Nottinghamshire

POLICE & CRIME COMMISSIONER

& Group Statement of Accounts

2014-2015

The Nottinghamshire Office of the Police and Crime Commissioner & Group

Statement of Accounts

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Explanatory Foreword

1 Introduction from Paddy Tipping, Police and Crime Commissioner

With further funding cuts expected in the Government's July 2015 budget, we need to be prepared – along with other forces around the country and other local partners – for more big changes in how we operate.

Like all public bodies, Nottinghamshire Police has already made large savings. Over the past three years we have saved £42m or 20% of the budget. Times are tough. Last year we aimed to save £12.7m. That target has not been met and £2m of reserves had to be used. This year, we have to save a further £11m, next year the figure is £14.6m…and so it goes on.

All in all, it is likely that in the ten years 2010-2020 our Government funding will have halved. A reduction of such magnitude can only lead to restructure and reorganisation. We will have to develop yet more new ways of working to enable us to carry on doing what remains at the heart of our workforce – an unwavering determination to keep the people of Nottinghamshire safe from harm.

Following on from the budget on 8th July will be the Comprehensive Spending Review in the autumn, both of which are capable of changing the shape of future policing. I therefore welcome the recent and timely report of the National Audit Office which recognises the substantial savings already made by police forces and highlights the challenges ahead. The report points to the Home Office needing 'to both have a greater understanding of the problems faced by individual forces and to better recognise signs of stress and viability.'

The situation is simple: with less money and 80% of our costs spent on people inevitably, over time, we will have fewer officers, PCSOs and support staff. We have already seen a flavour of this in a bid to cut expenditure. Earlier in 2015 we reduced our Assistant Chief Constables from two to one, and in recent years the number of Chief Superintendents has fallen from 11 to four. In my own Office, I continue to drive down costs which, nonetheless, are already lower than those of the previous Police Authority and I'm pleased to note that our costs are the seventh lowest of all such Offices.

Cost efficiencies have become inextricably intertwined with the need for service effectiveness. This is a tall order but increasingly, and to good effect, we are changing how we operate by sharing what practices and tasks we can with local partnerships and regional forces.

Regional collaboration has helped us to join forces with our neighbours both in fighting and preventing crime. Sharing expertise and facilities – whether in ICT, forensics or operational support – provides us with greater capability to protect the public.

We are also developing a range of crime prevention and victim support activities that will reduce both crime and the fear of crime in our communities. More and more, we are pooling resources and expertise from many different directions to invest in a safer future for the people we serve. This, I believe, is a potent and viable way forward that will help us to reduce the impact of diminishing funds on our service and achieve beneficial outcomes.

However, the bottom line is that further cuts will inevitably affect every part of crime prevention and detection. And, irrespective of financial matters, policing *is* changing.

A rising proportion of police time is now spent on public protection issues such as the management of sex offenders and reports of child abuse. Cyber-crime is growing and resources are further stretched by counter-terrorism issues. Unlike our funding, these demands are not falling but becoming increasingly costly in terms of human resources and technology.

More than ever, we have to make every pound count to maintain an effective police force. It is vital that we recruit well and train well to be sure of the specific skills required in modern policing, and that we nurture our volunteers who so generously give their time and experience to support our officers and staff.

We have already made considerable strides in drawing maximum use from our resources through foresight, innovation, expertise and, yes, sheer hard work. I am proud of the way Nottinghamshire Police is responding to an uncertain future, and am enormously strengthened by the knowledge that the force will always put the public's interests first.

Finally, I want to thank all who work together in Nottinghamshire to keep our families and communities safe and secure.

Paddy Tipping
June 2015

2 Purpose

The purpose of this foreword is to provide a clear guide to the most significant matters reported in the Accounts. It explains the purpose of the Financial Statements that follow, a summary of the group's financial activities during 2014-2015 and its financial position as at 31 March 2015. The values within the financial statements have been rounded appropriately, and the extent of rounding is clearly labelled. This rounding will in some cases cause a statement or note to be apparently mathematically incorrect.

3 Background

The Commissioner & Group is responsible for providing policing services to a population of approximately 1.1million in the City of Nottingham and County of Nottinghamshire, with a net budget of £193.8m for 2014-2015. Duties also include crime prevention initiatives and responsibility for victim services.

4 The Financial Statements

The Accounts are prepared in accordance with the Code of Practice on Local Authority Accounting 2014-2015 (The Code).

The main sections contained within the Statement of Accounts are:

- **The Statement of Accounting Policies (page 12)** This states the policies adopted in compiling the Statement of Accounts.
- **The Statement of Responsibilities (page 22)** This sets out the respective responsibilities of the Commissioner and the Chief Financial Officer and also includes the signed certificate of approval.
- **Comprehensive Income & Expenditure Statement (CIES) (page 24)** This Statement shows the accounting cost in the year of providing services in accordance with the Code, rather than the amount to be funded from taxation. The 'Surplus or (Deficit) on the Provision of Services' line shows the true economic cost of providing services. Note 17.2 shows the differences between taxation and accounting entries.
- **Movement in Reserves Statement (MIRS) (page 27)** This Statement shows the movement in the year on the different reserves held, analysed into usable reserves and unusable reserves, which are created for accounting purposes under the Code.
- **Balance Sheet (page 29)** The Balance Sheet shows the value of the assets and liabilities held as at the Balance Sheet date. The net assets are matched by the reserves held.
- **Cash Flow Statement (page 30)** The Cash Flow Statement shows the changes in cash and cash equivalents during the year. It is calculated using the 'indirect method' from the Code. Cash flows are classified as operating, investing and financing activities.
- **Pension Fund Account (page 31)** Shows the years transactions on the police officers pension account.
- **Notes to the Accounts (page 32)** These provide additional information concerning items in the above statements and additional relevant information.
- **Independent Auditor's Report (page 64)**

This sets out the opinion of the external auditor as to whether these accounts present a true and fair view of the financial position and operations of the Commissioner and Group for 2014-2015.

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

5 Review of the Financial Statements

The full impact of the stage 2 transition to Police and Crime Commissioner control has now been fully implemented from 1 April 2014. However the format of the accounts in 2013-2014 were already geared for this change, reflecting that control of some operational resources by the Chief Constable was in place prior to the legal agreement. Therefore it is considered that no further changes are appropriate.

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

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

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

The treatment of collaborations was reviewed in line with revised guidance. What had been previously named Jointly Controlled Operations are now, known as Joint Operations but the accounting treatment remains the same.

6 Governance Arrangements

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

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

The annual review of the system of Governance and Internal Control is included within the arrangements for producing the Annual Governance Statement, and also takes account of of the Chief Constable's governance arrangements. It details how the Commissioner is doing the right things, in the right way, for the people of Nottinghamshire, in a timely, inclusive, open, honest and accountable manner.

There are no significant issues that impact on the Accounts.

7 Budget Variance

Budget Management Statement for the Group
Sources of Finance:

Actual 2013-14 £m	Taxation and Non-Specific Grant Income	Budget 2014-15 £m	Actual 2014-15 £m	Variance + (-) £m	NOTE
-93.5	Police & Crime Grant	-93.2	-93.2	0.0	
-52.6	Non Domestic Rates Redistribution	-50.1	-50.1	0.0	
-48.6	Precept (including surplus)	-50.9	-50.9	0.0	
-2.8	Community Safety Grant	0.0	0.0	0.0	
-1.3	Precept Freeze Grant	0.0	0.0	0.0	
-198.8	**Total Financing**	**-194.2**	**-194.2**	**0.0**	

Revenue Expenditure

Actual 2013-14 £m	Revenue Expenditure	Budget 2014-15 £m	Actual 2014-15 £m	Variance + (-) £m
157.7	Employee Costs	157.1	157.8	0.7
6.5	Premises Maintenance	5.7	5.9	0.2
6.2	Transport	6.4	6.4	0.0
14.6	Supplies and Services	11.5	15.0	3.5
0.0	Community support	0.0	0.0	0.0
7.7	Agency costs	8.0	7.8	-0.2
3.5	Capital Financing	4.4	3.6	-0.8
4.3	Pensions	3.7	4.0	0.3
-4.9	Income	-5.5	-7.0	-1.5
195.7	**Net Cost of Services**	**191.3**	**193.4**	**2.1**
-1.6	Use of Reserves	-2.0	-3.7	-1.7
194.1	**Net Budget Requirement**	**189.3**	**189.7**	**0.4**

Notes regarding main budget variances

1. The minor year on year increase is due to pay rises. The variance to budget is not achieving budgets for overtime and a lesser than expected impact of vacancies.
2. The reduction year on year is due to less repairs £0.2m and the lower running costs of fewer properties £0.3m. The variance in budget is due to not achieving efficiency targets.
3. The year on year increase comprises several expenditure types
4. The year on year reduction is mainly due to helicopter costs £0.3m which now for part of agency costs since transferring to the National Police Air Service. Additional costs against budget include computing costs, mobile device interrogation and consultancy costs on transformation projects. This was offset by an increase in contributions from partners.
5. The increases on previous year and to budget relate to an increase in community engagement projects by the commissioner.
6. The increase from previous year relates to an overall increased contribution to regional collaboration, plus the helicopter as noted in 4 above. The savings to budget also relate to regional collaboration plus savings on estate agents fees.
7. The year on year increase reflects the additional costs of the 2013-2014 capital programme.
8. The year on year decrease represents the rigorous review of medical retirements; however there were more cases in 2014-2015 than budgeted for.
9. The increase in income was mainly for mutual aid £0.4m and an additional £0.3m of prosecution costs recovered.
10. The budget had been based on releasing £2.0m from reserves; however a further £1.7m was required to cover shortfalls in the efficiency programme.

8 Pensions

The figures relating to IAS 19 transactions are based on actuary reports produced by the Government Actuaries Department (GAD) for Police Officers and Barnett Waddingham for Staff.

9 Changes to Accounting Policies

The Accounting Policies have been reviewed and the only change is that the de-minimis level for capital expenditure has been raised to £0.015m from £0.010m. This has reduced the administration burden in managing the asset register without materially impacting on the figures presented.

10 Borrowing Facilities

Borrowing finances the capital expenditure that cannot be paid from internal resources. The main source of borrowing is the Public Works Loan Board (PWLB), plus a £3.5m Market Loan which is due to mature in 2066. Long term borrowing of £5m from the PWLB repayable at maturity took place in December. It was at 3.31% for 20 years.The majority of borrowings are due to mature within the next 10 years.

The Treasury Management Strategy, ensures that borrowing is prudent and only for capital purposes. At 31 March 2015 the accumulated capital financing requirement from all previous capital expenditure was £55.7m. This has assets with a current value of £50.1m. The associated outstanding borrowing is £32.7m (excluding finance lease liabilities).

11 Capital Expenditure

Capital Expenditure on property continues to reflect the changing emphasis for greater partnership working, and with the placing of Police Officers in the heart of communities. Investment has also been made in updating computer systems. Although the actual expenditure was in line with the budget there was several new schemes approved in year offset by delays in existing schemes.

Actual 2013-2014 £m	Capital Expenditure	Budget 2014-15 £m	Actual 2014-15 £m	Variation + over £m
3.5	Building Projects	5.9	3.6	-2.3
3.9	Technology	8.6	3.8	-4.8
0.5	Other	1.1	2.6	1.5
7.9	**Total**	**15.6**	**10.0**	**-5.6**
0.4	Intangible assets		0.0	
3.4	Operational Land & buildings		1.7	
4.1	Plant Vehicles & equipment		7.9	
0.0	Assets under Construction		0.4	
7.9	**Total**		**10.0**	
	Financed by			
1.9	Capital receipts	0.8	1.6	0.8
2.0	Capital grants & contributions	1.8	1.2	-0.6
4.0	Internal borrowing from Reserves	3.0	2.2	-0.8
0.0	External borrowing	10.0	5.0	-5.0
7.9	**Total**	**15.6**	**10.0**	**-5.6**

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

	Budget 2015-2016 £m	Budget 2016-2017 £m	Budget 2017-2018 £m	Budget 2018-2019 £m
Building Projects	4.5	5.1	0.8	0.6
Technology	1.0	3.4	0.8	0.7
Other	4.0	0.5	0.2	0.0
Total	**9.5**	**9.0**	**1.8**	**1.3**
Financed by				
Capital receipts	3.2	3.2	0.0	0.0
Capital grants	1.0	1.0	1.0	1.0
External borrowing	5.3	4.8	0.8	0.3
Total	**9.5**	**9.0**	**1.8**	**1.3**

12 Significant Provisions and Contingencies

Provisions have reduced by £1.1m during the year. They include amounts to meet estimated insurance claim liabilities outstanding. A breakdown of Provisions is provided in Note 7.3, and Contingent Liabilities in Note 10.

13 Joint Operations

There are 8 areas of collaboration which have been treated as Joint Operations (JO's) and note 12 to the Accounts provides more information and a summary of these.
The main change during this year is that Derbyshire have given notice to leave the EMSCU at 31 March 2015, the share will be 50% / 50% Nottinghamshire and Northamptonshire Police.

14 Other Significant Events during the year

There has been a significant Employment Tribunal challenge against the use of the A19 Regulation. The decision was that the enforcement of retirement for officers with 30 years pensionable service contravenes age discrimination legislation. This verdict has now been overturned on appeal. As there is still potential for a counter appeal, a contingent liability has been noted for this event.

During the year an agreement has been signed with Northamptonshire and Cheshire Police to be part of MFSS from 27 April 2015. This shared service covers transactional services related to finance and human resources.

15 Post Balance Sheet Events

There is a non-material adjusting post balance sheet event relating to an historical issue with the calculation of Police Officer pension lump sums.

16 Future Outlook

The government have committed to significant cuts to public sector budgets including police. An efficiency programme has been in place, reviewed and updated for a number of years now. 2014-15 is the first year that the efficiency programme has not been delivered in full and is an indication of how difficult it is becoming to sustain cuts of over c£10m each year. This shortfall has had to be met through an additional use of reserves and some underspends in other areas. This remains the greatest risk for the future years, where continuing cuts bite deeper and gaps in current funding plans are not bridged. 2016-17 will be a particularly difficult year as additional pressures from National Insurance changes come into effect.

The CSR is due in the late Autumn and is expected to confirm the level of estimated cuts in total for the next 3 years and may see them front loaded, which will increase the pressure in 2016-17.The PCC and the CC are committed to continue collaborating wherever efficiencies can be delivered. The latest collaboration being with Northamptonshire for retained Corporate Services.

17 Going Concern

The Accounts have been prepared on the basis that the Group is a going concern.

Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises transactions for the 2014-2015 financial year and its position at the 31 March 2015. 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 2014-2015 (The Code) and the Best Value Accounting Code of Practice 2014-2015, 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 Accruals of Income and Expenditure

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

- Fees, charges and rents due are accounted for as income at the date of supply
- Supplies are recorded as expenditure when they are used. When there is a gap between the date supplies are received and their consumption, they are carried as inventory on the Balance Sheet
- Expenditure in relation to services received is recorded as services are received rather than when payments are made. If required a debtor or creditor for the relevant amount is recorded in the Balance Sheet
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where debts are doubtful, the debt is written off by a charge to the CIES

3 Cash and Cash Equivalents

Cash includes cash in hand and deposits of up 24 hours' notice. Cash equivalents are investments that mature up to three months from acquisition date. These are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

4 Exceptional Items

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

5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for in the current year and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Group financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative figures for the prior period as if the new policy had always been applied. Material errors discovered in prior year figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6 Charges to Revenue for Non-Current Assets

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

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

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

7 Employee Benefits

Benefits Payable during Employment

Short-term Employee Benefits are those due to be settled within 12 months of the year-end. This includes wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars). An accrual is made for the cost of holiday entitlements or any form of leave, e.g. time off in lieu earned by employees, but not taken before the year-end, which employees can carry forward into the next financial year, (Accumulated Absences Account Note 4.2). The accrual is made at the salary rates applicable in the following accounting year, being when the employee takes the benefit. The accrual is charged to the CIES, but then reversed out through the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Group to terminate an employee's employment before the normal retirement date or an acceptance of voluntary redundancy. These are charged to the Non Distributed Costs line in the CIES when the Group can demonstrate commitment to the decision (Note 20).

Post Employment Benefits

Employees are members of two separate defined benefits pension schemes providing retirement lump sums and pensions, earned whilst employed by the Group (Note 15).

The Local Government Pensions Scheme (LGPS) for staff is administered by Nottinghamshire County Council. This is a funded scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. This scheme is a multi-employer scheme and the underlying assets and liabilities cannot be directly identified with individual employers. Therefore assets and liabilities are incorporated within these accounts on an apportioned basis. The assets are included at fair value. The liabilities are included at current prices using a discount rate of 4.5% p.a. The discount rate is the yield on the corporate bond index rated over 15 years.

Actuarial gains and losses are charged to the Pension Reserve.

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

Pension Costs are accounted for in accordance with International Accounting Standard (IAS) 19. This requires an organisation to account for retirement benefits in the year in which they are earned, even if the actual payment of benefit will be in the future. From 1 April 2014 this is 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.

8 Post Balance Sheet Events

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

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

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

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

9 Financial Instruments

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

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

10 Government Grants and Contributions

All revenue government grants, and third party contributions and donations are recognised as income when the Group satisfies the conditions of entitlement. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the CIES. Where grants and contributions are unconditional they are carried in the Balance Sheet as an Earmarked Reserve. A de-minimis level of £50,000 exists whereby it is essential that income needs to be assessed whether it should form part of the Earmarked Reserves.

Capital grants are credited to the CIES, and they are reversed out of the General Fund Balance in the Movement in Reserves Statement. The grant is either used to finance capital expenditure or it is posted to the Capital Grants Unapplied Account to fund future capital expenditure.

11 Intangible Assets

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

12 Interests in Companies and Other Entities

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

13 Inventories

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

14 Joint Operations and Jointly Controlled Assets

Joint Operations (JO's) are treated in accordance with IAS 31- Interests in Joint Ventures. They are governed by Section 22 Agreements and incorporated on agreed proportions. More information about the collaborations is included in the Explanatory Foreword 13 and Note 12 to the Accounts. These have been assessed in view of changes to the Code and it has been determined that no changes in accounting treatment are required.

15 Leases

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

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

Rentals paid under operating leases are charged to the CIES.

16 Overhead Costs

The Service analysis is based on Service Reporting Code of Practice (SeRCOP) 2014-2015 as modified by the Police Objective Analysis. The costs of overheads are fully allocated to the Groups services, with the exception of:

- Corporate and Democratic Core costs relating to being a single purpose, democratic organisation
- The cost of discretionary benefits awarded to employees retiring early, is a non-distributed cost

17 Property, Plant and Equipment

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

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that the cost of the item can be measured reliably and it is probable it can generate future economic benefits or service potential. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred, to the CIES.

De-minimis levels are applied to allow sensible administration arrangements without materially affecting the figures presented. The de-minimis levels applied for all Property, Plant and Equipment have been reviewed and have increased to £15,000 from £10,000. This will reduce the administration burden but will not materially distort the accounts..

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

Measurement
Assets are initially measured at cost, comprising, the purchase price plus costs in bringing the asset to the location and to be fit for purpose. The value of assets acquired other than by purchase is deemed to be its fair value. PFI and Finance Lease assets are capitalised at minimum lease payments over the term of the agreement.

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

- Fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value

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

Increases in valuations have been matched by credits to the Revaluation Reserve since 1 April 2007, the date of its formal implementation. Gains prior to that date are consolidated into the Capital Adjustment Account. Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down in the CIES once the Revaluation Reserve is fully used

18 Investment Properties

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

19 Impairment

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down in the CIES

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

20 Depreciation

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

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

Where an item of Property, Plant and Equipment has major components whose cost and life span is significantly different from the rest, the components are depreciated separately.

A full years charge is made in the year of acquisition, with no charge made in the year of disposal. Depreciation is charged to the CIES. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost. This is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

21 Disposals and Non-Current Assets Held for Sale

When a non-current asset is actively marketed, and the sale is reasonably expected in the next 12 months, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used to finance new capital investment or set aside to reduce the Commissioner’s underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

22 Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment which provides the services remains with the PFI contractor. The Commissioner has entered into two PFI contracts. The first relates to the initial design and construction, and now the on-going maintenance of the Riverside building. The second contractor is responsible for the provision and maintenance of vehicles. The vehicles have been judged against IFRIC4 and those valued above the de-minimis, and where at the inception of the lease the minimum lease payments amounted to at least 75% of the fair value of the asset, are classified as finance leases. The majority of vehicles met these conditions and the small remainder are included within the Cost of Services in the CIES.

For Riverside the annual amounts payable to the PFI operators comprise five elements:

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

23 Provisions

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

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

24 Contingent Liabilities

A contingent liability arises where a past event gives a possible obligation which depends on the outcome of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made, but there is not the level of certainty on either likelihood or value. Contingent liabilities are not recognised in the Balance Sheet, but disclosed in a note to the Accounts.

25 Contingent Assets

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

26 Reserves

Reserves are set aside for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. Expenditure to be financed from a reserve is charged to the appropriate service and hence included within the Provision of Services in the CIES. The reserve is then appropriated back in the Movement in Reserves Statement to avoid impacting on council tax.

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

27 VAT

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

28 Cash Flow Statement

This has been prepared using the 'Indirect Method'.

29 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Revenue expenditure funded from capital under statute (REFCUS) represents expenditure that may be capitalised under statutory provisions, but does not result in the creation of tangible assets.

Statement of Responsibilities

The Responsibilities of the Commissioner

The Commissioner is required to:

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

The Chief Finance Officer Responsibilities

The Chief Finance Officer is responsible for the preparation of the Commissioner's Statement of Accounts and the incorporation of the Chief Constable's Accounts to form the Group Accounts. This is in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. The statement is required to present fairly, the financial position of the Commissioner and the Group at the accounting date and its Income and Expenditure for the year ended 31 March 2015.

In preparing the Accounts, the Chief Finance Officer has:

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

I certify that in my opinion the Statement of Accounts present a true and fair view of the financial position of the Nottinghamshire Office of the Police and Crime Commissioner & Group at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

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

I, the Commissioner certify that the Statement of Accounts presents a true and fair view of the financial position of The Nottinghamshire Office of the Police and Crime Commissioner & Group, at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Paddy Tipping
The Police and Crime Commissioner

Core Financial Statements

CS1 Comprehensive Income and Expenditure Statement
CS2 Movement in Reserves Statement
CS3 Balance Sheet
CS4 Cash Flow Statement

P1 Pension Fund Account

CS1 Comprehensive Income and Expenditure Statement for the Group

2013-2014				2014-2015			
Gross Exp' £000	Gross Income £000	Net Exp' £000		Gross Exp' £000	Gross Income £000	Group Net Exp' £000	Note
108,271	-5,258	103,013	Local Policing	105,590	-5,629	99,961	a
19,388	-310	19,078	Dealing with the Public	18,891	-406	18,485	b
18,272	-1,107	17,165	Criminal Justice Arrangements	19,396	-1,309	18,087	c
6,137	-2,563	3,574	Road Policing	6,254	-2,046	4,208	d
11,314	-705	10,609	Specialist Operations	10,930	-1,123	9,807	e
15,449	-986	14,463	Intelligence	11,957	-1,174	10,783	f
46,536	-1,168	45,368	Investigation	43,037	-1,457	41,580	g
7,766	-51	7,715	Investigative Support	7,506	-134	7,372	h
5,594	-3,330	2,264	National Policing	5,124	-3,312	1,812	i
1,441	-203	1,238	Corporate and Democratic Core	1,550	-1,190	360	
3,613	0	3,613	Community Safety & Crime Prevention	3,857	0	3,857	
73	0	73	Non Distributed Costs	777	0	777	
243,854	**-15,681**	**228,173**	**Cost Of Services**	**234,869**	**-17,780**	**217,089**	3.1
916	0	916	**Other Operating Expenditure**	1,737		1,737	3.2
101,704	-8,807	92,897	**Financing and Investment Income & Expenditure**	103,080	-19,024	84,056	3.3
0	-228,210	-228,210	**Taxation and Non-Specific Grant Income**	0	-225,936	-225,936	3.4
346,474	**-252,698**	**93,776**	**Surplus (-) or Deficit on Provision of Services**	**339,686**	**-262,740**	**76,946**	
		-479	Surplus (-) or deficit on revaluation of non-current assets			-109	4.3
		-103,795	Pension Fund Adjustment under regulations			254,901	4.4
		-104,274	**Other Comprehensive Income & Expenditure**			**254,792**	
		-10,497	**Total Comprehensive Income & Expenditure**			**331,738**	

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

2013-2014					2014-2015				
CCN	Commissioner				CCN	Commissioner			
Net Res'ces £000	Gross Exp' £000	Gross Income £000	Group Net Exp' £000		Net Res'ces £000	Gross Exp' £000	Gross Income £000	Group Net Exp' £000	Note
103,013	0	0	103,013	Local Policing	99,959	2	0	99,961	a
19,078	0	0	19,078	Dealing with the Public	18,486	-1	0	18,485	b
17,165	0	0	17,165	Criminal Justice Arrangements	18,087	0	0	18,087	c
3,574	0	0	3,574	Road Policing	4,207	1	0	4,208	d
10,609	0	0	10,609	Specialist Operations	9,808	-1	0	9,807	e
14,463	0	0	14,463	Intelligence	10,783	0	0	10,783	f
45,368	0	0	45,368	Investigation	41,581	-1	0	41,580	g
7,715	0	0	7,715	Investigative Support	7,372	0	0	7,372	h
2,264	0	0	2,264	National Policing	1,812	0	0	1,812	i
216	1,225	-203	1,238	Corporate and Democratic Core	244	1,306	-1,190	360	
0	3,613	0	3,613	Community Safety & Victim Support	0	3,857	0	3,857	
73	0	0	73	Non Distributed Costs	777	0	0	777	
-123,060	123,060	0	0	Funding within Group	-221,332	221,332	0	0	
100,478	**127,898**	**-203**	**228,173**	**Cost Of Services**	**-8,216**	**226,495**	**-1,190**	**217,089**	
	916	0	916	**Other Operating Expenditure**	0	1,737	0	1,737	3.2
-8,502	101,704	-305	92,897	**Financing and Investment Income & Expenditure**	82,681	1,771	-395	84,056	3.3
	0	-228,210	-228,210	**Taxation and Non-Specific Grant Income**	0	0	-225,936	-225,936	3.4
91,976	**230,518**	**-228,718**	**93,776**	**Surplus (-) or Deficit on Provision of Services**	**74,465**	**230,003**	**-227,521**	**76,946**	
0		-479	-479	Surplus (-) or deficit on revaluation of non-current assets	0	0	-109	-109	4.3
-102,425		-1,370	-103,795	Pension Fund Adjustment under regulations	252,424	2,477	0	254,901	4.4
-102,425	**0**	**-1,849**	**-104,274**	**Other Comprehensive Income & Expenditure**	**252,424**	**2,477**	**-109**	**254,792**	
-10,449	**230,518**	**-230,567**	**-10,497**	**Total Comprehensive Income & Expenditure**	**326,889**	**232,480**	**-227,630**	**331,738**	

Notes to CIES

a	Largely reflects the full year impact of new PCSO's; increased cost of interpreters; consumable equipment; a contribution to the Youth Offending Team which was previously with Intelligence; a reduction in externally funded income in the year; and the allocation of the support costs which has reduced overall.
b	There was a slight increase in the cost due to the transfer in of officers from other areas, but this has been more than offset by the reduction in the allocation of support costs which has reduced overall.
c	Largely due to the movement of the management teams for Intel and Investigation into a central command area within Criminal Justice.
d	Due to a amount of income recognised in the I&E for the speed awareness/camera safety project, the balance taken to reserves. Once the movement in reserves has been taken into consideration the income level is broadly inline with 2013/14.
e	Reduction in accident damage and training fees which are now being centrally controlled, combined with the allocation of support costs which has reduced overall.
f	Crossovers with Criminal Justice and Dealing with Public due to changes in lines of reporting; reduction in training fees which are now centrally controlled by HR; the transfer of the payment to the Youth Offender Team to Local Policing; and the allocation of support costs which has reduced overall.
g	Crossovers with Criminal Justice due to changes in lines of reporting and overtime; reduction in training fees which are now centrally charged to HR; a reduction in witness protection fees as this is now a regional collaboration; new equipment; medical fees for autopsies; DNA/forensics costs; CCTV evidence copying costs; and the allocation of support costs which has reduced overall.
h	A reduction in DNA sampling and forensic costs and training fees which are now centrally charged to HR; and the allocation of support costs which has reduced overall.
i	An increase in income from other regional forces and a reduction in the allocation of support costs which has reduced overall.

CS2 Movement in Reserves for the Group 2014-2015

2014-2015	General Fund £000	Earmarked Reserves £000	Capital Receipts £000	Capital Grants £000	Total Usable Reserves £000	Reval'n Reserve £000	Capital Adj' £000	Pensions Reserve £000	Collect' Fund £000	NPAS Def' cap' rec' £000	Accum' Absence £000	Total Unusable Reserves £000	Total Reserves £000
Note ref		**4.1**				**4.3**	**4.5**	**4.4**	**11**		**4.2**		
Balance at 1 April 2014	**-7,074**	**-19,488**	**-1,553**	**-115**	**-28,230**	**-2,310**	**4,431**	**2,152,788**	**-656**	**0**	**5,611**	**2,159,865**	**########**
Surplus - (deficit) on the provision of services (accounting basis)	**76,946**	**0**	**0**	**0**	**76,946**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**76,946**
Other Comprehensive I & E - revaluation gains & losses		**0**	**0**	**0**	**0**	**-109**	**0**	**254,901**	**0**	**0**		**254,792**	**254,792**
Total CIES	**76,946**	**0**	**0**	**0**	**76,946**	**-109**	**0**	**254,901**	**0**	**0**	**0**	**254,792**	**331,738**
Depreciation/Amortisation of non-current assets	-6,147	0	0	0	**-6,147**	0	6,147	0	0		0	**6,147**	**0**
Impairment/Revaluation losses	-41	0	0	0	**-41**	0	41	0	0		0	**41**	**0**
Capital grants and contributions credited to the CIES	3,279	0	0	-247	**3,032**	0	-3,032	0	0	0	0	**-3,032**	**0**
Net gain or loss (-) on sale of non-current assets	-227	0	-1,369	0	**-1,596**	0	1,641	0	0	-45	0	**1,596**	**0**
Pension costs adj between calculated in accordance with IAS19 and the contributions due under pension scheme regulations	-131,310	0	0	0	**-131,310**	0	0	131,310	0		0	**131,310**	**0**
Amount by which council tax income included in the CIES	600	0	0	0	**600**	0	0	0	-600		0	**-600**	**0**
Minimum Revenue Provision	2,504	0	0	0	**2,504**	0	-2,504	0	0		0	**-2,504**	**0**
Minimum Revenue Provision (Finance Lease Liabilities)	694	0	0	0	**694**	0	-694	0	0		0	**-694**	**0**
Capital Expenditure charged against the General Fund	919				**919**		-919					**-919**	**0**
Employers contribution to Pension Scheme	55,899	0	0	0	**55,899**	0	0	-55,899	0		0	**-55,899**	**0**
Use of Capital Receipts Reserve to finance capital		0	1,553	0	**1,553**	0	-1,553	0	0		0	**-1,553**	**0**
Use of Capital grants unapplied for capital exp		0	0	6	**6**	0	-6	0	0		0	**-6**	**0**
Adj for depreciation between historical and revalued basis		0	0	0	**0**	29	-29	0	0		0	**0**	**0**
Loss on disposal of non current assets met from revaluation reserve		0	0	0	**0**	686	-686	0	0		0	**0**	**0**
Charges for Employee Benefits	201	0	0	0	**201**	0	0	0	0		-201	**-201**	**0**
Total adjustment between accounting basis & funding basis under regulations	**-73,630**	**0**	**184**	**-241**	**-73,687**	**715**	**-1,594**	**75,411**	**-600**	**-45**	**-201**	**73,687**	**0**
Net decrease / (- increase) before transfers to earmarked reserves	**3,316**	**0**	**184**	**-241**	**3,259**	**606**	**-1,594**	**330,312**	**-600**	**-45**	**-201**	**328,479**	**331,738**
Transfers from / (- to) earmarked reserves	**-3,316**	**3,316**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		**0**	**0**	**0**
Balance at 31 March 2015	**-7,075**	**-16,172**	**-1,369**	**-356**	**-24,971**	**-1,704**	**2,837**	**2,483,100**	**-1,256**	**-45**	**5,410**	**2,488,344**	**########**

CS2 Movement in Reserves for the Group 2013-2014 Comparators

2013-2014	General Fund £000	Earmarked Reserves £000	Capital Receipts £000	Capital Grants £000	Total Usable Reserves £000	Reval'n Reserve £000	Capital Adj' £000	Pensions Reserve £000	Collection Fund Adj £000	Accum' Absence £000	Total Unusable Reserves £000	Total Reserves £000
Note ref		4.1				4.3	4.5	4.4	11	4.2		
Balance at 1 April 2013	**-7,074**	**-18,326**	**-1,923**	**-121**	**-27,444**	**-2,531**	**3,291**	**2,163,421**	**-196**	**5,588**	**2,169,573**	**2,142,129**
Surplus - (deficit) on the provision of services (accounting basis)	**93,779**	**0**	**0**	**0**	**93,779**	**0**	**0**	**0**	**0**	**0**	**0**	**93,779**
Other Comprehensive I & E - revaluation gains & losses	**0**	**0**	**0**		**0**	**-479**	**0**	**-103,795**			**-104,274**	**-104,274**
Total CIES	**93,779**	**0**	**0**	**0**	**93,779**	**-479**	**0**	**-103,795**	**0**	**0**	**-104,274**	**-10,495**
Depreciation/Amortisation of non-current assets	-7,237	0	0	0	**-7,237**	0	7,237	0	0	0	**7,237**	**0**
Impairment/Revaluation losses	-2,113	0	0	0	**-2,113**	0	2,113	0	0	0	**2,113**	**0**
Capital grants and contributions credited to the CIES	4,063	0	0	0	**4,063**	0	-4,063	0	0	0	**-4,063**	**0**
Net gain or loss (-) on sale of non-current assets	-105	0	-1,553	0	**-1,658**	0	1,658	0	0	0	**1,658**	**0**
Pension costs adj between calculated in accordance with IAS19 and the contributions due under pension scheme regulations	-145,639	0	0	0	**-145,639**	0	0	145,639	0	0	**145,639**	**0**
Amount by which council tax income included in the CIES	460	0	0	0	**460**	0	0	0	-460	0	**-460**	**0**
Minimum Revenue Provision	2,212	0	0	0	**2,212**	0	-2,212	0	0	0	**-2,212**	**0**
Minimum Revenue Provision (Finance Lease Liabilities)	728	0	0	0	**728**	0	-728	0	0	0	**-728**	**0**
Capital Expenditure charged against the General Fund	236				**236**		-236				**-236**	**0**
Employers contribution to Pension Scheme	52,477	0	0	0	**52,477**	0	0	-52,477	0	0	**-52,477**	**0**
Use of Capital Receipts Reserve to finance capital	0	0	1,923	0	**1,923**	0	-1,923	0	0	0	**-1,923**	**0**
Use of Capital grants unapplied for capital exp	0	0	0	6	**6**	0	-6	0	0	0	**-6**	**0**
Adj for depreciation between historical and revalued basis	0	0	0	0	**0**	95	-95	0	0	0	**0**	**0**
Loss on disposal of non current assets met from revaluation reserve	0	0	0	0	**0**	605	-605	0	0	0	**0**	**0**
Charges for Employee Benefits	-23	0	0	0	**-23**	0	0	0	0	23	**23**	**0**
Total adjustment between accounting basis & funding basis under regulations	-94,941	0	370	6	**-94,565**	700	1,140	93,162	-460	23	**94,565**	0
Net decrease / (- increase) before transfers to earmarked reserves	**-1,162**	**0**	**370**	**6**	**-786**	**221**	**1,140**	**-10,633**	**-460**	**23**	**-9,709**	**-10,495**
Transfers from / (- to) earmarked reserves	**1,162**	**-1,162**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 31 March 2014	**-7,074**	**-19,488**	**-1,553**	**-115**	**-28,230**	**-2,310**	**4,431**	**2,152,788**	**-656**	**5,611**	**2,159,865**	**2,131,635**

CS3 Balance Sheet for the Commissioner and Group

31 Mar 2014 Group £000	Note		31 Mar 2015 PCC only £000	31 Mar 2015 Group £000
44,583	5	Property, Plant & Equipment	49,497	49,497
58	5	Assets under Construction	366	366
350	5	Investment Properties	400	400
2,091	5	Assets Held for Sale	735	735
897	5.5	Intangible Assets	538	538
4		Long Term Debtors	48	48
47,983		**Non-Current Assets**	**51,583**	**51,583**
2,000	6.1	Short Term Investments	5,000	5,000
315	6.2	Inventories	348	348
21,247	6.3	Short Term Debtors	24,814	24,814
-1,097	CS4	Other monies	123	123
14,415	CS4	Cash and Cash Equivalents	7,206	7,206
37,163		**Current Assets**	**37,491**	**37,491**
-7,636	7.1	Short Term Borrowing	-11,929	-11,929
-180		Grant Receipts in Advance	0	0
-24,225	7.2	Short Term Creditors	-18,154	-23,514
-859	CS4	Overdraft	-779	-779
-3,596	7.3	Short Term Provisions	-2,463	-2,463
-36,734		**Current Liabilities**	**-33,324**	**-38,684**
-24,053	8.1	Long Term Borrowing	-27,803	-27,803
-1,762	8.2	PFI Long Term Liabilities	-1,762	-1,762
-1,445		Finance Lease Long Term Liabilities	-1,099	-1,099
-2,152,788	16.3	Net Pension Liability	-21,289	-2,483,100
-2,180,048		**Long Term Liabilities**	**-51,953**	**-2,513,764**
-2,131,635		**Net Assets**	**3,798**	**-2,463,373**
-7,075		General Fund	-7,075	-7,075
-1,553		Capital Receipts Reserve	-1,369	-1,369
-19,488	4.1	Earmarked Reserves	-16,172	-16,172
-115		Capital Grants Unapplied	-356	-356
-28,230		**Usable Reserves**	**-24,971**	**-24,971**
-2,310	4.3	Revaluation Reserve	-1,704	-1,704
4,431	4.5	Capital Adjustment Account	2,837	2,837
0	4.6	Deferred Capital Receipt Reserve	-45	-45
2,152,788	4.4	Pensions Reserve	21,289	2,483,100
-656	11	Collection Fund Adjustment	-1,256	-1,256
5,612	4.2	Accumulated Absences	51	5,411
2,159,865		**Unusable Reserves**	**21,173**	**2,488,344**
2,131,635	CS2	**Total Reserves**	**-3,798**	**2,463,373**

CS4 Cash Flow Statement for the Commissioner and Group

31 Mar 2014 £000	Note		31 Mar 2015 £000
1,800		Commissioner	2,480
91,976		Chief Constable	74,465
93,779		**Net surplus (-) or deficit on the provision of services**	**76,945**
		Adjust for non cash movements	
-7,237		Depreciation & Amortisation	-6,147
-2,113		Impairment and valuations	4,003
-308		(-)Increase/decrease in creditors	426
-1,691		Increase/ (-)decrease in debtors	4,075
-947		Increase/ (-)decrease in inventories (stock)	34
-950		(-)Increase/decrease in provisions	1,133
-121		(-)Increase/decrease in other longterm liabilities	346
1,162		Increase/ (-)decrease earmarked reserves	-3,316
-93,161		Movement in pension liability	-75,411
-1,657		Carrying amount of non-current assets held for sale, sold or de-recognised	-2,079
-20		Other non-cash items included	
		Adjust for items that are investing and financing activities	
1,553		Proceeds from the sale of non current assets	1,414
4,063		Capital grants received during the financial year	3,279
-7,648		**Net cash flows from Operating Activities**	**4,703**
10,004		Purchase of non current assets	10,987
-1,553		Proceeds from the sale of non current assets	-1,413
0		Purchase of short-term and long-term investments	3,000
-4,063		Capital grants received during the financial year	-3,279
4,388		**Net cash flows from Investing Activities**	**9,295**
-2,500		Cash receipts of short and long-term borrowing	-16,929
6,552		Repayment of short and long-term borrowing	8,886
4,052		**Net cash flows from Financing Activities**	**-8,043**
792		**Net (-)increase / decrease in cash & cash equivalents**	**5,955**
-792		**Represented by a Balance Sheet movement**	**-5,955**
13,297		Liquid Funds 1 April	12,505
12,505		**Liquid Funds 31 March**	**6,550**
		Analysed as follows;	
45		Imprest Accounts	45
-1,097		Other monies	123
-859		Overdraft	-779
14,416		Bank Accounts	7,161
12,505		**Total**	**6,550**

P1 Police Officers Pension Fund Account

2013-2014 £000		2014-2015 £000
	Contributions Receivable	
-16,023	Employers Contributions 1987 Scheme	-15,472
-2,653	Employers Contributions 2006 Scheme	-3,061
-699	Additional Contributions for early retirements 1987 Scheme	-937
-8,928	Members contributions 1987 Scheme	-9,104
-1,240	Members contributions 2006 Scheme	-1,478
-46	**Transfer in 1987 Scheme**	-13
-310	**Transfer in 2006 Scheme**	-306
	Benefits Payable	
45,683	Pensions 1987 Scheme	47,856
6	Pensions 2006 Scheme	7
8,453	Commutations and lump sum retirement benefits 1987 Scheme	9,088
	Payments to / on account of leavers	
188	Refund of contributions 2006 Scheme	8
85	Transfers out 1987 Scheme	304
1	Transfers out 2006 Scheme	33
24,519	**Sub total before transfer from the Commissioner of amount equal to the deficit**	**26,925**
-24,519	Transfer of Government Grant from the Commissioner to meet the deficit	**-26,925**
	Balance at 31 March	

All notes relating to pensions can be found at Note 15 with the Net Asset Statement being at 15.7.

Notes to the Accounts

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 12 to 21, the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The main critical judgement made in the Statement of Accounts is:

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

Major Estimations

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

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

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 £2.3m 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 £0.230m.

2 Prior Period Adjustments and Post Balance Sheet Events

There are no prior period adjustments.

There is a post balance sheet event which follows the Pensions Ombudsman's decision on the 15th May 2015 in the case of GAD v Milne. This judgement agreed that national guidance for calculating pension lump sums between 1st December 2001 and 30th November 2006 contained an error which mainly resulted in substantial underpayments. These payments are made by police forces and then reimbursed by the Home Office. An initial assessment for Nottinghamshire indicates that 424 officers were affected, and the total value could be in the region of £5.7 million. As the judgement arose after the reporting period – the Statement of Accounts has not been adjusted to reflect this. The effect would have been to increase both debtors and creditors by £5.7 million. No adjustments have been posted to the 2014-2015 accounts on the basis that any impact is not likely to be material. Appropriate adjustments will be made in 2015-2016.

3 Surplus or Deficit on Provision of Services

3.1 Income within Cost of Services

2013-2014 £000		2014-2015 £000
-6,508	Partnership and Joint Operations	-7,071
-1,858	P.F.I. Grant	-1,858
-1,550	Recharge of Officers	-1,684
-5,562	Other Income	-5,977
-15,478	**Relating to Chief Constable**	-16,590
-203	**Relating to the Commissioner - other income**	**-1,190**
-15,681	**Total for the Group**	**-17,780**

3.2 Other Operating Expenses

The payment to National Police Services has been reclassified this year as part of cost of services in line with other Police bodies. For comparison this year's payment was £0.923m.

2013-2014 £000		2014-2015 £000
102	Gains (-) and Losses on Disposal of Non Current Assets	1,737
814	Levies to National Police Services	0
916	**Total for the Commissioner & Group**	**1,737**

3.3 Financing and Investment Income and Expenditure

2013-2014 £000		2014-2015 £000
98,466	Pensions Interest Cost	101,309
-8,502	Expected return on Pensions Assets	-18,629
89,964	**Relating to Chief Constable**	**82,680**
1,323	Interest payable on Debt	1,073
81	Interest element of Finance Leases (Lessee)	74
514	Interest payable on PFI Unitary Payments	524
1,317	Pensions Interest Cost	100
3,236	**Expenditure**	**1,771**
-114	Expected return on Pensions Assets	-182
-1	Interest Income	0
-190	Investment Interest Income	-213
-305	**Income**	**-395**
2,930	**Relating to the Commissioner**	**1,376**
92,894	**Total for the Group**	**84,056**

3.4 Taxation and Non-Specific Grant Income

2013-2014 £000		2014-2015 £000
-49,051	Council Tax Income	-51,515
-52,572	National Non Domestic Rates	-50,115
-1,332	Council Tax Freeze Compensation	0
-2,800	Community Safety Grant	0
-93,500	Non-ringfenced Government Grants	-93,215
-24,519	Home Office Pension Grant	-26,925
-4,437	Capital Grants and Contributions	-4,166
-228,210	**Total for the Commissioner & Group**	**-225,936**

4 Movement in Reserves

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

4.1 Transfers to / from Earmarked Reserves

This shows how monies have been set aside or used during the year.

	Balance 31 March 2013 £000	T/f Out 2013-14 £000	T/f In 2013-14 £000	Balance 31 March 2014 £000	T/f 2014-15	T/f Out 2014-15 £000	T/f In 2014-15 £000	Balance March 2015 £000
Medium Term Financial Plan	-14,461	277	0	-14,184	36	3,824	0	-10,324
Helicopter	-90	90	0	0	0	0	0	0
Police Property Act	-83	0	-12	-95	0	0	-28	-123
Drug Fund	-57	0	-4	-61	0	0	-10	-71
Revenue Grants	-2,673	118	-449	-3,004	0	754	-36	-2,286
Animal Welfare	-20	0	0	-20	0	1	0	-19
Tax Base Reserve	0	0	-230	-230	0	0	0	-230
Grants & Commissioning	0	0	-280	-280	0	0	-742	-1,022
PCC	-446	41	0	-405	0	0	-82	-487
VAT Reserve	0	0	0	0	-36	0	0	-36
Costs	-222	0	-36	-258	0	0	-36	-294
Total PCC	**-18,052**	**526**	**-1,011**	**-18,540**	**0**	**4,576**	**-934**	**-14,895**
JO's	-271	0	-677	-948	0	0	-329	-1,277
Total	**-18,323**	**526**	**-1,688**	**-19,488**	**0**	**4,576**	**-1,263**	**-16,172**

4.2 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences from accruing for compensated absences earned but not taken in the year (e.g. leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account as shown in the MIRS (CS2).

2013-2014 CC £000	2013-2014 PCC £000	2013-2014 Total £000		2014-2015 CC £000	2014-2015 PCC £000	2014-2015 Total £000
5,535	**5**	**5,540**	**Balance 1 April**	**5,578**	**33**	**5,611**
43	28	71	Increase / (-) Decrease	-218	18	-200
5,578	**33**	**5,611**	**Balance 31 March**	**5,360**	**51**	**5,411**

4.3 Revaluation Reserve

The Revaluation Reserve was created 1 April 2007 for the revaluation gains on the value of non-current assets. The balance is reduced when assets with accumulated gains are:

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

2013-2014 £000		2014-2015 £000
-2,531	**Balance 1 April**	**-2,310**
-483	Upward revaluation of assets	-109
4	Downward revaluation of assets and impairments losses not charged to the Surplus/ Deficit on the provision of Services	0
-479	**Surplus (-) or deficit on revaluation of non-current assets not posted to the Surplus/ Deficit on the Provision of Services**	**-109**
95	Difference between fair value depreciation and historical cost depreciation	29
605	Accumulated gains on assets sold or scrapped	686
700	**Amount written off to the Capital Adjustment Account**	**715**
-2,310	**Balance 31 March**	**-1,704**

4.4 Pension Reserve

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

2013-14 CC £000	2013-14 PCC £000	2013-14 Total £000		2014-15 CC £000	2014-15 PCC £000	2014-15 Total £000
2,145,196	**18,225**	**2,163,421**	**Balance 1 April**	**2,134,703**	**18,085**	**2,152,788**
143,717	1,923	145,640	Pension Costs Adj' for IAS 19	130,037	1,273	131,310
-102,425	-1,370	-103,795	Other CIES gains / (-) losses	252,428	2,473	254,901
-51,785	-693	-52,478	Employers contributions & payments to pensioners	-55,357	-542	-55,899
2,134,703	**18,085**	**2,152,788**	**Balance 31 March**	**2,461,811**	**21,289**	**2,483,100**

4.5 Capital Adjustment Account

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

2013-2014 £000		2014-2015 £000
3,615	**Balance 1 April**	**6,010**
6,895	Charges for depreciation and impairment of non-current assets	5,651
1,221	Revaluation losses on Property, Plant and Equipment	41
229	Amortisation of intangible assets	369
1,655	Amounts of non-current assets written off on disposal to the CIES	1,737
10,000		**7,798**
-699	Adjusting amounts written out of the Revaluation Reserve	-715
9,301	Net written out amount of the cost of non-current assets consumed	**7,083**
	Capital financing applied in the year:	
-1,922	Use of Capital Receipts to finance new capital expenditure	-1,553
-50	Capital expenditure charged against the General Fund	-789
-1,993	Capital grants and contributions applied to capital financing	-3,011
	Statutory provision for capital financing charged to the CIES	
-2,212	Minimum Revenue Provision	-2,504
-729	Finance Lease Liability	-694
-6,906		**-8,551**
6,010	**Total Commissioner 31 March**	**4,542**
-1,579	JO's	-1,705
4,431	**Total**	**2,837**

4.6 Deferred Capital Receipt Reserve

This new £0.045m relates to staged payments on the disposal of the helicopter to the National Police Air Service.

5 Non-Current Assets

5.1 Movements in the Year

	Land & Buildings £000	Plant Vehicle & Equipment £000	Investment Properties £000	Assets under Construction £000	Assets Held for Sale £000	Total £000	PFI Assets Included £000
1 April 2014	**38,328**	**28,495**	**350**	**0**	**2,091**	**69,264**	**2,109**
Additions	2,922	7,921	0	0	0	**10,843**	0
Revaluation Increases/ Decreases (-) recognised in the Revaluation Reserve	110	0	0	0	0	**110**	0
Revaluation Increases/ Decreases (-) recognised in the Surplus / Deficit on the Provision of Services	-16	0	50	0	-75	**-41**	0
Derecognition - Disposals	0	-568	0	0	-1,689	**-2,257**	0
Accumulated Depreciation and Impairment written off	-897	0	0	0	0	**-897**	0
Assets reclassified to/ from Held for Sale	-120	-1,737	0	0	408	**-1,449**	0
31 March 2015	**40,327**	**34,111**	**400**	**0**	**735**	**75,573**	**2,109**
Accumulated Depreciation and Impairment							
1 April 2014	**4,813**	**18,949**	**0**	**0**	**0**	**23,762**	**518**
Depreciation charge	1,397	4,254	0	0	0	**5,651**	**0**
Accumulated Depreciation and Impairment written off	-897	0	0	0	0	**-897**	0
Assets reclassified to/ from Held for Sale	-15	-1,434	0	0	0	**-1,449**	0
Derecognition - Disposals	0	-520	0	0	0	**-520**	0
31 March 2015	**5,298**	**21,249**	**0**	**0**	**0**	**26,547**	**518**
Commissioner 1 April 2014	33,515	9,546	350	0	2,091	**45,502**	**1,591**
JO's 1 April 2014	1,167	355	0	58	0	**1,580**	**0**
Total 1 April 2014	**34,682**	**9,901**	**350**	**58**	**2,091**	**47,082**	**1,591**
Commissioner 31 March 2015	35,029	12,862	400	0	735	**49,026**	**1,591**
JO's 31 March 2015	1,167	437	0	366	0	**1,970**	**0**
Total 31 March 2015	**36,196**	**13,299**	**400**	**366**	**735**	**50,998**	**1,591**

5.1 Non-current Assets prior year comparators

	Land & Buildings £000	Plant Vehicle & Equipment £000	Investment Properties £000	Assets under Construction £000	Assets Held for Sale £000	Total £000	PFI Assets Included £000
1 April 2013	**37,474**	**23,301**	**380**	**0**	**2,428**	**63,583**	**2,060**
Additions	2,933	6,391	0	0	0	**9,324**	49
Revaluation Increases/ Decreases (-) recognised in the Revaluation Reserve	479	0	0	0	0	**479**	0
Revaluation Increases/ Decreases (-) recognised in the Surplus / Deficit on the Provision of Services	-1,191	0	-30	0	0	**-1,221**	0
Derecognition - Disposals	0	-1,197	0	0	-1,423	**-2,620**	0
Accumulated Depreciation and Impairment written off	-281	0	0	0	0	**-281**	0
Assets reclassified to / from Held for Sale	-1,086	0	0	0	1,086	**0**	0
Other Movements in cost or valuation	0	0	0	0	0	**0**	0
31 March 2014	**38,328**	**28,495**	**350**	**0**	**2,091**	**69,264**	**2,109**
Accumulated Depreciation and Impairment							
1 April 2013	**2,016**	**16,096**	**0**	**0**	**0**	**18,112**	**424**
Depreciation charge	3,078	3,818	0	0	0	**6,896**	**94**
Accumulated Depreciation and Impairment written off	-281	0	0	0	0	**-281**	0
Derecognition - Disposals	0	-965	0	0	0	**-965**	0
31 March 2014	**4,813**	**18,949**	**0**	**0**	**0**	**23,762**	**518**
Commissioner 1 April 2013	35,458	7,205	380	0	2,428	**45,471**	1,636
JO's 1 April 2013	0	324	0	0	0	**324**	0
Total 1 April 2013	**35,458**	**7,529**	**380**	**0**	**2,428**	**45,795**	**1,636**
Commissioner 31 March 2014	33,515	9,546	350	0	2,091	**45,502**	**1,591**
JO's 31 March 2014	1,167	355	0	58	0	**1,580**	**0**
Total 31 March 2014	**34,682**	**9,901**	**350**	**58**	**2,091**	**47,082**	**1,591**

5.2 Capital Commitments

At 31 March 2015, the Commissioner has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015-2016, and the future years are budgeted to cost £0.8m (£0.2m 2013-2014).

Main Capital Commitments	31 March 2015 £000
IT	
Regional Digital Interview Recorders	33
Other	11
	44
Estates	
Door Access System	482
Custody Improvement Works	205
Biomass Boilers	45
Bridewell Refurbishment	35
Arrow Centre	25
Other	14
	806
Total	**850**

5.3 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. To enable the values at the end of the year to be more up to date the revaluation date was moved from the 1 April 2014 to the 31 December 2015. The valuations this year represent 11% of a new five year cycle. Land and building values are based on valuations by Andrew Martin BSc MRICS, (Director) and Roger Smalley BSc MRICS, (Associate Director) of the independent valuers Lambert Smith Hampton. These valuations were subject to componentised valuation as prescribed by IAS 16 and adopted by the Royal Institute of Chartered Surveyors in its Red Book. The resulting revaluations were considered by the internal valuer and it was not considered appropriate to commission any further valuations, because there were no trends emerging that would materially affect the valuations.

Valuation Summary (excluding JO's)

	Land & Buildings £000	Plant Vehicles & Equipment £000	Investment Properties £000	Assets Held for Sale £000	Total £000	PFI Assets Included £000
Historical Cost	5	12,863	0	0	12,868	0
Fair Value						
01 April 2009	888	0	0	0	888	0
01 April 2010	67	0	0	0	67	0
01 April 2011	13,320	0	0	0	13,320	0
01 April 2012	12,460	0	0	400	12,860	0
01 April 2013	4,995	0	0	0	4,995	0
31 Dec 2014	3,295	0	400	335	4,030	1,696
Total Valuation	**35,030**	**12,863**	**400**	**735**	**49,028**	**1,696**

5.4 Investment Properties

Income is received on investment properties (telecoms masts) from Cell C.M., which also undertakes the maintenance and repair of the telecoms masts. These costs are not identified separately in the Statement of Accounts and are included within the management charge. Investment income received during the year is shown net of this management charge. The investment income was £0.121m in 2014-2015 (£0.238m in 2013-2014).

5.5 Intangible Assets

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

2013-2014 £000		2014-2015 £000
743	**Balance 1 April**	**897**
2,920	Gross Carrying amounts	3,302
-2,176	Accumulated amortisation	-2,405
	Additions:	
382	Purchases	2
-229	Amortisation for the period	-369
897	**Net Carrying amount 31 March**	**530**
3,302	Gross carrying amounts	3,304
-2,405	Accumulated amortisation	-2,774
897	**Total Commissioner**	**530**
0	JO's	8
897	**Total**	**538**

5.6 Capital Expenditure and Capital Financing

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

2013-2014 £000		2014-2015 £000
49,226	**Opening Capital Financing Requirement**	**52,756**
	Capital investment	
9,324	Property, Plant and Equipment	10,844
382	Intangible Assets	2
	Sources of finance	
-1,922	Capital Receipts	-1,553
-1,993	Government grants and other contributions	-3,011
-2,212	Sums set aside from revenue - MRP	-2,504
-49	Sums set aside from revenue - Direct Revenue Financing	-789
52,756	**Closing Capital Financing Requirement**	**55,745**
3,530	**Movement in the year - analysed as follows**	**2,989**
3,862	Increase in underlying need to borrowing	5,112
-2,212	Minimum Revenue Provision	-2,504
1,880	Assets acquired under finance leases	381
3,530	**Increase / decrease (-) in Capital Financing Requirement**	**2,989**

6 Current Assets

6.1 Short Term Investments

The £5m short term investment was held with the Greater London Authority (2013-2014 £2m with Worthing Borough Council).

6.2 Inventories

2013-2014 £000	Movement during the year	2014-2015 £000
622	**Balance at 1 April**	**315**
659	Purchases	1,176
-959	Recognised as an expense in the year	-1,143
-7	Written off balances	0
315	**Balance at 31 March**	**348**
	Analysed as follows;	
49	Petrol	24
133	Diesel	160
133	Clothing	164
315	**Balance at 31 March**	**348**

6.3 Debtors

31 Mar 2014 £000		31 Mar 2015 £000
13,402	Central Government Bodies	14,099
2,883	Other Local Authorities	2,626
1,668	Council Tax	2,458
2,453	Other Entities and Individuals	5,169
20,406	**Total Commissioner**	**24,352**
840	JO's	462
21,247	**Total**	**24,814**

A bad debt provision of £0.03m is provided against specific debts considered to be unlikely to be collected (£0.110m at 31 March 2014). A provision of -£3,018m is held against Council Tax arrears of £4.876m at 31 March 2015. This level of provision has been assessed by the Council Tax Billing Authorities (Provision of -£2.748m against arrears of £4.416m at 31 March 2014).

7 Current Liabilities

7.1 Short Term Borrowing

The Market Loan of £3.5m was taken out with Danske Bank in May 2006 for 60 years. Since May 2011 it has featured a break clause every 6 months (Lenders Option, Borrowers Option LOBO).This option has not yet been used. The CIPFA Treasury Management Code categorises this as a short term liability.

31 Mar 2014 £000		31 Mar 2015 £000
-3,500	Market Loans	-3,500
-1,636	PWLB	-1,429
-2,500	Short Term Loans	-7,000
-7,636		**-11,929**

7.2 Creditors

31 Mar 2014 £000		31 Mar 2015 £000
-4,600	Central Government Bodies	-3,622
-4,563	Other Local Authorities	-5,341
-8,960	Other Entities and Individuals	-8,730
-524	JO's	-461
-18,647	**Total Commissioner**	**-18,154**
-5,578	Other Entities and Individuals - Chief Constable	-5,360
-24,225	**Total for Group**	**-23,514**

7.3 Provisions

Liability claims are generally paid out within 1 to 3 years. It is expected that the majority will be utilised within a year and has all been classified as short-term.

	EL & PL Claims £000	MV Liability Claims £000	Legal Expenses £000	Dilapidation £000	Medical Retirement £000	Total £000
Balance 31 March 2014	**-2,101**	**-633**	**-50**	**-196**	**-616**	**-3,596**
Provisions made	-674	-208	0	0	0	-882
Amounts Used	656	640	13	90	616	2,015
Balance 31 March 2015	**-2,119**	**-201**	**-37**	**-106**	**0**	**-2,463**

8 Long Term Borrowing

All longer term borrowing of £27.8m was with the PWLB (£24.1m 2013-14).

9 Contingent Assets

The Commissioner had no contingent assets as at 31 March 2015.

10 Contingent Liabilities

The following contingent liabilities have been identified:

- The Commissioner was successful in appealing the decision of the London Central Employment Tribunal that the use of Regulation A19 of the Police Pensions Regulations 1987 was disproportionate. There is still the possibility of a counter appeal.
- There has been a recent employment ruling which mandates the payment of holiday money to be calculated including contractual overtime. There are no direct contracts including overtime but there is an argument for implied contractual overtime and this is being tested by employment tribunals (nationwide, none in Nottinghamshire). The likelihood of cost or success is difficult to predict accurately.
- There is a potential for claims for insufficient overtime being paid for some officers following successful claims in Devon and Cornwall Police – again there is insufficient information to predict outcomes or values.

There are no potential environmental or information commissioner cases pending.

11 Collection Fund Adjustment Account

This account absorbs the difference between the recognition of council tax income in the CIES as it falls due from the council tax payers compared to the statutory arrangements, which pays across amounts from the Collection Fund. The figures included in these accounts represent the proportion of balances relating to Local Authorities relating to Nottinghamshire Police as Precepting authority.

2013-2014 £000		2014-2015 £000
-196	**Balance 1 April**	**-656**
-460	Difference between the CIES and statutory arrangements	-600
-656		**-1,256**

12 Joint Operations (JO's)

The Group participates in 8 collaborative arrangements with Leicestershire, Derbyshire, Lincolnshire and Northamptonshire. These arrangements are covered by formal legal documents The police officers involved are seconded from the individual forces and costs are borne in agreed proportions. The accounting methodology has been reviewed because of new guidance within the code. These agreements meet the new definition in that decisions on relevant activities require the unanimous consent of the parties sharing control. The relevant proportion of these assets are incorporated throughout these accounts.

- The East Midlands Special Operations Unit (EMSOU)
- The East Midlands Special Operations Major Crime (EMSOUMC)
- The East Midlands Technical Surveillance Unit (EMTSU)
- The East Midlands Occupational Health Service (EMOH)
- The East Midlands Forensic Services (EMFSS) (2013-2014 Nottinghamshire, Derbyshire, and Lincolnshire.43.8%)

These are all between Nottinghamshire, Derbyshire, Leicestershire, Lincolnshire and Northamptonshire and Nottinghamshire's proportion is 27.4% (27.3%. 2013-14).

- The East Midlands Legal Services (EMLS), a 4 way shared service between Nottinghamshire, Derbyshire, Leicestershire and Northamptonshire. The proportion for this year has been calculated as 25.2% (31.3% 2013-2014)
- The East Midlands Commercial Services Unit (EMSCU), between Nottinghamshire, Northamptonshire and Derbyshire. The proportion for this year has been calculated as 33.33% (33.33% 2013-2014) Derbyshire are withdrawing from this collaboration.
- The East Midlands Learning & Development (EMLD) is between Leicestershire, Nottinghamshire, Derbyshire, and Lincolnshire and Nottinghamshire's proportion is 31.6% (31.3% 2013-2014)

12.1 Comprehensive Income & Expenditure Statement Joint Operations

2013-2014 £000		2014-2015 £000
5,137	Employees	5,292
141	Premises	59
276	Transport	240
893	Supplies and services	1,093
1,004	Capital Charges	127
7,451	**Gross Operating Expenditure**	**6,811**
-797	Other Income	-184
6,654	**Amount to be met from Partners**	**6,627**
-6,177	Contributions from Partners	-6,100
-2,400	External Grants & Contributions	-1,226
-1,923	**Surplus (-) / Deficit for the year**	**-699**
-1,923	**Total Comprehensive Income and Expenditure**	**-699**

12.2 Balance Sheet Joint Operations

2013-2014 £000		2014-2015 £000
1,522	Property, Plant & Equipment	1,606
58	Assets under Construction	367
0	Intangible Assets	8
1,580	**Long Term Assets**	**1,981**
694	Short Term Debtors	477
927	Cash and Cash Equivalents	1,318
1,621	**Current Assets**	**1,795**
-90	Employee Benefits	-97
-603	Short Term Creditors	-470
-693	**Current Liabilities**	**-567**
2,508	**Net Assets**	**3,209**
-74	General Fund	-75
-948	Earmarked Reserves	-1,526
-1,486	Unusable Reserves	-1,608
-2,508	**Total Reserves**	**-3,209**

12.3 Movement In Reserves Joint Operations

2013-2014					2014-2015				
Total General Fund	Earmarked Reserves	Total Unusable Reserves	Total all JO Reserves		Total General Fund	Capital Grants & Contrib's	Earmarked Reserves	Total Unusable Reserves	Total all JO Reserves
£000	£000	£000	£000		£000	£000	£000	£000	£000
-74	**-272**	**-239**	**-585**	**Balance at Year start**	**-75**	**0**	**-949**	**-1,486**	**-2,510**
-1,923	0	0	-1,923	Surplus / deficit (-) on the provision of services	-699	0	0	0	-699
0	**0**	**0**	**0**	Other CIES					0
-1,923	**0**	**0**	**-1,923**	**Total CIES**	**-699**	**0**	**0**	**0**	**-699**
				Adjustments between accounting & funding basis					0
-112	0	112	0	Depreciation / amortisation	-123	0	0	123	0
0	0	0	0	Revenue expenditure funded from capital under statute	-4	0	0	4	0
-2	0	2	0	Disposal of non-current assets	-2	0	0	2	0
2,076	0	-2,076	0	Capital grants /contributions	125	0	0	-125	0
-9	0	9	0	Charges for Employee Benefits	-3	0	0	3	0
				Insertion of items not charged to the CIES					
186	0	-186	0	Capital expenditure charged against the General Fund	129	0	0	-129	0
-892	0	892	0	Revaluation of non-current assets					0
-677	**0**	**-1,247**	**-1,923**	**Net increase / Decrease (-) before transfers to Earmarked Reserves**	**-577**	**0**	**0**	**-122**	**-699**
677	-677	0	0	Transfers Useable Reserves	577	-247	-330		0
0	**-677**	**-1,247**	**-1,923**	**Increase / Decrease (-)**	**0**	**-247**	**-330**	**-122**	**-699**
-75	**-949**	**-1,486**	**-2,510**	**Balance at year end**	**-75**	**-247**	**-1,279**	**-1,608**	**-3,209**

13 Proceeds of Crime Act and Police Property Act

Proceeds of Crime Act 2002 and The Police Property Act 1997 (as amended by the Serious Crime Act 2005 and the Serious Crime Act 2007) covers monies received from the confiscation or sale of property which has come into their possession in connection with a criminal charge to be set aside. Once judgement is made monies are either, paid over to the State, repaid to the individual or made available for the Commissioner to use on specific purposes. At 31 March 2015 cash totalling £0.815m was held in the Commissioner's bank account (£0.691m at 31 March 2014).

14 External Audit Costs

KPMG are the external auditor to the Commissioner and Group.

	2013-2014 £000	2014-2015 £000
The Commissioner	47	47
The Chief Constable	20	20
Group	**67**	**67**
Additional work - workshops provided	5	0
Total fees payable by the group	**72**	**67**

15 Defined Benefit Pension Schemes

The Group participates in two defined benefits pension schemes, providing members with retirement lump sums and monthly pensions related to pay and service. The Police Officers scheme is unfunded and met by payments from the Home Office.

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

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

Discretionary post-retirement benefits

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

Transactions Relating to Retirement Benefits

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

The Local Government Pension Scheme (LGPS) for police staff is administered by Nottinghamshire County Council. This is a funded defined benefit final salary scheme. From 1 April 2014 the scheme moved to a career average scheme. Both the Commissioner and employees pay contributions into a fund, at a level set to balance the pension's liabilities with investment assets. The scheme has been assessed by Barnett Waddingham, Public Sector Consulting. Estimates are based on the last full valuation of the scheme as at 31 March 2013. The next full valuation of this scheme will be March 2016 for the financial year 2017 – 2018. This scheme includes both staff working for the Chief Constable entity and to a lesser extent the staff who work for the Commissioner. It was not practical or economical to obtain separate actuary reports for the two entities. As a reasonable estimate the relevant information was calculated on a pro rata basis to scheme participants in the year. During the year a significant number of staff transferred under TUPE regulations to the PCC for Derbyshire. The capitalised gain of this settlement is £1.531m.

Police officer pension schemes are unfunded defined benefit final salary schemes. Contributions from officers are paid into the fund and pension payments are met from the fund. Any surplus or deficit is either paid to or recovered from Central Government. Employee's and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department. The figures are based on the latest full valuation of the scheme as at 31 March 2012, with updates to 31 March 2014, to allow for service accrued between 1 April 2012 and 31 March 2015. The next full valuation of the scheme will be March 2015 for the year 2015-2016. The Pension Fund account is a core statement. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

15.1 The principal assumptions used by the Actuaries

Liabilities have been assessed on an actual basis using the projected unit credit method, an estimate of future pension payments. This depends on assumptions about mortality rates, salary levels etc.

	Staff Pension Scheme		Officer Pension Scheme	
	2013-14	2014-15	2013-14	2014-15
Mortality assumptions				
Longevity at 65 retiring today				
Men	22.1 yrs	22.1 yrs	23.4 yrs	23.3 yrs
Women	25.0 yrs	25.2 yrs	25.9 yrs	25.7 yrs
Longevity at 65 retiring in 20 years				
Men	24.1 yrs	24.2 yrs	25.6 yrs	25.4 yrs
Women	27.4 yrs	27.6 yrs	28.0 yrs	27.9 yrs
Rate of inflation				
RPI Increases	3.70%	3.30%	3.65%	3.35%
CPI Increases	2.90%	2.50%	2.50%	2.20%
Rate of increase in salaries	4.70%	4.30%	4.50%	4.20%
Rate of increase in pensions	2.90%	2.50%	2.50%	2.20%
Rate for discounting scheme liabilities	4.50%	3.40%	4.40%	3.30%

The actuaries for the Police Officer scheme advised that the net pension liability had increased by £292.9m, from £2,077.3m 31 March 2014 to £2,370.2m 31 March 2015.

15.2 The Local Government Pension Scheme Assets

Assets at Bid Value	31 Mar 2014	31 Mar 2014	31 Mar 2015	31 Mar 2015
	£000's	%	£000's	%
Equity Investments	113,009	73.0	122,057	70.0
Gilts	12,385	8.0	5,410	3.0
Other Bonds	7,740	5.0	12,220	7.0
Property	17,029	11.0	20,208	12.0
Cash	4,644	3.0	8,420	5.0
Inflation-linked pooled fund	-	-	4,830	3.0
	154,807	**100.0**	**173,145**	**100.0**

15.3 Scheme History

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
	£000	£000	£000	£000	£000
Present Value of Liabilities					
Local Government Pension Scheme	-150,153	-189,364	-205,310	-230,305	-286,005
Discretionary benefits	-1,580,100	-1,691,190	-2,098,660	-2,077,290	-2,370,240
Fair value of assets in the Local Government Pension Scheme	113,116	118,899	140,549	154,807	173,145
Surplus / deficit (-) on the scheme	**-1,617,137**	**-1,761,655**	**-2,163,421**	**-2,152,788**	**-2,483,100**
Local Government Pension Scheme	-37,037	-70,465	-64,761	-75,498	-112,860
Discretionary benefits	-1,580,100	-1,691,190	-2,098,660	-2,077,290	-2,370,240
Total	**-1,617,137**	**-1,761,655**	**-2,163,421**	**-2,152,788**	**-2,483,100**

The liabilities show the underlying commitments that the Group will eventually have for retirement benefits. The total liability of £2,483.1m has a substantial impact on the net worth of the Balance Sheet. Statutory accounting arrangements to fund the deficit neutralise this.

The deficit on the local government scheme will be recovered by increased monetary contributions in the next three years until financial year 2016-2017 based on an actuarial valuation report as at 31 March, in line with the remaining working life of employees (i.e. before payments fall due). Finance is only required when the pensions are actually paid.

The total contributions expected to be made to the Staff Pension Scheme and the Police Officer Pension Scheme in the year ending 31 March 2016 are £5.7m and £18.8m respectively.

15.4 Pensions Liability and Sensitivity

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

	£000
For the Staff Pension Scheme	
+ 0.1% change to the discount rate would reduce the pension liability by	-5,910
- 0.1% change to the discount rate would increase the pension liability by	6,040
For the Police Pension Schemes	
+0.5% change to the discount rate would reduce the pension liability by	262,900
-0.5% change to the discount rate would increase the pension liability by	-262,900

15.5 Transactions relating to pension benefits

	Staff Pension		Police Officer Pension		Total	
	2013-2014	2014-2015	2013-2014	2014-2015	2013-2014	2014-2015
	£000	£000	£000	£000	£000	£000
CIES						
Cost of services						
Service Costs	10,002	7,658	44,470	39,450	54,472	47,108
Current service cost	0		0	0	0	0
Past service costs	0		0	50	0	50
Settlements and curtailments	0	0	0	0	0	0
Financing & Investment Transactions						
Interest cost	9,604	10,229	0	0	9,604	10,229
Interest on Assets	-6,681	-6,989	0	0	-6,681	-6,989
Return on Assets less interest	-1,945	-10,296	0	0	-1,945	-10,296
Administration Costs	10	28	0	0	10	28
Net Interest on the defined liability (asset)	0		90,180	91,180	90,180	91,180
Increase in income 2013/14						
Pension Cost adjustment in Accordance with IAS 19	**10,990**	**630**	**134,650**	**130,680**	**145,640**	**131,310**
Other Pension Benefit charged to the CIES						
Experience (loss)/gain on defined benefit obligation	-15,826	3,928	-44,140	-46,170	-59,966	-42,242
Actuarial gains (-) and losses	-2,413	0	0	0	-2,413	0
Change in Financial Assumptions	17,705	38,903	-64,690	258,240	-46,985	297,143
Change in demographic obligation	5,569	0	0		5,569	0
Other comprehensive CIES gains/losses	5,035	42,831	-108,830	212,070	-103,795	254,901
Movement in Reserve Statement						
Reversal of net charges to Provision of Services	-10,990	-630	-134,650	-130,680	-145,640	-131,310
Amount charged to the General Fund						
Employers' contributions payable to scheme	5,288	6,099	0		5,288	6,099
Retirements benefits payable to pensioners	0		47,190	49,800	47,190	49,800
Employers' contributions to Scheme	5,288	6,099	47,190	49,800	52,478	55,899

15.6 Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities 2014-15 (defined benefit obligation)	Local Government Pension Scheme Staff		Police Pension Schemes Officers		Total	
	2013-2014 £000	2014-2015 £000	2013-2014 £000	2014-2015 £000	2013-2014 £000	2014-2015 £000
Opening Balance at 1 April	**-205,310**	**-230,305**	**-2,098,660**	**-2,077,290**	-2,303,970	**-2,307,595**
Current service Cost	-9,929	-8,435	-44,470	-39,450	-54,399	**-47,885**
Interest Cost	-9,603	-10,229	-90,180	-91,180	-99,783	**-101,409**
Contributions by scheme participants	-2,451	-2,650	-10,170	-10,900	-12,621	**-13,550**
Actuarial gains and losses	0		0		0	**0**
Experience gain/loss on pension liabilities	0		44,140	46,170	44,140	**46,170**
Financial & Demographic assumption changes	-23,274	-38,903	64,690	-258,240	41,416	**-297,143**
Experience loss/(-gain) defined benefit obligatior	15,826	-3,928	0	0	15,826	**-3,928**
Benefits paid	4,509	5,359	57,360	60,700	61,869	**66,059**
Past service costs	0	0	0	-50	0	**-50**
Curtailments	-73	3,086	0	0	-73	**3,086**
Closing Balance at 31 March	**-230,305**	**-286,005**	**-2,077,290**	**-2,370,240**	**-2,307,595**	**-2,656,245**

Reconciliation of fair value of the scheme assets	Local Government Pension Scheme	
	2013-2014 £000	2014-2015 £000
Opening Balance at 1 April	**140,549**	**154,807**
Expected return on scheme assets	0	0
Interest on Assets	6,681	6,989
Return on Asset less interest	1,945	10,296
Actuarial gains and losses	2,413	0
Employers contributions	5,288	6,099
Contributions by scheme participants	2,451	2,650
Benefits paid	-4,510	-5,359
Settlement prices paid	0	-2,309
Administration Expenses	-10	-28
Closing Balance at 31 March	**154,807**	**173,145**

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 £17.3m (2013-2014, £8.6m).

15.7 Pension Net Assets Statement

2013-2014 £000	Discretionary Benefits - Police Officers	2014-2015 £000
3,917	Debtors - Pensions paid in advance	4,070
-3,917	Other Current Assets	-4,070
0		**0**

16 Financial Instruments Commissioner & Group

16.1 Gains and Losses

2013-2014				2014-2015		
Financial Liabilities amortised cost £000	Financial Assets Loans & receivables £000	Total £000		Financial Liabilities amortised cost £000	Financial Assets Loans & receivables £000	Total £000
1,921	0	**1,921**	Total interest expense in CIES	1,671	0	**1,671**
0	-191	**-191**	Total interest income in CIES	0	-213	**-213**
1,921	**-191**	**1,730**	**Net Gain / Loss (-) for the year**	**1,671**	**-213**	**1,458**

16.2 Nature and Extent of Risks arising from Financial Instruments

The Commissioner is exposed to a variety of financial risks:

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

The Treasury Management Strategy (incorporating the Annual Investment Strategy) focuses on mitigating the risk of the unpredictability of financial markets, in order to protect against loss of money. It includes policies on the risks above.

Credit Risk

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

The maximum exposure to credit risk for investments during the year was £51.9m.This was placed within the criteria of the strategy with high quality counterparties. It is rare for such entities not to meet their commitments. There was no evidence at 31 March 2015 that this was likely to happen with any of the investments outstanding or with cash equivalents.

Customers owed £1.94m at year end (£1.95m in 2013-2014). An allowance is set aside for debts to mitigate the effect of default. This was £0.04m (£0.11m in 2013-2014).

31 Mar 2014 £000		31 Mar 2015 £000
1,718	Less than three months	1,709
83	Three to six months	171
70	Six to twelve months	23
76	More than twelve months	38
1,947		1,941

Liquidity Risk

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

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

The maturity analysis of financial liabilities is shown as follows:

31 Mar 2014 £000	31 Mar 2014 Total %		31 Mar 2015 £000	31 Mar 2015 Total %
-7,636	24.1%	Less than one year	-11,929	30.0%
-1,249	3.9%	Between one and two years	-3,599	9.1%
-7,883	24.9%	Between two and five years	-5,156	13.0%
-6,336	20.0%	Between five and ten years	-6,051	15.2%
-8,585	27.1%	More than ten years	-12,997	32.7%
-31,689	**100.0%**		**-39,732**	**100.0%**
		Summarised as follows		
-7,636	24.1%	Due in less than one year	-11,929	30.0%
-24,053	75.9%	Due in more than one year	-27,803	70.0%
-31,689	**100.0%**		**-39,732**	**100.0%**

All trade and other payables are due within one year.

Interest Rate Risk

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

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

The Treasury Management Strategy sets a maximum of 50% of borrowings to be held as variable rate loans to mitigate interest rate risk. Only £3.5m is held as variable which is 8.8% There was £7.0m temporary borrowing at 31 March 2015. During the year £5.0m new long term borrowings took place.

Price Risk

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

Foreign Exchange Risk

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

16.3 Fair Values of Assets and Liabilities

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

- Interest rates paid during 2014-2015 ranged between 2.72% and 6.125% for PWLB loans and 3.73% on the market loan. Interest rates received ranged from 0.34% to 1.05%
- No early repayment or impairment is recognised
- For instruments maturing in the next year, the carrying amount is assumed to be fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair value of the liabilities is higher than the carrying amount because the loans include a number of fixed rate loans with the PWLB with an interest rate payable, higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss as there is a commitment to pay the PWLB a rate above current market rates.

The fair value of assets is the year end carrying value, being either variable rate instruments or short term. Long Term Debtors are car loans to staff, which are now minimal and the amount owing regarding the National Police Air Service.

	31 March 2014		31 March 2015	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Financial Liabilities	-31,689	-33,611	-39,732	-46,093
PFI & Finance Lease Liabs'	-3,818	-3,818	0	0
Receipts in Advance	-180	-180	0	0
Overdraft	-1,097	-1,097	-123	-123
Creditors	-17,356	-17,356	-17,373	-17,373
Total of Liabilities	**-54,140**	**-56,062**	**-57,228**	**-63,589**
Loans and Receivables	36,853	36,853	37,000	37,000
Long Term Debtors	4	4	48	48
Total of Assets	**36,857**	**36,857**	**37,048**	**37,048**

17 Amounts reported for resource allocation decisions

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

Segmental Income & Expenditure (core funded only) 2014-2015	Local Policing £m	Specialist Services £m	Corporate Services £m	Chief Constable Subtotal £m	PCC (Note 5) £m	Group Total £m	Notes
Total Income	**-0.9**	**-1.8**	**-3.7**	**-6.4**	**-0.6**	**-7.0**	**1**
Employee expenses	90.9	48.7	18.2	157.8	0.7	158.5	**2**
Other service expenses	9.2	13.9	15.1	38.2	4.6	42.8	**3**
Capital Financing	0.0	0.0	3.6	3.6		3.6	**4**
Total Expenditure	**100.1**	**62.6**	**36.9**	**199.6**	**5.3**	**204.9**	
Net Expenditure	**99.2**	**60.8**	**33.2**	**193.2**	**4.7**	**197.9**	
2013-2014							
Total Income	**-0.8**	**-1.8**	**-3.7**	**-6.3**	**-0.4**	**-6.7**	**1**
Employee expenses	94.6	46.5	16.6	**157.7**	0.7	**158.4**	**2**
Other service expenses	8.7	15.6	14.9	**39.2**	4.1	**43.3**	**3**
Capital Financing	0.0	0.0	3.5	**3.5**	0.0	**3.5**	**4**
Total Expenditure	**103.3**	**62.1**	**35.0**	**200.4**	**4.8**	**205.2**	
Net Expenditure	**102.5**	**60.3**	**31.3**	**194.1**	**4.4**	**198.5**	

Details of variances are included in the Explanatory Foreword and the segmental aspect shows no significant variances

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

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

17.2 Reconciliation of the budget management reports to the CIES

2013-2014 £m	Reported for decision making in the budget management reports reconciled to the CIES	2014-2015 £m
204.8	Expenditure	204.9
-6.3	Income	-7.0
198.5	**Net**	**197.9**
	Items excluded from budgeting reports	
0.2	Late transactions	0.2
0.0	Capital receipts	-1.4
	Items related to External Bodies	
0.6	JO's Net Cost of Services	-0.3
-0.5	Collection Fund adjustment	0.0
	Included for budgeting purposes but not in Provision of Services	
-2.2	Minimum Revenue Provision	-2.5
0.1	Income for capital Finance	0.0
-1.3	Interest Payable	-1.1
0.2	Interest Receivable	0.2
-0.8	Levies to National Police Services - Chief Constable	0.0
	Excluded for budgeting purposes but included Provision of Services - Valuation adjustments	
-1.3	Adjustments relating to Finance leases / PFI - Commissioner	-1.3
8.3	Adjustments relating to Capital Financing - Commissioner	6.0
26.2	Adjustments relating to Pensions - Chief Constable	19.7
0.3	Adjustments relating to Pensions - Commissioner	0.0
0.0	Adjustments relating to Accumulated Absences - Chief Constable	-0.2
0.0	Adjustments relating to Accumulated Absences - Commissioner	0.0
228.2	**Cost of Services**	**217.2**
0.9	Other Operating Expenditure - Commissioner	1.7
92.9	Financing & Investment Income and Expenditure - Commissioner	84.0
-228.2	Taxation & Non-specific Grant Income - Commissioner	-225.9
93.8		**77.0**

18 The Commissioner as Lessee

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

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

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

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

18.1 Finance Leases

Vehicles acquired under the PFI Scheme and some equipment are classified as finance leases in the Balance Sheet as Property, Plant & Equipment. The net value of these assets was £4.85m as at 31 March 2015 (£4.44m 31 March 2014). There is a commitment to make payments under these leases comprising settlement of the long-term liability for the interest in the property, and finance costs. The minimum lease payments exclude values that are contingent on events such as subsequent rent reviews. Currently there are no such events.

	Finance Lease Liabilities Gross		**Finance Lease Liabilities Net**	
	31 Mar 2014 £000	**31 Mar 2015 £000**	**31 Mar 2014 £000**	**31 Mar 2015 £000**
No later than one year	673	699	611	644
Later than one year and up to five years	1,462	1,125	1,365	1,052
Later than five years	83	48	69	47
	2,218	**1,872**	**2,045**	**1,743**
Future finance charges on finance leases			161	130
Present Value of lease obligations			2,057	1,742
			2,218	**1,872**

18.2 Operating Leases

Some vehicles and equipment were acquired under operating leases. Rental payments in 2014-2015 were £0.927m (£0.859m in 2013-2014).The outstanding commitments are:

	31 Mar 2014 £000	**31 Mar 2015 £000**
No later than one year	747	852
Later than one year and not later then 5 years	1,878	2,189
Later than 5 years	1,192	1,090
	3,817	**4,131**

18.3 Private Finance Initiatives (PFI)

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

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

Building PFI Scheme

The 25 year PFI contract with Miven, runs until 2026-2027. The capital value of this scheme is £6.6m. £1.0m was paid in 2014-2015 (£1.0m in 2013-2014). Future payments are linked to retail price index inflation but are otherwise fixed, except reductions for poor contractor performance. Specific government grant of £0.59m was received (£0.59m in 2013-2014).

Riverside Accomodation Future PFI Payments	Services £000	Capital £000	Total £000
2015-2016	502	543	1,045
2016-2017 to 2020-2021	2,509	2,714	5,223
2021-2022 to 2025-2026	2,509	2,714	5,223
2026-2027	415	452	867
	5,935	6,423	12,358

Vehicle PFI Scheme

The 25 year PFI contract for the provision of an agreed number of vehicles runs until 2026-2027. The estimated capital value of this scheme is £14.8m. The amount paid in 2014-2015 was £3.6m (£3.1m in 2013-2014). Future payments are linked to inflation increases. Grant of £1.3m was received in 2014-2015 (£1.3m in 2013-2014). IAS17 classifies this arrangement as a finance lease. The future liability for the resultant finance lease payments is shown in note 18.1. Contractual PFI obligation is included within this note.

19 Officer Emoluments

19.1 Employees earning over £50,000

All employees receiving over £50,000 remuneration for the year are shown in the following table excluding, senior officers reported in 19.2. This includes 4 above the rank of Superintendent (3 in 2013-2014).

2013-2014 No of employees	Remuneration Band	2014-2015 No of employees
132	£50,000 - £54,999	122
63	£55,000 - £59,999	60
13	£60,000 - £64,999	14
7	£65,000 - £69,999	8
4	£70,000 - £74,999	4
14	£75,000 - £79,999	8
0	£80,000 - £84,999	2
3	£85,000 - £89,999	1
0	£90,000 - £94,999	1
236		220

19.2 Senior Officers Remuneration 2014-2015

2014-15 Post Holder Information	Notes	Salary £	Benefits in Kind £ (Note 2)	Other Payments £ (Note 3)	Total £	Employers Pension Contrib' £	Total including Pension Contrib' £
Police & Crime Commissioner		75,000	0	0	75,000	8,100	83,100
Deputy Police & Crime Commissioner		36,360	37	0	36,397	3,923	40,320
Chief Finance Officer to the Police & Crime Commissioner		81,798	0	0	81,798	8,834	90,632
Chief Executive to the Police & Crime Commissioner		90,900	457	0	91,357	9,817	101,174
TOTAL PCC		**284,058**	**494**	**0**	**284,552**	**30,674**	**315,226**
Chief Constable (Chris Eyre)		144,403	6,359	3,554	154,316	34,945	189,261
Deputy Chief Constable Deputy Chief Constable - B		119,128	10,407	7,734	137,269	28,829	166,098
Assistant Chief Constable - Crime, Justice & Protective Services Assistant Chief Constable - A		100,910	5,929	3,554	110,393	24,420	134,813
Assistant Chief Constable - Local Policing Assistant Chief Constable - A		100,801	5,745	3,554	110,100	24,394	134,494
Assistant Chief Officer - Resources	1	80,537	6,903	0	87,440	8,698	96,138
Total Chief constable		**545,779**	**35,343**	**18,396**	**599,518**	**121,286**	**720,804**
total Group		**829,837**	**35,837**	**18,396**	**884,070**	**151,960**	**1,036,030**

Notes

Note 1: Assistant Chief Officer - Resources resigned 31/12/14

Note 2: Benefits in Kind include taxable expenses such as mileage, car allowances, medical expenses and mortgage interest payments relating to relocation.

Note 3: Other payments includes Rent Allowance, Housing Allowance, Compensatory Grant and Compensation for Loss of Office.

Senior Officers Remuneration 2013-2014

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

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

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

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

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

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

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

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

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

20 Termination Benefits

Contracts were terminated for 32 employees during the year (17 in 2013-2014), incurring costs of £0.6m (£0.3m in 2013-2014). This comprised redundancy payments of £0.3m, pension strain costs of £0.2m. Other departures agreed cover voluntary redundancies and compromise agreements. One of the employees made compulsorily redundant within the less than £20k band was part of the OPCC, the remainder being employed by the Chief Constable The Group made no material payments in relation to injury awards during the year ended 31 March 2015.

Exit Package cost band (inc special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14 £000	2014-15 £000
£0 - £20k	7	9	6	16	13	25	127	215
£20 -£40k	1	1	1	3	2	4	59	118
£40 -£60k	1	0	0	1	1	1	49	44
£60 -£80k	0	1	1	0	1	1	76	60
£80 -£100k	0	0	0	0	0	0	0	0
£100 -£150k	0	1	0	0	0	1	0	124
Total	**9**	**12**	**8**	**20**	**17**	**32**	**311**	**561**

21 Related Parties

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

Central Government asserts significant influence over the general operations of the police. It is responsible for providing the statutory framework. It provides the majority of its funding in the form of grants and sets out the precept legislation (explanatory foreword point 7).

Members of the Audit and Scrutiny Panel have influence over finances and operations and were paid £0.005m (£0.004m 2013-2014). The CIPFA Code of Practice requires members to complete a declaration of personal interests under section 81(1) of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) Order 2007. Members of the Audit and Scrutiny Panel will be required to complete a register of interest form. Senior employees can influence decisions and they also complete a declaration of personal interests.

Joint arrangements and collaborations are areas where significant influence can be exerted by all parties (Note 12).

22 Accounting Standards Issued but not Adopted

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

IFRS 13 Fair Value Measurement – this standard introduces a new definition of 'fair value' measurement. Measurement is the process of determining the monetary amounts at which the elements of the financial statements are to be recognised and carried in the Balance Sheet. The revised standard will apply to the accounting period beginning 1 April 2015. This standard affects 'surplus properties', 'assets held for sale' and 'investment properties'.
Annual Improvements to IFRS's including:

- IFRS 1 International Financial Reporting standards - meaning of effective IFRSs.
- IFRS 3 Business Combinations – scope of exceptions for joint ventures
- IAS40 Investment Properties – clarifying the interrelationship of IFRS 3 Business Combinations and IAS40 Investment Property when classifying property as investment property or owner – occupied property.

IFRIC 21 Levies – covers the accounting to pay a levy if that liability is within the scope of IAS37 Provisions, Contingent Liabilities and Contingent Assets or whose timing and amount is certain.

The impact of these standards on the financial statements of the PCC Group is not expected to be material.

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

We have audited the financial statements of the Police and Crime Commissioner for Nottinghamshire for the year ended 31 March 2015 on pages 24 to 63. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Respective responsibilities of the Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Police and Crime Commissioner's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner and the Group as at 31 March 2015 and of the Police and Crime Commissioner's and the Group's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Matters on which we are required to report by exception

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

- the annual governance statement set out on pages 67 to 83 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

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

The Police and Crime Commissioner's responsibilities

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

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Police and Crime Commissioner has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Nottinghamshire put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources for the year ending 31 March 2015.

Certificate

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

Andrew Cardoza
for and on behalf of KPMG LLP, Appointed Auditor
Chartered Accountants
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ
24 September 2015

ANNUAL GOVERNANCE STATEMENT

2014-2015

1. SCOPE OF RESPONSIBILITIES

1.1 The Nottinghamshire Police and Crime Commissioner (Commissioner) is responsible for ensuring that business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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

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

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

The Nottinghamshire Office of the Police and Crime Commissioner
Arnot Hill House
Arnot Hill Park
Arnold
Nottinghamshire
NG5 6LU

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

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

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

2. THE AIM OF THE GOVERNANCE FRAMEWORK

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

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

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

We have had a governance framework in place for the year ended the 31st March 2015 and up to the date of approval of the annual statement of accounts.

3. THE GOVERNANCE FRAMEWORK

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

3.1 *Introduction*

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

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

During 2014-15 the staff under the Chief Constables direction and control transferred to the Chief Constable from the Police and Crime Commissioner. This was not the only significant change during the year. The Commissioner was an early adopter under the Ministry of Justice funded Victims services and significant systems changes within the support services of Finance and Human Resources was also planned for so that full implementation of a Multi Force Shared service was operational from April 2015.

Full details on what has been achieved during the year will be published within the Annual Report and will be available on the website.

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

The Commissioner has refreshed the Police and Crime Plan taking account of the feedback he has received during the year and the achievements that have been made. The plan sets out our priorities, focusing on achieving seven priorities which aim to make communities safer and place victims at the centre of what we do. The plan reflects the time period covered by the Medium Term Financial Plan (MTFP).

The Police and Crime Plan is based upon the following seven priorities:
1. Protect, support and respond to victims, witnesses and vulnerable people
2. Improve the efficiency, accessibility and effectiveness of the criminal justice process
3. Focus on ***priority crime types*** and those local areas that are most affected by crime and antisocial behaviour
4. Reduce the impact of drugs and alcohol on levels of crime and antisocial behaviour
5. Reduce the threat from organised crime
6. Prevention, early intervention and reduction in reoffending
7. Spending your money wisely

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

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

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

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

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

- The Commissioner listened to the public during his attendance at partner meetings and his walkabouts within the City and County. But he has not made decisions based upon public need alone. For example the financial pressure on the service has meant that continued increase in Police officer numbers is no longer possible. However, the increase made up to and including 2014-15 has meant that the future reductions will not have as hard and impact as they might have had.

- The review work put in place by the Commissioner has continued to have a positive effect on achieving priorities within the Police & Crime plan - such as a review of BME Recruitment and Retention, Base Budget Review, Domestic Violence, Restorative Justice, a Victim Consortium to inform the commissioning strategy and Alcohol.

- The learning from the Base Budget Review has also influenced work at a regional level where the Commissioner chairs the Regional Efficiency Board.

- Following on from the work of the BME Steering Group a specific recruitment drive was put in place for BME communities this resulted in a significant increase in BME Police officer recruitment (i.e. from 4.69% in 2013 to 15.62% in 2014).

- Domestic violence been jointly tendered for within the County and the Deputy Commissioner has been influential in ensuring the best service possible for victims. The City is also jointly tendering for this service during 2015-16.

- An Alcohol Strategy has been developed with partners and is being delivered. Further detail is provided later in this paper.

- Alcohol and drug treatment provision has been tendered for in the County, with the City tendering for Alcohol treatment provision from the same date. This is being provided in custody and criminal justice settings and is part funded by the Commissioners Community Safety fund.

However, this is not all - since coming into post the Commissioner has listened to partners, the public and the force on what are emerging issues and started working with people on areas such as:

- **CCTV Taxi voluntary scheme:** Following extensive partnership working and negotiations throughout 2013-14, the CCTV Taxi voluntary scheme was launched in June 2014. The Commissioner provided £98k funding for a voluntary scheme which would enable 100 Hackney Taxis to be fitted with CCTV to provide assurance to those using taxis and the drivers themselves.
- **Crime Reduction Initiative**: has been awarded the contract for the provision of substance misuse services in the County. Following a period of mobilisation after award of contract in October 2014, the service is being embedded across the County. Progress is reviewed in quarterly contract review meetings with Public Health and CRI.
- **Alcohol Strategy:** Both the County and City lead Officers are working hard to deliver the action points in the strategy which the Commissioner's Office (NOPCC) is monitoring. The Plan is progressing with key achievements which include: Best Bar None, Purple Flag, the Drink Aware Project and Operation Promote. There is further work being developed with Bassetlaw and Newark to improve information sharing.

- **The Alcohol Strategy and Action Plan**: Additional developments will incorporate the potential pilot of Alcohol Concern's Blue-light project, further development of the Drinkaware project and continuing the achievements made by the Local Alcohol Action Areas in both the City and County.
- **Mental Health issues:** The Mental Health Crisis Concordat Conference was held on the 25 September 2014 in collaboration with the Clinical Commissioning Group(s) (CCGs). A key priority area was to address the use of Section 136 of the Mental Health Act 1983. An Action Plan is due to follow and will be put together over the next quarter, including the actions to reduce the use of Section 136.
- **A Crisis Concordat action plan:** has been developed and was submitted to the national Crisis Concordat team in March 2015. The action plan will be implemented from April 2015 onwards. There is a clear priority within the plan to reduce the use of Section 136 for both adults and children. A target has been set that there will be no further inappropriate detentions of under 18s from April 2015, and from October 2015, no further inappropriate detentions of adults.
- **New and Emerging Community's Project**: The Commissioner has led a 'European Migration Seminar: New and Emerging Communities. This seminar provided an opportunity to discuss those issues that stakeholders and partners understand as the challenges in the way we currently deliver services and help identify ways to improve policies and operational changes. The Commissioner has commissioned work through Nottingham University to undertake research to better understand new and emerging communities.
- **Better Policing Collaborative**: The East Midlands now has the most substantial police collaboration programme of any region in England and Wales, combining innovative yet practical approaches to policing to make the entire region a safer place to live, work and visit in spite of significant financial challenges for the service. There will be the identification of further research working within the 'Better Policing Collaborative', which the Commissioner is a member, and which has received College of Policing innovation funding for academics to work with operational areas to develop innovation and improve effectiveness of service delivery.

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

- Focus groups were held with ASB victims and members of the public in relation to the refreshed Police and Crime Plan priorities and the precept.

- The Commissioner's on-line survey was used for consulting on the precept and provided a supporting video on the Police's Delivering the Future proposals.

- There have also been consultant led focus groups, on in the Nottingham (City), one in the North Nottinghamshire (Worksop), one in South Nottinghamshire (Bingham), one with women and one with members of the BME community.

- Evidence has been collected through the Nottinghamshire County Council Annual residents Satisfaction Survey 2014 and the Nottingham City Council and the City's Crime and Drugs Partnership Annual Respect Survey on the policing and crime priorities and the precept.

- There is also an academic led research project utilising telephone surveys for the Nottinghamshire Safer Neighbourhood Board's Partnership Plus Areas.

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

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

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

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

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

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

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

In addition to the Strategic Resources and Performance meetings the Joint Audit and Scrutiny Committee receives updates on performance and financial monitoring and the Police and Crime Panel receive update reports from the Commissioner. Public Stakeholder meetings have also been held in the City and the County.

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

- A new restorative justice provider, called ‘Remedi’ has been appointed by the Commissioner to provide, restorative justice interventions for victims for the period from February 2015 to March 2016. Staff recruitment and training, information sharing protocols, office set up and case transfer have all been completed by end of March. First meeting of the Nottinghamshire Restorative Strategy is to take place in early April 2015.

- Vulnerable People – the street triage team, supported by the Commissioner, continues to deliver exceptional results and the number of non-crime related arrests under section 136 have more than halved since its introduction.

- Restorative Justice (RJ) – The Commissioner has appointed restorative justice specialist ‘Remedi’ to provide RJ interventions from February 2015 to March 2016.

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

3.5 *Ensuring a High Quality Service*

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

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

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

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

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

3.6 *Ensuring Value for Money*

In times of austerity there is a great deal of focus on the "money" and how it is being spent. Following the Base Budget review in 2013 the Commissioner successfully challenged the regional budget managers to deliver further savings to their own budget areas. This means that no budget is protected; each element of expenditure must demonstrate that it is being used in the achievement of the police and crime plan and in doing this is the work being done at the most economic level.

The Commissioner has also commissioned specific pieces of work with partners and the third sector. Each commissioning agreement requires performance details and achievement goals. Similarly, the grant monies that are being allocated to community groups and the third sector also have a requirement to achieve performance aims linked to the Police and Crime Plan.
The Commissioner was also the Regional Chair from 1st April 2014 on the PCC Board, which; ensures regional activities continue to drive out further savings and improved working over the medium term financial period.

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

3.7 *Working Together*

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

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

Regionally the five PCC's and forces collaborate to ensure resilience and deliver value for money. This is done under Section 22 agreements.

In addition to the collaborations already in place the region has been successful in obtaining innovation funding from the HO for projects such as Body Worn Video, Virtual Courts, Interoperable Crime and Justice Platform and Rapid DNA technology.

Funding awarded in 2014-15 is worth more than £4.1m.

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

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

The work that had been done prior to 2014 ensured a smooth transition under the stage 2 transfer from "the Act".

3.8 *Ensuring High Standards of Conduct and Behaviour*

There are a number of ways that this is achieved:

- The Commissioner, Deputy Commissioner, Chief Executive and Chief Finance Officer have published declarations of interest on the OPCC website.
- Details of salaries and expenses claimed are also published on the website.
- A gifts and hospitality register is in place for all staff and members of the OPCC to record details of all offers made and this is reviewed annually.
- Members of the Joint Audit and Scrutiny Panel and staff attending the Strategic Resources and Performance meeting are required to make declarations of interest where appropriate and that these are formally minuted.
- Professional bodies codes of conduct, that staff have to comply with (e.g. Charted Institute of Public Finance and Accountancy) are part of what we do.

- A Complaints Procedure is in place for complaints against the Commissioner, Deputy Commissioner, staff and members in the OPCC and the Chief Constable.
- An Anti-Fraud and Anti-Corruption Policy is in place and reported on together with fraud returns annually to the Audit Commission.
- Financial Regulations are in place together with standing orders for Land and Property and Contracts.
- The Commissioner and Deputy Commissioners Code of Ethics.

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

3.9 *Decision Making Transparency*

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

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

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

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

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

The strategic risks of the OPCC are incorporated in the joint strategic risk register that is reported regularly to the Joint Audit and Scrutiny Panel. All significant public interest decisions are published on the Commissioners website.

3.10 *Developing Capacity and Capability*

Staff within the OPCC were directly transferred from the former Police Authority, bringing those skills with them. This structure was reviewed in 2013-14 and will continue to be assessed to ensure that the best possible service will continue to be provided.

The joint authorities CIPFA Graduate Trainee scheme has been seen as an international success and is being rolled out in Australia, Canada and other parts of the UK.

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

3.11 ***Engagement***

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

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

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

The Commissioner has met his commitment to establishing two Public Stakeholder Forums to allow stakeholders to have a direct influence and voice over policing priorities and how resources are allocated.

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

3.12 **OTHER ACHIEVEMENTS DURING THE YEAR:**

- **The Policing Estate:** in partnership with Nottingham City Council a new City policing base is being created at Byron House. This will also include the City's Community's protection team under the Auroa II partnership.

  This partnership working will also deliver significant revenue savings.

  Further consultation and work is ongoing in relation to Sneinton, Meadow, Eastwood and Mansfield Woodhouse.

  Co-location proposals are being developed for Retford. This follows successful arrangements in West Bridgford and Beeston.

- **Rural Crime Focus:** the Commissioner has hosted a meeting to highlight issues of rural and wildlife crime – with a commitment to tackle this issue. He supports the need for dedicated officers to tackle rural and wildlife crime and a conference is being planned for later in 2015.

- **PCSO Powers:** The Commissioner initiated the Home Office rethink on PCSO powers and changes were made within the Anti-social Behaviour, Crime and Policing Act 2014.

- **Victims Code:** The Commissioner and Deputy Commissioner have been influential in identifying the gaps in compliance with the code and ensuring that the Force delivers an action plan to address these gaps.

- **Mental Health:** The Commissioner, with the Nottingham Clinical Commissioners Group, has led the response to the Mental Health Concordate and Partnership commitment to implement the national action plan. Alongside the Chief Constable he has made a commitment that no young people or adults will be detained in custody as a place of safety from October 2015.

- **Armed Services Veterans:** Nottinghamshire leads the way on identifying veterans with mental health issues that may related to PTSS to ensure the right support is given.

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

4. REVIEW OF EFFECTIVENESS

4.1 The OPCC has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:

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

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

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

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

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

4.3 The Chief Finance Officer has had responsibility for reviewing and updating the Scheme of Delegation and Financial Regulations, during the year, to ensure they were fit for purpose and met the new requirements of the Act. The reviewed delegation and regulations have been approved by the Commissioner. These have been reviewed further by the Chief Finance Officer with the Chief Executive and the Deputy Chief Constable.

4.4 The internal auditors produce reports for the Joint Audit and Scrutiny Panel throughout the year and use this work to inform their annual assurance opinion in their annual report. For 2014-15 they have rated the assurance level as adequate. The internal audit annual report will be available on the website under the Audit and Scrutiny Panel meeting papers for June 2015.

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

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

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

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

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

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

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

4.12 During 2014-15 the National Audit Office also undertook a review aimed at the role and support of the Home Office, where Nottinghamshire was one of the pilot OPCC's included in the review. This report is due to be published in June 2015.

5. SIGNIFICANT GOVERNANCE ISSUES

FINANCIAL CLIMATE

5.1 The Comprehensive Spending Review (CSR) announced in December 2014 confirmed a further 20% at least of cuts up to 2019. An in year budget is to be announced in July 2015 which is expected to bring further cuts and probably in year cuts to the grant funding. The next CSR is expected in the autumn and it is anticipated that the new Government will be front loading the cuts required.

5.2 To date the Force has delivered savings on average of £10m per annum. The Medium Term Plan sees this continuing up to 2020 at least. Savings of £11.0m have to be achieved in 2015-16 and for 2016-17 this increases to £14.7m.

5.3 The achievement of the savings is getting harder year on year. In 2014-15 an additional £2.2m from reserves was required to deliver a balanced budget by the end of the year, making up for the shortfall on the savings target.

5.4 The Medium Term Financial Plan is approved by the Commissioner in February and is available on the website. It is updated during the year as significant changes emerge. These updates are also available on the website.

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

5.6 We are also limited in any other mitigation that we could take. Council Tax referendum limits are being set low and the freeze grant ceases in 2015-16.

5.7 We are further impacted by the localisation of council tax – the billing authorities in response to the Governments limited delegation, have made decisions that have significantly reduced the tax base estimates and therefore the amount to be raised through the precept. Similarly any further change to Partners funding is likely to have an impact on the Police and Crime budget or service delivery.

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

PERFORMANCE

5.9 During 2014-15, crime increased by 5.8% and ASB increased by 6.5%. However, since 2011-12 there have been 3,019 fewer incidents of ASB (-33.6%) and 4,962 less crimes (-6.4%).

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

5.11 The continued reduction in funding is now impacting on the number of Police Officers and PCSO's that we will be able to retain. To mitigate the impact on performance the force are in the process of delivering a redesigned police service, where non-warranted roles are being undertaken by civilians.

HUMAN RESOURCES

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

5.13 BME recruitment and retention to reflect the communities of Nottinghamshire will continue to be a cause for concern and the force positive action campaigns' will continue to be reviewed. The work to date has resulted in an increase of BME Police Officer recruitment (from 4.69% in 2013 to 15.62% in 2014).

5.14 A contingent liability has been identified within the statement of accounts relating to the application of regulations A19 during 2011-12. The full cost of this is unknown as each individual case has to be assessed and could take a few years to complete.

STAGE 2 TRANSITION

5.15 This has been successfully managed and the changes implemented.

INFORMATION GOVERNANCE

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

5.17 The Information Sharing Protocol between the Force and the Commissioner is in place.

FINDINGS FROM INTERNAL AUDIT AND OTHER EXTERNAL REVIEWS

Internal Audit

5.18 During the year Internal Audit has issued two "Red" Audit Reports and two high "Amber" reports, for partnerships, Code of Practice for Victims, Volunteering and Grants – Preventing Demand. Action plans are being put in place to address these issues as a priority.

5.19 The Force has also highlighted significant issues raised by the Internal Auditors, within the Information Management Audit Report, within its Annual Governance Statement and the plans to address this issue.

National Audit Office (NAO)

5.20 Nottinghamshire was one of the pilot authorities consulted in the NAO's review of the Home Office (HO). This report is due to be issued on 4th June and contains recommendations for all organisations working within the policing service (HO, College of Policing, CIPFA, Forces).

5.21 The most significant finding of the NAO is the lack of understanding demand at local levels and what drives this demand. There are examples of good practice in some areas which we should learn from.

5.22 The HO's lack of understanding of how its decisions impact at a local level is also highlighted within the report.

Her Majesty's Inspectorate of the Constabulary (HMIC)

5.23 During 2014/15 there have been 4 HMIC inspections which have identified significant governance issues for the force. These are:

- Valuing the Police
- Crime Inspection
- National Child Protection Inspection
- Police Integrity and Corruption

The Annual Governance Statement of the Force details the significant issues and action being taken to address them.

Nottinghamshire
POLICE & CRIME COMMISSIONER

ANNUAL ASSURANCE STATEMENT

2014-15

SIGNED:

Mr Paddy Tipping
Police and Crime Commissioner
24 September 2015

Mr Kevin Dennis
Chief Executive - OPCC
24 September 2015

Mrs Charlotte Radford
Chief Finance Officer – OPCC
24 September 2015

To be inserted

Glossary of Terms and Abbreviations –

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

Accounting Policies

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

Accrual

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

Actuarial Gain or Loss

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

Actuarial Valuation

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

Amortisation

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

Budget

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

Capital Expenditure

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

Capital Financing Requirement (CFR)

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

Capital Grant

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

Capital Grants Unapplied

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

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

Chief Constable of Nottinghamshire (Chief Constable or CCN)

Comprehensive Income and Expenditure Statement (CIES)

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

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

Current Service Cost (Pensions)
This calculates the increase in the present value of pension liabilities generated in the financial year by employees. It estimates the true economic cost of employment, earning service that will eventually entitle them to the receipt of a lump sum and pension when they retire.

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

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

Earmarked Reserves
These reserves represent monies set aside to be used only for a specific, “earmarked” purpose.

Emoluments
See remuneration below

Financial Year
The period covered by a set of financial Accounts – these accounts cover 1 April and finishes 31 March the following year.

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

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

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

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

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

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

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

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

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

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

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

Nottinghamshire Office of the Police and Crime Commissioner (The Commissioner)

Nottinghamshire Office of the Police and Crime Commissioner and its Group (The Group)

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

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

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

Police and Crime Commissioner (The Commissioner, PCC)

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

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

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

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

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

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

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

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

The Act
The Police Reform and Social Responsibility Act 2011.

The Code
The Code of Practice on Local Authority Accounting 2014-2015.

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

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