JOINT INDEPENDENT AUDIT COMMITTEE
27 March 2024

SUBJECT	**Review of Accounting Policies**
REPORT BY	**Chief Accountant**
CONTACT OFFICER	**Liam Kerry** **Liam.kerry@notts.police.uk**
SUMMARY AND PURPOSE OF REPORT To inform the Committee of the accounting policies to be adopted for the completion of the 2023-24 Statement of Accounts.	
RECOMMENDATION	That the accounting policies for the 2023-24 financial year be noted.

A. SUPPORTING INFORMATION

1. Introduction

1.1 Accounting policies are required for the accounts of the PCC group, the PCC and the Chief Constable. These policies describe the accounting practices used to produce respective statements of accounts. They are included as the first note to the Group, the PCC and the Chief Constable accounts.

1.2 As the PCC Group accounts contain most of the transactions relating to assets and liabilities, many policies referred to relate to that set of accounts below and are not applicable, and therefore excluded, from the Chief Constable accounts.

1.3 This report details changes to policies, the key dates to delivering the year end timetable and updates on the statutory environment and assumptions.

2. Changes to Policies

2.1. The proposed set of accounting policies for the PCC Group and Chief Constable are attached at Appendices 1 and 2 respectively. At present the Code Guidance notes for the closedown has not been produced so a further review of our current policies may be required if this identifies any changes to the guidance and if so these will be highlighted to the committee. However recent CIPFA final accounts training day did not identify any significant changes to the code therefore at present there are no proposed changes from the previous year.

3. Methodology

Schedule for production of draft accounts

3.1. A detailed timetable for the production of draft accounts is produced and agreed with the CFO for the PCC, CFO for the Chief Constable by the Chief Accountant and are shared with the Finance team and other significant parties before the end of the financial year. This is also shared with the external auditor to aid their final accounts audit planning. A risk register will also be kept alongside the timetable to ensure that any risks relating to the production of the financial statements are identified and mitigated (where possible). The following dates are the key deadlines, subject to audit agreement:

- JIAC review draft accounts for PCC Group, PCC and Chief Constable, 30th May 2024;
- 30th May 2024 the CFOs sign the accounts ready for audit;
- 31st May 2024 – Publication of draft accounts for public inspection;
- Audit of the financial statements, July, date to be confirmed;
- Agreement of audit adjustments and any revision of the accounts date tbc;
- JIAC review final accounts, tbc

At the time of this report we are awaiting the External Auditors audit of the 2020/21 financial statements.

3.2. To achieve the statutory requirement for the production of the year-end accounts, the following processes are in place:

Preparation of year end accounts

3.3. There is increased focus on the month end closedown in February and March to ensure that the management accounts are in line with the technical accounting requirements for year end. Some transactions however are only carried out at year end.

Early close and use of estimated figures

3.4. It is proposed to close the accounts as early as possible in April to allow time for the preparation of the statements and associated notes. To achieve this, we propose a materiality limit of £100,000, below which adjusting will be discretionary.

Regional accounting arrangements

3.5. The figures provided for Nottinghamshire PCC's share of the regional operations are incorporated into the financial statements. The completion and production of these figures are outside of the PCC's control and as such can cause delays in the consolidation process for the accounts. It is intended that the initial draft accounts will include the regional figures.

4. Updates on the Statutory Environment and Assumptions

Materiality threshold for Nottinghamshire PCC and Chief Constable

4.1. **Financial statements present a true and fair view**. Items which are not material do not require disclosure in the financial statements. The de minimis levels remain unchanged however they are included below for review:

- **Year-end accruals**

£5,000 Budget holders can identify accruals to any level they wish but this de minimis allows them to focus on items that could materially affect individual budgets if they wish.

- **Inventory**
  £20,000 The de minimis limits the time-consuming counting of low volume stock which won't be material to the financial statements if charged to revenue. Most stock relates to diesel, vehicle parts and stores balances, as well as uniform stocks.
- **Capitalisation of Property, Plant and Equipment**
  £20,000 Assets which meet the £20k de minimis level and meet the other capitalisation criteria will be treated as capital. The PCC retains the discretion to consider capitalisation of other expenditure on a case-by-case basis, where equipment with a life of more than a year is purchased in bulk as part of a specific programme. In respect of low life expectancy assets (typically IT assets, with less than 3 years life expectancy), these will be charged to revenue. The creation of the Asset Replacement Reserves is designed to smooth any impact of the routine replacement programmes for such assets.
- **Componentisation of Property, Plant and Equipment**
  £600,000 as a result of the 5-year rolling revaluation process, material components of property, were currently identified, should be separately valued and recognised in the asset register. It is intended as post the current closedown process to undertake a Group wide review of the Asset Register, including component accounting, in order to improve the quality of the current data base.
  For all new assets, material components are recorded separately in the asset register on initial capitalisation.
- **Contingent liabilities**
  £100,000 This allows the Group to identify any potential liabilities that will likely be material to the future financial position.

4.2. The external audit will have its own materiality level for the purposes of its audit, to both direct its audit approach and when considering whether to report on audit adjustments identified. It is likely that the PCC and Force's materiality will be lower than the auditors.

4.3. It is considered that the PCC Group, the PCC, and Chief Constable should not adopt a specific materiality figure in the preparation of its accounts but considers each area based on the nature of the transaction or disclosure in question. This will help inform internal considerations about the application of policies and accounting standards where doing so will not misrepresent the Group's position.

Assumptions used in the IAS19 pension disclosure

4.4. IAS19 - Employee Benefits is one of the financial reporting standards that the PCC and Chief Constable must comply with when producing the Annual Accounts. IAS19's basic requirement is that an organisation should account for retirement benefits when they are committed, irrespective of when they are paid.

4.5. To calculate the cost of earned benefits for inclusion in the accounts, the scheme actuaries, use certain assumptions to reflect expected future events which may affect those costs. The assumptions provide the best estimate of the future cash flows that will arise under the scheme liabilities. Any assumptions that are affected by economic conditions should reflect market expectations at the balance sheet date.

4.6. The Fund Actuary for the LGPS is Barnett Waddingham and the Fund Actuary for the Police Pension Scheme is Hymans Robertson. Given the material nature of the Group's net pension liability on the Balance Sheet it is important that the PCC group is supportive of the assumptions being made by the actuary in their calculations. This year's net position will be affected by the assumptions used but does not immediately change ongoing revenue costs as their effect is reversed out of the accounts.

4.7. The calculated costs and the underlying assumptions, based upon the advice of the actuary and the administering authority (Nottinghamshire County Council for the LGPS) will be used in preparing the PCC group's 2023/24 Accounts. The value of the Pension Funds' assets and liabilities are heavily dependent on the underpinning assumptions. The employer is ultimately responsible for the assumptions used, and these will be reviewed by the CFO to the Chief Constable.

4.8. Other demographic assumptions are used, e.g. rates of withdrawal from the scheme, number of ill-health early retirements, etc. These assumptions are based on past experience.

4.9. There are no direct financial implications as a result of this report, as it sets out the input factors that the actuary uses to calculate the pension position for the PCC and the Chief Constable under IAS 19, showing the estimated net value of the group's portion of the pension fund (assets less liabilities). Changes in assumptions will affect the net position, but this has a nil overall change in the resources available to the PCC on the Balance Sheet, and any changes to the income and expenditure statement are reversed through statutory accounting entries.

4.10. If the employer wishes to use different financial assumptions the actuary would impose additional fees, it is unlikely that different assumptions will be required.

IFRS 16 Leases

4.11. The financial crisis raised concerns about the transparency of information, which was off balance sheet, with there being no recognition of leased assets or liabilities for leases which were deemed to be an operating lease. To mitigate this risk a new standard had been developed that was due to be introduced in the public sector with an effective date of 1 April 2020. Due to the impact of Covid-19, the implementation date has been moved to 1 April 2024.

4.12 Attendance at technical workshops is ensuring that the financial statements are prepared in line with the new standards and due consideration is given to the requirements. Additional work in the following year will be required to underpin this.

B. FINANCIAL CONSIDERATIONS

There are no direct financial implications from the report, although adoption of the policies within the report will impact on financial decision made by the CFO's in completing the Statement of Accounts.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

The Police and Crime Commissioner and Chief Constable are required to produce accounts in accordance with, and as required by, the Accounts and Audit Regulations 2015, the Code of Practice on Local Authority Accounting 2022/23 and also the Service Reporting Code of Practice (SeRCOP) 2022/23.

D. PERSONNEL, EQUAL OPPORTUNITIES AND DIVERSITY ISSUES

(Including any impact or issues relating to Children and Young People)

None.

E. REVIEW ARRANGEMENTS

The accounting policies will be reviewed on an annual basis and reported to a future meeting of this committee as a regular item.

F. RISK MANAGEMENT

Risk assessments are used to inform decisions affecting the accounting policies, although these themselves have limited risk impact.

G. PUBLIC ACCESS TO INFORMATION

Information in this report along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation.

Accounting Policies – PCC and Group

1. General Principles

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).

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

4. 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 2023-24) 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.

5. Accounting Standards Issued but not Adopted

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.
- Non-current liabilities with covenants – IAS1
- International Tax Reform : Pillar 2 model rules IAS12
- Supplier Finance Arrangements – IAS7, IFRS7

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.

6. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date on which the Statement of Accounts are authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

7. 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.

8. 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.

8.1 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.

8.2 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.

8.3 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.

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.

8.4 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.

8.5 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 are significantly different from the rest, the components are depreciated separately (subject to meeting deminimis levels).

8.6 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. 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.

If assets no longer meet the criteria of Assets Held for Sale, they are reclassified back to non-current assets and re-valued appropriately.

8.7 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'.

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.

9. 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.

10. 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.

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.

Amortisation is a revenue expense.

11. Provisions

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

Settlement of the obligation is charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed and further transactions to or from the CIES are made appropriately. Liability claims are generally paid out within one to three years. It is expected that the majority will be utilised within a year and hence the provision is all short term. Provisions relate to the Commisioner only.

12. 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.

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.

13. Cash and Equivalents

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

14. 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 value, the charge 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.

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.

15. 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.

16. 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.

17. 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.

Appendix 2

Accounting Policies – Chief Constable

1. General Principles

The Commissioner is a separate entity to the Chief Constable and the relationship is clearly defined in the governance arrangements. The Commissioner is the lead controlling influence in the Group. The Chief Constable employs staff and officers to provide the policing service in Nottinghamshire and in the achievement of the Commissioner's Plan. The legal status has the Commissioner as the source of transactions and the reality of this is borne out through the level of control exerted.

Annual Statement of Accounts are required to be published under the Accounts and Audit Regulations 2011, in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 (The Code) and the Best Value Accounting Code of Practice 2021-22, supported by International Financial Reporting Standards (IFRS).

The Accounts have been prepared on a 'going concern' basis. Under The Act, The Chief Constable and the Commissioner are separate 'Corporation Sole' bodies. Both are required to prepare separate Statement of Accounts.

2. 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 2023-24) 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 prepared on anything other than a going concern basis.

Accounts drawn up under the Code therefore assume that a Police and Crime Commissioner will continue to operate for the foreseeable future.

3. Accruals of Income and Expenditure

Revenue is measured at fair value in the year to which it relates, and not when cash payments are made or received. All the expenditure is paid for by the Commissioner, but recognition in the Group and the Chief Constables accounts is based on the economic benefit of resources consumed.

In particular:

- Fees, charges and rents due are accounted for as income at the date of supply
- Supplies are recorded as expenditure when they are used
- Expenditure in relation to services received is recorded as services are received, rather than when payments are made
- Interest receivable on investments and payable on borrowings is accounted for as income or expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where debts are doubtful, the debt is written off by a charge to the CIES

4. Charges to the CIES for Non-Current Assets

Although the Chief Constable does not directly hold any non-current assets, a charge for depreciation is included as a proxy for using those assets.

5. Government Grants and Contributions

All grants, third party contributions and donations are received by the Commissioner.

6. Allocation of Costs

The charges to the Comprehensive Income and Expenditure Account reflect the way management decisions are made. 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. The Chief Constable is therefore a single service entity.

7. Joint Operations & Associate Entities

These are accounted for in accordance with IAS 31 - Interests in Joint Ventures, according to agreed proportions of use. They are all governed by Section 22 Agreements.

The cost relating to these activities are shown within the accounts. Full details are included within the Group Accounts.

8. Provisions

Provisions are made where an event has taken place that gives a legal or constructive obligation that probably requires settlement by transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

9. VAT

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

10. Resources used in Provision of Police Services

Although all transactions during the year are solely within the Accounts of the Commissioner and all assets are owned and controlled by the Commissioner, the Chief Constable uses resources to provide policing.

It includes the cost of depreciation on assets owned as a proxy for the rental value. It includes all adjustments required under IFRS for accrued employee benefits and pension costs.

11. 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 Chief Constable/Group. As usable reserves/ liabilities are met by the Group such liabilities are not recognised in the Chief Constables accounts.

Any liabilities arising would be fully met by The Commissioner and Group.

12. Reserves

As all the assets are held solely in the Group accounts, where a useable reserve is recognised, hence are therefore only shown in the Group accounts. As such no useable reserves are held by the Chief Constable.

13. Accounting Standards Issued but not Adopted

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.
- Non-current liabilities with covenants – IAS1
- International Tax Reform : Pillar 2 model rules IAS12
- Supplier Finance Arrangements – IAS7, IFRS7

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 Chief Constable is either not applicable or not considered to be material.

14. 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.