paid	1,853
<b>1,156</b>	<b>Total</b>	<b>1,436</b>

31 March 2020 £000	The cash flows for operating activities include the following items	31 March 2021 £000
(5,673)	Depreciation	(7,108)
(524)	Amortisation	(481)
140	Property revaluations	-
(5,771)	(Increase)/decrease in creditors	(641)
2,762	Increase/(decrease) in debtors	2,153
(30)	(Increase)/decrease in inventories	(30)
(54,013)	Movement in long term liability	(53,958)
169	Movement in other non-current assets/liabilities	222
(1,531)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(2,323)
(70)	Other non-cash movements charged to the (surplus) or deficit on provision of services	(316)
<b>(64,541)</b>	<b>Total</b>	<b>62,483</b>

31 March 2020 £000	The (surplus) or deficit on the provision of services has been adjusted for the following investing and financing activities	31 March 2021 £000
2,246	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,564
830	Any other items for which the cash effects are investing or financing cash flows	1,099
<b>3,076</b>	<b>Total</b>	<b>4,663</b>

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

31 March 2020 £000	Cash Flow from Investing and Financing Activities	31 March 2021 £000
9,150	Purchase of property, plant and equipment, investment property and intangible assets	30,047
36,000	Purchase of short term and long term investments	25,000
(22,000)	Repayments of short-term and long term investments	(13,000)
(2,246)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,564)
(830)	Other receipts from investing activities	(3,168)
<b>20,074</b>	<b>Net cash flows from investing activities</b>	<b>35,315</b>
(39,000)	Cash receipts of short-term and long-term borrowing	(30,853)
21,452	Repayments of short-term and long-term borrowing	9,409
<b>(17,548)</b>	<b>Net cash flows from financing activities</b>	<b>(21,444)</b>

## Section 6 Remuneration Notes

### 6.1 Members Remuneration

Members of the Audit and Scrutiny Panel were paid £0.008m (£0.007m 2019-20).

### 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.

One is within the PCC.

Remuneration over £50,000	2019-20	2020-21
£50,001 to £55,000	12	11
£55,001 to £60,000	4	5
£60,001 to £65,000	2	3
£65,001 to £70,000	-	-
£70,001 to £75,000	1	1
£75,001 to £80,000	2	2
£80,001 to £85,000	1	-
£85,001 to £90,000	1	1
£90,001 to £95,000	1	1
£95,001 to £100,000	-	-
<b>Total</b>	<b>24</b>	<b>24</b>

### 6.3 Senior Officer Payments

Officers Remuneration 2020-21	Note	Salary, Fees & Allowances (Note 1) £	Bonuses £	Expenses Allowances (Note 2) £	Compensation for Loss of Office £	Pension Contribution £	Total £
Police & Crime Commissioner		70,125	-	569	-	12,644	83,338
Chief Executive to the Police & Crime Commissioner		102,296	-	506	-	16,879	119,680
Chief Finance Officer to the Police & Crime Commissioner		102,074	-	410	-	16,842	119,325
<b>TOTAL PCC</b>		<b>274,494</b>	-	<b>1,485</b>	-	<b>46,365</b>	<b>322,344</b>
Chief Constable		184,018	-	9,643	-	54,038	247,700
Deputy Chief Constable		135,792	-	7,513	-	-	143,304
Assistant Chief Constable		118,009	-	6,777	-	36,583	161,368
Assistant Chief Constable		93,133	-	5,032	-	28,015	126,180
Assistant Chief Constable		93,907	-	1,387	-	29,111	124,405
Chief Finance Officer to the Chief Constable		65,772	-	386	-	10,852	77,011
<b>TOTAL CHIEF CONSTABLE</b>		<b>690,631</b>	-	<b>30,738</b>	-	<b>158,600</b>	<b>879,986</b>
<b>TOTAL FOR GROUP</b>		<b>965,125</b>	-	<b>32,222</b>	-	<b>204,965</b>	<b>1,202,312</b>

Note 1: Salary, Fees and allowances includes Rent Allowance, Housing Allowance, Compensatory Grant and Compensation for Loss of Office.

Note 2: Expenses Allowances include taxable expenses such as mileage, car allowances and medical expenses .

### 6.3 Senior Officer Payments

Officers Remuneration 2019-20	Note	Salary, Fees & Allowances (Note 1) £	Bonuses £	Expenses Allowances (Note 2) £	Compensation for Loss of Office £	Pension Contribution £	Total £
Police & Crime Commissioner		76,500	-	1,178	-	10,251	87,929
Chief Executive to the Police & Crime Commissioner		99,799	-	626	-	13,373	113,798
Chief Finance Officer to the Police & Crime Commissioner		101,480	-	2,506	-	13,598	117,584
<b>TOTAL PCC</b>		<b>277,779</b>	-	<b>4,310</b>	-	<b>37,222</b>	<b>319,311</b>
Chief Constable		173,416	-	10,660	-	52,486	236,563
Deputy Chief Constable		134,153	-	9,248	-	-	143,401
Assistant Chief Constable		115,058	-	7,510	-	35,668	158,236
Assistant Chief Constable		112,929	-	7,029	-	33,906	153,864
Chief Finance Officer to the Chief Constable		64,172	-	614	-	8,599	73,385
<b>TOTAL CHIEF CONSTABLE</b>		<b>599,728</b>	-	<b>35,061</b>	-	<b>130,659</b>	<b>765,448</b>
<b>TOTAL FOR GROUP</b>		<b>877,507</b>	-	<b>39,370</b>	-	<b>167,882</b>	<b>1,084,759</b>

Note 1: Salary, Fees & Allowances includes Rent Allowance, Housing Allowance, Compensatory Grant, Honoraria and Compensation for Loss of Office

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



#### 6.4 Exit Packages

Contracts were terminated for 7 employees in the group during the year (6 in 2019-20), incurring costs of £0.084m (£0.275m in 2019-20). This included redundancy payments of £0.062m and pension strain costs of £0.018

m. In 2020-21 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

Ernst Young LLP are the external auditor to the Commissioner and Group the fees in the year were £0.073m, no other services were purchased (£0.039m in 2019-20).

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 (£)	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
£0 - £20,000	1	-	3	6	4	6	27,353	55,260
£20,001 - £40,000	1	-	-	1	1	1	22,020	29,494
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
Over £150,000	-	-	1	-	1	-	226,017	-
<b>Total</b>	<b>2</b>	<b>-</b>	<b>4</b>	<b>7</b>	<b>6</b>	<b>7</b>	<b>275,390</b>	<b>84,754</b>

## 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 75.1m. 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 £X.XXm at year end (£2.07m in 2019-20). An allowance of £X.XXm is set aside for debts to mitigate the effect of default (£0.33m in 2019-20).

#### 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 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 5%. There was £32.5m temporary borrowing at 31 March 2021.

### 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.

Liquidity Risk	31 March 2020 £000	31 March 2021 £000
Less than one year	(17,056)	(35,441)
Between one and two years	(3,441)	(2,941)
Between two and five years	(4,824)	(5,765)
More than 5 Years	(6,912)	(6,912)
More than 10 Years	(37,161)	(39,778)
	<b>(69,394)</b>	<b>(90,837)</b>

## 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 2020-21 ranged between X.XX% and X.XX% for PWLB loans and X.XX% on the market loan. The average interest rates received were X.XX%. 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 £XX.Xm which is £X.X0m 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 at 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.

Long term borrowing of £XX.Xm took place in 2020-21, £XX.Xm of which is for 2021-22 capital financing.

### 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 six 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.

	Long-term 31 March 2020 £000	Long-term 31 March 2021 £000	Current 31 March 2020 £000	Current 31 March 2021 £000
<b>Financial Assets</b>				
<b>Debtors</b>				
Debtors at Amortised Cost	-	-	20,860	17,841
Other at Amortised Cost	-	-	-	-
<b>Total included in Debtors</b>	-	-	<b>20,860</b>	<b>17,841</b>
<b>Cash &amp; Investments</b>				
Cash	-	-	4,762	2,283
Investments at Amortised Cost	-	-	42,090	54,500
<b>Total included in Investments</b>	-	-	<b>46,852</b>	<b>56,783</b>
<b>Total Financial Assets</b>	-	-	<b>67,712</b>	<b>74,624</b>
<b>Financial Liabilities</b>				
<b>Borrowings</b>				
Borrowings at Amortised Cost	(52,337)	(55,370)	(17,057)	(35,468)
<b>Total included in Borrowings</b>	<b>(52,337)</b>		<b>(17,057)</b>	<b>(35,468)</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	(2,246)	(2,024)	(307)	(317)
<b>Total included in Other Long Term liabilities</b>	<b>(2,246)</b>	<b>(2,024)</b>	<b>(307)</b>	<b>(317)</b>
<b>Creditors</b>				
Creditors at Amortised Cost	-	-	(27,952)	(28,708)
<b>Total included in Creditors</b>	-	-	<b>(27,952)</b>	<b>(28,708)</b>
<b>Total Financial Liabilities</b>	<b>(54,583)</b>	<b>(57,394)</b>	<b>(45,316)</b>	<b>(64,493)</b>
<b>Financial Liabilities at amortised cost</b>				
Interest expense			1,555	1,853
<b>Financial Assets: Loans and receivables</b>				
Interest income			(399)	(417)
<b>Net expense in (Surplus) or Deficit on the Provision of Services</b>			<b>1,156</b>	<b>1,436</b>

## Section 8 Other Notes

### 8.1 Basis of Cost Allocation

The basis of splitting costs between The Commissioner and the Chief Constable for revenue is based on operational activity of the Chief Constable.

All assets and liabilities belong to the Group apart from the provision for accumulated absences and pension liabilities that relate for the officers and staff that report to the Chief Constable.

### 8.2 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 2021.

### 8.3 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.

Following successful claims in the court case *Allard v Devon and Cornwall Police* for unpaid overtime following recalls to duty, the judge has selected a number of test cases to consider all of the issues arising in these claims against forces across the country. Nottinghamshire's claims are therefore stayed by order of the High Court pending the outcome of the test cases. The total cost of the claims will be dependent upon the principles established in the test cases and a number could go back over several years. An estimate has been reserved for (Allard Reserve).

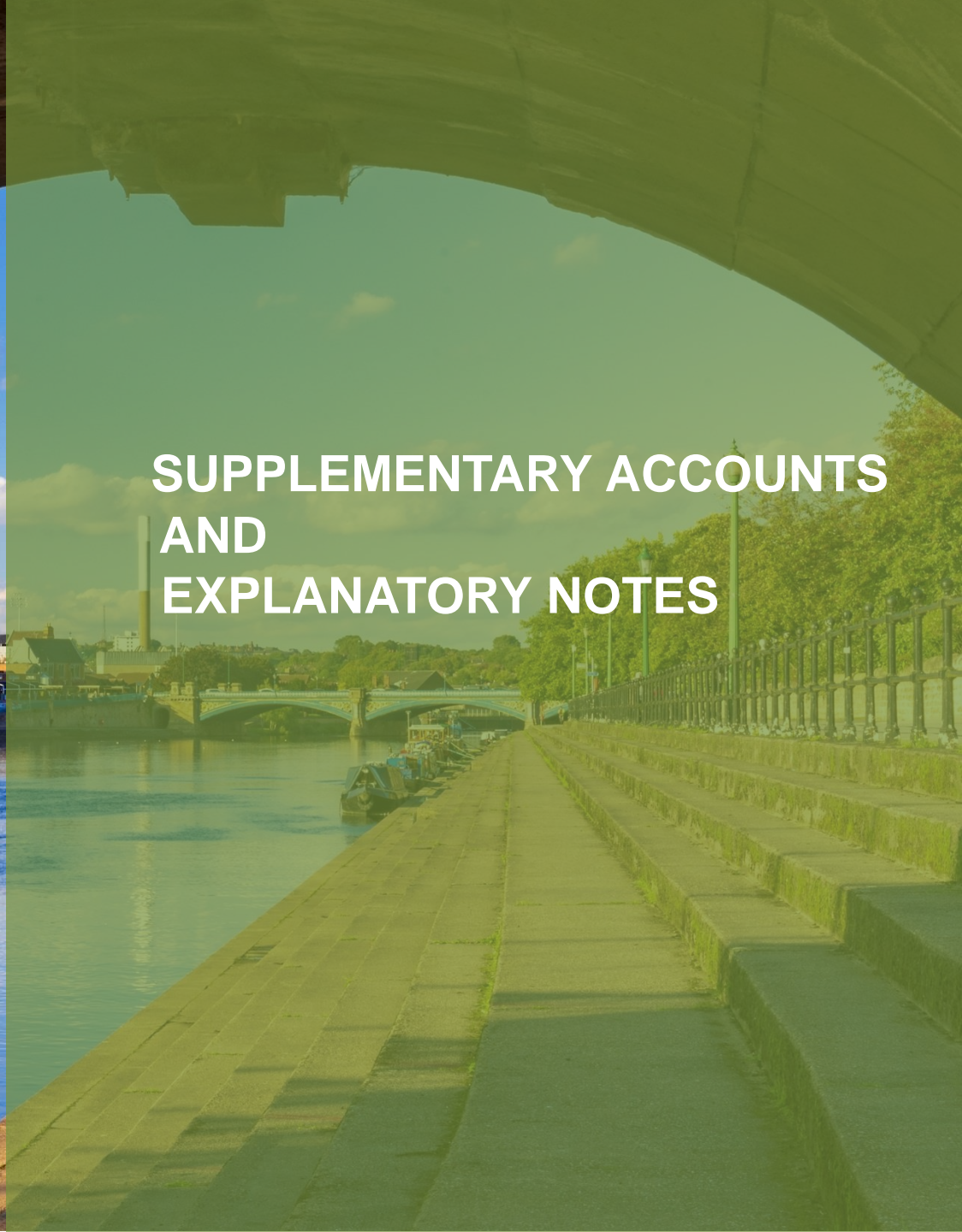
### 8.4 Related Parties

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 Nottingham 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



# PENSION FUND ACCOUNTS AND EXPLANATORY NOTES

2019-20 £000	Pension Fund	2020-21 £000
	<b>Contributions Receivable</b>	
(4,423)	Employers Contributions 1987 Scheme	(2,873)
(204)	Employers Contributions 2006 Scheme	(240)
(17,118)	Employers Contributions 2015 Scheme	(20,668)
(508)	Additional Contributions for early retirements - all schemes	(1,266)
(1,921)	Members contributions 1987 Scheme	(1,338)
(89)	Members contributions 2006 Scheme	(93)
(7,428)	Members contributions 2015 Scheme	(8,798)
-	Transfer in 1987 Scheme	-
-	Transfer in 2006 Scheme	-
(734)	Transfer in 2015 Scheme	(663)
	<b>Benefits Payable</b>	
59,223	Pensions 1987 Scheme	60,860
22	Pensions 2006 Scheme	22
362	Pensions 2015 Scheme	417
12,775	Commutations and lump sum retirement benefits 1987 Scheme	11,080
242	Annual Allowance Tax charge	1,684
-	GAD v Milne Payments	-
	<b>Payments to / on account of leavers</b>	
-	Refund of contributions 2006 Scheme	-
11	Refund of contributions 2015 Scheme	14
-	Transfers out 1987 Scheme	-
-	Transfers out 2006 Scheme	-
-	Transfers out 2015 Scheme	305
<b>40,211</b>	<b>Sub-total before transfer from the PCC of amount equal to the deficit</b>	<b>38,442</b>
<b>(40,211)</b>	<b>Transfer of Government Grant from the PCC to meet the deficit</b>	<b>(38,442)</b>
<b>-</b>	<b>Balance at 31 March</b>	<b>-</b>

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 2021 and set contributions for the period from 1 April 2020 to 31 March 2021. 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 2020-21 are based on a detailed valuation of the most recent data provided (as at 31 March 2020), together with cash flow information for the year ending 31<sup>st</sup> March 2021. In particular the actuary has allowed for service accrued between 1 April 2020 and 31 March 2021 and known pension and salary increases that would have applied.

The figures for the LGPS are calculated by Barnett Waddingham (Actuaries), based on membership data as at 31 March 2019 for all members. This has then been rolled forward to reflect the position as at 2021. 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.

The figures reflect McCloud and any other relevant adjustments.

## Accounting Treatment cont'd

When assessing the potential implications of McCloud on the IAS19 liabilities, the actuary has considered those members with benefits in the 2015 scheme who were former members of the 1987 and 2006 schemes. The actuary has calculated the additional liability arising had these members not ceased to accrue benefits in the 1987 and 2006 schemes on 1 April 2015 (or after this date if their start date in the 2015 Scheme was tapered) and had continued instead to accrue final salary benefits in the 1987 and 2006 Schemes. The actuary has also included the impact for those who retired after joining the 2015 Scheme. Whilst members who left the service over this period and took deferred benefits were considered, the actuary concluded the effects are not material. Using these assumptions the actuary has estimated the potential increase in scheme liabilities for Nottinghamshire to be approximately 6.2% or £175m of pension scheme liabilities. The McCloud element of this is reflected in the IAS19 Disclosures as a Past Service Cost.

The costs emerging are sensitive to the underlying assumptions. The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation was due to take place in 2020 with implementation of the results planned for 2023-24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud/Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

2019-20		Pension Fund Comprehensive Income and Expenditure Statement	2020-21	
LGPS £000	Police £000		LGPS £000	Police £000
14,654	53,810	Current Service Cost	16,398	52,020
94	-	Admin Expense	94	-
363	(13,120)	Past Service Cost	39	-
-	-	(Gain) / loss from curtailments	-	-
3,396	66,180	Net interest expense / (income)	3,595	56,720
<b>18,507</b>	<b>106,870</b>	<b>Total charged to (Surplus) and Deficit on Provision of Services</b>	<b>20,126</b>	<b>108,740</b>
		<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Account</b>		
		<b>Re-measurement of the net defined benefit liability comprising:</b>		
23,356	-	Return on Assets	(42,915)	-
15,797	(51,840)	Actuarial (gains) and losses - experience	(4,205)	(133,920)
(8,316)	(80,750)	Actuarial (gains) and losses arising on changes in demographic assumptions	(3,831)	-
(46,460)	(82,470)	Actuarial (gains) and losses arising on changes in financial assumptions	126,661	289,380
844	-	Other Actuarial Gains/Losses	-	-
<b>3,728</b>	<b>108,190</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>95,836</b>	<b>264,200</b>

2019-20		Pension Fund Movement in Reserves Statement	2020-21	
LGPS £000	Police £000		LGPS £000	Police £000
(18,507)	(106,870)	Reversal of net charges made to the deficit on the Provision of Services	(20,126)	(108,740)
5,134	-	<b>Amount charged against the general fund balance for pensions in the year:</b> Employers' contributions payable to scheme	7,588	-
-	66,230	Retirement benefits payable to pensioners	-	67,320

2019-20		Pensions Assets and Liabilities Recognised in the Balance Sheet	2020-21	
LGPS £000	Police £000		LGPS £000	Police £000
(356,238)	(2,528,140)	Present value of the defined obligation	(494,240)	(2,725,020)
216,046	-	Fair value of plan assets	265,800	-
(140,192)	(2,528,140)	Value of Assets / (Liabilities)	(228,440)	(2,725,020)
<b>(140,192)</b>	<b>(2,528,140)</b>	<b>Net (liability) / asset arising from the defined benefit obligation</b>	<b>(228,440)</b>	<b>(2,725,020)</b>

2019-20		Movement in the Fair Value of Scheme Assets	2020-21	
LGPS	Police Officer Pension Scheme		LGPS	Police Officer Pension Scheme
£000	£000		£000	£000
235,265	-	<b>Opening fair value of scheme assets</b>	216,046	-
5,101	-	Interest income	4,430	-
		<b>Re-measurement gain / (loss):</b>		
(23,356)	-	The return on plan assets, excluding the amount included in the net interest expense	42,915	-
5,134	66,230	Contributions from employer	7,588	67,320
2,344	10,090	Contributions from employees into the scheme	2,616	10,920
(7,504)	(76,320)	Benefits / transfers paid	(7,701)	(78,240)
(844)	-	Other actuarial gains/(losses) on assets	-	-
(94)	-	Admin Expense	(94)	-
<b>216,046</b>	-	<b>Closing value of scheme assets</b>	<b>265,800</b>	-



2019-20		Movements in the Present Value of Scheme Liabilities	2020-21	
LGPS	Police Officer Pension Scheme		LGPS	Police Officer Pension Scheme
£000	£000		£000	£000
<b>(376,863)</b>	<b>(2,702,560)</b>	<b>Opening balance at 1 April</b>	<b>(356,238)</b>	<b>(2,528,140)</b>
(14,654)	(53,810)	Current service cost	(16,398)	(52,020)
(8,497)	(66,180)	Interest cost	(8,025)	(56,720)
(2,344)	(10,090)	Contributions from scheme participants	-	(10,920)
-	-	Unusable Reserves	(2,616)	-
		<b>Re-measurement gains and losses:</b>		
(15,797)	51,840	- Actuarial gains / (losses) – experience	4,205	133,920
8,316	80,750	- Actuarial gains / (losses) from changes in demographic assumptions	3,831	-
46,460	82,470	- Actuarial gains / (losses) from changes in financial assumptions	(126,661)	(289,380)
(363)	13,120	Past service cost	(39)	-
-	-	Gains / (losses) on curtailments	-	-
7,504	76,320	Benefits / transfers paid	7,701	78,240
<b>(356,238)</b>	<b>(2,528,140)</b>	<b>Balance as at 31 March</b>	<b>(494,240)</b>	<b>2,725,020</b>

The liabilities show the underlying commitments that the Group will eventually have for retirement benefits. The total liability of £2,953.5m 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 2021 are £6.7m and £23.6m 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 £+47.3m (2019-20, £-18.3m). 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 discounting rate used decreases the pension liability by £8.4m and a decrease by the same amount increases the pension liability by £8.7m.

For the police officers scheme an extra 0.5% on the discounting rate used decreases the liability by £200m with a 0.5% decrease in the rate increasing the liability by the same amount.

Pension Assumptions	LGPS		Police	
	2019-20	2020-21	2019-20	2020-21
<b>Mortality assumptions</b>				
<b>Longevity at 65 retiring today</b>				
Men	21.8 yrs	21.6 yrs	21.9 yrs	22.0 yrs
Women	24.4 yrs	24.3 yrs	23.6 yrs	23.7 yrs
<b>Longevity at 65 retiring in 20 years</b>				
Men	23.2 yrs	22.9 yrs	23.6 yrs	23.7 yrs
Women	25.8 yrs	25.7 yrs	25.2 yrs	25.3 yrs
<b>Rate of inflation</b>				
CPI increases	1.85%	2.85%	2.00%	2.40%
Rate of increase in salaries	2.85%	3.85%	4.00%	4.15%
Rate of increase in pensions	1.85%	2.85%	2.00%	2.40%
Rate for discounting scheme liabilities	2.35%	2.05%	2.25%	2.00%

Value of LGPS Assets at Bid Value	31 March 2020 £000	31 March 2020 %	31 March 2021 £000	31 March 2021 %
Equity Investments	138,160	64	169,350	64
Gilts	7,103	3	9,407	4
Other Bonds	18,741	9	19,867	7
Property	27,431	13	28,196	11
Cash	5,284	2	14,209	5
Inflation-linked pooled fund	7,866	4	10,362	4
Infrastructure	11,461	5	14,409	5
Unit Trust	-	-	-	-
	<b>216,046</b>	<b>100</b>	<b>265,800</b>	<b>100</b>

## 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.

There are six JO's between Nottinghamshire, Derbyshire, Leicestershire, Lincolnshire and Northamptonshire, Nottinghamshire's proportion is 27.3% (27.3% 2019-20).

- The East Midlands Special Operations Unit (EMSOU), which includes The Technical Surveillance Unit (TSU)
- The East Midlands Special Operations Major Crime (EMSOUMC).
- 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% (22.6% 2019-20).

There is one collaboration which is a four way shared services with Leicestershire, Lincolnshire and Northamptonshire.

- The East Midlands Criminal Justice Service (EMCJS). Nottinghamshire's proportion is 34.9% (34.9% 2019-20)

The other collaborations are:

- The East Midlands Commercial Services Unit (EMSCU) was a two way shared service with Northamptonshire but ceased to exist in October 2021 when it was replaced by a Limited Liability Partnership Arrangement with Northamptonshire Police called MINT. The share of costs for Nottinghamshire for both EMSCU and MINT this year is 50% (50% 2019-20).
- 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% (31.42% 2019-20).
- The shared service for transactional HR and Finance - MFSS with Cheshire and Northamptonshire and Civil Nuclear Police. Nottinghamshire this year is 31.04% (31.04% 2019-20).

2019-20			Joint Operations Comprehensive Income and Expenditure Statement	2020-21		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
12,868	-	12,868	Cost of Police Services	15,020	-	15,020
<b>12,868</b>	<b>-</b>	<b>12,868</b>	<b>Cost of Services</b>	<b>15,020</b>	<b>-</b>	<b>15,020</b>
10	(974)	(964)	Other Operating Expenditure / Income	1	(676)	(675)
-	(986)	(986)	External Grants and Contributions	-	(1,304)	(1,304)
-	(10,900)	(10,900)	Contributions From Partners	-	(13,049)	(13,049)
<b>12,878</b>	<b>(12,860)</b>	<b>18</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>15,021</b>	<b>(15,029)</b>	<b>(8)</b>
		-	Other CIES			-
		<b>18</b>	<b>Total CIES</b>			<b>(8)</b>

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
<b>Balance at 31 March 2020</b>	<b>(91)</b>	<b>(1,039)</b>	<b>-</b>	<b>(1,130)</b>	<b>(2,738)</b>	<b>(3,868)</b>
Movements in reserves during 2020-21	57	-	-	57	(70)	(13)
(Surplus) / deficit on the provision of services	(59)	-	-	(59)	-	(59)
Other CIES	-	-	-	-	-	-
<b>Total CIES</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>(70)</b>	<b>(72)</b>
Adjustments between accounting basis and funding basis under regulations	-	-	-	-	-	-
<b>Net (Increase) or Decrease before Transfers to Earmarked Reserves</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>(70)</b>	<b>(72)</b>
Transfers to / (from) Earmarked Reserves	3	(3)	-	-	-	-
<b>(Increase) or Decrease in 2020-21</b>	<b>1</b>	<b>(3)</b>	<b>-</b>	<b>(2)</b>	<b>(70)</b>	<b>(72)</b>
<b>Balance at 31 March 2021</b>	<b>(90)</b>	<b>(1,042)</b>	<b>-</b>	<b>(1,132)</b>	<b>(2,808)</b>	<b>(3,940)</b>

<b>31 March 2020 £000</b>	<b>Joint Operations Balance Sheet</b>	<b>31 March 2021 £000</b>
2,828	Property, Plant and Equipment	2,971
83	Intangible Assets	29
<b>2,911</b>	<b>Long Term Assets</b>	<b>3,000</b>
-	Assets Held for Sale	-
970	Short Term Debtors	784
1,315	Cash and Cash Equivalents	2,238
<b>2,285</b>	<b>Current Assets</b>	<b>3,022</b>
(1,328)	Short-Term Creditors	(2,083)
<b>(1,328)</b>	<b>Current Liabilities</b>	<b>(2,083)</b>
-	<b>Long Term Liabilities</b>	-
<b>3,868</b>	<b>Net Assets</b>	<b>3,939</b>
(1,130)	Usable Reserves	(1,132)
(2,738)	Unusable Reserves	(2,808)
<b>(3,868)</b>	<b>Total Reserves</b>	<b>(3,940)</b>

## Group Accounts

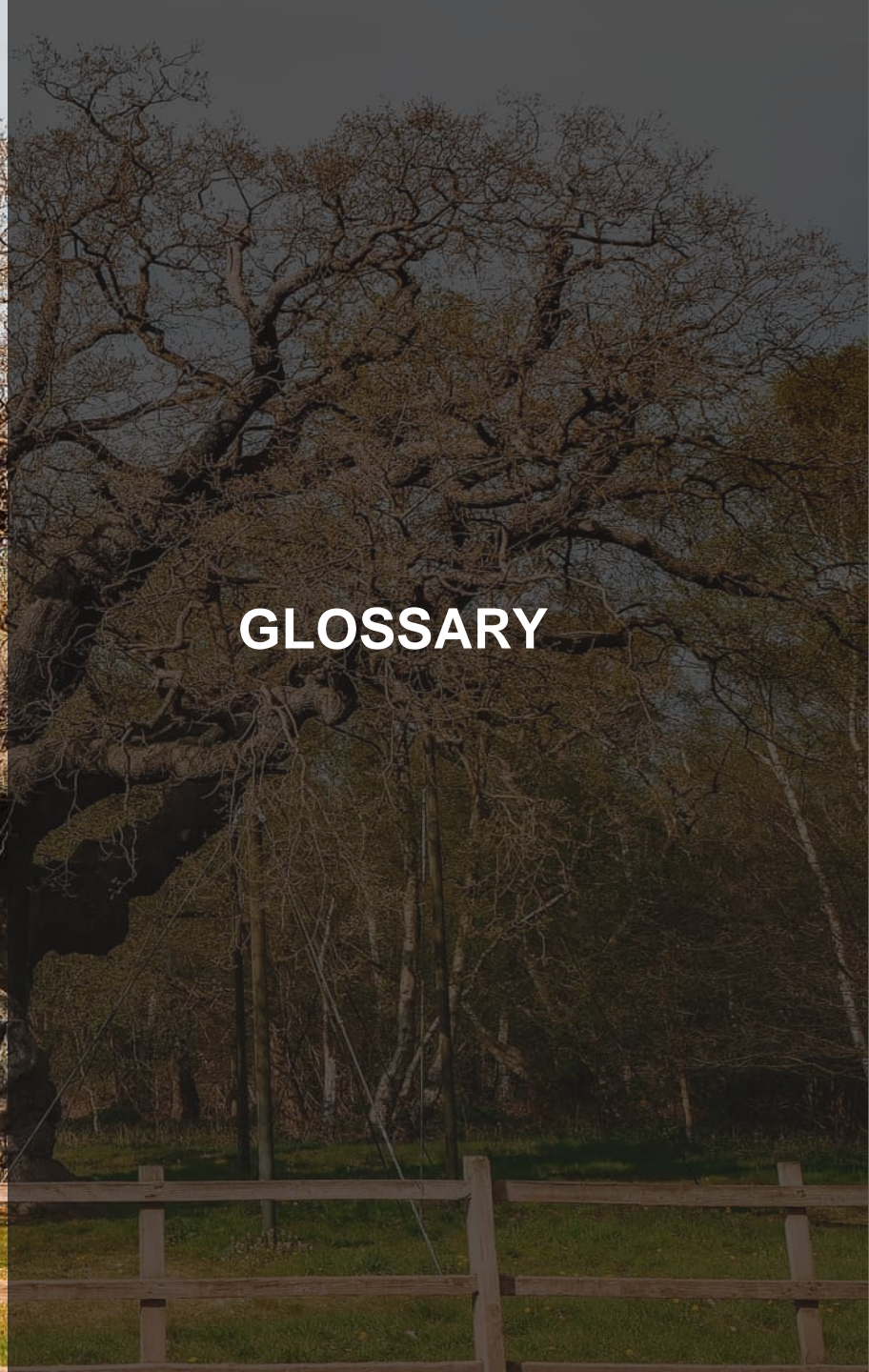
### Joint Operations & Associate Entities

The OPCC's share of Joint Operations (JO's) for 2020-21 is as follows:

Ownership %	Arrangement	2020-21		
		Expenditure £000	Income £000	Net £000
27.30%	EM Legal Services	236	(237)	(1)
50.00%	EM Strategic Commercial Unit	532	(527)	5
27.30%	EM Major Crime	191	(193)	(2)
27.30%	EM Serious Organised Crime	7,394	(7,383)	11
34.90%	EM Criminal Justice	491	(486)	5
27.30%	EM Occupational Health Unit	547	(546)	1
27.30%	EM Forensics	2,476	(2,651)	(175)
31.42%	EM Learning & Development	96	-	96
31.04%	Multi Force Shared Service (MFSS)	681	(629)	52
22.60%	Emergency Services Network (ESN)	2,377	(2,377)	0
		<b>15,021</b>	<b>(15,029)</b>	<b>(8)</b>

The OPCC's does not have any Associate Entities in 2020-21.





## 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.

## ACTUARIAL 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 PCC 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 PCC 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 PCC'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.

<b>BUDGET</b>	<b>CAPITAL EXPENDITURE</b>	<b>CAPITAL FINANCING</b>
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.
<b>CAPITAL PROGRAMME</b>	<b>CAPITAL RECEIPT</b>	<b>CIPFA</b>
The capital schemes the PCC 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.
<b>CODE</b>	<b>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>	<b>CONSISTENCY</b>
The CIPFA Code of Practice on Local Authority Accounting governs the content of these accounts.	The account of the PCC 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 PCC'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 PCC'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 PCC 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 PCC 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 PCC'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 PCC'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**

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.

**FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

**FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lease.

**GOING CONCERN**

The concept that the Statement of Accounts is prepared on the assumption that the PCC will continue in operational existence for the foreseeable future.

**IFRS**

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.

**GROUP**

Nottinghamshire Office of the Police and Crime Commissioner and its Group.

**IMPAIRMENT**

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.

**INTANGIBLE ASSETS**

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. These are generally computer software licences.

**INTEREST COSTS (PENSION)**

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**

A liability is where the PCC 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.

**MATERIALITY**

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.

**NON-OPERATIONAL ASSETS**

Fixed assets held by the PCC 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.

**NET BOOK VALUE**

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.

**OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the PCC in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**PAST COSTS (PENSIONS)**

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.

**OPERATING LEASE**

A lease where the ownership of the fixed asset remains with the lessor.

**MINIMUM REVENUE PROVISION (MRP)**

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 PCC.

**PENSION SCHEME LIABILITIES**

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.

**PRECEPT**

The levy made by precepting authorities to billing authorities, requiring the latter to collect income from Council Tax on their behalf.

**PRIOR YEAR ADJUSTMENT**

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**

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.

**PUBLIC WORKS LOAN BOARD (PWLB)**

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.

**REMUNERATION**

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**

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 PCC. Some capital reserves such as the capital adjustment account cannot be used to meet current expenditure.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.



### REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

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.

### TEMPORARY BORROWING

Money borrowed for a period of less than one year.

### USEFUL ECONOMIC LIFE (UEL)

The period over which the PCC will derive benefits from the use of a fixed asset.