

|                           |                                       |
|---------------------------|---------------------------------------|
| <b>For Decision</b>       |                                       |
| <b>Public/Non Public*</b> | <b>Public</b>                         |
| <b>Report to:</b>         | <b>Joint Audit and Scrutiny Panel</b> |
| <b>Date of Meeting:</b>   | <b>November 2020</b>                  |
| <b>Report of:</b>         | <b>Chief Finance Officer</b>          |
| <b>Report Author:</b>     | <b>Charlotte Radford</b>              |
| <b>Other Contacts:</b>    | <b>Mark Kimberley</b>                 |
| <b>Agenda Item:</b>       | <b>7</b>                              |

## **FINAL STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENTS FOR 2018-19**

### **1. Purpose of the Report**

- 1.1 To provide members with a copy of the audited statement of accounts and annual governance statements for 2018-19.
- 1.2 The External Audit report will be inserted once it is agreed on today's agenda.

### **2. Recommendations**

- 2.1 Members are requested to:
  - Having examined the statements provided to recommend the accounts and governance statements to the Police & Crime Commissioner for approval.
  - Also recommend the accounts and governance statements to the Police & Crime Commissioner and Chief Constable for signing.

### **3. Reasons for Recommendations**

- 3.1 This complies with the Accounts and Audit regulations and good financial governance.

### **4. Summary of Key Points**

- 4.1 The attached statements provide a fair view of the financial position of the Chief Constable, Police & Crime Commissioner and group as a whole.
- 4.2 The statements of the Chief Constable show the cost of policing and provision of services to deliver the Police & Crime Plan.
- 4.3 The Group accounts also include the financial statement relating to the Office of the Police & Crime Commissioner.
- 4.4 These accounts represent fairly the financial position of the Group and its individual entities.

## **5. Financial Implications and Budget Provision**

5.1 None as a direct result of this report.

## **6. Human Resources Implications**

6.1 None as a direct result of this report.

## **7. Equality Implications**

7.1 None as a direct result of this report.

## **8. Risk Management**

8.1 These accounts have not been published within the timescale required by legislation. Reasons for this have been documented at previous meetings and the potential impact on the 2019-20 statements being produced on time remains a risk.

## **9. Policy Implications and links to the Police and Crime Plan Priorities**

9.1 This complies with the Financial Regulations which underpin the achievement of all Police & Crime Plan priorities.

## **10. Changes in Legislation or other Legal Considerations**

10.1 This complies with the current Accounts and Audit Regulations in that the accounts and their audit are finally complete.

## **11. Details of outcome of consultation**

11.1 The draft accounts were made available for public inspection and published on the websites for comment.

## **12. Appendices**

A – The Chief Constables Statement of Accounts 2018-19  
B – The OPCC and Group Statement of Accounts 2018-19

# Statement of Accounts 2018-19

## The Chief Constable of Nottinghamshire



NOTTINGHAMSHIRE  
**POLICE**  
PROUD TO SERVE





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## CHIEF FINANCE OFFICER'S NARRATIVE REPORT



### NOTTINGHAMSHIRE

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

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

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

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

The Police and Crime Commissioner determines the level of funding allocated to the Chief Constable for the provision of police services within Nottinghamshire.

The amount of funding available for distribution by the Commissioner is reliant on both Central Government funding and the amount received from local Council Tax payers.

The amount received from Central Government is reducing in real terms year on year, which creates the need for the Commissioner to raise Council Tax by the maximum amount available to ensure real term spending power is not reduced.

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

### GOVERNANCE

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

This responsibility is discharged in accordance with statutory requirements, the Oath of Police Officers, the Police Discipline Code, Police Regulations and the Scheme of Delegation.

There is joint responsibility with the Commissioner for ensuring that public money is safeguarded. To discharge this accountability the Commissioner and senior officers must put in place proper procedures for the governance and stewardship of the resources at their disposal.

## Our Priorities

Engage our  
Communities

Create a Service that  
Works for Local People

Become an  
Employer of Choice

## Our Mission Statement

**'Working with partners and the communities we serve to make Nottinghamshire a safe, secure place to live, work and visit'**

## PERFORMANCE

The Force has a dedicated workforce of around 3,600 Officers and Staff, who are supported by a growing army of hundreds of special constables, cadets and volunteers.

Local policing is complemented by a range of support units and departments that operate across the Force. These include the control room, where staff answer 999 and non-emergency telephone calls, our roads policing section, criminal justice, crime investigation, force intelligence, our dogs section, the forensics officers who work in our scientific support unit and the team that plans for major events and emergencies.

The graphic on the next page demonstrates a 'typical' day in the life of Nottinghamshire Police Force.

### Achievements 2018-19

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

We are an early adopter of an Apprenticeship entry scheme for police officers. This has enabled us to recruit to a wider audience of candidates which has resulted in apprentice cohorts being far more representative of the local community.

Deployment of a specialist digital forensic examiner & equipment enabling early identification and proportionate seizure of exhibits.

The Knife Crime Team (KCT) was created in 2016, the first and only one outside of the Metropolitan Police. Whilst nationally knife crime has seen an increase of 14%, the Nottinghamshire increase of 11% is below the national average.

We have also processed more hate crime offences for finalisation through to the CPS than any other East Midlands Police Force.

The Digital Investigations Unit has established four Force networked kiosks at strategic locations around the Force. This places an operational capability to review digital data held on devices in the hands of frontline operators and significantly increases the volume and speed of such investigations.

Work on Operation Equinox, the review and investigation of historic sexual abuse cases, saw the local review by the Independent Inquiry into Child Sexual Abuse (IICSA) take place. This work however continues and has been further developed to meet current and future needs.

The control room has increased staffing levels, moved to predictive workload shift patterns, added Interactive Voice Response, and widened the pool of 101 call handlers to include front counter staff. This investment has seen answering times halve to 30 seconds and call abandonment rate dropping from over 12% to less than 2% (January 2019).

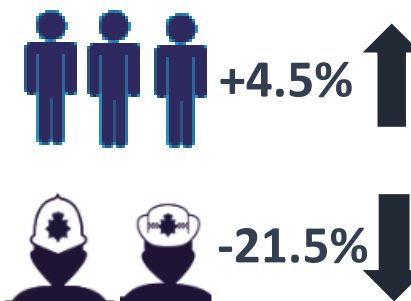
# A typical day in Nottinghamshire Police



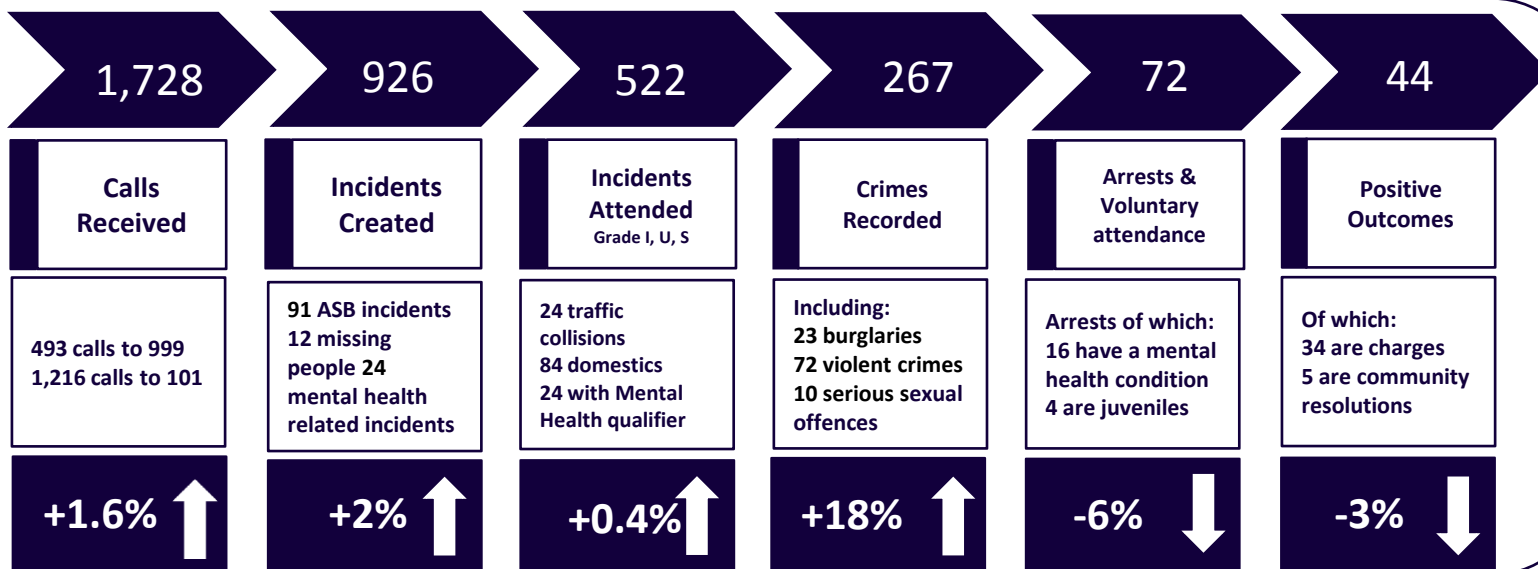
NOTTINGHAMSHIRE  
**POLICE**  
PROUD TO SERVE



- The population of Nottinghamshire is 1,135,992 people
- Nottinghamshire Police has 1,941 FTE officers
- Across Nottinghamshire there is approximately one police officer for every 585 members of the public at any one time
- Since 2010, officer numbers have fallen while the population of Nottinghamshire has risen



## Incoming daily demand



## On-going demand

As well as responding to the public, proactive work is taking place to safeguard the public, including:

- Supporting 1,522 domestic abuse survivors at the Multi-Agency Risk Assessment Centres
- Managing 1,642 sexual and violent offenders under Multi Agency Public Protection Arrangement
- Supporting 2,975 children and young people subject to a Child Protection Plan
- Supporting 2,968 priority families in the City of Nottingham, 29% of which have ASB or Domestic problems
- Carrying out 5 stop and searches, with a 34.2% positive outcome rate

## FINANCIAL PERFORMANCE

The provisional outturn for the Force is £189,043k which is an overspend of £834k against the original budget. Year on year the Force expenditure has increased by £6,123k or 3.3% from £182,920k.

A transfer from reserves of £1.4m was made by the Police & Crime Commissioner to support the additional cost incurred as a result of the delay in implementing the system upgrade to Oracle Cloud Applications. The total cost to the Force of the delay was over £2m. Without this the overspend would have been higher.

Overall this has resulted in the Forces repayment to reserves being less than expected. This will require adjustment in future budgets.

Improvements to monitoring processes continue to develop, with the outturn is reviewed monthly. Any changes are reported to the chief officer team with requests for the approval of virements. The rolling five year planning model is updated if future years are impacted. The actual outturn was in line with previous monthly monitoring.

Overtime spend continues to be an issue and with effect from April 2019 new approval processes will be implemented in order to ensure greater control in future years.

Performance over previous years has been:  
2015-16 an overspend of £7.7m  
2016-17 an underspend of £1.0m  
2017-18 an underspend of £2.5m

The medium term financial plan assumptions have been adjusted accordingly to reflect this performance.

### 2018-19 Expenditure v Budget Analysis

#### Employee Costs

##### Police officer pay

This was £101,245k for the year which was an overspend of £380k against the budget and a year on year increase of £2,640k or 2.7%, partially reflecting the increased number of Police Officers employed in year.

This position results from a decision to bring cohorts in earlier than the original budget phasing.

However in-year attrition rates reduced significantly which prompted a decision to delay recruitment in the remaining part of the year.

Although this action ensured final numbers were in line with the budgeted number, the fewer number of new recruits and

corresponding higher number of experienced officers has a higher pay cost.

The actual closing position of officers was 1,941 FTE's which was 1 FTE above the original budget.

##### Police staff pay

This was £40,615k for the year, which was an overspend of only £54k against the budget; but a reduction year on year of £593k or 1.4%. The overspend was due to reduced turnover.

##### PCSO pay

This was £6,042k for the year, which was an under spend of £593k against the budget; but an increase year on year of £57k or 1.0%. During the year 10 new PCSO's were recruited, and at the end of March 2018 there was 177 FTE's which was 30 FTE's less than budgeted.

Total Police staff (including PCSO's) at the end of March 2019 was 1,336 FTE's which was 59 FTE's below budget.

##### Overtime

This was £5,610k for the year, which was an overspend of £1,499k against the budget; but only an increase of £82k or 1.5% on last year.

## FINANCIAL PERFORMANCE (continued)

The main drivers of the overspend were:

- Op Palmitate at £250k
- Increased number of firearms discharged resulting in Officers being called in at short notice
- OS at £338k which is mainly offset within income from the ARV uplift fund
- Seconded and externally funded officers/staff of £109k which has been offset by income
- City, County & SOC at £604k driven by costs within CID due to more and complex local investigations
- Higher summer demand within response
- Higher levels of Custody overtime at £136k. However there are now firm plans in place fill sergeant vacancies in the establishment which will prevent this excess overtime from continuing into 2019-20

### Other employee costs

This was £2,390k for the year, which was an overspend of £341k against the budget. The overspend is due to additional training needs and redundancy/pension strain payments.

### Premises Costs

Premises costs was £6,462k for the year, which was an overspend of £589k against the budget.

The over spend is largely due to a backlog of historic utility invoices being processed and actual costs being greater than reserves. In addition inflation in year was higher than expected, reflecting a volatile market subject to national and international influences.

Maintenance costs have also shown an increase as buildings are reconfigured/age.

### Transport Costs

Transport costs was £5,650k for the year, which was an overspend of £341k against the budget. This was largely due to vehicle repairs £124k, increase in fuel costs £143k, and an increase in vehicle insurance £48k. Some increases in repair costs were off-set by increased income from insurance claims.

### Comms & Computing

Comms & computing costs were £7,536k for the year, which was an underspend of £729k against the budget.

This reflects savings as a result of rationalising systems that are no longer required.

The Home Office have also revised their charges during 2018-19 resulting in a saving.

Capital funded refreshes and replacements have reduced the need for ad-hoc replacement expenditure.

### Supplies & Services

#### Other supplies & services

This was £5,404k for the year, which was an overspend of £776k against the budget.

Costs shared with Northamptonshire Police in respect of MFSS Oracle Cloud Application developments were £198k higher than expected due to a delayed implementation date. Costs of vehicle recovery have also increased, but this will be off-set with £199k of additional income.

## FINANCIAL PERFORMANCE (continued)

### Custody costs and police doctor costs

This was £1,513k for the year, which was an overspend of £76k against the budget. Main reasons are higher than budgeted clothing and consumable costs and the re-alignment of police surgeon costs between the Sexual Assault Referral Centre (SARC) and Custody.

### Forensics & investigative costs

This was £1,931k for the year, which was an underspend of £154k against the budget. This was largely due to savings on translators.

### Partnerships & Collaborations

Collaboration contribution costs was £11,386k for the year, which was an overspend of £1,764k against the budget.

This is largely due to increased costs of implementing Oracle Cloud Applications of £1.7m this been partially funded from a reserve contribution in year of £1.4m, shown as income from the OPCC.

### Capital Financing

Capital financing was £3,801k for the year, which was an underspend of £339k against the budget. This saving is due to lower interest charges of £153k as a result of reduced borrowing; and a reduction in the Minimum Revenue Provision (MRP) of £186k as a result of the actual 2017-18 capital spend being lower than the budgeted assumption.

### Income

Income for the year was £17,495k, which was £3,141k above budget. This is broken down as follows approximately:

The £3,141k of additional earned income was largely due to:

- £1,400k contribution from reserves to off-set Oracle Cloud Applications costs
- £199k Vehicle recovery
- £149k Apprentice officer training
- £94k Insurance monies received
- £185k Investment interest

- £228k Mutual Aid
- £450k ARV income (off-set by costs within overtime and training)
- £108k Border agency training
- £132k Body Worn Video grant Income

### Efficiencies

An ongoing efficiency target of £300k from non-pay costs were set as a target to achieve within the 2018-19 financial year.

A specific target of £50k was set in respect of forensic costs and £35k was actually achieved.

£250k was the target for other procurement activities and £295k was achieved.

Overall £330k efficiencies were achieved, £30k above target. These efficiencies are included in the above spending analysis.

## FINANCIAL PERFORMANCE (continued)

### 2019-20 Budget Breakdown

The proposed revenue budget for 2019-20 is £201.4m as detailed below:-

| Net Expenditure Budget                | 2019-20<br>£m |
|---------------------------------------|---------------|
| Employee                              | 170.6         |
| Premises                              | 5.8           |
| Transport                             | 5.7           |
| Communications & Computing            | 9.0           |
| Supplies & Services                   | 10.6          |
| Partnership & Collaborations          | 11.5          |
| Capital Financing                     | 4.6           |
| Income                                | (13.1)        |
| Efficiencies (not allocated in above) | (3.3)         |
| Net use of reserves                   | 0.0           |
| <b>Total Net Expenditure</b>          | <b>201.4</b>  |



**Craig Guildford**  
**Nottinghamshire Chief Constable**

## OUTLOOK

Due to austerity measures the Government has made significant reductions in public sector finances over recent years; however it has now signalled that the end to austerity is in sight and further reductions in spending powers are not expected.

The annual real term reduction of over £50m since 2010 will remain, placing the need for efficiencies central to our plans to invest in front line policing.

In 2018-19 improved medium term budgeting and continued efficiency drives coupled with additional Council Tax Funding allowed for investment in front line policing, with a plan to repay reserves used in previous periods.

In 2019-20 more additional funding, created as a result of Council Tax increases agreed by the PCC, will ensure that Officer and Staff numbers are further increased.

All additional precept funding is being invested in 80 additional Police Officers in 2018-19, and a further 40 additional Officers in 2019-20 with efficiency measures being used to fund inflationary pressures like pay awards.

This, along with plans being developed to reduce the number of supervisory roles, will deliver over 140 additional front line Police Officers by the end of 2019-20.

A review of the Reserves Strategy has been undertaken by the PCC and, based upon current plans which include the continued delivery of operational efficiencies and improved budget management, it is expected that reserves will be able to be utilised in the future to support capital expenditure plans.

This investment will deliver new efficient buildings that will be fit for the future, are more energy efficient and will also deliver on-going revenue savings.

Annual Departmental Assessments and Reviews will be the mechanism to deliver further efficiencies. The aim is to ensure our support costs are amongst the most cost effective when compared to other police forces. Latest VFM profiles show that this ambition is being realised.

Sufficient on-going review and risk management is in place such that if

funding levels anticipated are not forthcoming then delivery of the minimum policing model is achievable in a time frame that does not jeopardise the minimum sustainable policing level.

Plans in respect of IT Strategy, property maintenance and demand profiles are being further developed and work to further refine our knowledge and financial estimation in these aspects continues.

The Annual Budget, Operational Models, and the Medium Term plan are sufficiently robust to ascertain that policing in Nottinghamshire is **above** the levels required to provide an adequate police service and that the Force is sufficiently resourced to ensure this on an on-going and sustainable basis.

## WHO WORKS FOR NOTTINGHAMSHIRE POLICE

Nottinghamshire Police (including the Office of the Police and Crime Commissioner) employs approximately 1,981 Police Officers, 185 PCSOs, 199 Specials and 1,271 Staff in full-time and part-time positions.

Active recruitment plans for 2019-20 include positive action to improve the diversity and reflect more closely that of the County.

Nottinghamshire pay an apprenticeship levy equating to 0.5% of the total pay bill.

This can be utilised to pay for apprenticeship training and to accredit specific specialist roles to a professional standard, including degree level. During 2018-19 Nottinghamshire Police introduced one of the first apprentice entry Police Officer routes into the Force, in association with Derby University.

This will allow us to focus on areas of skills shortage and future skills growth areas.

### Overall Equality Characteristics

| Gender | Headcount | %     |
|--------|-----------|-------|
| Male   | 2,027     | 55.75 |
| Female | 1,609     | 44.25 |

| Age Band     | Headcount | %     |
|--------------|-----------|-------|
| 25 and under | 386       | 10.62 |
| 26-40        | 1,456     | 40.04 |
| 41-55        | 1,499     | 41.23 |
| 56 or over   | 295       | 8.11  |

| Self-Declared Disability | Headcount | %     |
|--------------------------|-----------|-------|
| No                       | 3,415     | 93.92 |
| Yes                      | 152       | 4.18  |
| Unspecified              | 69        | 1.90  |

| Ethnicity           | Headcount | %     |
|---------------------|-----------|-------|
| Asian/Asian British | 103       | 2.83  |
| Black/Black British | 41        | 1.13  |
| Mixed               | 54        | 1.49  |
| White/White British | 3,326     | 91.47 |
| Other               | 8         | 0.22  |
| Not known/provided  | 104       | 2.86  |

## PRINCIPAL RISKS

A risk management strategy is in place to identify and evaluate risk. There are clearly defined steps to support better decision making through the understanding of risk, whether a positive opportunity or threat and the likely impact. The risk management processes are subject to regular review and updates. The key strategic notes are:

| RISK                                           | IMPACT                                                                                                                                                  | MITIGATION                                                                                                                           |
|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| Changes to crime types                         | The need for Officers to be trained in new areas of growing crime such as on-line crime. Whilst continuing to manage traditional crime such as burglary | Recruitment and training of officers with these skills                                                                               |
| Brexit                                         | Detrimental impact of Brexit on public sector funding<br><br>Management of any transition/public order issues                                           | Monitoring of national activity by Government<br><br>Force planning led by ACC                                                       |
| Funding formula /Comprehensive Spending Review | Could result in a positive or negative impact on the amount of Force funding                                                                            | Development of a scalable Medium Term operational plan<br><br>Identification of a minimum policing model                             |
| Multi Force Shared Services (MFSS)             | Could result in increased costs to Force<br><br>Next steps after current contracts expire in 2022                                                       | Project to review and formulate future options and challenge current activity                                                        |
| Collaborative activity                         | Value for money                                                                                                                                         | Continued review/challenge to ensure the Force continues to engage in collaboration where it adds value to the Force and communities |

| Explanation of Accounting Statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | The Core Statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | The Supplementary Financial Statements                                                                                                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Statement of Accounts sets out the Chief Constable's income and expenditure for the year and its financial position at 31 March 2019. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accountancy in the United Kingdom 2018-19; which in turn is underpinned by International Financial Reporting Standards.</p> <p>A glossary of terms can be found at the end of this publication.</p> <p>Figures in these accounts are rounded appropriately, generally to the nearest £1,000. Due to this there may appear to be minor inconsistencies or apparent arithmetic errors.</p> | <ul style="list-style-type: none"> <li>• <b>The Comprehensive Income and Expenditure Statement</b><br/>This records all income and expenditure for the year.</li> <li>• <b>The Movement in Reserves Statement</b><br/>This is a summary of the changes to reserves during the course of the year.</li> <li>• <b>The Balance Sheet</b><br/>This is a “snapshot” of the assets, liabilities, cash balances and reserves at the year end.</li> <li>• <b>The Cash Flow Statement</b><br/>This shows the reasons for changes in cash balances.</li> </ul> | <ul style="list-style-type: none"> <li>• <b>The Notes to the Accounts</b><br/>These provide more detail about the accounting policies and individual transactions.</li> </ul> |

## INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR NOTTINGHAMSHIRE

To be provided by EY



## STATEMENT OF RESPONSIBILITIES

### The Responsibilities of the Chief Constable

The Chief Constable is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Chief Constable has designated this undertaking to the Chief Finance Officer (CFO).
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- Ensure that there is an adequate Annual Governance Statement.
- Approve the Statement of Accounts.

### The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Statement of Accounts in accordance with proper accounting 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 Chief Constable as at the accounting date and its Income and Expenditure for the year ended 31 March 2019. In preparing the accounts the CFO has:

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

### Certification

I certify that in my opinion this Statement of Accounts present a true and fair view of the financial position of the Chief Constable as at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

**M. Kimberley, CPFA**  
Chief Finance Officer Nottinghamshire Police  
27 November 2020

### Approval

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

27 November 2020

**C. Guildford**  
Nottinghamshire Police Chief Constable

27 November 2020

# Nottinghamshire Police

## Annual Governance Statement 2018-19



### 1.0 Introduction

#### 1.1 Scope of responsibility

Nottinghamshire Police is responsible for ensuring that its 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. The Force 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.

In discharging this overall responsibility, Nottinghamshire Police (hereafter referred to as the Force) is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Chief Constable of Nottinghamshire Police and the Police and Crime Commissioner (PCC) for Nottinghamshire have adopted a Joint Code of Corporate Governance, which is consistent with the principles of the CIPFA 2016 Edition Framework 'Delivering Good Governance in Local Government'. A copy of the Code of Governance can be obtained from the Nottinghamshire Office of Police and Crime Commissioner (NOPCC) website at <http://www.nottinghamshire.pcc.police.uk>.

This Statement has been prepared following an assessment of the key elements of the governance framework, including the role of those responsible for the development and maintenance of the governance environment. The statement explains how the Force has complied with the Code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

#### 1.2 The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Force is directed and controlled and the activities through which, it accounts to and engages with the community. It enables the Force to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

## 2.0 The governance framework

The principles which form the basis of the governance framework and how they are applied within the Force are described in the following sections. The Chief Constable and Chief Finance Officer have put in place management and reporting arrangements to enable them to be satisfied that the approach to the corporate governance arrangements have been effective and supports the aims of the OPCC, these include:

- The Governance Framework and the principals included within this
- A Risk Management Strategy and arrangements to embed this within the organisation
- The Scheme of Delegation
- The Financial Regulations
- Contract Standing Orders
- The PROUD values

This list is not exhaustive but covers the main documents that set the culture of the method of operation of governance within the organisation.

### 2.1 Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, respecting the rule of the law

- All Officers, Staff and Volunteers are committed to the Code of Ethics, which sets out the principles and standards of behaviour expected from policing professionals. They are built on the Nolan Principles for Public Life with the addition of 'Fairness' and 'Respect'.
- The Force has established its own PROUD values which are explicitly linked to the Code of Ethics.
- The Force continually reinforce the Code of Ethics and expected standards of professional behaviour; guidance and advice is sent to Officers and Staff using a combination of intranet articles and the Chief's fortnightly video blog.
- The Code of Ethics sits at the centre of the National Decision Model, so is explicitly referenced and considered in any decision making situation.

- Student Officers receive a copy of the Code of Ethics on day one of their training and receive an input from PSD regarding ethics and values. Throughout training many of the subjects are linked back to the Code and integrity.
- The Force have embedded the College of Policing's Competency Values Framework (CVF) which sets out nationally recognised behaviours and values into the Leadership Programme.
- The Force refer to the Home Office Guidance in relation to Police Officer Misconduct for procedures relating to misconduct, unsatisfactory performance and attendance of Police Officers and Special Constables.
- The Police Staff Misconduct Policy provides a clear framework for all Police Staff in terms of expected standards of conduct and professional behaviour and the likely consequence of failure in meeting those standards.
- There are clear processes in place around confidential reporting 'whistleblowing' outlined in the Professional Standards Reporting Procedure. Staff are also able to report breaches confidentially to PSD.
- There are robust mechanisms in place with respect to the governance of complaints in Force. Complaints are managed in accordance with statutory guidance provided by the Independent Office for Police Conduct (IOPC).
- The Force has dedicated local resolution sergeants, embedded within local policing. Their purpose is to deliver learning from complaints back to the workforce thus creating a learning culture rather than a punitive one. Guidance around local resolutions is available on the intranet.
- Assurance reporting is submitted to the Joint Audit and Scrutiny Panel (JASP) on a regular basis relating to complaint recording and the nature of complaints.
- Bi-annually, a report on IOPC investigations is presented at the JASP to inform the OPCC of the Force's application of the IOPC Statutory Guidance.
- Standards are governed by the quarterly Organisation Risk, Learning, Standards and Integrity Board, chaired by the Deputy Chief Constable (DCC). Its remit is to provide a forum to discuss key areas of learning and identify emerging strategic opportunities and risks, whilst monitoring compliance with Force values.
- In the 2019 Her Majesty's Inspectorate of Constabulary and Fire and Rescue (HMICFRS) PEEL Inspection the Force were deemed to be 'good' in respect of 'How legitimately the Force treats the public and its workforce'.

- In an effort to ensure consistency and fair practice, the Professional Standards Department (PSD) are now responsible for monitoring Staff conduct. This allows parity on how cases are assessed; ensuring Staff and Officers are treated fairly and respectfully.
- All gross misconduct hearings are now held in public and the outcomes are published on the Force website.
- An Ethics Board has been established to consider and discuss ethical issues in an advisory and consultative capacity. It consider issues raised at the Organisational Risk and Learning Board and any issues which are referred from Officers, Staff or external groups.
- A procedure is in place for the monitoring of business interests and additional employment for Police Officers and Police Staff.
- Business Interests, Additional Employment and Notifiable Associations are reviewed annually within the Integrity Health check, this forms part of the PDR process.
- The Force have developed a matrix to assess the risk posed by reported notifiable association, this assists the Force in identifying those of greatest risk to the integrity of the Force.
- A Statement of Personal and Pecuniary Interests is completed as part of the Annual Governance Statement process by Chief Officers.
- A Register of Refused and Approved Business Interests is published on the Force website biannually; any changes are reported on a monthly basis to the Organisational Risk and Learning Board.
- A record of gifts gratuities and hospitality is published biannually on the Force website.
- The Chief Constable will ensure that financial affairs for their Force are properly administered having regard to value for money, probity, legality, and appropriate standards, with particular reference to the Financial Regulations and contract standing orders agreed by the PCC as set out in Part B of Joint Code of Corporate Governance and Working Together document.
- There are documented processes and controls in place around the Prevention of Fraud and Corruption in the Procurement Process to mitigate risks in relation to procurement fraud.
- The Force is compliant with the CIPFA statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2012), as per the CFO job description.

## **2.2 Principle B: Ensuring openness and comprehensive stakeholder engagement**

- The Office of the Police and Crime Commissioner (OPCC) is accountable to local people and draws on this mandate to set and shape the strategic objectives for the Force area in consultation with the Chief Constable, taking into account the Strategic Policing Requirement.

- The Force have made a commitment to listening and engaging with communities and our partners to inform areas of focus and activity as part of the Neighbourhood Policing Strategy 2018.
- Consultation and engagement undertaken with local residents and business communities forms part of key decision making processes. Formal engagement mechanisms delivered in the community include Victim Satisfaction Surveys, Neighbourhood Watch Meetings, Neighbourhood priority surveys, Locality Boards, Neighbourhood engagement meetings, Key Individual Networks and Independent Advisory Groups.
- The Force Engagement Strategy is being revisited as part of the modernising Neighbourhood Policing Agenda.
- New Community Profiles are being developed to ensure a better understanding of local communities and from this Neighbourhood Police Inspectors (NPIs) have developed bespoke community engagement plans to ensure more effective and targeted community engagement.
- The Force has a strategic Independent Advisory Group (IAG) which represents different community groups across Nottinghamshire. They provide a service to the Force in three core areas; critical incidents, building trust and confidence and advising on strategies, policies and procedures. The Force has a many systems in place for the collection of local survey information that is used to shape the direction of service delivery.
- In accordance with the Freedom of Information (FOI) Act, the website is updated pro-actively with Force information in a FOI Disclosure Log. This ensures transparency and encourages increased confidence from and accountability to the public and stakeholders.
- Publication scheme monitoring, review and assurance is reported to the Joint Audit and Scrutiny Panel on an annual basis to provide a current Force position on the Publication Scheme Requirements. This report along with all other JASP reports are available to view on the OPCC website.
- The Force contributes to the OPCC's Annual Report to provide assurance on what has been delivered against the Police and Crime Plan.
- There are strong governance processes in place for the City partnerships. Each of the partnerships under the One Nottingham umbrella, including the Crime Drugs Partnership (CDP), have clear terms of reference including a defined purpose, arrangements for information sharing, community engagement, governance and finance.
- The CDP Plan 2015-20 sets out the overall aims and delivery and performance framework of the partnership to deliver the 'safer' agenda of the 'Nottingham Plan to 2020'. The Partnership Plan has been developed with regard to the priorities of the Police and Crime Commissioner.

- There is a robust governance framework in place to oversee the delivery of the Plan. This is directed by the Partnership Board, which provides strategic governance of the partnership.
- The three statutory Community Safety Partnerships (CSPs) are responsible for the delivery of local community safety strategies and action plans. The Safer Nottinghamshire Board (SNB) Delivery Groups support the SNB and CSPs to implement the community safety strategies.
- Each of the three CSPs in the County produces performance information on a monthly basis. This includes reporting on current performance against targets, comparison against most similar force peers and performance of Partnership Plus areas. The SNB Performance Group brings together the CSP Chairs to discuss performance risks and highlights.
- Section 22A of the Police Act 1996 provides for a collaboration agreement to be made between Police and Crime Commissioners or between Commissioners and Chief Officers from more than one Force area. There are a range of established collaborations in place for a number of specialist front line policing operations that provide services across the Midlands region, including Nottinghamshire. These arrangements are reviewed on a regular basis by respective Chief Constables and Police and Crime Commissioners.
- Operational Support was established in Force in May 2018 following withdrawal from EMOpSS.
- An annual Extraordinary Force Executive Board (E-FEB) is held which is attended by senior internal and external stakeholders, including the City and County Council to provide an open forum for decision making regarding business change proposals for the forthcoming financial year and beyond.

### **2.3 Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits**

- The Police and Crime Plan sets out the vision, values, strategic priorities and outcomes together with a performance framework in line with requirements under the Police Reform and Social Responsibility Act 2011.
- At a national level, the Force work to the SPR which is issued by the Home Office to articulate current national threats and the appropriate national policing capabilities required to counter those threats.
- The Police and Crime Plan is informed by the Police and Crime Needs Assessment (PCNA) which is used as a planning and priority setting tool. The document highlights key trends, issues, risks and threats in the crime community safety and criminal justice environment.
- The Force take an active part in working with the OPCC to refresh the Police and Crime Plan delivery plan each year in order to set out what activities will be undertaken to deliver the PCC's key strategic priority themes. Activities are broken down into further operational detail in the Force Delivery Framework.

- The strategic priorities set out in the Police and Crime Plan are aligned to the Force's Annual Departmental Assessment (ADA) business planning process.
- A report is submitted on a frequent basis to the Police and Crime Panel to provide an update against each of the strategic priority themes, this is made available on the Nottinghamshire County Council website.
- A Performance and Insight Report is provided to the Strategic Resources and Performance Meeting on a bimonthly basis to ensure that the Police and Crime Commissioner is aware of current performance in line with the strategic priority themes, as set out in the Police and Crime Plan.
- Collaboration agreements are in place to outline how business will be undertaken jointly in order to reduce cost, increase capability, and/or increase resilience to protect local people.
- All activity in response to audit and inspectorate recommendations is monitored via 4Action, an action management system. Progress against activity is reported to the Joint Audit and Scrutiny Panel on a quarterly basis.
- A Medium Term Financial Strategy builds on the proposed budget for 2019-20 and incorporates plans to meet changes in available financing with the need to meet current and future commitments.
- A regular capital report is provided to the Force Executive Board (FEB) and OPCC to provide an update on the Force's budgetary position and also to comply with good financial management and Financial Regulations. This is reviewed and updated regularly to remain adaptable for future requirements.
- An Equality Impact Assessment is undertaken to help the organisation to assess the likely positive and negative impact of changes on staff, service users, partners or communities.

#### **2.4 Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

- There is a robust planning cycle in place which incorporates partnership, Force and OPCC strategic assessments, public consultation, refresh of the Police and Crime Plan and the Force Delivery Framework, departmental planning via Annual Departmental Assessments (ADAs) and review and update of the Medium Term Financial Strategy.
- The Force produces an annual strategic intelligence assessment which outlines the capacity and capability to meet its greatest threats including those outlined in the strategic policing requirements.
- The Medium Term Financial Strategy is a live document to facilitate the demands and changes that can occur within the Police so that we can remain on the front foot operationally. The budgeting and long term planning process is intrinsically linked to the business planning cycle to create a joined up approach identifying opportunities and risks that are present and on the horizon.

- HMICFRS 2019 PEEL Report recommended that the Force should improve its approach to planning within Information Services to ensure there is a clear vision and direction which links to operational planning. This is being addressed as an area for improvement.
- Each Head of Department completes an ADA as part of the annual planning cycle. The ADA is a planning tool used to assess current structure, processes and cost in light of the current operating context. Options for change are proposed which are aligned to the Strategic Priority Themes.
- Budget meetings with departmental heads take place following E-FEB to ensure future budgets account for any project savings or spend within the department.
- Business change remains responsive to threats and opportunities which present themselves throughout the year as part of the risk management process.
- Where a change proposal is approved at E-FEB, a comprehensive analysis of approved change proposals are progressed in the form of an options appraisal (business case) which is presented at the Futures Board for decision. The business case will indicate how intended outcomes would be achieved and any risks associated with those options.
- Business change continues to be assessed according to viability and desirability throughout the project lifecycle. Governance is flexible and responsive so that outputs can be adapted to changing circumstances.
- Projects have clearly defined benefits which are identified at business case stage, updated through project delivery and reviewed following closure of the project to ensure benefits are realised. Benefits are linked to the Strategic Priority Themes.
- Decisions for change are, in part, informed by the HMICFRS' Value for Money (VfM) Profile, which is published on an annual basis. The Force benchmarks its functions against others in its Most Similar Group (MSG) to determine whether VfM is being achieved.
- All business change is governed according to the Force Corporate Portfolio Management Office (PMO) Framework and Guidance which sets out in detail the governance framework, roles and responsibilities and project management methods in order to plan, delegate, monitor and control all aspects of the business change portfolio.
- The business change governance framework provides a robust reporting structure, which includes project boards, the Futures Board and the FEB. The framework ensures that oversight and scrutiny is carried out by the relevant authority in a proportionate manner, providing assurance that decisions are open and accountable and that public money is spent wisely.

- Decision making is recorded as part of minutes, action plans and decision logs. Key decisions from FEB are published on the Force Intranet under 'News'. This ensures the force's decision making processes are transparent.
- A forward plan is maintained to outline what information is required for each strategic meeting, the SRO and expected timescales.

**Area for improvement:** The Force should ensure that planning in Information Services is more closely aligned with strategic and operational planning and is able to optimise intended outcomes.

## 2.5 Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

- The DCC chairs a Strategic Workforce Planning and Training Priorities Meeting. The purpose is to provide strategic overview and direction in regards to workforce planning, including establishment levels, workforce mix, skills and capabilities. The meeting also has the remit of determining and prioritising training and learning activities to ensure they are aligned to business and workforce planning.
- HMICFRS recommended within the 2019 PEEL Inspection Report that the Force needs to understand fully its workforce capabilities, to identify any gaps, and put plans in place to address them. This is being addressed as an area for improvement.
- The PDR process has recently been relaunched. Each individual will have three objectives linked to the Force strategic priorities, alongside three personal objectives, linked to the individuals own area of work and associated development. Compliance has been below expectation, this is being addressed as an area for improvement; going forward it is recommended that management information is made available to ensure completion.
- Individual training and development needs are assessed as part of the PDR process.
- A standard induction programme is in place for student Officers. Staff induction is tailored to the role and department to which the individual is recruited.
- The Force has embedded the CVF which aims to support all policing professionals, setting out nationally recognised behaviours and values. The six competencies and four values of the CVF are embedded into the Force's leadership development programme.
- The leadership development programme invests in the development of first and second line supervisors, it is also complemented by coaching, mentoring and 360 degree feedback.
- Officers and Staff progressing to a senior leadership are encouraged to undertake a 360 review to enable them to consider their own effectiveness as future leaders and identify areas for personal development.

- The NOPCC and Force operate under a comprehensive 'Joint Code of Governance and Working Together Agreement' which comprises of the scheme of consent, the Joint Code of Corporate Governance, Financial Regulations and Contract Standing Orders.
- The roles and authorities of the PCC, the Chief Constable and their respective officers are set out in the Joint Code of Corporate Governance and Working Together document. The document outlines how the parties will work together in cooperation to ensure that effective and efficient delivery of policing services. This was reviewed during 2018.
- The governance structure is underpinned by a statutory framework which incorporates the Police Reform and Social Responsibility Act 2011, the Policing Protocol Order 2011 and the Financial Management Code of Practice, amongst other legislation.
- The Scheme of Delegation sets out the delegation of responsibility from the PCC to his staff and delegation to the Chief Constable and his own staff in the exercise of their statutory responsibilities.
- Clear roles and responsibilities are delegated to Chief Officers. The Chief Financial Officer, as Section 151 Officer, has an up to date job description and person specification which outlines their responsibilities.
- The Force recognises and promotes the benefits of collaborative working and continue to work in a number of regional collaborations as well as local collaborations with Nottinghamshire Fire and Rescue and Local Authorities.

**Area for improvement:** The Force should undertake a full review of workforce capabilities to ensure capacity and capability to meet current and future demand.

**Area for improvement:** Produce meaningful management information on the completion of PDRs to enable Heads of Departments to ensure on-going compliance.

## 2.6 Principle F: Managing risks and performance through robust internal control and strong public financial management

- The Risk Management approach was redeveloped in 2018 for the Force to adopt a more sophisticated approach which links risks to our governance methods and internal audit processes.
- The Force and OPCC have agreed a joint policy for the management of risk, in line with the Cabinet Office approved Management of Risk (MoR) approach.

- A Strategic Risk Report is provided to the JASP and FEB regularly in order to keep them informed as to the level of strategic risk within the Force and OPCC and provide assurance as to the effectiveness of risk management arrangements.
- The quarterly Organisational Risk, Learning, Standards and Integrity Board provides an organisation wide forum for thematic leads and heads of department to discuss key areas of learning and identify any emerging strategic opportunities and risks. Business continuity is also managed within this forum.
- Regular reporting is made to JASP and FEB on business continuity, including progress made against the business continuity testing timetable and notes on forthcoming testing. JASP are also asked to identify any subject areas to be reported on where additional or in depth details is required to provide greater scrutiny and reassurance.
- A Performance and Insight Report is regularly presented to the Strategic Resources and Performance Meeting to ensure that the Police and Crime Commissioner is aware of current performance in line with the Police and Crime priorities. This report is made available on the OPCC website.
- Significant changes in service delivery are subject to a Post Implementation Review in order to identify lessons learned and whether benefits have been realised, including performance, cashable or non-cashable benefits, however none were scheduled or conducted in 2018-19.
- The Financial Performance and Insight Report, including revenue and capital budget monitoring are reported to the FEB on a monthly basis. It is also presented at the Strategic Resources and Performance quarterly meeting.
- The decision making protocol is illustrated in the joint Scheme of Delegation which is part of the Joint Code of Governance and Working Together document.
- A forward plan of 'Decisions of Significant Public Interest' is provided to the Police and Crime Panel on a regular basis in the interests of accountability and transparency, this is made available on the Nottinghamshire County Council website.
- In accordance with the Financial Management Code of Practice for the police service, issued by the Home Office, the PCC and the Chief Constable established a Joint Audit and Scrutiny Panel (The Panel) in 2013. The role of The Panel is to advise the PCC and Chief Constable on the adequacy of the corporate governance and risk management arrangements in place and the associated control environment, advising according to good governance principles and proper practices.
- JASP complies with best practice as outlined in Audit Committees: Practical Guidance for Local Authorities and the Police (CIPFA, 2013).
- The Panel also assist the OPCC and the Chief Constable in fulfilling their responsibility for ensuring value for money and they oversee an annual programme of scrutiny of key areas of policing activity on behalf of the OPCC.

- The Force's Financial Regulations are designed to establish overarching financial responsibilities, to confer duties, rights and powers upon the PCC, the Chief Constable and their statutory officers and to provide clarity about the financial accountabilities of groups or individuals. They apply to every member and officer of the service, and anyone acting on their behalf.
- The Annual Statement of Accounts is published on our website under 'what we spend' and includes accounting policies and also the report of the auditors.
- The Annual Audit letter is report to the JASP on an annual basis.
- The Treasury Management Strategy and annual report are reported annually to the JASP.
- Budget monitoring reports are presented to the Strategic Resources and Performance meeting on a quarterly basis.
- In compliance with CIPFA guidance, the OPCC and the Force have appointed a Head of Internal Audit. This role is contracted out to Mazars, who are responsible for the organisation's internal audit service, on behalf of the CFO, including drawing up the internal audit strategy and annual plan and giving the internal annual audit opinion.
- Internal Audit, Review and Inspection Monitoring and assurance and improvement outcomes are presented to the JASP at every meeting.
- Regular reporting is made to JASP on legislative compliance with the Freedom of Information Act and Data Protection Act legislation.
- Effective arrangements are in place to monitor risks arising from Brexit. The ACC chairs a regular Gold Group meeting.
- The 2017-18 Independent Auditor's Report on the Audit of Financial Statements noted that there were not adequate governance and monitoring arrangements in place to enable the successful delivery by Multi-Force Shared Service (MFSS) to Oracle Cloud Applications (Fusion), therefore failing to deliver value for money and effective delivery in support of strategic priorities. This is being managed as an area for improvement. Consultancy support was procured during 2018-19 to provide more robust governance and programme management arrangements in respect of Fusion. Despite this delivery of Fusion was further delayed, going live in April 2019. Close management of the situation continues with the DCC taking an active role as SRO for the Force, and is also now the chair of the management board. An improved process for disseminating information and approvals made by the Joint Oversight Committee are in place, where the Force is represented by the Police & Crime Commissioner for Nottinghamshire.

## **2.7 Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

- The PCC and Chief Constable's functions are set out in the Police Reform and Social Responsibility Act 2011. The functions are undertaken in line with the Policing Protocol Order 2011 in order to achieve the outcomes of the Police and Crime Plan.
- Both the PCC and the Chief Constable have appointed Chief Financial Officers. The responsibilities of the CFO's for both the PCC and the Chief Constable are clearly set out in line with the Financial Management Code of Practice (Home Office, 2013).

- The JASP operates within the CIPFA guidance and in accordance with the Financial Management Code of Practice.
- A programme of internal audit is commissioned and undertaken which reflects published guidance and standards. This is available on the OPCC website.
- Progress reports against the Internal Audit Plan are submitted on a timely basis to the JASP along with the findings from audits completed to date.
- Police Officers, Police Staff operate within Force policies and procedures; the corporate governance framework; disciplinary regulations; codes of conduct and the Code of Ethics. Assurance is provided via the Force and OPCC governance framework.
- The Police and Crime Panel scrutinises the action and decision of the Police and Crime Commissioner and makes sure information is available for the public. The Force provides reports in accordance with the Police and Crime Panel work programme including specific focus on each of the seven Strategic Priority Themes included in the Police and Crime Plan.
- The Annual Governance Statement assesses the extent to which the organisation is applying the principles contained within the CIPFA framework. This is published for public scrutiny alongside the Statement of Accounts.
- The Force has a robust process to capture HMICFRS recommendations and track through their lifecycle to formulate the Audit and Inspection Report. This is prepared and presented to the JASP on a quarterly basis.
- The Force has an established reporting procedure for our response to HMICFRS recommendations to be received by the OPCC in line with the timescales dictated in the Police and Crime Bill.
- A policy and procedure framework is required to ensure that corporate documentation is reviewed on a timely basis, this is an area for improvement.
- Existing collaborations have an established supporting governance structure and formal Collaboration Agreements as per Section 22A of the Police Act 1996.

**Area for improvement:** Develop and maintain a robust policy and procedure framework, ensuring policies and procedures remain current to inform decision making.

## 2.8 Principle H: Report on an inspection visit to police custody suites

- The inspection was conducted jointly by HM Inspectorate of Prisons (HMIP) and HM Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) in October 2018, as part of their programme of inspections covering every police custody suite in England and Wales.

- The inspection assessed the effectiveness of custody services and outcomes for detained people throughout the different stages of detention. It examined the force's approach to custody provision in relation to safe detention and the respectful treatment of detainees, with a particular focus on vulnerable people and children.
- To aid improvement five recommendations were made to the force (and the Police and Crime Commissioner) addressing key causes of concern, and highlighted an additional 25 areas for improvement
- Recommendation 1: there were too many areas where the force was not meeting the requirements of legislation or guidance, notably codes C and G of the Police and Criminal Evidence Act codes of practice; this required immediate remedial action.
- Recommendation 2: the culture of the custody service was not effective in focusing on the fair and equitable treatment of all detainees; some custody staff took punitive actions against detainees that were not justified and potentially unfair.
- Recommendation 3: the arrangements for and staff knowledge of the recording and reporting of adverse incidents in custody were not adequate in ensuring that all incidents were identified appropriately and dealt with in line with legislative requirements.
- Recommendation 4: the governance and oversight of the use of force in custody were not adequate, data were unreliable and not all staff completed use of force forms. Some use of force was disproportionate to the risk or threat posed.
- Recommendation 5: there was a lack of appropriate care and focus on the safe release of detainees, including the most vulnerable; the pre-release arrangements were not adequate to ensure safe release.

**Area for improvement:** Leadership, accountability and partnerships.

**Area for improvement:** In the custody suite, booking in, individual needs and legal rights.

**Area for improvement:** In the custody cell, safeguarding and healthcare.

**Area for improvement:** Release and transfer from custody.

## 2.9 Principle I: Crime Data Integrity Inspection 2018

- The inspection by the HM Inspectorate of Constabulary and Fire & Rescue Services found that the force had improved its crime-recording processes since the 2014 report. It found improved the supervision of out-of-court disposals; training had been developed and provided on crime-recording for officers, supervisors and staff involved in making crime-recording decisions; high levels of recording accuracy for reported sexual offences; good crime-recording arrangements in respect of modern slavery crimes; fully implemented the recommendations set out in our 2014 report; and made good progress against a national action plan developed to improve crime recording by police forces.

- The inspection raised the concern that the force is failing to ensure it correctly records all violent crimes (in particular domestic abuse) reported to it. Officers and staff do not fully understand and apply the crime-recording rules when dealing with crimes such as harassment, malicious communications, common assault and public order offences. There is also limited supervision to correct these recording decisions at the earliest opportunity
- The recommendation is that the force should immediately take steps to identify and address gaps in its systems and processes for identifying and recording all reports of violent crimes (in particular those that are domestic abuse related); ensure that adequate supervision is applied to all crime-recording decisions made by officers and staff; and ensure that all identified crimes are recorded without delay and in any case within 24 hours. Within three months the force should provide crime-recording training for frontline officers to include the crime-recording rules for common assault, harassment, malicious communications and public order offences; and the standard of AVI that is required to cancel a recorded crime.

**Area for improvement:** improve the understanding and use by its officers and staff of the N100 classification, for those reports of rape which are not immediately recorded as a crime.

**Area for improvement:** improve how it collects diversity information from victims of crime and how it uses this to comply with its equality duty.

### 3.0 Chief Finance Officer Role

- The role of Chief Financial Officer (CFO) rests with the Head of Finance with effect from 1 April 2018.
- As a key member of the leadership team, the CFO helps to develop and implement strategy and resource and deliver the PCC's strategic objectives sustainably and in the public interest.
- The CFO is actively involved and able to bring influence to bear, on all business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered and aligned with the financial strategy.
- The CFO leads and encourages the promotion and delivery of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- The CFO and the DCC on behalf of the Chief Constable agree the Force's risk based Internal Audit Annual Plan for delivery each year and this is presented to the Joint Audit and Scrutiny Panel for comment. Delivery of the plan is via external engagement of an appropriately trained and experienced organisation, currently this is provided by Mazars. Award of the work was via a competitive tendering exercise.

- In respect of external audit, progress reports are provided to the Panel by the external auditors to provide a summary of the work they plan to undertake for the audit year, together with a high level assessment of the risks that have been considered as part of the initial planning process.
- The CFO is required to maintain continuous professional development to ensure they maintain knowledge, skills and experience to enable them to fulfil the duties and statutory obligations of the post.

#### **4.0 Review of effectiveness**

Nottinghamshire Police has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. The review of effectiveness is informed by the work of the Chief Officer Team, the Heads of Departments and other senior managers within the Force who have responsibility for the development and maintenance of the systems of internal control. It is also informed by the reports of the Force's internal auditors and external inspectorates, such as HMICFRS.

Where weaknesses in internal controls have been identified, improvement actions have been established, which will be addressed during the forthcoming financial year. Outcomes will be monitored by the FEB and the Joint Audit and Scrutiny Panel, on a quarterly basis.

From the Internal Audit work undertaken in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31 March 2019, our overall opinion is that generally adequate and effective risk management, control and governance processes were in place to manage the achievement of the organisation's objectives. We have, however, identified weaknesses in respect of Property Management, Health & Safety, GDPR and Management of MFSS Arrangements that require addressing.

#### **5.0 Improvement actions**

The review process to support the production of the Annual Governance Statement in 2018-19 identified a number of improvement actions, which are summarised below. These have been agreed with the respective Divisional and Departmental Heads to address weaknesses identified in the Force's systems of internal control. These issues are significant in that they cover a large proportion of the organisation's activities and/ or are key risk controls and therefore require a corporate solution.

## Areas for improvement 2017-18

| Identified improvement action(s):                                                                                                                                                                                                                                                                          | Update                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Lead Officer.  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 1. The Force should review its plan to ensure that by April 2018 it has achieved clearance for all those people that it is required to clear (Source: 2017-18 AGS and financial statements)                                                                                                                | The PEEL Integrity report assessed that the Force is now compliant with the vetting requirement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Det Supt Scurr |
| 2. The Force should continue to undertake appropriate activities to understand fully its leadership capacity and capability, in order to identify any gaps, and put plans in place to address them (Source: 2017-18 AGS and financial statements)                                                          | A new leadership programme has been commissioned and was delivered during 2018-19 to address gaps in capacity and capability. This incorporates the CVF.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | ACC Cooper     |
| 3. The Force should address governance and monitoring arrangements in respect of MFSS' delivery of Oracle Cloud Applications (Fusion), to ensure value for money and delivery in support of strategic priorities. (Source: KPMG 2017-18 Independent Auditor's Report on the Audit of Financial Statements) | <p>Consultancy support has been procured to provide more robust governance and programme management arrangements in respect of Fusion. Despite this delivery of Fusion was further delayed by a year, going live in April 2019. Close management of the situation continues with the DCC taking an active role as SRO. Financial performance of MFSS is still problematic with Oracle Cloud implementation costs being £1,900k higher than anticipated. The approval of this expenditure was made by the Joint Oversight Committee during 2018-19 and the Commissioner agreed to fund £1,400k of this overspend from reserves.</p> <p>The expected functionality of Fusion was not in line with the original scope, which has reduced the recurring revenue savings expected from implementing the project.</p> | DCC Barber     |

**Areas for improvement 2018-19**

| Identified improvement action(s):                                                                                                                                                                                                                                                                                                               | Lead Officer.                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| 1. The Force should ensure that planning in Information Services is more closely aligned with strategic and operational planning and is able to optimise intended outcomes (section 2.4).                                                                                                                                                       | Ch Supt White/<br>Supt Antill |
| 2. Undertake a full review of workforce capabilities to ensure capacity and capability to meet current and future demand (section 2.5).                                                                                                                                                                                                         | Denise Hill                   |
| 3. Produce management information on the completion of PDRs to enable Heads of Departments to ensure ongoing compliance (section 2.5).                                                                                                                                                                                                          | Denise Hill                   |
| 4. Develop and maintain a robust policy and procedure framework, ensuring policies and procedures remain current to inform decision making (section 2.7).                                                                                                                                                                                       | Ch Supt White                 |
| 5. Undertake a full review to address the concerns and recommendations from the HM Inspectorate of Prisons and HM Inspectorate of Constabulary and Fire & Rescue Services (section 2.8).                                                                                                                                                        | DCC Barber                    |
| 6. Develop a plan to ensure there is improved understanding and use by its officers and staff of the N100 classification, for those reports of rape which are not immediately recorded as a crime; and improve how it collects diversity information from victims of crime and how it uses this to comply with its equality duty (section 2.9). | DCC Barber                    |

## Internal Audit Annual Assurance 2018-19 Report - Areas of Limited Assurance

| Limited Assurance:                                | Lead Officer. |
|---------------------------------------------------|---------------|
| 1. The Force management of the MFSS arrangements. | DCC Barber    |
| 2. Health and safety.                             | DCC Barber    |
| 3. General Data Protection Regulations (GDPR).    | DCC Barber    |
| 4. Property management.                           | DCC Barber    |

Further information and a full list of recommendations for the items of identified as limited assurance by the Mazars (internal auditors) can be found on the Nottinghamshire Police and Crime Commissioners website in the report to the Audit and Scrutiny Panel dated the 29<sup>th</sup> May 2019.

### Chief Constable and Chief Finance Officer Declaration

We propose over the coming year to take steps to address the improvement actions identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation as part of our next annual review.

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

Signed:

27 November 2020

C. Guildford  
Chief Constable

Signed:

27 November 2020

M. Kimberley  
Chief Finance Officer

# FINANCIAL STATEMENTS



## Comprehensive Income and Expenditure Statement (CIES)

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Precepts are made to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure Funding Analysis and the Movement in Reserves Statement.

| 2017-18<br>(Restated, see note 5) |                     |           |                                                      | 2018-19     |                     |           |
|-----------------------------------|---------------------|-----------|------------------------------------------------------|-------------|---------------------|-----------|
| Expenditure                       | Income<br>(Note 13) | Net       |                                                      | Expenditure | Income<br>(Note 13) | Net       |
| £'000                             | £'000               | £'000     |                                                      | £'000       | £'000               | £'000     |
| 232,116                           | (20,971)            | 211,145   | Cost of Police Services                              | 350,335     | (14,027)            | 336,308   |
| 0                                 | (227,509)           | (227,509) | Funding from the Commissioner                        | 0           | (238,983)           | (238,983) |
| 232,116                           | (248,480)           | (16,364)  | <b>Cost of Services</b>                              | 350,335     | (253,010)           | 97,325    |
| 78,034                            | (5,565)             | 72,469    | Financing and Investment (Income) and Expenditure    | 75,060      | (21,387)            | 53,673    |
| 310,150                           | (254,045)           | 56,105    | <b>(Surplus) or Deficit on Provision of Services</b> | 425,395     | (274,397)           | 150,998   |
|                                   |                     | (165,866) | Other Comprehensive (Income) and Expenditure         |             |                     | 68,796    |
|                                   |                     | (109,761) | <b>Total Comprehensive (Income) and Expenditure</b>  |             |                     | 219,794   |

## Movement in Reserves Statement

The Movement in Reserves Statement shows the movement during the year on the different reserves held, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Chief Constable holds no usable reserves.

The Statement shows how the movements in reserves are broken down between gains and losses incurred in accordance with the Code and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year.

| Movement in Reserves                                                     | General Fund Balance | Unusable Reserves | Total Reserves   |
|--------------------------------------------------------------------------|----------------------|-------------------|------------------|
| 2018-19                                                                  | £000                 | £000              | £000             |
| <b>Balance at 31 March 2018</b>                                          | <b>0</b>             | <b>2,625,682</b>  | <b>2,625,682</b> |
| <b>Movement in reserves during year</b>                                  |                      |                   |                  |
| (Surplus) or deficit on the provision of services                        | 150,998              | 0                 | <b>150,998</b>   |
| Other Comprehensive (Income) / Expenditure                               | 0                    | 68,796            | <b>68,796</b>    |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>150,998</b>       | <b>68,796</b>     | <b>219,794</b>   |
| Adjustments between accounting basis and funding basis under regulations | (150,998)            | 150,998           | <b>0</b>         |
| <b>Increase in year</b>                                                  | <b>0</b>             | <b>219,794</b>    | <b>219,794</b>   |
| <b>Balance at 31 March 2019</b>                                          | <b>0</b>             | <b>2,845,478</b>  | <b>2,845,478</b> |

| <b>Movement in Reserves<br/>(Restated, see note 5)</b>                   | <b>General Fund<br/>Balance</b> | <b>Unusable Reserves</b> | <b>Total Reserves</b> |
|--------------------------------------------------------------------------|---------------------------------|--------------------------|-----------------------|
| <b>2017-18</b>                                                           | <b>£000</b>                     | <b>£000</b>              | <b>£000</b>           |
| <b>Balance at 31 March 2017</b>                                          | 0                               | 2,718,730                | <b>2,718,730</b>      |
| Restatement of Opening Balance                                           | 0                               | 16,713                   | <b>16,713</b>         |
| <b>Restated Balance at 31 March 2017</b>                                 | 0                               | 2,735,443                | <b>2,735,443</b>      |
| <b>Movement in reserves during year</b>                                  |                                 |                          |                       |
| (Surplus) or deficit on the provision of services                        | 56,105                          | 0                        | <b>56,105</b>         |
| Other Comprehensive (Income) / Expenditure                               | 0                               | (165,866)                | <b>(165,866)</b>      |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>56,105</b>                   | <b>(165,866)</b>         | <b>(109,761)</b>      |
| Adjustments between accounting basis and funding basis under regulations | (56,105)                        | 56,105                   | <b>0</b>              |
| <b>Decrease in year</b>                                                  | <b>0</b>                        | <b>(109,761)</b>         | <b>(109,761)</b>      |
| <b>Balance at 31 March 2019</b>                                          | <b>0</b>                        | <b>2,625,682</b>         | <b>2,625,682</b>      |

## Balance Sheet

The Balance Sheet gives a value of net worth and corresponding reserves at a particular moment in time. All reserves are unusable and reflect valuation estimates on pensions and employee holiday / time owed.

All non-current assets are owned by the Commissioner and all usable reserves are held by the Commissioner.

| 31 March 2018<br>(Restated, see note 5) |                                                   | 31 March 2019      |
|-----------------------------------------|---------------------------------------------------|--------------------|
| £000                                    |                                                   | £000               |
| (3,315)                                 | Short-Term Creditors - Accumulated Absences       | (3,469)            |
| <b>(3,315)</b>                          | <b>Current Liabilities</b>                        | <b>(3,469)</b>     |
| (2,622,367)                             | Other Long-Term Liabilities - Pension Liabilities | (2,842,009)        |
| <b>(2,622,367)</b>                      | <b>Long Term Liabilities</b>                      | <b>(2,842,009)</b> |
| <b>(2,625,682)</b>                      | <b>Net Assets</b>                                 | <b>(2,845,478)</b> |
| 2,625,682                               | Unusable Reserves                                 | 2,845,478          |
| <b>2,625,682</b>                        | <b>Total Reserves</b>                             | <b>2,845,478</b>   |

## Cash Flow Statement

The Cash Flow Statement shows that there are no cash flows through the Chief Constable Entity.

| 2017-18  |                                                                           | 2018-19   |
|----------|---------------------------------------------------------------------------|-----------|
| £000     |                                                                           | £000      |
| 56,105   | Net Deficit on the Provision of Services                                  | 150,998   |
| (56,105) | Adjustment to Surplus on the Provision of Services for Non-Cash Movements | (150,998) |
| <b>0</b> | <b>Net cash flows from activities</b>                                     | <b>0</b>  |

## NOTES TO THE ACCOUNTS



## Notes to the Accounts including Accounting Policies

### Note 1 – General Principles

The Commissioner is a separate entity to the Chief Constable and the relationship is clearly defined in the governance arrangements. The Commissioner is the lead controlling influence in the Group.

The Chief Constable employs staff and officers to provide the policing service in Nottinghamshire and in the achievement of the Commissioner's Plan. The legal status has the Commissioner as the source of transactions and the reality of this is borne out through the level of control exerted.

Annual Statement of Accounts are required to be published under the Accounts and Audit Regulations 2011, in accordance with proper accounting practices.

These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (The Code) and the Best Value Accounting Code of Practice 2018-19, supported by International Financial Reporting Standards (IFRS).

### Note 2 – Going Concern

The concept of a going concern assumes that the functions of the Police and Crime Commissioner and the Force will continue in operational existence for the foreseeable future. The provisions in the Code (Code Of Practice On Local Authority Accounting In The United Kingdom 2019/20) in respect of going concern reporting requirements reflect the economic and statutory environment in which Police and Crime Commissioners and police forces operate. These provisions confirm that, as Police and Crime Commissioners and

police forces cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Police and Crime Commissioners and Chief Constables carry out functions essential to the local community and are revenue-raising bodies (with limits on revenue-raising powers arising only at the discretion of central government). If a Police and Crime Commissioner was in financial difficulty, the prospects are thus that alternative arrangements would be

made by central government either for the continuation of the functions it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not be appropriate for the financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a Police and Crime Commissioner will continue to operate for the foreseeable future.

The current restrictions in place within

## Notes to the Accounts including Accounting Policies

### Note 2 – Going Concern (continued)

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

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

As the condition did not exist at the year end, this is therefore a non-adjusting event for which a limited estimate of its financial effect on the reporting entity can be made as at 31 March 2019, particularly with regards to financial impact for 2019-20 and future years and asset impairments and pension valuations as at the balance sheet date.

As at the end of August 2020, the cumulative net cost of COVID-19 stood at £475k, comprising £754k expenditure

and £279 government grant. This includes £185k of IT equipment purchased earlier than planned as a result of our Covid-19 response. Additional costs are expected in the form of lost income, which are expected to be substantially funded by additional government grant.

Our approach to managing the epidemic has been assisted by over 100 additional police officers available for deployment as part of the early achievement of officer number uplift. There is no expectation that these net Covid costs cause concerns with regard to ongoing financial viability of Nottinghamshire Police.

There is sufficient capacity built into the Reserves Strategy to meet the financial pressures should budgeted contingencies be exceeded. This position will be kept under close review.

Beyond 2020-21, planning assumptions underpinning the medium term financial plan are being reviewed and will consider, inter alia, the potential for a reduction in council tax income as a result of:

- Reduced collection rates;
- Increase Council Tax Support Scheme costs;
- Reduced growth in the number of properties paying council tax;

It is therefore not considered that COVID19 will have a material impact on the going concern of the organisation.

Liquidity Risk Exposure:

- The treasury function is administered by the PCC which ensures that its cash flow is adequately planned and liquidity risk exposure is controlled in accordance with the relevant professional codes.
- The CC does not hold cash or equivalent balances. These are held by the PCC, are positive at the balance sheet date and are forecast to remain positive to the end of 2021-22 throughout.

## Notes to the Accounts including Accounting Policies

### Note 3 – Accruals of Income and Expenditure

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

In particular:

- Fees, charges and rents due are accounted for as income at the date of supply.

- Supplies are recorded as expenditure when they are used.
- Expenditure in relation to services received is recorded as services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for as income or expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or

determined by the contract.

- Where debts are doubtful, the debt is written off by a charge to the CIES.

### Note 4 – Exceptional Items

There are no exceptional items applicable in the year.

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

During the audit of the draft statements it was discovered that non-material errors had been made in the accounts data disclosed for 2017-18. These have been corrected and there are no material issues. There have been no changes in Accounting Policies, applicable to the Chief Constable in the year.

In applying accounting policies, the Chief Constable has had to make certain judgements about complex transactions or those involving uncertainty about future events. There are no critical judgements made in the Statement of Accounts.

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.

## Note 6 – Charges to the CIES for Non-Current Assets

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

## Note 7 – Government Grants and Contributions

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

## Note 8 – Allocation of Costs

The charges to the Comprehensive Income and Expenditure Account reflect the way management decisions are made.

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

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

The Chief Constable is therefore a single service entity.

## Note 9 – Joint Operations & Associate Entities

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

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

The OPCC's share of Joint Operations (JO's) is as follows:

| Ownership | Arrangement                       | 2018-19       |                 |            |
|-----------|-----------------------------------|---------------|-----------------|------------|
|           |                                   | Expenditure   | Income          | Net        |
| %         |                                   | £000          | £000            | £000       |
| 27.30%    | EM Legal Services                 | 493           | (479)           | 14         |
| 50.00%    | EM Strategic Commercial Unit      | 541           | (534)           | 7          |
| 27.30%    | EM Major Crime                    | 212           | (220)           | (8)        |
| 27.30%    | EM Serious Organised Crime        | 5,252         | (4,893)         | 359        |
| 34.90%    | EM Criminal Justice               | 227           | (231)           | (4)        |
| 34.90%    | EM Operational Support Services   | 171           | (224)           | (53)       |
| 27.30%    | EM Occupational Health Unit       | 459           | (457)           | 2          |
| 27.30%    | EM Forensics                      | 2,301         | (2,258)         | 43         |
| 31.42%    | EM Learning & Development         | 803           | (782)           | 21         |
| 31.04%    | Multi Force Shared Service (MFSS) | 2,244         | (2,244)         | 0          |
| 22.60%    | Emergency Services Network (ESN)  | 121           | (181)           | (60)       |
|           |                                   | <b>12,824</b> | <b>(12,503)</b> | <b>321</b> |

The OPCC does not have any Associate Entities in 2018-19.

### Note 10 – Provisions

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

### Note 11 – 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.

### Note 12 – Resources used in Provision of Police Services

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

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

### Note 13 – Expenditure Funding Analysis

This statement shows how annual expenditure is used and funded from annual resources (government grants and Council Tax).

This is compared with the CIES which includes economic resources consumed or earned in accordance with generally accepted accounting practices.

| 2017-18<br>(Restated, see note 5)                   |                  |                                  |                                              | 2018-19                                             |                  |                                  |
|-----------------------------------------------------|------------------|----------------------------------|----------------------------------------------|-----------------------------------------------------|------------------|----------------------------------|
| Net Expenditure Chargeable to the General Fund £000 | Adjustments £000 | Net Expenditure in the CIES £000 |                                              | Net Expenditure Chargeable to the General Fund £000 | Adjustments £000 | Net Expenditure in the CIES £000 |
| 227,509                                             | (16,364)         | 211,145                          | Cost of Police Services                      | 238,983                                             | 97,325           | 336,308                          |
| (227,509)                                           | 0                | (227,509)                        | Funding from the Commissioner                | (238,983)                                           | 0                | (238,983)                        |
| 0                                                   | (16,364)         | (16,364)                         | Net Cost of Services                         | 0                                                   | 97,325           | 97,325                           |
| 0                                                   | 72,469           | 72,469                           | Other (Income) and Expenditure               | 0                                                   | 53,673           | 53,673                           |
| 0                                                   | 56,105           | 56,105                           | (Surplus) or Deficit on Provision of Service | 0                                                   | 150,998          | 150,998                          |

## Note 13 – Expenditure Funding Analysis - continued

| Further Analysis                                                                                                           |                                                  |                                        |                              |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|----------------------------------------|------------------------------|
| 2018-19                                                                                                                    | Net Pensions<br>Statutory<br>Instruments<br>£000 | Other Statutory<br>Adjustments<br>£000 | Total<br>Adjustments<br>£000 |
| Cost of Police Services                                                                                                    | 97,172                                           | 153                                    | 97,325                       |
| Net Cost of Services                                                                                                       | 97,172                                           | 153                                    | 97,325                       |
| Other Income and Expenditure                                                                                               | 53,673                                           | 0                                      | 53,673                       |
| Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement | 150,845                                          | 153                                    | 150,998                      |

| 2017-18                                                                                   |          |      |          |
|-------------------------------------------------------------------------------------------|----------|------|----------|
| Cost of Police Services                                                                   | (16,336) | (28) | (16,364) |
| Net Cost of Police Services                                                               | (16,336) | (28) | (16,364) |
| Other Income and Expenditure                                                              | 72,469   | 0    | 72,469   |
| Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive | 56,133   | (28) | 56,105   |

The Net Change for the Pensions Adjustments in 2018-19 is the replacement of pension contributions with IAS 19 pension related expenditure and income. This is the current service costs and past service costs.

For other income and expenditure this is the net interest on the defined benefit liability, which is charged to the CIES.

Other Differences – represents the difference in accumulated absences charged to the CIES and amounts paid for taxation purposes (being accrued leave).

**Note 14 - Income**

| Credited to Services |                                             |                 |
|----------------------|---------------------------------------------|-----------------|
| 2017-18<br>£000      |                                             | 2018-19<br>£000 |
| (5,883)              | Partnership and Joint Controlled Operations | (2,175)         |
| (1,858)              | PFI Grant                                   | (1,858)         |
| (3,002)              | Recharge of Officers                        | (2,142)         |
| (10,228)             | Other Income                                | (7,852)         |
| <b>(20,971)</b>      | <b>Total</b>                                | <b>(14,027)</b> |

**Note 15 – Income and Expenditure Analysed by Nature**

| 2017-18       |                                      | 2018-19        |
|---------------|--------------------------------------|----------------|
| £000          | Nature of Expenditure or Income      | £000           |
| (20,971)      | Service Income                       | (14,027)       |
| 191,945       | Employee Expenditure                 | 308,216        |
| 40,171        | Running Expenses                     | 42,119         |
| (227,509)     | Income from Commissioner             | (238,983)      |
| (5,565)       | Pension Interest Income              | (21,387)       |
| 78,034        | Pensions Interest Payment            | 75,060         |
| <b>56,105</b> | <b>(Surplus) or Deficit for Year</b> | <b>150,998</b> |

## Note 16 – External Audit Costs

Ernst and Young LLP are the appointed external auditors.

The cost was £0.012m (£0.015m in 2017-18).

## Note 17 – Defined Benefit Pension Scheme

The employer makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the value of this is included within the CIES. The total value of the liability is carried on the Balance Sheet. The statutory arrangements ensure that funding will meet payments. Actuarial gains and losses are charged to the Pension Reserve.

Full pensions notes are included within the Group accounts. Summary information relating to the Chief Constable entity is included here. The Chief Constable information is extracted on a pro rata basis.

Employees are members of two separate defined benefits pension schemes providing retirement lump sums and pensions, earned whilst employed by the Group. There is a scheme for Staff and one for Officers.

The Local Government Pensions Scheme:

The Local Government Pensions Scheme (LGPS) for Staff is administered by Nottinghamshire County Council. This is a funded scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. This scheme is a multi-employer scheme and the underlying assets and liabilities cannot be directly identified with individual employers. Therefore assets and liabilities are incorporated within these accounts on an apportioned basis at fair value. The figures are calculated by Barnett Waddingham (Actuaries), based on membership data as at 31 March 2016 for members receiving funded benefits and as at 31 March 2014 for any members receiving unfunded benefits. This has then been rolled forward to reflect the position as at 2019.

The Police Pension Scheme:

The Police Pension Scheme for Police Officers is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, the Group must transfer amounts to reduce the balance on the Pension Fund to zero. This is via the Pension Top-up grant from the Home Office. Conversely a surplus would be paid over. 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 a detailed valuation using information as at 31 March 2016.

## Note 17 – Defined Benefit Pension Scheme - continued

When assessing the potential implications of McCloud on the IAS19 liabilities, the actuary has considered those members with benefits in the 2015 scheme who were former members of the 1987 and 2006 schemes. The actuary has calculated the additional liability arising had these members not ceased to accrue benefits in the 1987 and 2006 schemes on 1 April 2015 (or after this date if their start date in the 2015 Scheme was tapered) and had continued instead to accrue final salary benefits in the 1987 and 2006 Schemes. The actuary has also included the impact for those who retired after joining the 2015 Scheme. Whilst members who left the service over this period and took deferred benefits were considered, the actuary concluded the effects are not material. Using these assumptions the actuary has estimated the potential increase in scheme liabilities for Nottinghamshire to be approximately 5.4% or £120m of pension scheme liabilities. This increase is reflected in the IAS19 Disclosure as a Past Service Cost.

The actuary has commented that the additional costs emerging are sensitive to the underlying assumptions to roughly the same extent as the other figures calculated as part of the accounting process. Hence, even if the assumptions underlying the accounting calculations were different, the actuary would still expect the potential additional costs in relation to McCloud to be broadly similar in magnitude to those shown above. The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023-24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

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

| 2017-18       |                 | Pension Scheme<br>Comprehensive Income and Expenditure Statement            | 2018-19      |                |
|---------------|-----------------|-----------------------------------------------------------------------------|--------------|----------------|
| LGPS<br>£000  | Police<br>£000  |                                                                             | LGPS<br>£000 | Police<br>£000 |
| 12,610        | 37,330          | Current service cost                                                        | 12,956       | 38,110         |
| 81            | 0               | Admin Expense                                                               | 90           | 0              |
| 57            | 1,660           | Past service cost                                                           | 3,098        | 113,900        |
| 0             | 0               | (Gain) / loss from curtailments                                             | 0            | 0              |
| 4,139         | 68,330          | Net interest expense / (income)                                             | (9,337)      | 63,010         |
| <b>16,887</b> | <b>107,320</b>  | <b>Total charged to Deficit on Provision of Services</b>                    | <b>6,807</b> | <b>215,020</b> |
|               |                 | <b>Other Costs – Remeasurement of the defined benefit liability</b>         |              |                |
| 0             | 0               | Return on plan assets (exc the amount included in the net interest expense) | 0            | 0              |
| 0             | (142,220)       | Actuarial gains – experience                                                | 0            | (6,700)        |
| 0             | (83,260)        | Actuarial gains arising on changes in demographic assumptions               | (21,145)     | 0              |
| (15,446)      | 75,060          | Actuarial (gains) and losses arising on changes in financial assumptions    | 21,601       | 75,040         |
| <b>1,441</b>  | <b>(43,100)</b> | <b>Total charged to the Comprehensive Income and Expenditure Statement</b>  | <b>7,263</b> | <b>283,360</b> |

| 2017-18      |                | Pension Fund<br>Movement in Reserves Statement                                          | 2018-19      |                |
|--------------|----------------|-----------------------------------------------------------------------------------------|--------------|----------------|
| LGPS<br>£000 | Police<br>£000 |                                                                                         | LGPS<br>£000 | Police<br>£000 |
| (16,887)     | (107,320)      | Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services   | (6,807)      | (215,020)      |
|              |                | <b>Actual amount charged against the general fund balance for pensions in the year:</b> |              |                |
| 5,104        | 0              | Employers' contributions payable to the scheme                                          | 5,682        | 0              |
| 0            | 62,970         | Retirement benefits payable to pensioners                                               | 0            | 65,300         |

| 2017-18          |                    | Pension Fund<br>Balance Sheet                                       | 2018-19          |                    |
|------------------|--------------------|---------------------------------------------------------------------|------------------|--------------------|
| LGPS<br>£000     | Police<br>£000     |                                                                     | LGPS<br>£000     | Police<br>£000     |
| (351,214)        | (2,484,500)        | Present value of the defined obligation                             | (371,143)        | (2,702,560)        |
| 213,346          | 0                  | Fair value of plan assets                                           | 231,694          | 0                  |
| (137,868)        | (2,484,500)        | Value of Assets / (Liabilities)                                     | (139,449)        | (2,702,560)        |
| <b>(137,868)</b> | <b>(2,484,500)</b> | <b>Net (liability) / assets arising from the defined obligation</b> | <b>(139,449)</b> | <b>(2,702,560)</b> |

## Note 18 – Officers' Remuneration

| 2018-19                               |      |                                                  |            |                                         |                                            |                              |                |
|---------------------------------------|------|--------------------------------------------------|------------|-----------------------------------------|--------------------------------------------|------------------------------|----------------|
| Officers Remuneration<br>2018-19      | Note | Salary, Fees<br>&<br>Allowances<br>(Note 1)<br>£ | Bonus<br>£ | Expenses<br>Allowances<br>(Note 2)<br>£ | Compensation<br>for Loss<br>of Office<br>£ | Pension<br>Contribution<br>£ | Total<br>£     |
| Chief Constable – C Guildford         |      | 159,313                                          | 0          | 14,196                                  | 0                                          | 36,575                       | <b>210,084</b> |
| Deputy Chief Constable – R Barber     | 5    | 131,754                                          | 0          | 11,321                                  | 0                                          | 12,979                       | <b>156,054</b> |
| Assistant Chief Constable – S Cooper  |      | 106,042                                          | 0          | 7,588                                   | 0                                          | 25,662                       | <b>139,292</b> |
| Assistant Chief Constable – S Prior   | 3    | 60,154                                           | 0          | 2,640                                   | 0                                          | 11,772                       | <b>74,566</b>  |
| Assistant Chief Constable – K Meynell | 4    | 67,681                                           | 0          | 4,451                                   | 0                                          | 13,500                       | <b>85,632</b>  |
| Chief Finance Officer – M Kimberley   |      | 63,990                                           | 0          | 602                                     | 0                                          | 8,531                        | <b>73,123</b>  |
| <b>TOTAL CHIEF CONSTABLE</b>          |      | <b>588,934</b>                                   | <b>0</b>   | <b>40,798</b>                           | <b>0</b>                                   | <b>109,019</b>               | <b>738,751</b> |

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

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

Note 3: Assistant Chief Constable retired 9 September 2018

Note 4: Assistant Chief Constable 6 August 2018

Note 5: Deputy Chief Constable opted out of pension scheme 30 years 4 September 2018

## Note 18 – Officers' Remuneration - continued

| 2017-18                                       |       |                                                  |            |                                         |                                            |                              |                |
|-----------------------------------------------|-------|--------------------------------------------------|------------|-----------------------------------------|--------------------------------------------|------------------------------|----------------|
| Officers Remuneration<br>2017-18              | Note  | Salary, Fees<br>&<br>Allowances<br>(Note 1)<br>£ | Bonus<br>£ | Expenses<br>Allowances<br>(Note 2)<br>£ | Compensation<br>for Loss<br>of Office<br>£ | Pension<br>Contribution<br>£ | Total<br>£     |
| Chief Constable – C Guildford                 |       | 156,436                                          | 0          | 12,464                                  | 0                                          | 36,004                       | <b>204,904</b> |
| Deputy Chief Constable – R Barber             | 3     | 122,743                                          | 0          | 6,788                                   | 0                                          | 28,391                       | <b>157,922</b> |
| Assistant Chief Constable – S Cooper          | 4     | 92,359                                           | 0          | 6,117                                   | 0                                          | 22,004                       | <b>120,480</b> |
| Assistant Chief Constable – S Prior           |       | 103,916                                          | 0          | 3,225                                   | 0                                          | 25,148                       | <b>132,289</b> |
| Assistant Chief Officer – Finance & Resources | 5     | 95,349                                           | 0          | 5,435                                   | 0                                          | 18,879                       | <b>119,663</b> |
| Director of Human Resources                   | 5     | 100,385                                          | 0          | 8,335                                   | 0                                          | 17,683                       | <b>126,403</b> |
| Director of Information Services & IT         | 5,6,7 | 49,485                                           | 0          | 6,618                                   | 0                                          | 6,275                        | <b>62,378</b>  |
| <b>TOTAL CHIEF CONSTABLE</b>                  |       | <b>720,673</b>                                   | <b>0</b>   | <b>48,982</b>                           | <b>0</b>                                   | <b>154,384</b>               | <b>924,039</b> |

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

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

Note 3: Deputy Chief Constable was appointed 17 April 2017

Note 4: Assistant Chief Constable was appointed 5 April 2017

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

Note 6: Includes Market Rate Premium

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

In 2017-18 the PCC and CC had a shared Regional ACO and Director of Human Resources. Both were employed by Leicestershire Police.

The table below does not include the senior officers in the previous tables.

| Employees Remuneration over £50,000 |            |            |
|-------------------------------------|------------|------------|
|                                     | 2017-18    | 2018-19    |
| £50,001 to £55,000                  | 161        | 174        |
| £55,001 to £60,000                  | 89         | 96         |
| £60,001 to £65,000                  | 27         | 30         |
| £65,001 to £70,000                  | 8          | 5          |
| £70,001 to £75,000                  | 10         | 8          |
| £75,001 to £80,000                  | 6          | 8          |
| £80,001 to £85,000                  | 6          | 9          |
| £85,001 to £90,000                  | 1          | 2          |
| £90,001 to £95,000                  | 1          | 1          |
| £95,001 to £100,000                 | 0          | 1          |
| <b>Total</b>                        | <b>309</b> | <b>334</b> |

### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. This includes 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, but not taken before the year-end), which an employee can carry forward into the next financial year.

The accrual is made at the payment rates applicable in the following accounting year, being the period in which the employee takes the benefit. The amount included on the Balance Sheet is £0.2m (£1.1m 2017-18).

## Termination Benefits

Termination benefits are payable as a result of a decision to terminate an employee's employment before the normal retirement date or an acceptance of voluntary redundancy. These are charged to the CIES when the Group is demonstrably committed to the decision.

20 contracts were terminated during the year (9 in 2017-18), incurring costs of £0.378m (£0.209m in 2017-18), of which £0.145m was for pension strain.

Other departures agreed cover voluntary redundancies and compromise agreements. All of the costs were included within the CIES. There were no material payments in relation to injury awards during the year ended 31 March 2019.

| Exit Packages                                                   |                                      |         |                                         |         |                                                  |         |                                                       |         |
|-----------------------------------------------------------------|--------------------------------------|---------|-----------------------------------------|---------|--------------------------------------------------|---------|-------------------------------------------------------|---------|
| Exit package cost band<br>(including special payments)          | Number of compulsory<br>redundancies |         | Number of<br>other departures<br>agreed |         | Total number of<br>exit packages by cost<br>band |         | Total cost of exit<br>packages in each band<br>(£000) |         |
|                                                                 | 2017-18                              | 2018-19 | 2017-18                                 | 2018-19 | 2017-18                                          | 2018-19 | 2017-18                                               | 2018-19 |
| £0 - £20,000                                                    | 5                                    | 7       | 1                                       | 8       | 6                                                | 15      | 67                                                    | 101     |
| £20,001 - £40,000                                               | 2                                    | 2       | 0                                       | 1       | 2                                                | 3       | 67                                                    | 98      |
| £40,001 - £60,000                                               | 0                                    | 0       | 0                                       | 1       | 0                                                | 1       | 0                                                     | 49      |
| £60,001 - £80,000                                               | 1                                    | 0       | 0                                       | 0       | 1                                                | 0       | 75                                                    | 0       |
| £80,001 - £100,000                                              | 0                                    | 0       | 0                                       | 0       | 0                                                | 0       | 0                                                     | 0       |
| £100,001 - £150,000                                             | 0                                    | 0       | 0                                       | 1       | 0                                                | 1       | 0                                                     | 130     |
| Total cost included in bandings<br>all included within the CIES | 8                                    | 9       | 1                                       | 11      | 9                                                | 20      | 209                                                   | 378     |

## Note 19 – Related Parties

The Chief Constable is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the organisation or vice versa. Disclosure of these transactions allows transparency to the extent that the Chief Constable might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely.

The Commissioner as the parent corporation asserts a significant influence over the Chief Constable.

Central Government has significant influence over the general operations of the Chief Constable, as it is responsible for providing the statutory framework within which it operates.

Senior managers complete a declaration of personal interests because they influence decision making.

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

Other Local authorities with whom partnership working is important, for instance within the area of anti-social behaviour may be an influencing factor.

## Note 20 – Contingent Liabilities

A contingent liability arises where a past event gives a possible obligation which depends on the outcome of uncertain future events not wholly in the control of the Chief Constable/Group. As usable reserves/liabilities are met by the Group such liabilities are not recognised in the Chief Constables accounts.

Contingent liabilities also arise in circumstances where a provision or reserve would otherwise be made, but there is not the level of certainty on either likelihood or value. Contingent liabilities are not recognised in the Balance Sheet.

An earmarked reserve for Allard is held within the Group as the Chief Constable

is wholly owed by the parent and does not have any useable reserves.

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

## Note 21 – Reserves

These accounts do show unusable reserves such as pensions and accumulated absences.

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

## Note 22 – Accounting Standards Issued, Not Adopted

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

## Note 23 – Events after the Balance

### Sheet Date

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

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

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

On 23 March 2020, the Prime Minister announced that to limit the spread of coronavirus he would be asking people to stay at home and where possible work from home and only essential journeys should be made. Effectively this meant that many businesses became unable to carry on operating and many employees were “furloughed” on 80% of their existing salary paid by central government.

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



## GLOSSARY

## GLOSSARY

| ACCOUNTING PERIOD                                                                                                                                                 | ACCOUNTING POLICIES                                                                                                                                                                                                                                                            | ACCRUALS                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date. | These are a set of rules and codes of practice used when preparing the accounts.                                                                                                                                                                                               | Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March. |
| ACT                                                                                                                                                               | ACTUARIAL GAINS AND LOSSES                                                                                                                                                                                                                                                     | AUDIT OF ACCOUNTS                                                                                                                                                                                                |
| The Police Reform and Social Responsibilities Act 2011.                                                                                                           | For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:<br><br>Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or the actuarial assumptions have changed. | An independent examination of the Force's financial affairs.                                                                                                                                                     |
| BALANCE SHEET                                                                                                                                                     | BUDGET                                                                                                                                                                                                                                                                         | CIPFA                                                                                                                                                                                                            |
| A statement of the recorded assets, liabilities and other balances at the end of the accounting period.                                                           | The forecast of net revenue and capital expenditure over the accounting period.                                                                                                                                                                                                | The Chartered Institute of Public Finance and Accountancy.                                                                                                                                                       |

| CODE                                                                                                                                                                                                                                                   | COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)                                                                                                                                                                                     | CONSISTENCY                                                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The CIPFA Code of Practice on Local Authority Accounting governs the content of these accounts.                                                                                                                                                        | The account of the Force that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.                                     | The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.                                                   |
| CREDITOR                                                                                                                                                                                                                                               | CURRENT SERVICE COST (PENSIONS)                                                                                                                                                                                                           | DEFINED BENEFIT PENSION SCHEME                                                                                                                                                      |
| Amount owed by the Force for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.                                                                | The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.                                                                                      | Pension schemes in which benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.             |
| DEPRECIATION                                                                                                                                                                                                                                           | DISCRETIONARY BENEFITS (PENSIONS)                                                                                                                                                                                                         | EVENTS AFTER THE BALANCE SHEET DATE                                                                                                                                                 |
| The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Force's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other charges. | Retirement benefits, which the employer has not legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996. | Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date when the Statement of Accounts is authorised for issue. |

| EXPECTED RETURN ON PENSION ASSETS                                                                                                                                                                                                                                 | GOING CONCERN                                                                                                                                                                                                                                                                         | GOVERNMENT GRANTS                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme. | The concept that the statement of Accounts is prepared on the assumption that the Force will continue in operational existence for the foreseeable future.                                                                                                                            | Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Force. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general. |
| GROUP                                                                                                                                                                                                                                                             | IFRS                                                                                                                                                                                                                                                                                  | INTEREST COSTS (PENSION)                                                                                                                                                                                                                                                                               |
| Nottinghamshire Office of the Police and Crime Commissioner and its Group.                                                                                                                                                                                        | International Financial Reporting Standards are developed by the International Accounting Standards Board (IASB) and regulate the preparation and presentation of Financial Statements. Any material departures from these Standards would be disclosed in the notes to the Accounts. | For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.                                                                                                                         |
| MATERIALITY                                                                                                                                                                                                                                                       | MINIMUM REVENUE PROVISION (MRP)                                                                                                                                                                                                                                                       | PAST COSTS (PENSIONS)                                                                                                                                                                                                                                                                                  |
| The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.                                      | The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Force.                                                                                                                     | For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to the employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.                                            |

| PRIOR YEAR ADJUSTMENT                                                                                                                                                                                                                                             | REMUNERATION                                                                                                                                                                                                                                                                               | REVENUE EXPENDITURE                                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| <p>Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.</p> | <p>All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.</p> | <p>The day-to-day expenses of providing services.</p> |



# Annual Accounts 2018-19

Nottinghamshire Police & Crime Commissioner and Group





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## COMMISSIONER'S FOREWORD

## COMMISSIONER'S FOREWORD

The past year has seen continued improvement and success.

This was confirmed in the most recent PEEL (Police Effectiveness, Efficiency, and Legitimacy) Inspection by HMICFRS, which awarded Nottinghamshire Police an overall 'Good' grade.

Highlighting the improvements, HMI Zoe Billingham said: "I am encouraged by the progress that Nottinghamshire Police has made over the past year. I am confident that the force will continue to make improvements in the year ahead".

These improvements have undoubtedly been helped along by the recruitment programme that has seen our numbers steadily rising again after years of cuts. My budget has allowed for 2,040 police officers by the end of the coming year, helped by careful planning, workforce reorganisation and of course the increased levy from the police precept on the council tax.

In 2017-18 the Government increased the amount that could be raised via the precept to £12 per annum for an average (Band D) property. This allowed us to boost the 2018-19 recruitment programme and simultaneously seek a more representative workforce.

In response to repeated and increasingly powerful arguments for additional police funding, in its financial settlement for 2018-19 the Government raised the ceiling on the precept once again, meaning that a Band D property will pay an additional £24 per annum

towards policing.

The increased financial freedom and the promise of a two-year settlement brought additional benefits, enabling longer-term planning and the confidence to make change defining-decisions. New, additional officers are being seen on the streets of Nottinghamshire and we are getting to grips with crimes such as burglary and robbery. There is a specialist team to tackle knife crime. Police officers are back in schools. There is much to be proud of.

But, as always, there is more that can, and should, be done. I'm pleased to see our relationships with our partners, particularly those in blue light services, becoming closer. I welcomed the legislation that allows a Police and Crime Commissioner to sit on the Fire Authority, because as I have repeatedly made clear, while I have no wish to take governance responsibility for another service, I firmly believe it's possible to bring about integration without taking control.

The decision to create a joint Police and Fire & Rescue Headquarters on the Sherwood Lodge site epitomises our approach and will create a modern, efficient working environment fit for many years to come.

In addition, work has now begun on the new Custody Suite to replace the outdated and inefficient Bridewell. The new building will provide a much-improved environment for all users and improve efficiency allowing officers to return to public facing duties. Constructed



using modern materials and the latest technology, the building will deliver reductions on both running costs and environmental impact.

Looking ahead, there are plans in place to consolidate our improvements and build upon these still further. This year's welcome increase in funding was absolutely necessary, but won't solve all our challenges. There will still be tough decisions to be made.

I know that people want to see more officers out and about in communities. We all want to feel safe, and be safe, on the streets and in our neighbourhoods. That's why we must continue to address the issues that concern people most and that's why we will redouble our efforts to secure a fair funding deal.

**Paddy Tipping**  
**Nottinghamshire Police and Crime**  
**Commissioner**

# COMMISSIONER'S FOREWORD





**WRITTEN STATEMENT AND  
CHIEF FINANCE OFFICER'S  
NARRATIVE REPORT**

## CHIEF FINANCE OFFICER'S NARRATIVE REPORT

### NOTTINGHAMSHIRE

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

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

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

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

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

Central Government funding provides the Commissioner with approximately 66% of the funding required to police Nottinghamshire. The remainder is met from local council tax payers.

For 2018-19 the Government Grant was maintained at £134.0m and a two year settlement was offered, providing national efficiency targets were achieved. For 2018-19 precept freedoms to raise council tax by £12pa (Band D equivalent) were given.

The Force still needed to achieve savings of £5.9m to balance the budget. Whilst those efficiencies have been met other costs have been incurred resulting in an overspend position of £0.9m.

Brexit has had a significant impact on Government resources and the planned Comprehensive Spending Review is unlikely to take place in 2019-20. The existing funding formula has been in place since 2005 and despite occasional "tweaks" has never been fully implemented.

Further impacts of Brexit on public spending remain uncertain and therefore unquantifiable.

### GOVERNANCE

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

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

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

## PRIORITIES

Protecting People from Harm

Helping and Supporting Victims

Tackling Crime and Antisocial  
Behaviour

Transforming Services and  
Delivering Quality Policing

## PERFORMANCE

### Achievements 2018-19

Over the last year numerous strategic activities were undertaken to help achieve the Commissioners objectives. A few examples include:

- A new adult Sexual Assault Referral Centre (SARC), which was co-commissioned with NHS England, began delivery in April 2018 and has supported almost 300 victims with crisis support and forensic examinations.
- A new regional paediatric SARC, co-commissioned with NHS England began delivery in April 2018 offering a comprehensive support service to children and young people from hubs located in Nottingham and Northamptonshire.
- New independent Sexual Violence Advisor services began delivering wide ranging support to adults, children and young people in July 2018. The adult service supported 540 survivors and won “Exceptional ISVA Team of the Year” from the foremost national provider, Lime Culture. The children and young people’s service supported almost 200 victims, survivors, parents and siblings from 128 families.
- A dedicated support service for survivors of child sexual abuse, which took place in institutional care, received increasing referrals following the Nottingham hearings of the Independent Inquiry into Child Sexual Abuse (IICSA). During the year nearly 80 survivors were supported. The service is funded by the Commissioner, City and County Councils.
- Following an open tender process, a new DVA support contract was awarded in the city; bringing a wide range of domestic abuse support into one contract.
- The Commissioner has continued to take action to better understand and respond with Partners to protect victims from human trafficking and develop local capability to provide specialist advice and support on modern slavery and organised illegal immigration.
- The Commissioner awarded a grant to POW from the 2018-19 Community Safety Fund to provide support around online sexual exploitation.
- The Commissioner has maintained his investment into outcomes focussed domestic abuse support services. This includes maintaining funding for the two new MARAC IDVA posts.
- The Commissioner has also agreed to co-commission a new domestic abuse support contract in the city (awarded to WAIS following an open tender process in 2018) and is working with the County Council to do the same.
- Victim CARE has significantly expanded the number of community points in 2018. At the end of March 2018 there were 14 community points in place, another 41 completing the application forms and over 100 organisations interested. Victim CARE now has work planned to bring together the community points and further develop the working relationships.
- The Commissioner has awarded contracts to NSVSS (Nottinghamshire Sexual Violence Support Services) (ISVA) and Imara (CHISVA). The services began on 1 July 2018.
- Operation Equinox was established as part of the new Force Operating Model in April 2018 to continue to ensure sufficient resource is allocated to the investigation and detection of historical sex offences. A review of the resources took place in December 2018, the current investigative resources will be maintained with an increased terms of reference to capture all non-recent abuse allegations.

## PERFORMANCE (cont.)

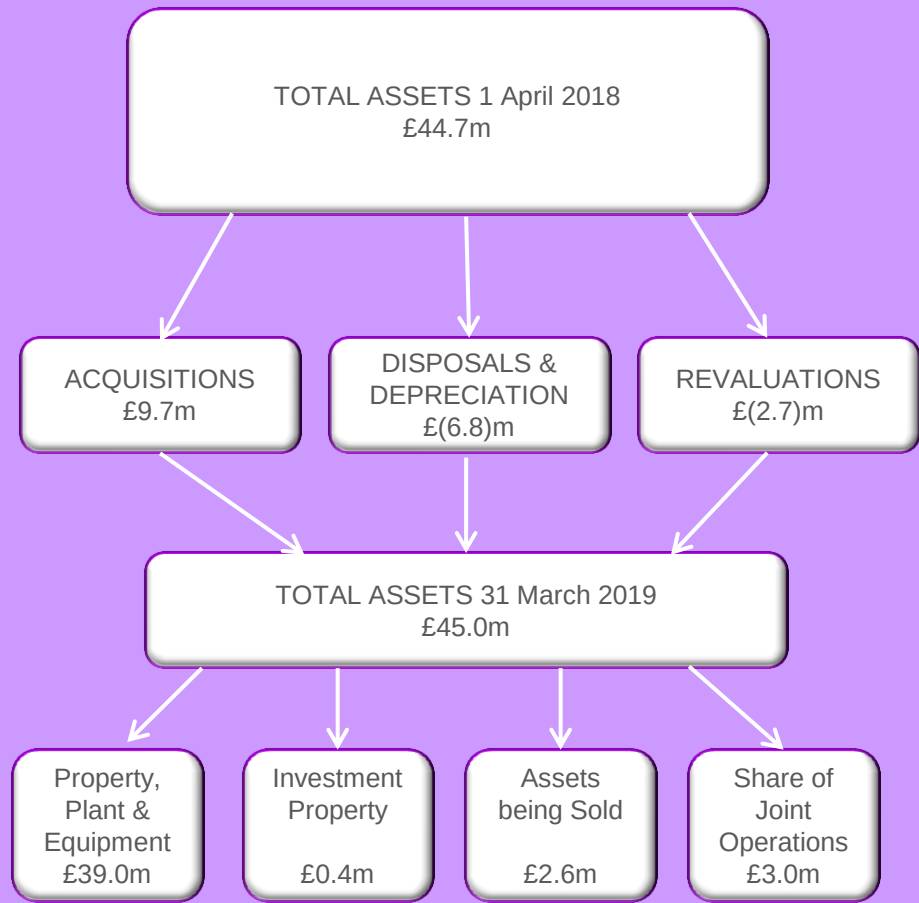
### Achievements 2018-19

- The Commissioner made a £20,000 contribution to the National Justice Museum to help fund the Choices and Consequences Workshops (in association with the Ben Kinsella Trust). The exhibition and workshops are aimed at diverting young people away from knife crime.
- The Commissioner continues to fund a Superintendent with a specific knife crime partnership role, co-ordinating activity to reduce offences.
- The Partnership Knife Crime Strategy was launched in September 2018.
- Additionally, at the end of 2018-19 the Commissioner bid for and obtained £60,000 from the Home Office to fund two short term pilot projects – Violence Interrupters and Educational Plays in schools around knife crime and serious violent crime.
- The Force continues to maintain a high compliance rate with crime recording standards, which means more incidents are recorded as crimes, enabling more victims to receive support.
- Whilst recorded crime has increased overall by 11.2% during the year, it is less than last year (+18.4%) indicating an improved position.
- Despite the overall increase, there have been some significant crime reductions. For example, the number of homicides have almost halved (-46.7%, -7).
- During the year, the Commissioner provided additional funding to the Chief Constable to enable him to establish a dedicated burglary team, which has led to 431 fewer burglaries representing a reduction of 5.2%.
- It is believed that many offenders targeted and dealt with by the burglary team were also responsible for vehicle crime. Consequently, vehicle offences have also reduced by 294 offences representing a reduction of 3.1%.
- Other Theft (which includes theft of cash, mobile telephones etc.) has also reduced by 1,360 offences, representing a reduction of 10.9%.
- Nottingham was successful in being selected for the second round of the Home Office's Local Alcohol Area Action Plan (LAAA2) in 2018. A comprehensive Delivery Plan has been completed for the LAAA2 covering the five themes and use of the night time levy funding.
- In 2019, HMICFRS assessed Nottinghamshire Police as "Good" overall in relation to the Forces performance in keeping people safe, reducing crime and treating the public with fairness and respect.

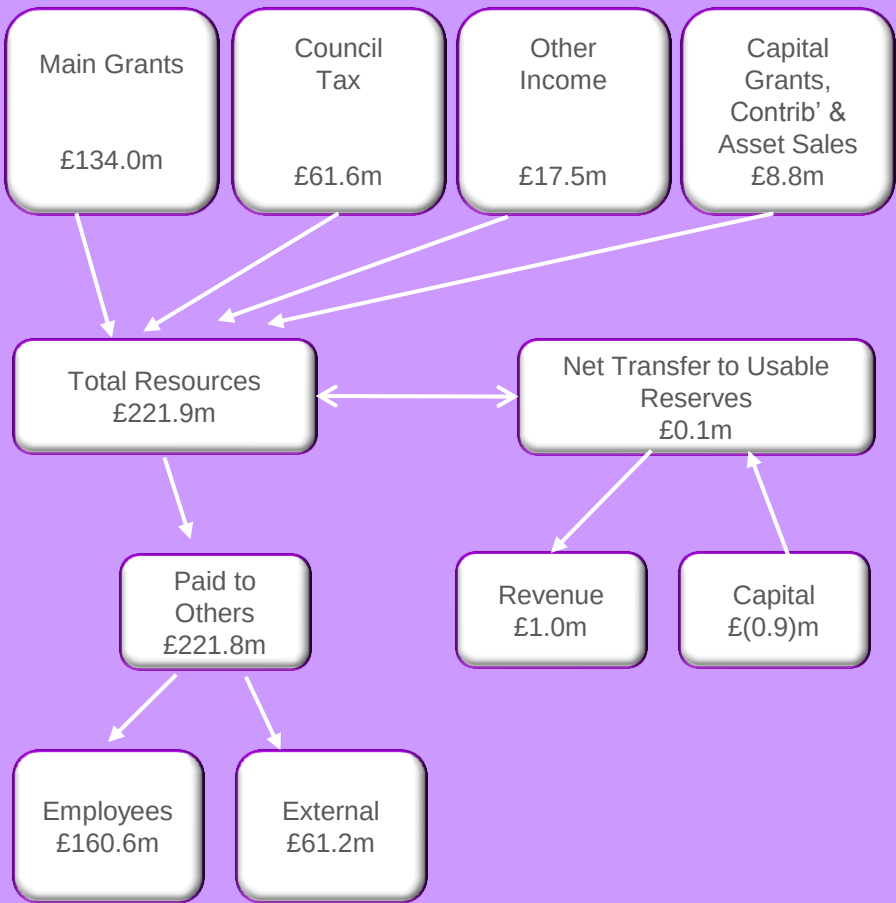
**More information regarding performance can be found within the Annual Report published on the Commissioners website.**

Capital Cash Flows

Nottinghamshire is responsible for managing non-current assets and assets being sold in excess of £45m



Revenue Cash Flows



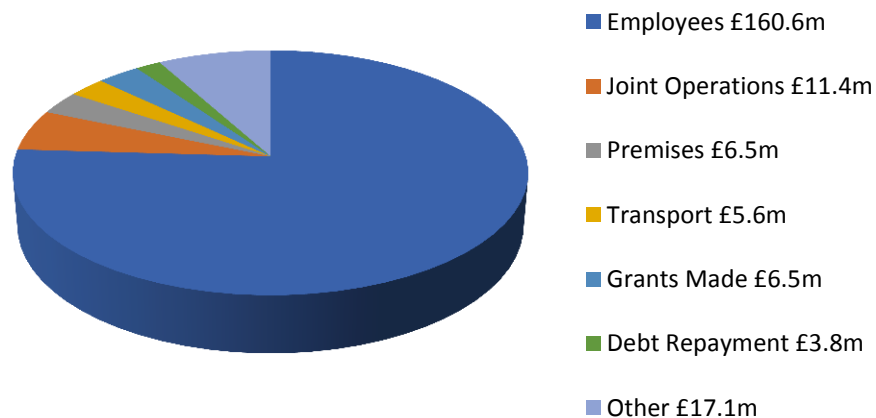
Active Treasury management of these cash flows involved £4,756.2m of transactions in 2018-19

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

## FINANCIAL PERFORMANCE (cont.)

## Revenue Expenditure

## Revenue Expenditure

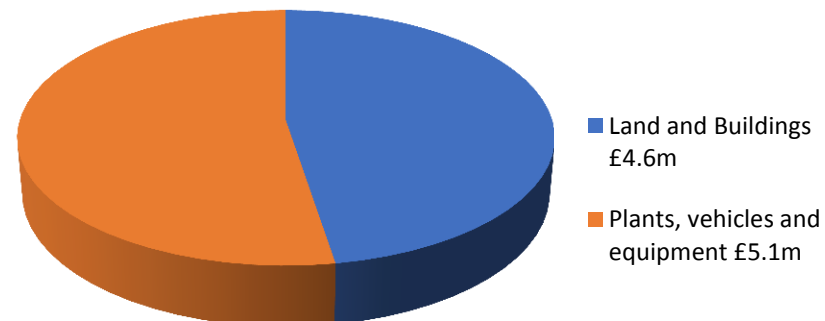


|                                     |              |
|-------------------------------------|--------------|
| <b>Financed by:</b>                 | <b>£m</b>    |
| <b>Police and Crime Grant</b>       | 124.3        |
| <b>Legacy Grant</b>                 | 9.7          |
| <b>Precept</b>                      | 61.6         |
| <b>Other Income</b>                 | 17.5         |
| <b>Net Contribution to Reserves</b> | (1.0)        |
|                                     | <u>212.1</u> |

The net difference between total expenditure and financing relates to Council Tax surplus transferred directly to reserves.

## Capital Expenditure

## Capital Expenditure



|                                     |            |
|-------------------------------------|------------|
| <b>Financed by:</b>                 | <b>£m</b>  |
| <b>Reserves &amp; contributions</b> | 0.3        |
| <b>Capital Grants</b>               | 0.8        |
| <b>Capital Receipts</b>             | 2.7        |
| <b>External Borrowing</b>           | 5.9        |
|                                     | <u>9.7</u> |

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

## FINANCIAL PERFORMANCE (cont.)

### Capital Expenditure

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

- New custody suite.
- New Joint HQ building with Fire.
- Maintaining the existing estate.
- Updating and replacing IT.
- Vehicle replacements.
- Exploring opportunities with the Fire Service and EMAS.

### Provisions and Reserves

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

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

| At 31 March 2019              | £m   |
|-------------------------------|------|
| TOTAL PROVISION               | 3.8  |
| TOTAL USABLE REVENUE RESERVES | 23.7 |
| TOTAL USABLE CAPITAL RESERVES | 3.0  |

## WHO WORKS FOR NOTTINGHAMSHIRE POLICE

Nottinghamshire Police (including the Office of the Police and Crime Commissioner) employs approximately 1,981 police officers, 185 PCSOs, 199 specials and 1,271 staff in full-time and part-time positions.

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

### Overall Equality Characteristics

| Gender | Headcount | %     |
|--------|-----------|-------|
| Male   | 2,027     | 55.75 |
| Female | 1,609     | 44.25 |

| Age Band     | Headcount | %     |
|--------------|-----------|-------|
| 25 and under | 386       | 10.62 |
| 24-40        | 1,456     | 40.04 |
| 41-55        | 1,499     | 41.23 |
| 56 or over   | 295       | 8.11  |

| Self-Declared Disability | Headcount | %     |
|--------------------------|-----------|-------|
| No                       | 3,415     | 93.92 |
| Yes                      | 152       | 4.18  |
| Unspecified              | 69        | 1.90  |

| Ethnicity           | Headcount | %     |
|---------------------|-----------|-------|
| Asian/Asian British | 103       | 2.83  |
| Black/Black British | 41        | 1.13  |
| Mixed               | 54        | 1.49  |
| White/White British | 3,326     | 91.47 |
| Other               | 8         | 0.22  |
| Not known/provided  | 104       | 2.86  |

## PRINCIPLE RISKS

A risk management strategy is in place to identify and evaluate risk. There are clearly defined steps to support better decision making through the understanding of risk, whether a positive opportunity or threat and the likely impact. The risk management processes are subject to regular review and updates. The key strategic notes are:

| RISK                          | IMPACT                                                                                                                                                   | MITIGATION                                                                                                                                                                                                                                                        |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Brexit                        | Detrimental impact of Brexit on public sector financing.                                                                                                 | Monitor national activity by the Government – consider lobbying through representative bodies.                                                                                                                                                                    |
| Comprehensive Spending Review | Delay by a further year impacts on the total amount available for funding policing nationally.                                                           | The Commissioner is a lead for this work at a national level.                                                                                                                                                                                                     |
| Funding Formula Review        | Could result in either a positive or negative impact on the amount of police grant Nottinghamshire receives.                                             | Proactive work by the Commissioner on the National Review Body.                                                                                                                                                                                                   |
| Level of Reserves             | Insufficient reserves to meet significant risks.                                                                                                         | This has improved significantly with annual targets for replacement being exceeded each year. Although the target for 2018-19 was not met due to additional demands on resources. The total available now provides opportunity for investment in IT and Property. |
| Changes to Crime Types        | The need for officers to be trained in new areas of growing crime such as on-line crime. Whilst continuing to manage traditional crime such as burglary. | Recruitment and training of officers with these skills.                                                                                                                                                                                                           |

| Explanation of Accounting Statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | The Core Statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | The Supplementary Financial Statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Statement of Accounts sets out the Group income and expenditure for the year and its financial position at 31 March 2019. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accountancy in the United Kingdom 2018-19; which in turn is underpinned by International Financial Reporting Standards.</p> <p>A Glossary of terms can be found at the end of this publication.</p> | <p>The Comprehensive Income and Expenditure Statement (CIES). This records all income and expenditure for the year. The top half of the statement includes policing activity. The bottom half of the statement deals with corporate transactions and funding. It includes actuarial valuations in accordance with the code.</p> <p>The Movement in Reserves Statement – is a summary of the changes to the Reserves during the course of the year. Reserves are divided into “useable”, which can be invested in capital projects or service improvements, and “unusable”, which must be set aside for specific accounting purposes.</p> <p>The Balance Sheet is a “snapshot” of the assets, liabilities, cash balances and reserves at the year-end date.</p> <p>The Cash Flow Statement – shows the reasons for changes in cash balances during the year, whether the change is due to operating activities, new investment or financing activities (such as the repayment of borrowing and other long term liabilities).</p> | <ul style="list-style-type: none"> <li>• The Annual Governance Statement – this sets out the governance arrangements in place and the key internal controls.</li> <li>• The Pension Fund Account – these provide detail about the transactions in relation to the pension fund account for police officers. Details relating to the Local Government Pension Scheme for staff (including PCSO's) are provided in the notes to the accounts.</li> <li>• The Notes to the Accounts – these provide more detail about the accounting policies and individual transactions.</li> </ul> |

## INDEPENDENT AUDITORS REPORT

To be provided by EY



## The Responsibilities of the Commissioner

The Commissioner is required to:

- Make arrangements for the proper administration of the financial affairs for the group and to secure that one of his officers has the responsibility for the administration of those affairs, in line with statute this is the Section 151 Officer.
- Manage the groups affairs to secure economic efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.
- Ensure that the Section 151 Officer is a key member of their strategic management team and is adequately resourced and trained to fulfil this role.

## The Responsibilities of the Chief Finance Officer

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

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

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

The Section 151 Officer has also:

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

## Certification

I certify that in my opinion this Statement of Accounts present a true and fair view of the financial position of the Chief Constable as at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

C Radford CPFA  
Chief Finance Officer  
Nottinghamshire Police and Crime  
Commissioner  
27 November 2020

Approval  
The Statement of Accounts was  
approved by the Joint Audit and Scrutiny  
Panel on 27 November 2020

P Tipping  
Nottinghamshire Police & Crime  
Commissioner  
27 November 2020

## INTRODUCTION

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

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

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

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

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

## KEY ELEMENTS OF THE COMMISSIONER'S GOVERNANCE FRAMEWORK

### Police & Crime Plan

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

### Scrutiny & Review

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

### Police & Crime Panel

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

### Decision making

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

### Effective Management Team

- Chief Executive is the Monitoring Officer responsible for governance
- Chief Finance Officer is the Section 151 Officer responsible for safeguarding the financial position of the group

| HOW WE COMPLY WITH THE CIPFA SOLACE FRAMEWORK                                                                                                                                                                                                                                                                                                                                                                                                                                                    | PRINCIPLE A<br><br><b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the law.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | PRINCIPLE B<br><br><b>Ensuring openness and comprehensive stakeholder engagement</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Commissioner has approved and adopted:</p> <ul style="list-style-type: none"> <li>• Code of Corporate Governance</li> <li>• The requirements of the CIPFA/SoLACE Framework: Delivering Good Governance in Local Government Framework</li> <li>• A number of specific strategies and processes for strengthening corporate governance</li> </ul> <p>Set out below is how the Commissioner has complied with the seven principles set out in the CIPFA/SoLACE Framework during 2018-19.</p> | <p>The Commissioner has endorsed the Code of Corporate Governance, which provides guidance on expected standards of behaviours to ensure integrity.</p> <p>The Commissioner has approved the Anti-Fraud, Bribery and Corruption policies. The Audit and Scrutiny Panel receives reports on how these arrangements have been applied during the year. There is a Whistle Blowing policy in place, which together with declaration of interests from the Commissioner, staff and police officers, ensures ethical standards are being monitored and adhered to. Any whistle blowing activities notified are investigated by the Professional Standards Directorate and appropriate action is taken.</p> <p>The Section 151 Officer and Monitoring Officer have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to the Commissioner and Audit and Scrutiny Panel or Police and Crime Panel.</p> | <p>All meetings of the Joint Audit and Scrutiny Panel, Strategic Resources and Performance Panel, and the Police and Crime Panel, are open to the public. Papers, reports and decisions made by the Commissioner, are published on the Commissioners website together with consultation and public surveys.</p> <p>The Commissioner has a public engagement consultation strategy which sets out how we engage with stakeholders, partners and the public, through a combination of collaborative working, representation on boards, stakeholder consultation meetings and attendance at public community events.</p> |

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

**PRINCIPLE F****Managing risks and performance**

Performance is a key driver for the Force. This year there has been a national focus on ensuring compliance with the National Crime Recording Standard. This resulted in a reported crime increase during the year (11.2% for Nottinghamshire's total crime for 2018-19). However, we were ranked best for tackling most serious crime.

The Force continues to experience a significant reduction in the number of people held in custody with mental health issues; ensuring these people are now directed to the correct help at first point of contact.

The Office of the Police & Crime Commissioner and the Force have a joint risk management strategy and monitor risks through the same system. The strategy was reviewed and reported to the Joint Audit & Scrutiny Panel in May 2018. These strategic risks are monitored and reported to every meeting of the Joint Audit and Scrutiny Panel.

The Office of the Police & Crime Commissioner will be developing a risk plan linked to the new Police & Crime Plan.

There are joint policies in place for risk management; anti-fraud, corruption and bribery and together with the financial regulations set out expected processes and internal controls.

We have a regional contract for the provision of Internal Audit. The Internal Audit team regularly provides reports on the effective operation of control and an annual report of the overall control environment.

Lessons are learnt across forces through this shared contract.

The Professional Standards Directorate provides reports on actions within the disciplinary process and on lessons learnt nationally from the IPCC.

An external community panel has been set up to review discrimination complaints.

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

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

All decisions of the Commissioner are published on the website, together with any supporting information to explain why any particular option was taken.

The Police and Crime plan together with financial strategies and internal policies are also published and reviewed regularly.

Reporting of performance both operational and financial is undertaken on a regular basis. And the Commissioner meets with the Chief Constable on a weekly basis to challenge where the performance is slipping.

The Police and Crime Panel meet regularly to hold the Commissioner to account for the decisions being taken. The minutes of this public meeting are published on the County Council website.

In 2018-19 Nottinghamshire OPCC was awarded the "Transparency Quality Mark" by CoPaCC for the fourth year running.

## REVIEW OF EFFECTIVENESS

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

### Assurance from Internal Audit

One of the key assurance statements that the Commissioner receives is the annual audit report and opinion of the Head of Internal Audit. During 2018-19, 14 areas, including collaboration areas, were reported on. Of which eight were deemed to be satisfactory (56% of local recommendations and 100% of regional recommendations). All key financial systems have been audited and considered satisfactory with the exception of the Creditors system which had a limited opinion. This will be followed up in 2019-20.

Of the remaining two areas reviewed, none were core financial systems. One was the follow-up of the previous limited assurance recommendations (satisfactory) and the other was the IT strategy which was an advisory piece of work on what a good strategy would include. These are detailed within the published annual report and will be monitored and reviewed during 2019-20. The internal auditors opinion for 2018-19 is that in the areas audited this was generally adequate, and effective risk management, control and governance processes were in place to manage the achievement of the organisations objectives.

### Assurance from External Audit

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

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

### Self-Assessment and Review of Key Performance Indicators

The Chief Executive and Chief Finance Officer of the OPCC have undertaken a review to confirm that the arrangements described above have been in place throughout the year. Assurance questionnaires have been completed and signed to provide confirmation that Codes of Conduct, Financial Regulations and other

corporate governance processes, have been operating as intended throughout the year so far as they are aware.

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

| Governance Issues Identified                                   | Performance Indicator                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Formal Reports Issued by the Section 151 or Monitoring Officer | None issued                                                                                                                                                                                                                                                                                              |
| Outcomes from Monitoring Officer's Investigations              | None issued                                                                                                                                                                                                                                                                                              |
| Proven frauds by members of staff or officers                  | None                                                                                                                                                                                                                                                                                                     |
| Objections received from local electors                        | None                                                                                                                                                                                                                                                                                                     |
| Ombudsman referrals upheld exceed national averages            | None identified 2018-19                                                                                                                                                                                                                                                                                  |
| Limited assurance from Internal Audit Reports                  | Four out of 14 Internal Audit reports were issued with limited assurance. In addition to this HMCFRS issued "requires improvement" reviews relating to Crime Data Integrity and Police Custody. Details of these can be found within the Chief Constables AGS and reports to the Audit & Scrutiny Panel. |
| ISA 260 2017-18 issues identified                              | Please refer to Chief Constable's Annual Governance Statement for full details                                                                                                                                                                                                                           |

**Follow-up of issues identified in 2017-18**

| Issues identified:                                                                                                  | Action taken:                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Levels of Reserves were considered to be low, but compared with the previous year this was improving significantly. | The repayment of Reserves has faulted in 2018-19 due to additional unbudgeted revenue pressures, during the year. The repayment will still be made over the medium term and provide resources for new capital projects.                                                                                                                                                                          |
| Internal Audit – limited assurance on Key Financial Systems.                                                        | <p>None of the Key Financial Systems were considered to have limited assurance.</p> <p>The four audits with limited assurance were Force Management of MFSS Arrangements, Health and Safety, GDPR and Property Management. These will be followed-up in 2019-20.</p> <p>The two audits with limited assurance in 2017-18 have been followed-up during the year and found to be satisfactory.</p> |
| Economic Outlook.                                                                                                   | <p>The settlement for 2018-19 and 2019-20 provided the opportunity to deliver balanced budgets for the medium term. However, a funding formula review will take place, probably post the next CSR, and this provides some uncertainty.</p> <p>The public finances continue to be monitored in light of Brexit and the potential impact on police funding.</p>                                    |
| VFM qualification of MFSS.                                                                                          | During the year steps have been taken to significantly improve the Governance arrangements of the Management Board and Joint Committee. Including the monitoring of costs associated with the implementation of Oracle Fusion. All budgetary increases are approved by the Joint Committee.                                                                                                      |

## CONCLUSION

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

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

### SIGNED

Paddy Tipping  
Nottinghamshire Police and Crime Commissioner  
27 November 2020

Kevin Dennis  
Chief Executive  
27 November 2020

Charlotte Radford CPFA  
Chief Finance Officer  
27 November 2020



## CORE FINANCIAL STATEMENTS

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT (CIES)

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

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

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

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

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

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

The Group is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution, from revenue towards the reduction in its overall borrowing requirement in accordance with statutory guidance, the Minimum Revenue Provision (MRP). The MRP is chargeable to the council tax payer and is the way that purchasing capital assets is made - approximately over the useful life of the asset.

Whilst all the expenditure is paid for by the Commissioner including employee pay, the recognition in the accounts is based on economic benefit of resources consumed.

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

| 2017-2018<br>(Restated, see note 1.5 for details) |                  |                |                  |                  | PCC & GROUP CIES                                                     |                      | 2018-19        |                  |                |                |                |
|---------------------------------------------------|------------------|----------------|------------------|------------------|----------------------------------------------------------------------|----------------------|----------------|------------------|----------------|----------------|----------------|
| PCC Exp'                                          | PCC Income       | PCC Net        | CC Net           | Group Total      |                                                                      | Note                 | PCC Exp'       | PCC Income       | PCC Net        | CC Net         | Group Total    |
| £'000                                             | £'000            | £'000          | £'000            | £'000            |                                                                      |                      | £'000          | £'000            | £'000          | £'000          | £'000          |
| 227,509                                           | 0                | 227,509        | (227,509)        | 0                | Funding to Chief Constable                                           |                      | 238,983        | 0                | 238,983        | (238,983)      | 0              |
| 5,254                                             | (1,641)          | 3,613          | 211,145          | 214,758          | Service cost                                                         |                      | 6,063          | (1,625)          | 4,438          | 336,308        | 340,746        |
| <b>232,763</b>                                    | <b>(1,641)</b>   | <b>231,122</b> | <b>(16,364)</b>  | <b>214,758</b>   | <b>Cost of Services</b>                                              |                      | <b>245,046</b> | <b>(1,625)</b>   | <b>243,421</b> | <b>97,325</b>  | <b>340,746</b> |
| 1,704                                             | (1,053)          | 651            | 0                | 651              | Other Operating (Income) and Expenditure                             | 2.6                  | 2,138          | (2,387)          | (249)          | 0              | (249)          |
| 1,910                                             | (194)            | 1,716          | 72,469           | 74,185           | Financing and Investment                                             | 2.4                  | 2,165          | (578)            | 1,587          | 53,673         | 55,260         |
| 0                                                 | (238,715)        | (238,715)      | 0                | (238,715)        | Taxation and Non Specific Grant Income                               | 2.5                  | 0              | (240,836)        | (240,836)      | 0              | (240,836)      |
| <b>236,377</b>                                    | <b>(241,603)</b> | <b>(5,226)</b> | <b>56,105</b>    | <b>50,879</b>    | <b>(Surplus) or Deficit on Provision of Services</b>                 | <b>2.1 &amp; 2.8</b> | <b>249,349</b> | <b>(245,426)</b> | <b>3,923</b>   | <b>150,998</b> | <b>154,921</b> |
|                                                   |                  | (19)           | 0                | (19)             | (Surplus) or deficit on revaluation of Property, Plant and Equipment |                      |                |                  | 92             | 0              | 92             |
|                                                   |                  | (250)          | (165,866)        | (166,116)        | Re-measurement of the net defined benefit liability / asset          |                      |                |                  | 7              | 68,796         | 68,803         |
|                                                   |                  | <b>(269)</b>   | <b>(165,866)</b> | <b>(166,135)</b> | <b>Other Comprehensive (Income) and Expenditure</b>                  |                      |                |                  | <b>99</b>      | <b>68,796</b>  | <b>68,895</b>  |
|                                                   |                  | <b>(5,495)</b> | <b>(109,761)</b> | <b>(115,256)</b> | <b>Total Comprehensive (Income) and Expenditure</b>                  |                      |                |                  | <b>4,022</b>   | <b>219,794</b> | <b>223,816</b> |

| 2017-18<br>(Restated, see note 1.5 for details) |                               |                                                                      | GROUP CIES                                           |                      |  | 2018-19              |                               |                |
|-------------------------------------------------|-------------------------------|----------------------------------------------------------------------|------------------------------------------------------|----------------------|--|----------------------|-------------------------------|----------------|
| Expenditure<br>£'000                            | Income<br>(Note 2.3)<br>£'000 | Net<br>£'000                                                         |                                                      | Note                 |  | Expenditure<br>£'000 | Income<br>(Note 2.3)<br>£'000 | Net<br>£'000   |
| 237,370                                         | (22,612)                      | 214,758                                                              | <b>Group Cost of Services</b>                        |                      |  | 356,398              | (15,652)                      | 340,746        |
| 1,704                                           | (1,053)                       | 651                                                                  | Other Operating (Income) and Expenditure             | 2.6                  |  | 2,138                | (2,387)                       | (249)          |
| 79,944                                          | (5,759)                       | 74,185                                                               | Financing and Investment                             | 2.4                  |  | 77,225               | (21,966)                      | 55,260         |
| 0                                               | (238,715)                     | (238,715)                                                            | Taxation and Non Specific Grant Income               | 2.5                  |  | 0                    | (240,836)                     | (240,836)      |
| <b>319,018</b>                                  | <b>(268,139)</b>              | <b>50,879</b>                                                        | <b>(Surplus) or Deficit on Provision of Services</b> | <b>2.1 &amp; 2.8</b> |  | <b>435,761</b>       | <b>(280,840)</b>              | <b>154,921</b> |
|                                                 | (19)                          | (Surplus) or deficit on revaluation of Property, Plant and Equipment |                                                      |                      |  |                      |                               | 92             |
|                                                 | (166,116)                     | Re-measurement of the net defined benefit liability / asset          |                                                      |                      |  |                      |                               | 68,803         |
|                                                 | <b>(166,135)</b>              | <b>Other Comprehensive (Income) and Expenditure</b>                  |                                                      |                      |  |                      |                               | <b>68,895</b>  |
|                                                 | <b>(115,256)</b>              | <b>Total Comprehensive (Income) and Expenditure</b>                  |                                                      |                      |  |                      |                               | <b>223,816</b> |

## MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held. Usable Reserves are set aside for future policy purposes or to cover contingencies. The Unusable Reserves manage the movements as a result of

accounting adjustments required by the Code, for capital, financial instruments, retirement, and employee benefits.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

Expenditure to be financed from a reserve is charged to the appropriate service and hence included within the 'Provision of Services' in the CIES. The reserve is then appropriated back in the Movement in Reserves Statement to avoid impacting on council tax.

| Group<br>Movement in Reserves                                                       | General Fund<br>Balance | Earmarked<br>General Fund<br>Reserves<br>(Note 3.1) | Capital<br>Receipts<br>Reserve<br>(Note 3.2) | Capital Grants<br>Unapplied<br>Account<br>(Note 3.2) | Total Usable<br>Reserves | Unusable<br>Reserves<br>(Note 3.3 & 3.4) | Group<br>Total<br>Reserves |
|-------------------------------------------------------------------------------------|-------------------------|-----------------------------------------------------|----------------------------------------------|------------------------------------------------------|--------------------------|------------------------------------------|----------------------------|
| 2018-19                                                                             | £000                    | £000                                                | £000                                         | £000                                                 | £000                     | £000                                     | £000                       |
| Balance at 31 March 2018 restated                                                   | (7,075)                 | (16,853)                                            | (3,887)                                      | 0                                                    | (27,815)                 | 2,636,276                                | 2,608,461                  |
| <b>Movement in reserves during 2018-19</b>                                          |                         |                                                     |                                              |                                                      |                          |                                          |                            |
| (Surplus) or deficit on the provision of services                                   | 154,921                 | 0                                                   | 0                                            | 0                                                    | 154,921                  | 0                                        | 154,921                    |
| Other Comprehensive (Income) / Expenditure                                          | 0                       | 0                                                   | 0                                            | 0                                                    | 0                        | 68,895                                   | 68,895                     |
| <b>Total Comprehensive Income and Expenditure</b>                                   | <b>154,921</b>          | <b>0</b>                                            | <b>0</b>                                     | <b>0</b>                                             | <b>154,921</b>           | <b>68,895</b>                            | <b>223,816</b>             |
| Adjustments between accounting basis and funding basis under regulations (Note 3.5) | (155,030)               | 250                                                 | 887                                          | 0                                                    | (153,893)                | 153,893                                  | 0                          |
| <b>Net (Increase) or Decrease before Transfers to Earmarked Reserves</b>            | <b>(109)</b>            | <b>250</b>                                          | <b>887</b>                                   | <b>0</b>                                             | <b>1,028</b>             | <b>222,788</b>                           | <b>223,816</b>             |
| Transfers to / (from) Earmarked Reserves (Note 3.1)                                 | 109                     | 15                                                  | 0                                            | 0                                                    | 124                      | (124)                                    | 0                          |
| <b>(Increase) or Decrease in 2018-19</b>                                            | <b>0</b>                | <b>265</b>                                          | <b>887</b>                                   | <b>0</b>                                             | <b>1,152</b>             | <b>222,663</b>                           | <b>223,815</b>             |
| <b>Balance at 31 March 2019</b>                                                     | <b>(7,075)</b>          | <b>(16,588)</b>                                     | <b>(3,000)</b>                               | <b>0</b>                                             | <b>(26,663)</b>          | <b>2,858,939</b>                         | <b>2,832,276</b>           |

| PCC<br>Movement in Reserves                                                         | General Fund<br>Balance | Earmarked<br>General Fund<br>Reserves<br>(Note 3.1) | Capital<br>Receipts<br>Reserve<br>(Note 3.2) | Capital Grants<br>Unapplied<br>Account<br>(Note 3.2) | Total Usable<br>Reserves | Unusable<br>Reserves<br>(Note 3.3 & 3.4) | Group<br>Total<br>Reserves |
|-------------------------------------------------------------------------------------|-------------------------|-----------------------------------------------------|----------------------------------------------|------------------------------------------------------|--------------------------|------------------------------------------|----------------------------|
| 2018-19                                                                             | £000                    | £000                                                | £000                                         | £000                                                 | £000                     | £000                                     | £000                       |
| Balance at 31 March 2018 restated                                                   | (7,075)                 | (16,853)                                            | (3,887)                                      | 0                                                    | (27,815)                 | 10,593                                   | (17,222)                   |
| <b>Movement in reserves during 2017-18</b>                                          |                         |                                                     |                                              |                                                      |                          |                                          |                            |
| (Surplus) or deficit on the provision of services                                   | 3,923                   | 0                                                   | 0                                            | 0                                                    | 3,923                    | 0                                        | 3,923                      |
| Other Comprehensive (Income) / Expenditure                                          | 0                       | 0                                                   | 0                                            | 0                                                    | 0                        | 99                                       | 99                         |
| <b>Total Comprehensive Income and Expenditure</b>                                   | <b>3,923</b>            | <b>0</b>                                            | <b>0</b>                                     | <b>0</b>                                             | <b>3,923</b>             | <b>99</b>                                | <b>4,022</b>               |
| Adjustments between accounting basis and funding basis under regulations (Note 3.5) | (4,032)                 | 250                                                 | 887                                          | 0                                                    | (2,895)                  | 2,895                                    | 0                          |
| <b>Net (Increase) or Decrease before Transfers to Earmarked Reserves</b>            | <b>(109)</b>            | <b>250</b>                                          | <b>887</b>                                   | <b>0</b>                                             | <b>1,028</b>             | <b>2,994</b>                             | <b>4,022</b>               |
| Transfers to / (from) Earmarked Reserves                                            | 109                     | 15                                                  | 0                                            | 0                                                    | 124                      | (124)                                    | 0                          |
| <b>(Increase) or Decrease in 2017-18</b>                                            | <b>0</b>                | <b>265</b>                                          | <b>887</b>                                   | <b>0</b>                                             | <b>1,152</b>             | <b>2,868</b>                             | <b>4,020</b>               |
| <b>Balance at 31 March 2019</b>                                                     | <b>(7,075)</b>          | <b>(16,588)</b>                                     | <b>(3,000)</b>                               | <b>0</b>                                             | <b>(26,663)</b>          | <b>13,461</b>                            | <b>(13,202)</b>            |

| Group<br>Movement in Reserves<br>(2017-18 has been restated, see note 1.5 for details) | General<br>Fund<br>Balance | Earmarked<br>General Fund<br>Reserves<br>(Note 3.1) | Capital<br>Receipts<br>Reserve<br>(Note 3.2) | Capital Grants<br>Unapplied<br>Account<br>(Note 3.2) | Total Usable<br>Reserves | Unusable<br>Reserves<br>(Note 3.3 & 3.4) | Group<br>Total<br>Reserves |
|----------------------------------------------------------------------------------------|----------------------------|-----------------------------------------------------|----------------------------------------------|------------------------------------------------------|--------------------------|------------------------------------------|----------------------------|
| 2017-18                                                                                | £000                       | £000                                                | £000                                         | £000                                                 | £000                     | £000                                     | £000                       |
| Balance at 31 March 2017                                                               | (7,075)                    | (11,783)                                            | (3,293)                                      | 0                                                    | (22,151)                 | 2,746,222                                | 2,724,071                  |
| Error correction from previous year                                                    | 0                          | (40)                                                | 0                                            | 0                                                    | (40)                     | 40                                       | 0                          |
| Change in leased asset treatment from previous year                                    | 0                          | 0                                                   | 0                                            | 0                                                    | 0                        | (354)                                    | (354)                      |
| Corrected balance as at 31 march 2017                                                  | (7,075)                    | (11,823)                                            | (3,293)                                      | 0                                                    | (22,191)                 | 2,745,908                                | 2,723,717                  |
| <b>Movement in reserves during 2017-18</b>                                             |                            |                                                     |                                              |                                                      |                          |                                          |                            |
| (Surplus) or deficit on the provision of services                                      | 50,879                     | 0                                                   | 0                                            | 0                                                    | 50,879                   | 0                                        | 50,879                     |
| Other Comprehensive (Income) / Expenditure                                             | 0                          | 0                                                   | 0                                            | 0                                                    | 0                        | (166,135)                                | (166,135)                  |
| <b>Total Comprehensive Income and Expenditure</b>                                      | <b>50,879</b>              | <b>0</b>                                            | <b>0</b>                                     | <b>0</b>                                             | <b>50,879</b>            | <b>(166,135)</b>                         | <b>(115,256)</b>           |
| Adjustments between accounting basis and funding basis under regulations (Note 3.5)    | (55,909)                   | 0                                                   | (594)                                        | 0                                                    | (56,503)                 | 56,503                                   | 0                          |
| <b>Net (Increase) or Decrease before Transfers to Earmarked Reserves</b>               | <b>(5,030)</b>             | <b>0</b>                                            | <b>(594)</b>                                 | <b>0</b>                                             | <b>(5,624)</b>           | <b>(109,632)</b>                         | <b>(115,256)</b>           |
| Transfers to / (from) Earmarked Reserves                                               | 5,030                      | (5,030)                                             | 0                                            | 0                                                    | 0                        | 0                                        | 0                          |
| <b>(Increase) or Decrease in 2017-18</b>                                               | <b>0</b>                   | <b>(5,030)</b>                                      | <b>(594)</b>                                 | <b>0</b>                                             | <b>(5,624)</b>           | <b>(109,632)</b>                         | <b>(115,256)</b>           |
| <b>Balance at 31 March 2018</b>                                                        | <b>(7,075)</b>             | <b>(16,853)</b>                                     | <b>(3,887)</b>                               | <b>0</b>                                             | <b>(27,815)</b>          | <b>2,636,276</b>                         | <b>2,608,461</b>           |

| PCC<br>Movement in Reserves<br>(2017-18 has been restated, see note 1.5 for details)   | General Fund<br>Balance | Earmarked<br>General Fund<br>Reserves<br>(Note 3.1) | Capital<br>Receipts<br>Reserve<br>(Note 3.2) | Capital Grants<br>Unapplied<br>Account<br>(Note 3.2) | Total Usable<br>Reserves | Unusable<br>Reserves<br>(Note 3.3 & 3.4) | Group<br>Total<br>Reserves |
|----------------------------------------------------------------------------------------|-------------------------|-----------------------------------------------------|----------------------------------------------|------------------------------------------------------|--------------------------|------------------------------------------|----------------------------|
| 2017-18                                                                                | £000                    | £000                                                | £000                                         | £000                                                 | £000                     | £000                                     | £000                       |
| Balance at 31 March 2017                                                               | (7,075)                 | (11,783)                                            | (3,293)                                      | 0                                                    | (22,151)                 | 27,492                                   | 5,341                      |
| Pension Reserve Restatement                                                            | 0                       | 0                                                   | 0                                            | 0                                                    | 0                        | (16,713)                                 | (16,713)                   |
| Restated Balance                                                                       | (7,075)                 | (11,783)                                            | (3,293)                                      | 0                                                    | (22,151)                 | 10,779                                   | (11,372)                   |
| Error correction from previous year                                                    | 0                       | (40)                                                | 0                                            | 0                                                    | (40)                     | 40                                       | 0                          |
| Change in leased asset treatment from previous year                                    | 0                       | 0                                                   | 0                                            | 0                                                    | 0                        | (354)                                    | (354)                      |
| Corrected balance as at 31 March 2017                                                  | (7,075)                 | (11,823)                                            | (3,293)                                      | 0                                                    | (22,191)                 | 10,465                                   | (11,726)                   |
| Movement in reserves during 2017-18                                                    |                         |                                                     |                                              |                                                      | 0                        |                                          |                            |
| (Surplus) or deficit on the provision of services                                      | (5,226)                 | 0                                                   | 0                                            | 0                                                    | (5,226)                  | 0                                        | (5,226)                    |
| Other Comprehensive (Income) / Expenditure                                             | 0                       | 0                                                   | 0                                            | 0                                                    | 0                        | (269)                                    | (269)                      |
| Total Comprehensive Income and Expenditure                                             | (5,226)                 | 0                                                   | 0                                            | 0                                                    | (5,226)                  | (269)                                    | (5,495)                    |
| Adjustments between accounting basis and funding basis<br>under regulations (Note 3.5) | 196                     | 0                                                   | (594)                                        | 0                                                    | (398)                    | 398                                      | 0                          |
| Net (Increase) or Decrease before Transfers to Earmarked<br>Reserves                   | (5,030)                 | 0                                                   | (594)                                        | 0                                                    | (5,624)                  | 128                                      | (5,496)                    |
| Transfers to / (from) Earmarked Reserves                                               | 5,030                   | (5,030)                                             | 0                                            | 0                                                    | 0                        | 0                                        | 0                          |
| (Increase) or Decrease in 2017-18                                                      | 0                       | (5,030)                                             | (594)                                        | 0                                                    | (5,624)                  | 128                                      | (5,496)                    |
| Balance at 31 March 2018                                                               | (7,075)                 | (16,853)                                            | (3,887)                                      | 0                                                    | (27,815)                 | 10,593                                   | (17,222)                   |

## BALANCE SHEET

The Balance Sheet shows the value of assets and liabilities, as at the end of the accounting year. The net assets (assets less liabilities) are matched by the reserves held.

Reserves are both usable, which may be used to provide services and unusable which fulfil specific accounting purposes.

| 2017-18            | 2017-18<br>(Restated, see note 1.5) |                    | PCC & Group Balance Sheet     | Note      | 2018-2019       |                    |
|--------------------|-------------------------------------|--------------------|-------------------------------|-----------|-----------------|--------------------|
| Group              | PCC                                 | Group              |                               |           | PCC             | Group              |
| £000               | £000                                | £000               |                               |           | £000            | £000               |
| 41,072             | 40,314                              | 40,314             | Property, Plant and Equipment | 4.2       | 39,775          | 39,775             |
| 534                | 534                                 | 534                | Investment Property           | 4.4       | 435             | 435                |
| 376                | 1,100                               | 1,100              | Intangible Assets             | 4.5       | 2,235           | 2,235              |
| 0                  | 0                                   | 0                  | Long-Term Debtors             |           | 0               | 0                  |
| <b>41,982</b>      | <b>41,948</b>                       | <b>41,948</b>      | <b>Long Term Assets</b>       |           | <b>42,445</b>   | <b>42,445</b>      |
| 2,364              | 2,748                               | 2,748              | Assets Held for Sale          | 4.7       | 2,586           | 2,586              |
| 167                | 167                                 | 167                | Inventories                   |           | 151             | 151                |
| 32,460             | 32,460                              | 32,460             | Short-Term Debtors            | 4.8       | 22,495          | 22,495             |
| 0                  | 0                                   | 0                  | Short Term Investments        |           | 4,000           | 4,000              |
| 10,832             | 10,832                              | 10,832             | Cash and Cash Equivalents     | 5.1       | 20,808          | 20,808             |
| <b>45,823</b>      | <b>46,207</b>                       | <b>46,207</b>      | <b>Current Assets</b>         |           | <b>50,040</b>   | <b>50,040</b>      |
| (8,249)            | (8,249)                             | (8,249)            | Short-Term Borrowing          | 4.9       | (9,854)         | (9,854)            |
| (27,760)           | (24,289)                            | (27,605)           | Short-Term Creditors          | 4.10      | (19,059)        | (22,528)           |
| (4,385)            | (4,385)                             | (4,385)            | Provisions                    | 4.11      | (3,813)         | (3,813)            |
| <b>(40,394)</b>    | <b>(36,923)</b>                     | <b>(40,239)</b>    | <b>Current Liabilities</b>    |           | <b>(32,726)</b> | <b>(36,195)</b>    |
| (28,920)           | (28,920)                            | (28,920)           | Long-Term Borrowing           | 4.12      | (41,992)        | (41,992)           |
| (2,626,720)        | (5,089)                             | (2,627,457)        | Other Long-Term Liabilities   |           | (4,564)         | (2,846,573)        |
| <b>(2,655,640)</b> | <b>(34,009)</b>                     | <b>(2,656,377)</b> | <b>Long Term Liabilities</b>  |           | <b>(46,556)</b> | <b>(2,888,565)</b> |
| <b>(2,608,229)</b> | <b>17,222</b>                       | <b>(2,608,461)</b> | <b>Net Assets</b>             |           | <b>13,202</b>   | <b>(2,832,276)</b> |
| (27,815)           | (27,815)                            | (27,815)           | Usable Reserves               | 3.1 & 3.2 | (26,663)        | (26,663)           |
| 2,636,044          | 10,593                              | 2,636,276          | Unusable Reserves             | 3.3       | 13,461          | 2,858,939          |
| <b>2,608,229</b>   | <b>(17,222)</b>                     | <b>2,608,461</b>   | <b>Total Reserves</b>         |           | <b>(13,202)</b> | <b>2,832,276</b>   |

## CASH FLOW STATEMENT

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

Cash includes cash in hand and deposits of up 24 hours' notice. Cash equivalents are investments that mature up to three months from acquisition date. These are readily convertible to known amounts of cash with

insignificant risk of change in value. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

| 2017-18         | 2017-18<br>(Restated, see note 1.5) |                 |                 | Cash Flow Statement                                                                                                                   | Note       | 2018-19         |                 |                 |
|-----------------|-------------------------------------|-----------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------|------------|-----------------|-----------------|-----------------|
| Group           | Commissioner                        | Chief Constable | Group           |                                                                                                                                       |            | Commissioner    | Chief Constable | Group           |
| £000            | £000                                | £000            | £000            |                                                                                                                                       |            | £000            | £000            | £000            |
| 50,132          | (5,226)                             | 56,105          | 50,879          | Net (surplus) or deficit on the provision of services                                                                                 |            | 3,923           | 150,998         | 154,921         |
| (67,033)        | (11,675)                            | (56,105)        | (67,780)        | Adjustment to (surplus) or deficit on the provision of services for non cash movements                                                | 5.2        | (13,372)        | (150,998)       | (164,370)       |
| 3,795           | 3,795                               | 0               | 3,795           | Adjustment for items included in the net (surplus) or deficit on the provision of services that are investing or financing activities | 5.2        | 2,667           | 0               | 2,667           |
| <b>(13,106)</b> | <b>(13,106)</b>                     | <b>0</b>        | <b>(13,106)</b> | <b>Net cash flows from operating activities</b>                                                                                       |            | <b>(6,782)</b>  | <b>0</b>        | <b>(6,782)</b>  |
| 586             | 586                                 | 0               | 586             | Net cash flows from investing activities                                                                                              | 5.3        | 10,986          | 0               | 10,986          |
| 3,709           | 3,709                               | 0               | 3,709           | Net cash flows from financing activities                                                                                              | 5.3        | (14,180)        | 0               | (14,180)        |
| <b>(8,811)</b>  | <b>(8,811)</b>                      | <b>0</b>        | <b>(8,811)</b>  | <b>Net (increase) or decrease in cash and cash equivalents</b>                                                                        |            | <b>(9,976)</b>  | <b>0</b>        | <b>(9,976)</b>  |
| (2,021)         | (2,021)                             | 0               | (2,021)         | Cash and cash equivalents at the beginning of the reporting period                                                                    |            | (10,832)        | 0               | (10,832)        |
| <b>(10,832)</b> | <b>(10,832)</b>                     | <b>0</b>        | <b>(10,832)</b> | <b>Cash and cash equivalents at the end of the reporting period</b>                                                                   | <b>5.1</b> | <b>(20,808)</b> | <b>0</b>        | <b>(20,808)</b> |



# NOTES TO THE ACCOUNTS

## GENERAL ACCOUNTING POLICIES

### 1. General Principles

The Statement of Accounts summarises transactions for the 2018-19 financial year and its position as at 31 March 2019. Annual Statement of Accounts are required to be published under the Accounts and Audit Regulations 2015, in accordance with proper accounting practices. These practices primarily comprise of the Code and the Best Value Accounting Code of Practice 2018-19, supported by International Financial Reporting Standards (IFRS). The Accounts have been prepared on a going concern basis using the historic cost convention, modified by the revaluation of certain categories of non-current assets and financial instruments. Under The Act 2011 the Commissioner and Chief Constable are separate 'corporation sole' bodies. Both are required to prepare a separate Statement of Accounts. The Financial Statements included here represent the Commissioner and the Commissioner as a group with the Chief Constable (The Group). The figures in these accounts are rounded appropriately and this may cause apparent minor mathematical errors.

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

### 2. Exceptional Items

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

### 3. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Group financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative figures for the prior period as if the new policy had always been applied. There have been no changes in Accounting Policies requiring restatement. Material errors discovered in prior year figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## NOTES TO CORE STATEMENTS

### Section 1 Judgements and Major Accounting Events

#### 1.1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies, certain judgements about complex transactions or those involving uncertainty about future events have been made. The main critical judgement made in the Statement of Accounts is that there is a high degree of uncertainty about future levels of funding for the Police Service. However, it is considered that this uncertainty is not yet sufficient to provide an indication that assets might be impaired as a result of a need to close facilities.

#### 1.2 Material items of Income and Expense

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

#### 1.3 Going Concern

The concept of a going concern assumes that the functions of the Police and Crime Commissioner and the Force will continue in operational existence for the foreseeable future. The provisions in the Code (Code Of Practice On Local Authority Accounting In The United Kingdom 2019/20) in respect of going concern reporting requirements reflect the economic and statutory environment in which Police and Crime Commissioners and police forces operate. These provisions confirm that, as Police and Crime Commissioners and police forces cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

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

continuation of the functions it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not be appropriate for the financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a Police and Crime Commissioner will continue to operate for the foreseeable future.

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

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

As the condition did not exist at the year end, this is therefore a non-adjusting

### 1.3 Going Concern (continued)

event for which a limited estimate of its financial effect on the reporting entity can be made as at 31 March 2019, particularly with regards to financial impact for 2019-20 and future years and asset impairments and pension valuations as at the balance sheet date.

As at the end of August 2020, the cumulative net cost of COVID-19 stood at £475k, comprising £754k expenditure and £279 government grant. This includes £185k of IT equipment purchased earlier than planned as a result of Covid-19 response. Additional costs are expected in the form of lost income, which are expected to be substantially funded by additional government grant.

At the present time absence rates due to COVID19 are much lower than anticipated and there has been a significant short term reduction in other policing activity, meaning that it has been possible to manage resources to minimise the financial impact. Costs are continuing to be monitored on the impact of this during 2020-21 and positive funding discussions with the Home Office continue. It seems certain that the impact can be managed in 2020-21 by use of budget underspends and that there will be minimal impact on the general reserve balance.

Beyond 2020-21, planning assumptions underpinning the medium term financial plan are being reviewed and will consider, inter alia, the potential for a reduction in council tax income as a result of:

- Reduced collection rates
- Increase Council Tax Support Scheme costs
- Reduced growth in the number of properties paying council tax

It is therefore not considered that COVID19 will have a material impact on the going concern of the organisation.

Liquidity Risk Exposure:

- The Group's treasury function ensures that cash flow is adequately planned and liquidity risk exposure is controlled in accordance with the relevant professional codes
- Cash and equivalents at the balance sheet date are £20.9m and are held by the PCC as detailed in Note 5. The Group is forecasting that this will remain positive to the end of 2021-22 throughout and is estimated to be £33.7m at the end of November 2021.
- This forecast and the Treasury Management Strategy 2020-21 also incorporate the capital borrowing requirements and demonstrate how the

Group will be able to raise funds to meet its commitments whilst maintaining the positive cash and equivalent balances and remaining well within its borrowing limits.

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

#### 1.4 Accounting Standards Issued but not Adopted

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

#### 1.5 Prior Period Adjustments

During the audit of the statements it was discovered that material errors had been made on Non-Current Assets during 2016-17 and 2017-18 relating to the following:

- Incorrect valuation figures used
- Incorrect figures used when categorising assets as 'Assets Held for Sale'
- Assets not correctly categorised as 'Intangibles'
- Revised balance sheet accounting for PFI and leases assets

Core statements and notes affected have been amended for 2017-18 comparatives.

The financial impact on the Comprehensive Income & Expenditure Statement is – £0.747m

The financial impact on the Movement in Reserves Statement is – £0.747m

The financial impact on the Balance Sheet is –

- Long term assets - £(0.034)m
- Current assets - £0.384m
- Current liabilities - £0.155m
- Long term liabilities - £(0.737)m
- Reserves - £0.232m

#### 1.6 Future Assumptions and Other Major Sources of Estimation Uncertainty

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

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

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

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

## 1.6 Future Assumptions and Other Major Sources of Estimation Uncertainty (continued)

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

An item in these accounts which has a significant risk of material adjustment in the forthcoming financial year is the Insurance Claim Provision. A time lag may occur between insurable liability events and the date claims are received. No allowance is made for this value unless specific incidents have occurred which make it appropriate to do so. One potential use of the General Reserve is to cover for emerging trends of liability claims or an exceptional value of incurred but not reported claims. Estimates of the value of claims change as information regarding the circumstances evolve. The provision of £3.2m is based on estimates provided by Insurance Companies and by the Regional Legal Services Team. An increase / decrease in the value of claims of 10% will impact the provision by (+/-) £0.3m.

## 1.7 Events after the Balance Sheet Date

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

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

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

On 23 March 2020, in response to the global Covid-19 pandemic, the Prime Minister announced that people should stay at home, where possible work from home and only make essential journeys. Regulations passed by parliament also required the closure of a range of businesses.

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

The global pandemic developed after 31 March 2019 and represents a non-adjusting event for which a limited estimate of its financial effect on the reporting entity can be made as at 31 March 2019. Beyond 31 March 2019, the financial impact for 2019-20 and subsequent financial years may be significant: there may be further implications and considerations for the Balance Sheet, for example, in relation to asset impairments and pension fund liability valuations.

Whilst any future financial implications of such valuation movements would be recognised within the comprehensive income and expenditure statement in the year to which they relate, in accordance with proper accounting practice, they would be adjusted for within the Movement in Reserve Statement – Adjustments between Accounting Basis and Funding Basis under Regulations, to negate any immediate financial impact on the council tax payer.

## Section 2 Notes to Comprehensive Income & Expenditure Statement

### 2.1 Expenditure Funding Analysis

2017-18 has been restated, see note 1.5 for details.

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

| 2017-18<br>(Restated, see note 1.5)                     |                           |                                | Commissioner & Group<br>Expenditure Funding Analysis | 2018-19                                                 |                           |                                |
|---------------------------------------------------------|---------------------------|--------------------------------|------------------------------------------------------|---------------------------------------------------------|---------------------------|--------------------------------|
| Net Expenditure<br>Chargeable to<br>the General<br>Fund | Adjustments<br>(Note 2.2) | Net Expenditure<br>in the CIES |                                                      | Net Expenditure<br>Chargeable to<br>the General<br>Fund | Adjustments<br>(Note 2.2) | Net Expenditure<br>in the CIES |
| £000                                                    | £000                      | £000                           |                                                      | £000                                                    | £000                      | £000                           |
| 227,509                                                 | (16,364)                  | 211,145                        | Policing                                             | 238,983                                                 | 97,325                    | 336,308                        |
| 4,049                                                   | (436)                     | 3,613                          | Commissioner                                         | 4,707                                                   | (269)                     | 4,438                          |
| <b>231,558</b>                                          | <b>(16,800)</b>           | <b>214,758</b>                 | <b>Net Cost of Services</b>                          | <b>243,690</b>                                          | <b>97,056</b>             | <b>340,746</b>                 |
|                                                         |                           |                                | Other (Income) and Expenditure                       |                                                         |                           |                                |
| 0                                                       | 72,469                    | 72,469                         | Policing                                             | 0                                                       | 53,673                    | 53,673                         |
| (236,588)                                               | 240                       | (236,348)                      | Commissioner                                         | (243,425)                                               | 3,927                     | (239,498)                      |
| <b>(5,030)</b>                                          | <b>55,909</b>             | <b>50,879</b>                  | <b>(Surplus) or Deficit on Provision of Service</b>  | <b>265</b>                                              | <b>154,656</b>            | <b>154,921</b>                 |
| (18,898)                                                |                           |                                | Opening General Fund Balance                         | (23,928)                                                |                           |                                |
| <b>(23,928)</b>                                         |                           |                                | <b>Closing General Fund Balance</b>                  | <b>(23,663)</b>                                         |                           |                                |

## 2.2 Adjustments to the Expenditure Funding Analysis

| 2018-19                                                                                 | Net Capital<br>Statutory<br>Adjustments | Net Pensions<br>Statutory<br>Adjustments | Other Statutory<br>Adjustments | Total<br>Adjustments |
|-----------------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------|--------------------------------|----------------------|
|                                                                                         | £000                                    | £000                                     | £000                           | £000                 |
| Policing                                                                                | 0                                       | 97,172                                   | 153                            | 97,325               |
| Commissioner                                                                            |                                         | (269)                                    | 0                              | (269)                |
| <b>Net Cost of Services</b>                                                             | <b>0</b>                                | <b>96,903</b>                            | <b>153</b>                     | <b>97,056</b>        |
| Other (Income) and Expenditure Chief Constable                                          | 0                                       | 53,673                                   | 0                              | 53,673               |
| Other (Income) and Expenditure Commissioner                                             | 4,203                                   | (144)                                    | (132)                          | 3,927                |
| <b>Difference between the Statutory Charge and the (Surplus) or Deficit in the CIES</b> | <b>4,203</b>                            | <b>150,432</b>                           | <b>21</b>                      | <b>154,656</b>       |

| 2017-18<br>(Restated, see note 1.5)                                                     | Net Capital<br>Statutory<br>Adjustments | Net Pensions<br>Statutory<br>Adjustments | Other Statutory<br>Adjustments | Total<br>Adjustments |
|-----------------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------|--------------------------------|----------------------|
|                                                                                         | £000                                    | £000                                     | £000                           | £000                 |
| Policing                                                                                |                                         | (16,336)                                 | (28)                           | (16,364)             |
| Commissioner                                                                            | (594)                                   | 124                                      | 34                             | (436)                |
| <b>Net Cost of Services</b>                                                             | <b>(594)</b>                            | <b>(16,212)</b>                          | <b>6</b>                       | <b>(16,800)</b>      |
| Other (Income) and Expenditure Chief Constable                                          | 0                                       | 72,469                                   | 0                              | 72,469               |
| Other (Income) and Expenditure Commissioner                                             | 109                                     | 67                                       | 64                             | 240                  |
| <b>Difference between the Statutory Charge and the (Surplus) or Deficit in the CIES</b> | <b>(485)</b>                            | <b>56,324</b>                            | <b>70</b>                      | <b>55,909</b>        |

## Income

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

monies are carried as an earmarked reserve on the Balance Sheet until used.

A deminimis level of £0.050m exists whereby it is essential that income is assessed whether it should form part of the Earmarked Reserves. Capital grants are

credited to the CIES, and then reversed out of the General Fund Balance in the Movement in Reserves Statement. The grant is either used to finance capital expenditure or credited to the Capital Grants Unapplied Account.

### 2.3 Income Credited to Services

| 2017-2018<br>£000 |                                                    | 2018-2019<br>£000 |
|-------------------|----------------------------------------------------|-------------------|
| <b>(1,641)</b>    | <b>Relating to the Commissioner - Other Income</b> | <b>(1,625)</b>    |
| (5,883)           | Partnership and Joint Controlled Operations        | (2,175)           |
| (1,858)           | PFI Grant                                          | (1,858)           |
| (3,002)           | Recharge of Officers                               | (2,142)           |
| (10,228)          | Other Income                                       | (7,852)           |
| <b>(22,612)</b>   | <b>Total for the Group</b>                         | <b>(15,652)</b>   |

### 2.4 Financing and Investment Income and Expenditure

| 2017-18<br>£000 |                                                             | 2018-19<br>£000 |
|-----------------|-------------------------------------------------------------|-----------------|
| 1,753           | Interest payable and similar charges                        | 1,979           |
| 67              | Net interest on the net defined benefit liability (asset)   | (144)           |
| (104)           | Interest receivable and similar income                      | (249)           |
| <b>1,716</b>    | <b>Relating to the Commissioner</b>                         | <b>1,587</b>    |
| 72,469          | Other net interest on the defined benefit liability (asset) | 53,672          |
| <b>74,185</b>   | <b>Total for the Group</b>                                  | <b>55,260</b>   |

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

| 2017-18<br>(Restated, see<br>note 1.5)<br>£000 |                                             | 2018-19<br>£000  |
|------------------------------------------------|---------------------------------------------|------------------|
| (57,273)                                       | Council tax income                          | (61,433)         |
| (136,418)                                      | Non-ringfenced government grants            | (135,136)        |
| (41,650)                                       | HO Police Pension Grant                     | (43,428)         |
| (3,374)                                        | Capital grants and contributions            | (839)            |
| <b>(238,715)</b>                               | <b>Total for the Commissioner and Group</b> | <b>(240,836)</b> |

## 2.6 Other Operating Expenditure – Commissioner and Group

| 2017-18<br>(Restated, see<br>note 1.5)<br>£000 |                                                      | 2018-19<br>£000 |
|------------------------------------------------|------------------------------------------------------|-----------------|
| 651                                            | (Gains)/losses on the Disposal of Non-Current Assets | (249)           |
| 0                                              | Other                                                | 0               |
| <b>651</b>                                     | <b>Total for the Commissioner and Group</b>          | <b>(249)</b>    |

## 2.7 Impairment Losses

There are no instances of impairment to report.

## 2.8 Income and Expenditure Analysed by Nature

| 2017-18<br>Restated (see note 1.5) |                 |               | Nature of Expenditure or Income                  | 2018-19      |                 |                |
|------------------------------------|-----------------|---------------|--------------------------------------------------|--------------|-----------------|----------------|
| PCC                                | Chief Constable | Group         |                                                  | PCC          | Chief Constable | Group          |
| £000                               | £000            | £000          |                                                  | £000         | £000            | £000           |
| 668                                | 191,945         | 192,613       | Expenditure on services - employees              | 1,009        | 308,216         | 309,225        |
| 4,585                              | 35,417          | 40,002        | Expenditure on services - other                  | 5,055        | 33,798          | 38,853         |
| (1,641)                            | (20,971)        | (22,612)      | Income from services                             | (1,625)      | (14,027)        | (15,652)       |
| (57,273)                           |                 | (57,273)      | Income from local taxation                       | (61,433)     | 0               | (61,433)       |
| (181,441)                          |                 | (181,441)     | Government grants and contributions              | (179,404)    | 0               | (179,404)      |
| 0                                  | 4,754           | 4,754         | Depreciation, amortisation and impairment        | 0            | 8,320           | 8,320          |
| 1,716                              | 72,469          | 74,185        | Other Financing                                  | 1,587        | 53,673          | 55,260         |
| 651                                |                 | 651           | (Gain) or loss on disposal of non-current assets | (249)        | 0               | (249)          |
| 227,509                            | (227,509)       | 0             | Intra Group Funding                              | 238,983      | (238,983)       | 0              |
| <b>(5,226)</b>                     | <b>56,105</b>   | <b>50,879</b> | <b>(Surplus) or Deficit for Year</b>             | <b>3,923</b> | <b>150,998</b>  | <b>154,921</b> |

## 2.9 Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. This includes wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (where applicable). An accrual is made for the estimated cost of holiday entitlements or any form of leave (e.g. time off in lieu earned by employees) but not taken before the year-end, which

Employees can carry forward into the next financial year (Accumulated Absences Account).

The accrual is made at the estimated salary rates applicable for the following accounting year, being when the employee takes the benefit. The accrual is charged to the CIES, but then reversed out through the Movement in Reserves Statement.

## 2.10 Termination Benefits

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

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

## Section Notes to the Movement in Reserves Statement

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

(2017-18 has been restated, see note 1.5 for details).

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

|                                   | Balance at<br>31 March<br>2017 | Opening<br>Balance<br>Adjustment | Transfers In<br>2017-18 | Transfers<br>Out 2017-18 | Balance at<br>31 March<br>2018 | Transfers In<br>2018-19 | Transfers<br>Out 2018-19 | Balance at<br>31 March<br>2019 |
|-----------------------------------|--------------------------------|----------------------------------|-------------------------|--------------------------|--------------------------------|-------------------------|--------------------------|--------------------------------|
|                                   | £000                           | £000                             | £000                    | £000                     | £000                           | £000                    | £000                     | £000                           |
| Police Property Act               | (183)                          |                                  | (13)                    | 0                        | (196)                          | 0                       | 0                        | (196)                          |
| Drug Fund                         | (76)                           |                                  | (2)                     | 51                       | (27)                           | 0                       | 0                        | (27)                           |
| PFI Life Cycle Costs              | 27                             |                                  | (37)                    | 0                        | (10)                           | (38)                    | 0                        | (48)                           |
| Revenue Grants                    | (2,747)                        |                                  | (411)                   | 309                      | (2,849)                        | (217)                   | 1,092                    | (1,974)                        |
| Medium Term Financial Plan        | (3,275)                        | 139                              | 0                       | 1,136                    | (2,000)                        | (254)                   | 2,254                    | 0                              |
| Tax Base Reserve                  | (1,247)                        |                                  | 0                       | 200                      | (1,047)                        | (469)                   | 2                        | (1,514)                        |
| Animal Welfare                    | (19)                           |                                  | 0                       | 0                        | (19)                           | 0                       | 0                        | (19)                           |
| PCC                               | (622)                          |                                  | (111)                   | 0                        | (733)                          | (53)                    | 26                       | (760)                          |
| Grants and Commissioning          | (2,499)                        |                                  | (1,080)                 | 138                      | (3,441)                        | (712)                   | 154                      | (3,999)                        |
| PCC Night Time Levy               | (284)                          |                                  | 0                       | 103                      | (181)                          | (20)                    | 0                        | (201)                          |
| Estimation Reserve                | (13)                           |                                  | 0                       | 13                       | 0                              | 0                       | 0                        | 0                              |
| Target Hardening                  | 0                              |                                  | (73)                    | 0                        | (73)                           | 0                       | 0                        | (73)                           |
| Allard Reserve                    | 0                              |                                  | (1,200)                 | 0                        | (1,200)                        | 0                       | 0                        | (1,200)                        |
| Asset Replacement                 | 0                              |                                  | (2,731)                 | 0                        | (2,731)                        | (2,216)                 | 0                        | (4,947)                        |
| IT Investment                     | 0                              |                                  | (1,100)                 | 0                        | (1,100)                        | 0                       | 378                      | (722)                          |
| Joint Operations                  | (845)                          | (139)                            | (262)                   | 0                        | (1,246)                        | 0                       | 338                      | (908)                          |
| <b>Total Earmarked Reserves</b>   | <b>(11,783)</b>                | <b>0</b>                         | <b>(7,020)</b>          | <b>1,950</b>             | <b>(16,853)</b>                | <b>(3,979)</b>          | <b>4,244</b>             | <b>(16,588)</b>                |
| <b>General Fund</b>               | <b>(7,075)</b>                 | <b>0</b>                         | <b>0</b>                | <b>0</b>                 | <b>(7,075)</b>                 | <b>0</b>                | <b>0</b>                 | <b>(7,075)</b>                 |
| <b>Total General Fund Balance</b> | <b>(18,858)</b>                | <b>0</b>                         | <b>(7,020)</b>          | <b>1,950</b>             | <b>(23,928)</b>                | <b>(3,979)</b>          | <b>4,244</b>             | <b>(23,663)</b>                |

## 3.2 Usable Reserves – Commissioner and Group

| 31 March 2018<br>£000 | Capital Reserves Receipt | 31 March 2019<br>£000 |
|-----------------------|--------------------------|-----------------------|
| (3,293)               | Balance 1 April          | (3,887)               |
| 0                     | Applied in Year          | 2,715                 |
| (594)                 | Capital Receipts in Year | (1,828)               |
| <b>(3,887)</b>        | <b>Balance 31 March</b>  | <b>(3,000)</b>        |

| 31 March 2018<br>£000 | Capital Grants & Contributions Applied              | 31 March 2019 |
|-----------------------|-----------------------------------------------------|---------------|
| 0                     | Balance 1 April                                     | 0             |
| (2,794)               | Capital Grants and Contributions Recognised in Year | (839)         |
| 2,794                 | Capital Grants and Contributions Applied            | 839           |
| <b>0</b>              | <b>Balance 31 March</b>                             | <b>0</b>      |

## 3.3 Unusable Reserves

| 31 March 2018    | 31 March 2018<br>(Restated, see note 1.5) |                  | Type of Reserve      | 31 March 2019 |                  |
|------------------|-------------------------------------------|------------------|----------------------|---------------|------------------|
| Group<br>£000    | PCC<br>£0                                 | Group<br>£000    |                      | PCC<br>£000   | Group<br>£000    |
| 2,624,493        | 2,125                                     | <b>2,624,493</b> | Pensions             | 2,149         | <b>2,844,158</b> |
| 3,512            | 197                                       | <b>3,512</b>     | Accumulated Absences | 10            | <b>3,479</b>     |
| (1,137)          | (1,568)                                   | <b>(1,568)</b>   | Revaluation Reserve  | (1,422)       | <b>(1,422)</b>   |
| 10,080           | 10,743                                    | <b>10,743</b>    | Capital Adjustment   | 13,483        | <b>13,483</b>    |
| (891)            | (891)                                     | <b>(891)</b>     | Collection Fund      | (759)         | <b>(759)</b>     |
| (13)             | (13)                                      | <b>(13)</b>      | Deferred Receipt     | 0             | <b>0</b>         |
| <b>2,636,044</b> | <b>10,593</b>                             | <b>2,636,276</b> | <b>Total</b>         | <b>13,461</b> | <b>2,858,939</b> |

### 3.4 Unusable Reserves Movements

The table below analyses the unusable reserves movements in the MIRS.

| 31 March 2018 | 31 March 2018<br>(Restated, see note 1.5) |               | Movement in Unusable Reserves                                            | 31 March 2019 |               |
|---------------|-------------------------------------------|---------------|--------------------------------------------------------------------------|---------------|---------------|
| Group<br>£000 | PCC<br>£000                               | Group<br>£000 |                                                                          | PCC<br>£000   | Group<br>£000 |
| 2,746,383     | 27,492                                    | 2,746,222     | Balance at Start of year                                                 | 10,593        | 2,636,276     |
| 0             | (17,027)                                  | (314)         | Adjustment                                                               | 0             | 0             |
| (166,135)     | (269)                                     | (166,135)     | Comprehensive Income and Expenditure                                     | 99            | 68,895        |
| 55,796        | 398                                       | 56,503        | Adjustments between accounting basis and funding basis under regulations | 2,895         | 153,893       |
| 0             | 0                                         | 0             | Transfers from Earmarked Reserves                                        | (124)         | (124)         |
| 2,636,044     | 10,593                                    | 2,636,276     | Balance at End of Year                                                   | 13,461        | 2,858,939     |

This includes movements in the Capital Adjustment Account as follows.

| 31 March 2018<br>£000 | Capital Adjustment Account  | 31 March 2019<br>£000 |
|-----------------------|-----------------------------|-----------------------|
| 9,481                 | Balance 1 April             | 10,743                |
|                       | <b>Capital Accounting</b>   |                       |
| 5,981                 | Depreciation & Amortisation | 5,263                 |
| 1,516                 | Disposals                   | 1,523                 |
| 213                   | Revaluations & Impairments  | 3,010                 |
| 12                    | Historic Cost Adjustments   | (18)                  |
|                       | <b>Capital Financing</b>    |                       |
| (3,201)               | Grants & Contributions      | (839)                 |
| 0                     | Receipts Reserve            | (2,715)               |
| 0                     | Earmarked Reserves          | 0                     |
| (344)                 | Revenue Financing           | (800)                 |
| (240)                 | <b>Lease Accounting</b>     | 68                    |
| (2,675)               | <b>MRP Charge</b>           | (2,752)               |
| 10,743                | Balance 31 March            | 13,483                |

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

| 2018-19                                                                                                                                                                            | General Fund /<br>Earmarked<br>Reserve | General Fund /<br>Earmarked<br>Reserve | Capital<br>Receipts<br>Reserve | Capital Grants<br>Unapplied | Movement in<br>Unusable<br>Reserves | Movement in<br>Unusable<br>Reserves |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|--------------------------------|-----------------------------|-------------------------------------|-------------------------------------|
|                                                                                                                                                                                    | Commissioner                           | Group                                  | Group                          | Group                       | Commissioner                        | Group                               |
|                                                                                                                                                                                    | £000                                   | £000                                   | £000                           | £000                        | £000                                | £000                                |
| Pension costs (transferred to / (from) the Pensions Reserve)                                                                                                                       | 17                                     | (150,862)                              |                                |                             | (17)                                | 150,862                             |
| Council tax (transfers to / (from) the Collection Fund)                                                                                                                            | (132)                                  | (132)                                  |                                |                             | 132                                 | 132                                 |
| Receipt of deferred debtor                                                                                                                                                         | 0                                      | 0                                      |                                |                             | 0                                   | 0                                   |
| Holiday pay (adjustments to the Accumulated Absences reserve)                                                                                                                      | (4)                                    | 33                                     |                                |                             | 4                                   | (33)                                |
| Revaluation Reserve                                                                                                                                                                | 22                                     | 22                                     |                                |                             | (22)                                | (22)                                |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | (9,066)                                | (9,220)                                |                                | (839)                       | 9,905                               | 10,059                              |
| <b>Total Adjustments to Revenue Resources</b>                                                                                                                                      | <b>(9,163)</b>                         | <b>(160,159)</b>                       | <b>0</b>                       | <b>(839)</b>                | <b>10,002</b>                       | <b>160,998</b>                      |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve                                                                                           | 1,828                                  | 1,828                                  | (1,828)                        |                             | 0                                   | 0                                   |
| Statutory Provision for the repayment of debt                                                                                                                                      | 2,752                                  | 2,752                                  |                                |                             | (2,752)                             | (2,752)                             |
| Capital expenditure financed from revenue balances                                                                                                                                 | 550                                    | 550                                    |                                |                             | (550)                               | (550)                               |
| <b>Total adjustments between Revenue and Capital Resources</b>                                                                                                                     | <b>5,130</b>                           | <b>5,130</b>                           | <b>(1,828)</b>                 | <b>0</b>                    | <b>(3,302)</b>                      | <b>(3,302)</b>                      |
| Application of capital grant to finance capital expenditure                                                                                                                        | 0                                      | 0                                      |                                | 839                         | (839)                               | (839)                               |
| Use of capital receipts reserve to finance capital expenditure                                                                                                                     |                                        |                                        | 2,715                          |                             | (2,715)                             | (2,715)                             |
| Use of earmarked reserves to finance capital expenditure                                                                                                                           | 250                                    | 250                                    |                                |                             | (250)                               | (250)                               |
| Other adjustments                                                                                                                                                                  | 1                                      | (1)                                    |                                |                             | (1)                                 | 1                                   |
| <b>Total adjustments</b>                                                                                                                                                           | <b>(3,782)</b>                         | <b>(154,780)</b>                       | <b>887</b>                     | <b>0</b>                    | <b>2,895</b>                        | <b>153,893</b>                      |

| 2017-18                                                                                                                                                                                  | General Fund /<br>Earmarked<br>Reserve<br><br>Commissioner<br><br>£000 | General Fund /<br>Earmarked<br>Reserve<br><br>Group<br><br>£000 | Capital<br>Receipts<br>Reserve<br><br>Group<br><br>£000 | Capital Grants<br>Unapplied<br><br>Group<br><br>£000 | Movement in<br>Unusable<br>Reserves<br><br>Commissioner<br><br>£000 | Movement in<br>Unusable<br>Reserves<br><br>Group<br><br>£000 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------|
| Pension cost (transferred to / (from) the Pensions Reserve)                                                                                                                              | (191)                                                                  | (56,324)                                                        |                                                         |                                                      | 191                                                                 | 56,324                                                       |
| Council tax (transfers to / (from) the Collection Fund)                                                                                                                                  | (83)                                                                   | (83)                                                            |                                                         |                                                      | 83                                                                  | 83                                                           |
| Receipt of deferred debtor                                                                                                                                                               | (32)                                                                   | (32)                                                            |                                                         |                                                      | 32                                                                  | 32                                                           |
| Holiday pay (adjustments to the Accumulated Absences reserve)                                                                                                                            | (13)                                                                   | 13                                                              |                                                         |                                                      | 13                                                                  | (13)                                                         |
| Revaluation Reserve                                                                                                                                                                      | (137)                                                                  | (137)                                                           |                                                         |                                                      | 137                                                                 | 137                                                          |
| Reversal of entries included in the Surplus or Deficit on the<br>Provision of Services in relation to capital expenditure (these<br>items are charged to the Capital Adjustment Account) | (2,367)                                                                | (2,365)                                                         |                                                         | (2,794)                                              | 5,161                                                               | 5,159                                                        |
| <b>Total Adjustments to Revenue Resources</b>                                                                                                                                            | <b>(2,823)</b>                                                         | <b>(58,928)</b>                                                 | <b>0</b>                                                | <b>(2,794)</b>                                       | <b>5,617</b>                                                        | <b>61,722</b>                                                |
| Transfer of non-current asset sale proceeds from revenue to the<br>Capital Receipts Reserve                                                                                              | 0                                                                      | 0                                                               | (594)                                                   |                                                      | 594                                                                 | 594                                                          |
| Statutory Provision for the repayment of debt                                                                                                                                            | 2,675                                                                  | 2,675                                                           |                                                         |                                                      | (2,675)                                                             | (2,675)                                                      |
| Capital expenditure financed from revenue balances                                                                                                                                       | 344                                                                    | 344                                                             |                                                         |                                                      | (344)                                                               | (344)                                                        |
| <b>Total adjustments between Revenue and Capital Resources</b>                                                                                                                           | <b>3,019</b>                                                           | <b>3,019</b>                                                    | <b>(594)</b>                                            | <b>0</b>                                             | <b>(2,425)</b>                                                      | <b>(2,425)</b>                                               |
| <b>Application of capital grant to finance capital expenditure</b>                                                                                                                       |                                                                        |                                                                 |                                                         | 2,794                                                | <b>(2,794)</b>                                                      | <b>(2,794)</b>                                               |
| <b>Other adjustments</b>                                                                                                                                                                 |                                                                        |                                                                 |                                                         |                                                      |                                                                     | <b>0</b>                                                     |
| <b>Total adjustments</b>                                                                                                                                                                 | <b>196</b>                                                             | <b>(55,909)</b>                                                 | <b>(594)</b>                                            | <b>0</b>                                             | <b>398</b>                                                          | <b>56,503</b>                                                |

## Section 4 Notes to the Balance Sheet

### 4.1 Property, Plant and Equipment

Assets with physical substance and which are held for operational or administrative purposes with an expected life of over a year are classified as property, plant and equipment.

#### Recognition

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

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

De-minimis levels are applied to allow sensible administration arrangements without materially affecting the figures presented. The de-minimis levels applied for all property, plant and equipment (including finance leases) is £0.020m.

#### Component Accounting

Components with appropriate depreciation are included where this is significant as determined by the following test: Only assets with a carrying value above £0.600m are considered and then components are included if the item forms at least 5% of the asset value.

#### Measurement

Assets are initially measured at cost, comprising the purchase price plus costs in bringing the asset to the location and to be fit for purpose. The value of assets acquired other than by purchase is deemed to be its fair value.

Assets are then carried in the Balance Sheet using the following measurement bases in accordance with IAS 16:

- Fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV) Operational buildings have been valued on this basis.
- If there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Bridewell custody suite is valued on this basis.

- For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. Vehicles, equipment and furniture is on this basis.
- Non-operational buildings including assets for sale and investment properties have been valued on the basis of Open Market Value.
- Assets under construction are included at actual cost.

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

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

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

### Impairment

Assets are assessed annually for potential impairment. When material, an impairment loss is recognised for the deficit, as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down in the CIES.
- Where an impairment loss is reversed subsequently by a revaluation gain, the reversal is credited to the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

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

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

A full year's charge is made in the year of acquisition, with no charge made in the year of disposal. Depreciation is charged to the CIES. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and

depreciation that would have been chargeable based on their historical cost. This is transferred each year from the Revaluation Reserve to the Capital Adjustment Account. Where an item of property, plant and equipment has major components whose cost and life span is significantly different from the rest, the components are depreciated separately (subject to meeting de minimis levels).

### Assets held for Sale

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

### Disposal

The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the 'Other Operating Expenditure' line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the 'Surplus or Deficit on Provision of Services'.

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

Amounts received for a disposal are categorised as capital receipts, and credited to the Capital Receipts Reserve for application to future capital investment. Revaluation Reserve balances relating to disposed assets are transferred to the Capital Adjustment Account.

| 4.2 Property Plant and Equipment Movements to 31 March 2019                                        | Land and Buildings | Vehicles, Plant, Furniture & Equipment | Assets Under Construction | Total Property, Plant and Equipment |
|----------------------------------------------------------------------------------------------------|--------------------|----------------------------------------|---------------------------|-------------------------------------|
|                                                                                                    | £000               | £000                                   | £000                      | £000                                |
| <b>Cost or Valuation</b>                                                                           |                    |                                        |                           |                                     |
| <b>at 1 April 2018 Restated, see note 1.5</b>                                                      | <b>33,262</b>      | <b>32,388</b>                          | <b>477</b>                | <b>66,127</b>                       |
| Adjustments to cost/value & depreciation/impairment                                                | (536)              | 0                                      | 0                         | (536)                               |
| Additions                                                                                          | 3,303              | 4,161                                  | 1,000                     | 8,464                               |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                            | (80)               | 0                                      | 0                         | (80)                                |
| Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services | (2,597)            | 0                                      | 0                         | (2,597)                             |
| De-recognition – disposals                                                                         | 0                  | (11,798)                               | 0                         | (11,798)                            |
| Reclassifications and transfers                                                                    | (1,047)            | 0                                      | 0                         | (1,047)                             |
| <b>at 31 March 2019</b>                                                                            | <b>32,305</b>      | <b>24,751</b>                          | <b>1,477</b>              | <b>58,533</b>                       |
| <b>Depreciation &amp; Impairment</b>                                                               |                    |                                        |                           |                                     |
| <b>at 1 April 2018 Restated, see note 1.5</b>                                                      | <b>(5,228)</b>     | <b>(20,585)</b>                        | <b>0</b>                  | <b>(25,813)</b>                     |
| Adjustments to cost/value & depreciation/impairment                                                | 536                | 0                                      | 0                         | 536                                 |
| Depreciation charge                                                                                | (845)              | (4,106)                                | 0                         | (4,951)                             |
| De-recognition – disposals                                                                         | 0                  | 11,470                                 | 0                         | 11,470                              |
| Reclassifications and transfers                                                                    | 0                  | 0                                      | 0                         | 0                                   |
| Eliminated on reclassification to Held for Sale                                                    | 0                  | 0                                      | 0                         | 0                                   |
| <b>at 31 March 2019</b>                                                                            | <b>(5,537)</b>     | <b>(13,221)</b>                        | <b>0</b>                  | <b>(18,758)</b>                     |
| <b>Net Book Value</b>                                                                              |                    |                                        |                           |                                     |
| <b>at 31 March 2019</b>                                                                            | <b>26,768</b>      | <b>11,530</b>                          | <b>1,477</b>              | <b>39,775</b>                       |
| <b>at 31 March 2018</b>                                                                            | <b>28,034</b>      | <b>11,803</b>                          | <b>477</b>                | <b>40,314</b>                       |

| 4.2 Property Plant and Equipment Movements to 31 March 2018<br>Restated, see note 1.5              | Land and<br>Buildings | Vehicles, Plant,<br>Furniture &<br>Equipment | Assets Under<br>Construction | Total Property,<br>Plant and<br>Equipment |
|----------------------------------------------------------------------------------------------------|-----------------------|----------------------------------------------|------------------------------|-------------------------------------------|
|                                                                                                    | £000                  | £000                                         | £000                         | £000                                      |
| <b>Cost or Valuation</b>                                                                           |                       |                                              |                              |                                           |
| <b>at 1 April 2017</b>                                                                             | <b>31,773</b>         | <b>33,242</b>                                | <b>307</b>                   | <b>65,322</b>                             |
| Adjustments to cost/value & depreciation/impairment                                                | (798)                 | 0                                            | 0                            | (798)                                     |
| Additions                                                                                          | 1,572                 | 3,585                                        | 500                          | 5,657                                     |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                            | 558                   | 0                                            | 0                            | 558                                       |
| Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services | 1,293                 | 0                                            | 0                            | 1,293                                     |
| De-recognition – disposals                                                                         | (290)                 | (4,439)                                      | 0                            | (4,729)                                   |
| Reclassifications and transfers                                                                    | (846)                 | 0                                            | (330)                        | (1,176)                                   |
| <b>at 31 March 2018</b>                                                                            | <b>33,262</b>         | <b>32,388</b>                                | <b>477</b>                   | <b>66,127</b>                             |
| <b>Depreciation &amp; Impairment</b>                                                               |                       |                                              |                              |                                           |
| <b>at 1 April 2017</b>                                                                             | <b>(5,133)</b>        | <b>(18,979)</b>                              | <b>0</b>                     | <b>(24,112)</b>                           |
| Adjustments to cost/value & depreciation/impairment                                                | 0                     | 0                                            | 0                            | 0                                         |
| Depreciation charge                                                                                | (914)                 | (4,628)                                      | 0                            | (5,542)                                   |
| De-recognition – disposals                                                                         | 39                    | 3,022                                        | 0                            | 3,061                                     |
| Reclassifications and transfers                                                                    | (16)                  | 0                                            | 0                            | (16)                                      |
| Eliminated on reclassification to Held for Sale                                                    | 796                   | 0                                            | 0                            | 796                                       |
| <b>at 31 March 2018</b>                                                                            | <b>(5,228)</b>        | <b>(20,585)</b>                              | <b>0</b>                     | <b>(25,813)</b>                           |
| <b>Net Book Value</b>                                                                              |                       |                                              |                              |                                           |
| <b>at 31 March 2018</b>                                                                            | <b>28,034</b>         | <b>11,803</b>                                | <b>477</b>                   | <b>40,314</b>                             |
| <b>at 31 March 2017</b>                                                                            | <b>26,640</b>         | <b>14,263</b>                                | <b>307</b>                   | <b>41,210</b>                             |

### 4.3 Property, Plant and Equipment Revaluations

2017-18 has been restated, see note 1.5 for details

Land and buildings are revalued on a five year rolling programme to ensure that their carrying amount is not materially different from their fair value. Land and Building values are based on valuations by Andrew Martin BSc MRICS, (Director) and Roger Smalley BSc MRICS, (Associate Director) of the independent valuers Lambert Smith Hampton.

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

| Revaluations                      | Land and Buildings | Vehicles, Plant, Furniture & Equipment | Assets Under Construction | Total         |
|-----------------------------------|--------------------|----------------------------------------|---------------------------|---------------|
|                                   | £000               | £000                                   | £000                      | £000          |
| Carried at historical cost        | 11,142             | 23,021                                 | 1,030                     | 35,193        |
| Valued at current value as at:    |                    |                                        |                           |               |
| 31/03/2019                        | 6,995              | 0                                      | 0                         | 6,995         |
| 31/03/2018                        | 1,200              | 0                                      | 0                         | 1,200         |
| 31/03/2017                        | 8,603              | 0                                      | 0                         | 8,603         |
| 31/03/2016                        | 566                | 0                                      | 0                         | 566           |
| 31/03/2015                        | 1,713              | 0                                      | 0                         | 1,713         |
| <b>Total cost or Valuation</b>    | <b>30,219</b>      | <b>23,021</b>                          | <b>1,030</b>              | <b>54,270</b> |
| Share of Joint Operation Property |                    |                                        |                           | 4,263         |
| <b>Total Gross Value</b>          |                    |                                        |                           | <b>58,533</b> |

#### 4.4 Investment Properties

Investment properties are used to earn rentals or for capital appreciation, and not used in any way to deliver services or are being held for sale. The carrying value is annually revalued under IFRS13 to current fair value. This is currently £0.435m (£0.535m 2017-18) Rentals received in relation to investment properties are credited to the CIES.

Income is received on investment properties (telecoms masts) from Cell C.M., who also undertake the maintenance and repair of the telecoms masts. These costs are not identified separately in the Statement of Accounts and are included within the management charge. Investment income net of this management charge was £0.92m in 2018-19 (£0.080m in 2017-18).

#### 4.5 Intangible Assets

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

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

| <b>31 March 2018</b><br>(Restated, see<br>note 1.5)<br><b>£000</b> | <b>Intangible Assets</b>                                                        | <b>31 March 2019</b><br><br><b>£000</b> |
|--------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------|
| 3,584<br>(3,133)                                                   | Balance at start of year:<br>Gross carrying amounts<br>Accumulated amortisation | 4,577<br>(3,477)                        |
| <b>451</b>                                                         | <b>Net carrying amount at start of year</b>                                     | <b>1,100</b>                            |
| 993<br>(344)                                                       | Additions:<br>Purchases<br>Amortisation for the period                          | 1,494<br>(359)                          |
| <b>1,100</b>                                                       | <b>Net carrying amount at end of year</b>                                       | <b>2,235</b>                            |
| 4,577<br>(3,477)                                                   | Comprising:<br>Gross carrying amounts<br>Accumulated amortisation               | 6,071<br>(3,836)                        |
| <b>1,100</b>                                                       |                                                                                 | <b>2,235</b>                            |

#### 4.6 Capital Expenditure and Capital Financing

The total amount of capital expenditure, including capitalised PFI and leases and sources of finance are shown in the table below. It shows cumulative capital expenditure which is to be financed in future years by charges to revenue. The Capital Financing Requirement is determined by these factors.

This table only shows the position of the Commissioner excluding the Joint Operations. At the 31 March 2019 the Commissioner had entered into a number of capital contracts which would continue to incur expenditure in future years. These totalled £3.4m. The contracts covered building alterations and IT systems. (£3.2m 31 March 2018).

| 31 March 2018<br>Restated, see<br>note 1.5<br>£000 | Capital Expenditure and Capital Financing    | 31 March 2019<br>£000 |
|----------------------------------------------------|----------------------------------------------|-----------------------|
| 59,137                                             | <b>Opening Capital Financing Requirement</b> | 57,705                |
|                                                    | Capital Investment:                          |                       |
| 3,132                                              | Property Plant and Equipment                 | 8,159                 |
| 905                                                | Intangible Assets                            | 1,494                 |
| 4,037                                              | <b>Total Capital Spending</b>                | 9,653                 |
|                                                    | <b>Sources of Finance:</b>                   |                       |
| 0                                                  | Capital Receipts                             | (2,715)               |
| 0                                                  | Earmarked Reserves                           | (250)                 |
| (2,794)                                            | Government Grants and other contributions    | (753)                 |
|                                                    | <b>Sums set aside from revenue:</b>          |                       |
| (2,675)                                            | Minimum Revenue Provision                    | (2,752)               |
| (5,469)                                            | <b>Total Sources of Finance</b>              | (6,470)               |
| 57,705                                             | <b>Closing Capital Financing Requirement</b> | 60,888                |

#### 4.7 Assets Held for Sale

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

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

| <b>31 March 2018</b><br>(Restated,<br>see note 1.5)<br><b>£000</b> | <b>Assets Held for Sale</b>          | <b>31 March 2019</b><br><b>£000</b> |
|--------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| 2,786                                                              | Balance outstanding at start of year | 2,748                               |
| 1,330                                                              | Newly classified as held for sale    | 1,047                               |
| (63)                                                               | Revaluations                         | 0                                   |
| (1,305)                                                            | Assets sold                          | (1,209)                             |
| <b>2,748</b>                                                       | <b>Balance outstanding year end</b>  | <b>2,586</b>                        |

#### 4.8 Debtors Commissioner and Group

A bad debt provision of £0.12m is provided against specific debts considered to be unlikely to be collected (£0.03m at 31 March 2018).

A provision of £3.663m is held against Council Tax arrears of £5.679m at 31 March 2019 (£3.184m and £4.953m respectively at 31 March 2018). This level of provision has been assessed by the Council Tax Billing Authorities. Debtors relate to the Commissioner only.

| <b>31 March 2018</b><br><b>£000</b> | <b>Debtors</b>                 | <b>31 March 2019</b><br><b>£000</b> |
|-------------------------------------|--------------------------------|-------------------------------------|
| 18,107                              | Central Government Bodies      | 9,908                               |
| 5,080                               | Other Local Authorities        | 3,193                               |
| 9,273                               | Other Entities and Individuals | 9,394                               |
| <b>32,460</b>                       | <b>Total Debtors</b>           | <b>22,495</b>                       |

#### 4.9 Short Term Borrowing Commissioner and Group

| 31 March 2018<br>£000 | Short Term Borrowing   | 31 March 2019<br>£000 |
|-----------------------|------------------------|-----------------------|
| (3,500)               | Market Loan - L.O.B.O. | (3,543)               |
| (749)                 | PWLB                   | (1,302)               |
| 0                     | Market Loan - Waverley | (5,009)               |
| (4,000)               | Market Loan - Torbay   | 0                     |
| <b>(8,249)</b>        |                        | <b>(9,854)</b>        |

#### 4.10 Creditors Commissioner and Group

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

Once judgement is made monies are either, paid over to the State, repaid to the individual or made available for the Commissioner to use on specific purposes. At 31 March 2019 cash totalling £0.145m was held in the Commissioner's bank account (£0.797m at 31 March 2018).

| 31 March 2018   |                 | Creditors                      | 31 March 2019   |                 |
|-----------------|-----------------|--------------------------------|-----------------|-----------------|
| PCC<br>£000     | Group<br>£000   |                                | PCC<br>£000     | Group<br>£000   |
| (4,876)         | (4,876)         | Central Government Bodies      | (3,026)         | (3,026)         |
| (6,812)         | (6,812)         | Other Local Authorities        | (7,113)         | (7,113)         |
| (12,601)        | (15,917)        | Other Entities and Individuals | (8,920)         | (12,389)        |
| <b>(24,289)</b> | <b>(27,605)</b> | <b>Total Creditors</b>         | <b>(19,059)</b> | <b>(22,528)</b> |

#### 4.11 Provisions

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

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

| 2018-19                           | Insurance<br>£000 | Dilapidation<br>£000 | Legal<br>Expenses<br>£000 | Medical<br>Retirement<br>£000 | Redundancy<br>£000 | Bad Debt<br>£000 | Joint<br>Operations<br>£000 | Pay Award<br>£000 | Total<br>£000 |
|-----------------------------------|-------------------|----------------------|---------------------------|-------------------------------|--------------------|------------------|-----------------------------|-------------------|---------------|
| Opening Balance                   | (3,189)           | (300)                | (115)                     | 0                             | (51)               | 0                | 0                           | (730)             | (4,385)       |
| Increase in provision during year | (966)             | (209)                | 0                         | (78)                          | (27)               | (24)             | (2)                         | (5)               | (1,311)       |
| Utilised during year              | 937               | 21                   | 115                       | 0                             | 51                 | 24               | 0                           | 735               | 1,883         |
| Closing Balance                   | (3,218)           | (488)                | 0                         | (78)                          | (27)               | 0                | (2)                         | 0                 | (3,813)       |

| 2017-18                           | Insurance<br>£000 | Dilapidation<br>£000 | Legal<br>Expenses<br>£000 | Medical<br>Retirement<br>£000 | Redundancy<br>£000 | Bad Debt<br>£000 | Joint<br>Operations<br>£000 | Pay Award<br>£000 | Total<br>£000 |
|-----------------------------------|-------------------|----------------------|---------------------------|-------------------------------|--------------------|------------------|-----------------------------|-------------------|---------------|
| Opening Balance                   | (2,898)           | (268)                | (115)                     | 0                             | 0                  | 0                | 0                           | 0                 | (3,281)       |
| Increase in provision during year | (1,342)           | (158)                | 0                         | 0                             | (51)               | 0                | 0                           | (735)             | (2,286)       |
| Utilised during year              | 1,051             | 126                  | 0                         | 0                             | 0                  | 0                | 0                           | 5                 | 1,182         |
| Closing Balance                   | (3,189)           | (300)                | (115)                     | 0                             | (51)               | 0                | 0                           | (730)             | (4,385)       |

#### 4.12 Long Term Debt

| 31 March 2018<br>£000 | Long Term Borrowing       | 31 March 2019<br>£000 |
|-----------------------|---------------------------|-----------------------|
| 0                     | Market Loans              | 0                     |
| (28,921)              | PWLB                      | (41,992)              |
| (28,921)              | Total Long Term Borrowing | (41,992)              |

### 4.13 Leases

Leases are classified according to the conditions of IAS 17. Lease payments are made for land, buildings, vehicles and equipment. Leases are classified as finance leases if the terms of the lease transfer (substantially) the risks and rewards incidental to ownership from the lessor to the lessee. Leases that do not meet the definition of finance leases are accounted for as operating leases.

Where a lease covers both land and buildings, those elements are considered separately for classification. Major contracts are reviewed for the possibility of embedded leases within them. Assets held under a finance lease are recognised on the Balance Sheet at fair value. There is a liability for the obligation to pay the lessor. Initial direct costs are added to the carrying amount of the asset. Operating leases are charged to the CIES. These payments in 2018-19 were £1.435m (£1.231m in 2017-18).

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

The contract for the provision of an agreed number of vehicles runs until 2026-27. The estimated value of this scheme is £14.8m. The amount paid in 2018-19 was £3.3m (£3.3m in 2017-18). Future payments are linked to inflation increases. Grant of £1.3m was received in 2018-19 (£1.3m in 2017-18).

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

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

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

| Minimum Lease Payments |                       |                                                   | Finance Lease Payments |                       |
|------------------------|-----------------------|---------------------------------------------------|------------------------|-----------------------|
| 31 March 2018<br>£000  | 31 March 2019<br>£000 |                                                   | 31 March 2018<br>£000  | 31 March 2019<br>£000 |
| 85                     | 85                    | Not later than one year                           | 85                     | 85                    |
| 340                    | 340                   | Later than one year and not later than five years | 340                    | 340                   |
| 397                    | 397                   | Later than five years                             | 397                    | 397                   |
| <b>822</b>             | <b>822</b>            | <b>Total</b>                                      | <b>822</b>             | <b>822</b>            |

Included in short-term creditors

| 31 March 2018<br>£000 | 31 March 2019<br>£000 |
|-----------------------|-----------------------|
| 85                    | 85                    |

Included in long-term liabilities

| 31 March 2018<br>£000 | 31 March 2019<br>£000 |
|-----------------------|-----------------------|
| 737                   | 737                   |

### Authority as Lessee - Operating Leases

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

| 31 March 2018<br>£000 |                                                   | 31 March 2019<br>£000 |
|-----------------------|---------------------------------------------------|-----------------------|
| 1,408                 | Not later than one year                           | 1,480                 |
| 2,251                 | Later than one year and not later than five years | 2,652                 |
| 435                   | Later than five years                             | 352                   |
| <b>4,094</b>          | <b>Total</b>                                      | <b>4,484</b>          |

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

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

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

The second contractor, Miven, provides and maintains the Riverside building on a 25 year contract until 2026-27, at which point the Commissioner has the option to purchase. The capital value of this scheme is £1.943m. £1.045m was paid in 2018-19 (£1.045m in 2017-18).

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

Future payments are linked to the retail price index but are otherwise fixed, except reductions for poor contractor performance. Specific government grant of £1.858m was received (£1.858m in 2017-18).

The annual amounts payable for the buildings comprise:

- Fair value of the services received during the year – debited to the relevant service in the CIES.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, has been debited to the Financing and Investment Income and Expenditure line in the CIES for the PFI buildings.
- The repayment of the capital liability on the balance sheet.
- Contingent rent – increases in the amount to be paid for the properties arising during the contracts, debited to the 'Financing and Investment Income and Expenditure' line in the CIES.

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

| Reimbursement of Capital Expenditure 2017-18 £000 | Payment for Services & Interest 2017-18 £000 | PFI                              | Reimbursement of Capital Expenditure 2018-19 £000 | Payment for Services & Interest 2018-19 £000 |
|---------------------------------------------------|----------------------------------------------|----------------------------------|---------------------------------------------------|----------------------------------------------|
| 203                                               | 842                                          | Payable within one year          | 212                                               | 833                                          |
| 907                                               | 3,271                                        | Payable within two to five years | 949                                               | 3,230                                        |
| 1,035                                             | 2,967                                        | Payable within six to ten years  | 730                                               | 2,175                                        |
| <b>2,145</b>                                      | <b>7,080</b>                                 | <b>Total</b>                     | <b>1,891</b>                                      | <b>6,238</b>                                 |

| PFI                                                                                                | 2018-19<br>£000 |
|----------------------------------------------------------------------------------------------------|-----------------|
| <b>Gross PFI liabilities</b>                                                                       | 2,332           |
| Due:                                                                                               |                 |
| Not later than one year                                                                            | 304             |
| Later than one year and not later than five years                                                  | 1,217           |
| Later than five years                                                                              | 810             |
|                                                                                                    | 2,332           |
| Finance charges allocated to future periods                                                        | (441)           |
| Net service concession liabilities                                                                 | 1,891           |
| <b>Net PFI liabilities</b>                                                                         |                 |
| Due:                                                                                               |                 |
| Not later than one year                                                                            | 212             |
| Later than one year and not later than five years                                                  | 949             |
| Later than five years                                                                              | 730             |
|                                                                                                    | 1,891           |
| <b>Finance cost payments committed in respect of PFI</b>                                           |                 |
| Not later than one year                                                                            | 92              |
| Later than one year and not later than five years                                                  | 269             |
| Later than five years                                                                              | 80              |
|                                                                                                    | 441             |
| <b>Services and contingent rents payable to PFI operator<br/>(included in the unitary payment)</b> |                 |
| Not later than one year                                                                            | 740             |
| Later than one year and not later than five years                                                  | 2,962           |
| Later than five years                                                                              | 2,094           |
|                                                                                                    | 5,797           |
| <b>Total unitary payments to PFI operator</b>                                                      |                 |
| Not later than one year                                                                            | 1,045           |
| Later than one year and not later than five years                                                  | 4,179           |
| Later than five years                                                                              | 2,905           |
|                                                                                                    | 8,129           |

## Section 5 Notes to the Cash Flow Statement

### 5.1 Cash and Equivalents

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

| 31 March 2018<br>£000 | Cash and Equivalents Comprise        | 31 March 2019<br>£000 |
|-----------------------|--------------------------------------|-----------------------|
| 9,800                 | Low Volatility Net Asset Value Funds | 4,760                 |
| 0                     | Temporary Investments                | 15,000                |
| 1,032                 | Cash and Bank                        | 1,048                 |
| <b>10,832</b>         | <b>Total</b>                         | <b>20,808</b>         |

## Section 5 Notes to the Cash Flow Statement

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

| 31 March 2018<br>£000 | The cash flows for operating activities include the following items | 31 March 2019<br>£000 |
|-----------------------|---------------------------------------------------------------------|-----------------------|
| (104)                 | Interest Received                                                   | (249)                 |
| 1,351                 | Interest Paid                                                       | 1,385                 |
| <b>1,247</b>          | <b>Total</b>                                                        | <b>1,136</b>          |

| 31 March 2018<br>Restated, see<br>note 1.5<br>£000 | The cash flows for operating activities include the following items                                  | 31 March 2019<br>£000 |
|----------------------------------------------------|------------------------------------------------------------------------------------------------------|-----------------------|
| (5,886)                                            | Depreciation / amortisation                                                                          | (5,624)               |
| 1,413                                              | Property revaluations                                                                                | (2,697)               |
| (4,292)                                            | (Increase)/decrease in creditors                                                                     | 5,077                 |
| 276                                                | Increase/(decrease) in debtors                                                                       | (9,965)               |
| (103)                                              | (Increase)/decrease in inventories                                                                   | (16)                  |
| (56,323)                                           | Movement in long term liability                                                                      | (150,862)             |
| (1,431)                                            | Carrying amount of other non-current assets / liabilities                                            | 958                   |
| (2,973)                                            | Carrying amount of non-current assets and non-current assets held for sale,<br>sold or de-recognised | (1,542)               |
| 1,539                                              | Other non-cash movements charged to the (surplus) or deficit on provision<br>of services             | 301                   |
| <b>(67,780)</b>                                    | <b>Total</b>                                                                                         | <b>(164,370)</b>      |

| 31 March 2018<br>£000 | The (surplus) or deficit on the provision of services has been adjusted<br>for the following investing and financing activities | 31 March 2019<br>£000 |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 594                   | Proceeds from the sale of property, plant and equipment, investment<br>property and intangible assets                           | 1,828                 |
| 3,201                 | Any other items for which the cash effects are investing or financing cash<br>flows                                             | 839                   |
| <b>3,795</b>          | <b>Total</b>                                                                                                                    | <b>2,667</b>          |

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

| 31 March 2018<br>£000 | Cash Flow from Investing and Financing Activities                                                     | 31 March 2019<br>£000 |
|-----------------------|-------------------------------------------------------------------------------------------------------|-----------------------|
| 4,381                 | Purchase of property, plant and equipment, investment property and<br>intangible assets               | 9,653                 |
| 0                     | Purchase of short term and long term investments                                                      | 4,000                 |
| (594)                 | Proceeds from the sale of property, plant and equipment, investment<br>property and intangible assets | (1,828)               |
| (3,201)               | Other receipts from investing activities                                                              | (839)                 |
| <b>586</b>            | <b>Net cash flows from investing activities</b>                                                       | <b>10,986</b>         |
| (11,500)              | Cash receipts of short-term and long-term borrowing                                                   | (34,500)              |
| 15,209                | Repayments of short-term and long-term borrowing                                                      | 20,320                |
| <b>3,709</b>          | <b>Net cash flows from financing activities</b>                                                       | <b>(14,180)</b>       |

## Section 6 Remuneration Notes

### 6.1 Members Remuneration

Members of the Audit and Scrutiny Panel were paid £0.006m (£0.005m 2017-18).

### 6.2 Officers Remuneration over £50,000

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

One is within the PCC. It includes three above the rank of Superintendent (five in 2017-18).

| Remuneration over £50,000 | 2017-18    | 2018-19    |
|---------------------------|------------|------------|
| £50,001 to £55,000        | 161        | 175        |
| £55,001 to £60,000        | 89         | 96         |
| £60,001 to £65,000        | 27         | 30         |
| £65,001 to £70,000        | 8          | 5          |
| £70,001 to £75,000        | 10         | 8          |
| £75,001 to £80,000        | 6          | 8          |
| £80,001 to £85,000        | 6          | 9          |
| £85,001 to £90,000        | 1          | 2          |
| £90,001 to £95,000        | 1          | 1          |
| £95,001 to £100,000       | 0          | 1          |
| <b>Total</b>              | <b>309</b> | <b>335</b> |

### 6.3 Senior Officer Payments

| Officers Remuneration<br>2018-19                                     | Note | Salary, Fees &<br>Allowances<br>(Note 1)<br>£ | Bonuses<br>£ | Expenses<br>Allowances<br>(Note 2)<br>£ | Compensation<br>for Loss of<br>Office<br>£ | Pension<br>Contribution<br>£ | Total<br>£       |
|----------------------------------------------------------------------|------|-----------------------------------------------|--------------|-----------------------------------------|--------------------------------------------|------------------------------|------------------|
| Police & Crime Commissioner - P Tipping                              |      | 76,375                                        | 0            | 2,693                                   | 0                                          | 10,234                       | 89,303           |
| Chief Finance Officer to the Police & Crime Commissioner - C Radford |      | 101,380                                       | 0            | 1,594                                   | 0                                          | 13,585                       | 116,559          |
| Chief Executive to the Police & Crime Commissioner - K Dennis        |      | 99,072                                        | 0            | 1,833                                   | 0                                          | 13,276                       | 114,181          |
| <b>TOTAL PCC</b>                                                     |      | <b>276,827</b>                                | <b>0</b>     | <b>6,121</b>                            | <b>0</b>                                   | <b>37,095</b>                | <b>320,042</b>   |
| Chief Constable - C Guildford                                        |      | 159,313                                       | 0            | 14,196                                  |                                            | 36,575                       | 210,084          |
| Deputy Chief Constable - R Barber                                    | 5    | 131,754                                       | 0            | 11,321                                  |                                            | 12,979                       | 156,054          |
| Assistant Chief Constable - S Cooper                                 |      | 106,042                                       | 0            | 7,588                                   | 0                                          | 25,662                       | 139,292          |
| Assistant Chief Constable - S Prior                                  | 3    | 60,154                                        | 0            | 2,640                                   | 0                                          | 11,772                       | 74,566           |
| Assistant Chief Constable - K Meynell                                | 4    | 67,681                                        |              | 4,451                                   |                                            | 13,500                       | 85,632           |
| Chief Finance Officer to the Chief Constable                         |      | 63,990                                        | 0            | 602                                     |                                            | 8,531                        | 73,124           |
| <b>TOTAL CHIEF CONSTABLE</b>                                         |      | <b>588,934</b>                                | <b>0</b>     | <b>40,798</b>                           | <b>0</b>                                   | <b>109,019</b>               | <b>738,751</b>   |
| <b>TOTAL FOR GROUP</b>                                               |      | <b>865,761</b>                                | <b>0</b>     | <b>46,919</b>                           | <b>0</b>                                   | <b>146,114</b>               | <b>1,058,793</b> |

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

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

Note 3: ACC retired 09-09-18

Note 4: ACC appointed 06-08-18

Note 5: DCC opted out of pension scheme 30 years 04-09-18

### 6.3 Senior Officer Payments

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

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

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

Note 3: Deputy Chief Constable was appointed 17 -04-17

Note 4: Assistant Chief Constable was appointed 05-04-17

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

Note 6: Includes Market Rate Premium

Note 7: Director of Information Services and IT resigned 15-09-17

In 2017-18 the PCC and CC had a shared Regional ACO and Director of Human Resources. Both were employed by Leicestershire Police.

#### 6.4 Exit Packages

Contracts were terminated for 20 employees in the group during the year (9 in 2017-18), incurring costs of £0.378m (£0.209m in 2017-18). This included redundancy payments of £0.203m and pension strain costs of £0.145m. Other departures agreed including compromise agreements incurred costs of £0.030m. In 2018-19, there were no exit payments within the PCC. The Group made no material payments in relation to injury awards during the year.

#### 6.5 Auditor remuneration

Ernst Young LLP are the external auditor to the Commissioner and Group the fees in the year were £0.040m of which £0.027m related to the Commissioner and no other services were purchased (£0.050m in 2017-18).

| Exit Packages                                       |                                   |          |                                   |           |                                            |           |                                              |                |
|-----------------------------------------------------|-----------------------------------|----------|-----------------------------------|-----------|--------------------------------------------|-----------|----------------------------------------------|----------------|
| Exit package cost band (including special payments) | Number of compulsory redundancies |          | Number of other departures agreed |           | Total number of exit packages by cost band |           | Total cost of exit packages in each band (£) |                |
|                                                     | 2017-18                           | 2018-19  | 2017-18                           | 2018-19   | 2017-18                                    | 2018-19   | 2017-18                                      | 2018-19        |
| £0 - £20,000                                        | 5                                 | 7        | 1                                 | 8         | 6                                          | 15        | 67,000                                       | 101,000        |
| £20,001 - £40,000                                   | 2                                 | 2        | 0                                 | 1         | 2                                          | 3         | 67,000                                       | 98,000         |
| £40,001 - £60,000                                   | 0                                 | 0        | 0                                 | 1         | 0                                          | 1         | 0                                            | 49,000         |
| £60,001 - £80,000                                   | 1                                 | 0        | 0                                 | 0         | 1                                          | 0         | 75,000                                       | 0              |
| £80,001 - £100,000                                  | 0                                 | 0        | 0                                 | 0         | 0                                          | 0         | 0                                            | 0              |
| £100,001 - £150,000                                 | 0                                 | 0        | 0                                 | 1         | 0                                          | 1         | 0                                            | 130,000        |
| <b>Total</b>                                        | <b>8</b>                          | <b>9</b> | <b>1</b>                          | <b>11</b> | <b>9</b>                                   | <b>20</b> | <b>209,000</b>                               | <b>378,000</b> |

## Section 7 Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Commissioner enters a contract. They are initially measured at fair value and carried at their amortised charged to the CIES is the amount payable per the loan agreement. Financial assets held by the Group comprise loans and receivables. These have determinable payments but are not quoted in an active market. The financial liabilities of the Group consist of short-term cost. This generally will equate to the principal outstanding plus accrued interest. Impairment may be appropriate if it becomes likely that the contract may not be fulfilled.

### 7.1 Risks Arising from Financial Instruments

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

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

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

#### Credit Risk

Credit risk arises from investments and customer debt. The risk is minimised through the Annual Investment Strategy. This requires that deposits are only made with financial institutions meeting identified minimum credit criteria, as laid down by market leading rating services.

Maximum investment limits and durations are also specified to reduce credit risk. The maximum exposure to credit risk for deposits during the year was £65.6m. This was placed within the criteria of the strategy with high quality counterparties. There was no evidence at year end of potential counterparty default.

Customers owed £0.93m at year end (£2.24m in 2017-18). An allowance of £0.12m is set aside for debts to mitigate the effect of default (£0.03m in 2017-18).

#### Liquidity Risk

Cash flow management ensures that cash is available as needed. For unexpected events, there is ready access to borrowings from the money markets and the PWLB. There is no significant risk of being unable

to raise the required finance. If a significant proportion of borrowing needed replacing at a time of unfavourable interest rates, this could be costly. The Treasury Management Strategy. limits the proportion of borrowing maturity in specific periods to minimise the risk All trade and other payables are due within one year.

#### Interest Rate Risk

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

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

The Treasury Management Strategy sets a maximum of 50% of debt to be variable rate loans to mitigate this. Only £3.5m is held as variable which is 7%. There was £5m temporary borrowing at 31 March 2019.

**Price Risk**

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

**Foreign Exchange Risk**

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

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

| <b>Liquidity Risk</b>      | <b>31 March 2018<br/>£000</b> | <b>31 March 2019<br/>£000</b> |
|----------------------------|-------------------------------|-------------------------------|
| Less than one year         | (8,249)                       | (9,854)                       |
| Between one and two years  | (471)                         | (3,188)                       |
| Between two and five years | (5,677)                       | (4,216)                       |
| More than 5 Years          | (3,259)                       | (5,126)                       |
| More than 10 Years         | (19,513)                      | (29,462)                      |
|                            | <b>(37,169)</b>               | <b>(51,846)</b>               |

**7.2 Financial Instruments – Fair Value**

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

- Interest rates paid during 2018-19 ranged between 2.19% and 7.75% for PWLB loans and 3.73% on the market loan. The average Interest rates received was 0.66%. No early repayment or impairment is recognised.

- For instruments maturing in the next year, the carrying amount is assumed to be fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of the loans is £58.3m which is £7m higher than the carrying amount because there are a number of fixed rate loans with the PWLB with an interest rate payable higher than the prevailing rates at the Balance Sheet date.

This shows a notional future loss as there is a commitment to pay the PWLB at a rate above current market rates. The fair value of assets is the year end carrying value, being either variable rate instruments or short term.

Long term borrowings of £14m took place in 2018-19.

### 7.3 Financial Instruments Outstanding

The Market Loan of £3.5m was taken out with Danske Bank in May 2006 for 60 years. Since May 2011 it has featured a break clause every 6 months (Lenders Option, Borrowers Option LOBO).

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

At 31 March 2019 a short term investment of £4m was held with City of Liverpool Council.

|                                                                         | Long-term<br>31 March 2018<br>£000 | Long-term<br>31 March 2019<br>£000 | Current<br>31 March 2018<br>£000 | Current<br>31 March 2019<br>£000 |
|-------------------------------------------------------------------------|------------------------------------|------------------------------------|----------------------------------|----------------------------------|
| <b>Debtors</b>                                                          |                                    |                                    |                                  |                                  |
| Loans and receivables                                                   | 0                                  | 0                                  | 43,292                           | 47,303                           |
| Other                                                                   | 0                                  | 0                                  | 2,748                            | 2,586                            |
| <b>Total included in Debtors</b>                                        | <b>0</b>                           | <b>0</b>                           | <b>46,040</b>                    | <b>49,889</b>                    |
| <b>Borrowings</b>                                                       |                                    |                                    |                                  |                                  |
| Financial liabilities at amortised cost                                 | (28,920)                           | (41,992)                           | (8,249)                          | (9,854)                          |
| <b>Total included in Borrowings</b>                                     | <b>(28,920)</b>                    | <b>(41,992)</b>                    | <b>(8,249)</b>                   | <b>(9,854)</b>                   |
| <b>Other Long Term Liabilities</b>                                      |                                    |                                    |                                  |                                  |
| PFI and finance lease liabilities                                       | (2,227)                            | (2,415)                            | (288)                            | (297)                            |
| <b>Total other long term liabilities</b>                                | <b>(2,227)</b>                     | <b>(2,415)</b>                     | <b>(288)</b>                     | <b>(297)</b>                     |
| <b>Creditors</b>                                                        |                                    |                                    |                                  |                                  |
| Financial liabilities carried at contract amount                        | 0                                  | 0                                  | (27,605)                         | (22,528)                         |
| <b>Total Creditors</b>                                                  | <b>0</b>                           | <b>0</b>                           | <b>(27,605)</b>                  | <b>(22,528)</b>                  |
| <b>Financial Liabilities at amortised cost</b>                          |                                    |                                    |                                  |                                  |
| Interest expense                                                        |                                    |                                    | 1,351                            | 1,385                            |
| <b>Financial Assets: Loans and receivables</b>                          |                                    |                                    |                                  |                                  |
| Interest income                                                         |                                    |                                    | (104)                            | (249)                            |
| <b>Net expense in (Surplus) or Deficit on the Provision of Services</b> |                                    |                                    | <b>1,247</b>                     | <b>1,136</b>                     |

## Section 8 Other Notes

### 8.1 Basis of Cost Allocation

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

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

### 8.2 Contingent Assets

Contingent assets arise where an event has taken place that gives the potential for an asset, whose existence will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly in the control of the Group. They are not recognised in the Balance Sheet, The Commissioner had no contingent assets as at 31 March 2019.

### 8.3 Contingent Liabilities

A contingent liability arises where a past event gives a possible obligation which depends on the outcome of uncertain future events not wholly in the control of the Group.

Contingent liabilities also arise in circumstances where a provision or reserve would otherwise be made, but there is not the level of certainty on either likelihood or value. Contingent liabilities are not recognised in the Balance Sheet.

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

### 8.4 Related Parties

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

Central Government asserts significant influence over the general operations of the police. It provides the statutory framework, and the majority of its funding in the form of grants and limits the increase in precepts. There is also influence by other Local Authority partners. This is particularly relevant to Nottingham City Council, who provide funding for specific roles.

The CIPFA Code requires members to complete a declaration of personal interests under section 81(1) of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) Order 2007. Audit and Scrutiny Panel members are required to complete a register of interest form. Senior employees can influence decisions and they also complete a declaration of personal interests. Joint Operations are areas where significant influence can be exerted by all parties.



# SUPPLEMENTARY ACCOUNTS AND EXPLANATORY NOTES

## PENSION FUND ACCOUNTS AND EXPLANATORY NOTES

| 2017-18<br>£000 | Pension Fund                                                                          | 2018-19<br>£000 |
|-----------------|---------------------------------------------------------------------------------------|-----------------|
|                 | <b>Contributions Receivable</b>                                                       |                 |
| (5,777)         | Employers Contributions 1987 Scheme                                                   | (4,493)         |
| (208)           | Employers Contributions 2006 Scheme                                                   | (180)           |
| (10,348)        | Employers Contributions 2015 Scheme                                                   | (12,110)        |
| (1,411)         | Additional Contributions for early retirements - all schemes                          | (1,169)         |
| (3,414)         | Members contributions 1987 Scheme                                                     | (2,665)         |
| (101)           | Members contributions 2006 Scheme                                                     | (90)            |
| (5,710)         | Members contributions 2015 Scheme                                                     | (6,639)         |
| 0               | Transfer in 1987 Scheme                                                               | 0               |
| 0               | Transfer in 2006 Scheme                                                               | 0               |
| (310)           | Transfer in 2015 Scheme                                                               | (630)           |
|                 | <b>Benefits Payable</b>                                                               |                 |
| 53,187          | Pensions 1987 Scheme                                                                  | 56,262          |
| 18              | Pensions 2006 Scheme                                                                  | 23              |
| 143             | Pensions 2015 Scheme                                                                  | 227             |
| 15,517          | Commutations and lump sum retirement benefits 1987 Scheme                             | 14,890          |
| 15              | GAD v Milne Payments                                                                  | 0               |
|                 | <b>Payments to / on account of leavers</b>                                            |                 |
| 2               | Refund of contributions 2006 Scheme                                                   | 0               |
| 4               | Refund of contributions 2015 Scheme                                                   | 2               |
| 0               | Transfers out 1987 Scheme                                                             | 0               |
| 43              | Transfers out 2006 Scheme                                                             | 0               |
| 0               | Transfers out 2015 Scheme                                                             | 0               |
| <b>41,650</b>   | <b>Sub-total before transfer from the Commissioner of amount equal to the deficit</b> | <b>43,428</b>   |
| <b>(41,650)</b> | <b>Transfer of Government Grant from the Commissioner to meet the deficit</b>         | <b>(43,428)</b> |
| <b>0</b>        | <b>Balance at 31st March</b>                                                          | <b>0</b>        |

This fund account relates solely to the Police Officer Pension Scheme

### Post-Employment Benefits

Employees are members of two separate defined benefits pension schemes providing retirement lump sums and pensions, earned whilst employed by the Group. The Pension Reserve absorbs the timing differences between the difference in accounting and funding for post-employment benefits in accordance with statutory provisions. The debit balance on the Pension Reserve represents a substantial shortfall in the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements ensure that funding will meet payments. Actuarial gains and losses are charged to the Pension Reserve.

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

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

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

### The Local Government Pensions Scheme

The Local Government Pensions Scheme (LGPS) for staff is administered by Nottinghamshire County Council. This is a funded scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. This scheme is a multi-employer scheme and the underlying assets and liabilities cannot be directly identified with individual employers. Therefore assets and liabilities are incorporated within these accounts on an apportioned basis. The assets are included at fair value. The liabilities are included at current prices using the appropriate discount rate. The discount rate is the annualised yield at the 22 year point on the Merrill Lynch AA-rated corporate bond yield curve which meets the requirements of IAS19.

### The Police Pension Scheme

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

This is reimbursed from Central Government by way of Pension Top-up grant of up to 100%, subject to parliamentary scrutiny and approval. More details are included in the Pension Fund Statement. If however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Commissioner who then must repay the amount to central government. This means that the true liability relating to police pensions rests with the Home Office. The element relating to The Group's assets and liabilities is included within these accounts. Since 1 April 2015 pensions have been based on a career average value.

### Discretionary Benefits

The Group also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements due to medical reasons or injury. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme. Assets are not built up within the scheme to meet these pension liabilities.

### Accounting Treatment

The Group Balance Sheet recognises the net pension liability and reserve. The actuarial valuation of the Staff LGPS Fund was carried out as at 31 March 2019 and set contributions for the period from 1 April 2019 to 31 March 2020. This scheme includes both staff working for the Chief Constable entity and the Commissioner. It was not practical or economical to obtain separate actuary reports for the two entities. As a reasonable estimate the relevant information was calculated on a pro rata basis to scheme participants in the year.

Police officer pension schemes are unfunded defined benefit final salary schemes. Contributions from officers are paid into the fund and pension payments are met from the fund. Any surplus or deficit is either paid to or recovered from Central Government. Employee's and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department. The figures for 2018-19 are based on a detailed valuation based on information compiled as at 31 March 2016.

The figures for the LGPS are calculated by Barnett Waddingham (Actuaries), based on membership data as at 31 March 2016 for members receiving funded benefits and as at 31 March 2014 for any members receiving unfunded benefits. This has then been rolled forward to reflect the position as at 2019. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

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

The figures reflect McCloud and any other relevant adjustments.

### Accounting Treatment

When assessing the potential implications of McCloud on the IAS19 liabilities, the actuary has considered those members with benefits in the 2015 scheme who were former members of the 1987 and 2006 schemes. The actuary has calculated the additional liability arising had these members not ceased to accrue benefits in the 1987 and 2006 schemes on 1 April 2015 (or after this date if their start date in the 2015 Scheme was tapered) and had continued instead to accrue final salary benefits in the 1987 and 2006 Schemes. The actuary has also included the impact for those who retired after joining the 2015 Scheme. Whilst members who left the service over this period and took deferred benefits were considered, the actuary concluded the effects are not material. Using these assumptions the actuary has estimated the potential increase in scheme liabilities for Nottinghamshire to be approximately 5.4% or £120m of pension scheme liabilities. This increase is reflected in the IAS19 Disclosure as a Past Service Cost.

The actuary has commented that the additional costs emerging are sensitive to the underlying assumptions to roughly the same extent as the other figures calculated as part of the accounting process. Hence, even if the assumptions underlying the accounting calculations were different, the actuary would still expect the potential additional costs in relation to McCloud to be broadly similar in magnitude to those shown above. The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023-24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

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

| 2017-18       |                 | Pension Fund<br><br>Comprehensive Income and Expenditure Statement                                | 2018-19      |                |
|---------------|-----------------|---------------------------------------------------------------------------------------------------|--------------|----------------|
| LGPS<br>£000  | Police<br>£000  |                                                                                                   | LGPS<br>£000 | Police<br>£000 |
| 12,814        | 37,330          | Current Service Cost                                                                              | 13,156       | 38,110         |
| 82            | 0               | Admin Expense                                                                                     | 91           | 0              |
| 58            | 1,660           | Past Service Cost                                                                                 | 3,146        | 113,900        |
| 0             | 0               | (Gain) / loss from curtailments                                                                   | 0            | 0              |
| 4,206         | 68,330          | Net interest expense / (income)                                                                   | (9,481)      | 63,010         |
| <b>17,160</b> | <b>107,320</b>  | <b>Total charged to (Surplus) and Deficit on Provision of Services</b>                            | <b>6,912</b> | <b>215,020</b> |
|               |                 | <b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Account</b> |              |                |
|               |                 | <b>Re-measurement of the net defined benefit liability comprising:</b>                            |              |                |
| 0             | 0               | Return on plan assets (excluding the amount included in the net interest expense)                 | 0            | 0              |
| 0             | (142,220)       | Actuarial (gains) and losses - experience                                                         | 0            | (6,700)        |
| 0             | (83,260)        | Actuarial (gains) and losses arising on changes in demographic assumptions                        | (21,471)     | 0              |
| (15,696)      | 75,060          | Actuarial (gains) and losses arising on changes in financial assumptions                          | 21,934       | 75,040         |
| <b>1,464</b>  | <b>(43,100)</b> | <b>Total charged to the Comprehensive Income and Expenditure Statement</b>                        | <b>7,375</b> | <b>283,360</b> |

| 2017-18      |                | Pension Fund<br>Movement in Reserves Statement                                          | 2018-19      |                |
|--------------|----------------|-----------------------------------------------------------------------------------------|--------------|----------------|
| LGPS<br>£000 | Police<br>£000 |                                                                                         | LGPS<br>£000 | Police<br>£000 |
| (17,160)     | (107,320)      | Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services   | (6,912)      | (215,020)      |
| 5,187        | 0              | <b>Actual amount charged against the general fund balance for pensions in the year:</b> | 5,770        | 0              |
| 0            | 62,970         | Employers' contributions payable to scheme                                              | 0            | 65,300         |
|              |                | Retirement benefits payable to pensioners                                               |              |                |

| 2017-18          |                    | Pensions Assets and Liabilities<br>Recognised in the Balance Sheet         | 2018-19          |                    |
|------------------|--------------------|----------------------------------------------------------------------------|------------------|--------------------|
| LGPS<br>£000     | Police<br>£000     |                                                                            | LGPS<br>£000     | Police<br>£000     |
| (356,627)        | (2,484,500)        | Present value of the defined obligation                                    | (376,863)        | (2,702,560)        |
| 216,634          | 0                  | Fair value of plan assets                                                  | 235,265          | 0                  |
| (139,993)        | (2,484,500)        | Value of Assets / (Liabilities)                                            | (141,598)        | (2,702,560)        |
| <b>(139,993)</b> | <b>(2,484,500)</b> | <b>Net (liability) / asset arising from the defined benefit obligation</b> | <b>(141,598)</b> | <b>(2,702,560)</b> |

| 2017-18<br>£000 | Net Asset Statement as at 31 March        |  | 2018-19<br>£000 |
|-----------------|-------------------------------------------|--|-----------------|
|                 | <b>Net Current Assets and Liabilities</b> |  |                 |
| 1,360           | LGPS pension benefits paid in advance     |  | 688             |
| (1,360)         | Creditors to the PCC for Nottinghamshire  |  | (688)           |
| <b>0</b>        | <b>Total</b>                              |  | <b>0</b>        |

| 2017-18        |                               | Movement in the Value of Scheme Assets                                               | 2018-19        |                               |
|----------------|-------------------------------|--------------------------------------------------------------------------------------|----------------|-------------------------------|
| LGPS           | Police Officer Pension Scheme |                                                                                      | LGPS           | Police Officer Pension Scheme |
| £000           | £000                          |                                                                                      | £000           | £000                          |
| 210,984        | 0                             | Opening fair value of scheme assets                                                  | 216,634        | 0                             |
| 5,655          | 0                             | Interest income                                                                      | 18,684         | 0                             |
|                |                               | Re-measurement gain / (loss):                                                        |                |                               |
| 0              | 0                             | The return on plan assets, excluding the amount included in the net interest expense | 0              | 0                             |
| 5,187          | 62,970                        | Contributions from employer                                                          | 5,770          | 65,300                        |
| 2,119          | 9,530                         | Contributions from employees into the scheme                                         | 2,283          | 10,020                        |
| (7,229)        | (72,500)                      | Benefits / transfers paid                                                            | (8,015)        | (75,320)                      |
| (82)           | 0                             | Admin Expense                                                                        | (91)           | 0                             |
| <b>216,634</b> | <b>0</b>                      | <b>Closing value of scheme assets</b>                                                | <b>235,265</b> | <b>0</b>                      |

| 2017-18          |                               | Movements in the Fair Value of Scheme Liabilities                    | 2018-19          |                               |
|------------------|-------------------------------|----------------------------------------------------------------------|------------------|-------------------------------|
| LGPS             | Police Officer Pension Scheme |                                                                      | LGPS             | Police Officer Pension Scheme |
| £000             | £000                          |                                                                      | £000             | £000                          |
| <b>(354,700)</b> | <b>(2,590,570)</b>            | <b>Opening balance at 1 April</b>                                    | <b>(356,627)</b> | <b>(2,484,500)</b>            |
| (12,814)         | (37,330)                      | Current service cost                                                 | (13,156)         | (38,110)                      |
| (9,861)          | (68,330)                      | Interest cost                                                        | (9,203)          | (63,010)                      |
| (2,119)          | (9,530)                       | Contributions from scheme participants                               | (2,283)          | (10,020)                      |
|                  |                               | Re-measurement gains and losses:                                     |                  |                               |
| 0                | 142,220                       | - Actuarial gains / (losses) - experience                            | 0                | 6,700                         |
| 0                | 83,260                        | - Actuarial gains / (losses) from changes in demographic assumptions | 21,471           | 0                             |
| 15,696           | (75,060)                      | - Actuarial gains / (losses) from changes in financial assumptions   | (21,934)         | (75,040)                      |
| (58)             | (1,660)                       | Past service cost                                                    | (3,146)          | (113,900)                     |
| 0                | 0                             | Gains / (losses) on curtailments                                     | 0                | 0                             |
| 7,229            | 72,500                        | Benefits / transfers paid                                            | 8,015            | 75,320                        |
| <b>(356,627)</b> | <b>(2,484,500)</b>            | <b>Balance as at 31 March</b>                                        | <b>(376,863)</b> | <b>(2,702,560)</b>            |

The liabilities show the underlying commitments that the Group will eventually have for retirement benefits. The total liability of £3,079m has a substantial impact on the net worth of the Balance Sheet. Statutory accounting arrangements to fund the deficit neutralise the effect on taxpayers. Finance is only required when the pensions are actually paid.

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

The total contributions expected to be made to the Staff Pension Scheme and the Police Officer Pension Scheme in the year ending 31 March 2019 are £5.8m and £16.8m respectively.

The expected return on scheme assets is determined by considering the expected returns available on the assets with the current investment policy:

- Expected yields on fixed interest investments are based on gross.
- Redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £18.7m (2017-18, £5.6m). The pension liability is sensitive to changes and the actuaries give an indication of this.

For the LGPS an increase of 0.1% on the present value of liabilities decreases the pension liability by £8.4m and a decrease by the same amount increases the pension liability by £8.6m.

For the police officers scheme an extra 0.5% on the discounting rate used increases the liability by £259m with a 0.5% decrease in the rate decreasing the liability by the same amount.

| Pension Assumptions                         | LGPS     |          | Police   |          |
|---------------------------------------------|----------|----------|----------|----------|
|                                             | 2017-18  | 2018-19  | 2017-18  | 2018-19  |
| <b>Mortality assumptions</b>                |          |          |          |          |
| <b>Longevity at 65 retiring today</b>       |          |          |          |          |
| Men                                         | 22.6 yrs | 21.6 yrs | 22.6 yrs | 22.7 yrs |
| Women                                       | 25.6 yrs | 24.4 yrs | 24.2 yrs | 24.3 yrs |
| <b>Longevity at 65 retiring in 20 years</b> |          |          |          |          |
| Men                                         | 24.8 yrs | 23.3 yrs | 24.5 yrs | 24.6 yrs |
| Women                                       | 27.9 yrs | 26.2 yrs | 26.1 yrs | 26.2 yrs |
| <b>Rate of inflation</b>                    |          |          |          |          |
| CPI Increases                               | 2.30%    | 2.40%    | 2.30%    | 2.35%    |
| Rate of increase in salaries                | 3.80%    | 3.90%    | 4.30%    | 4.35%    |
| Rate of increase in pensions                | 2.30%    | 2.40%    | 2.30%    | 2.35%    |
| Rate for discounting scheme liabilities     | 2.60%    | 2.45%    | 2.55%    | 2.45%    |

| Value of LGPS Assets at Bid Value | 31 March 2018<br>£000 | 31 March 2018<br>% | 31 March 2019<br>£000 | 31 March 2019<br>% |
|-----------------------------------|-----------------------|--------------------|-----------------------|--------------------|
| Equity Investments                | 142,444               | 66                 | 146,022               | 62                 |
| Gilts                             | 4,963                 | 2                  | 7,662                 | 3                  |
| Other Bonds                       | 25,306                | 12                 | 21,800                | 9                  |
| Property                          | 27,213                | 13                 | 31,836                | 14                 |
| Cash                              | 4,280                 | 2                  | 5,684                 | 2                  |
| Inflation-linked pooled fund      | 5,360                 | 2                  | 8,549                 | 4                  |
| Infrastructure                    | 7,068                 | 3                  | 11,326                | 5                  |
| Unit Trust                        | 0                     | 0                  | 2,386                 | 1                  |
|                                   | <b>216,634</b>        | <b>100</b>         | <b>235,265</b>        | <b>100</b>         |

## JOINT OPERATIONS

### Joint Operations

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

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

There are six JO's between Nottinghamshire, Derbyshire, Leicestershire, Lincolnshire and Northamptonshire, Nottinghamshire's proportion is 27.3% (27.3% 2017-18).

- The East Midlands Special Operations Unit (EMSOU), which includes The Technical Surveillance Unit (TSU)
- The East Midlands Special Operations Major Crime (EMSOU MC).
- The East Midlands Occupational Health Unit (EMCHRS OHU).
- The East Midlands Forensic Support Services (EMFSS).
- The East Midlands Legal Service (EMLS).
- The Regional Emergency Services Network (ESN) 22.6% (22.6% 2017-18).

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

1. The East Midlands Criminal Justice Service (EMCJS). Nottinghamshire's proportion is 34.9% (34.9% 2017-18)

2. The East Midlands Operational Support Services (EMOpSS), but Nottinghamshire withdrew from this on 30 April 2018 and the proportion of costs has reduced to 34.9% (34.9% 2017-18)

The other collaborations are:

- The East Midlands Commercial Services Unit (EMSCU), is a two way shared service with Northamptonshire. The share of costs for Nottinghamshire this year is 50% (50% 2017-18).
- The East Midlands Learning & Development (EMCHRS L&D) is a four way shared service with Leicestershire, Derbyshire, and Northamptonshire. Nottinghamshire's proportion is 31.42% (31.42% 2017-18).
- The shared service for transactional HR and finance - MFSS with Cheshire and Northamptonshire and Civil Nuclear Police. Avon & Somerset Police have withdrawn from this collaboration during the year. Nottinghamshire this year is 31.04% (29.81% 2017-18).

| Expenditure<br>£000 | Income<br>£000  | Net<br>£000   | Joint Operations Comprehensive Income and<br>Expenditure Statement | Expenditure<br>£000 | Income<br>£000  | Net<br>£000   |
|---------------------|-----------------|---------------|--------------------------------------------------------------------|---------------------|-----------------|---------------|
| 14,586              | 0               | 14,586        | Cost of Police Services                                            | 12,807              | 0               | 12,807        |
| <b>14,586</b>       | <b>0</b>        | <b>14,586</b> | <b>Cost of Services</b>                                            | <b>12,807</b>       | <b>0</b>        | <b>12,807</b> |
| 174                 | (866)           | (692)         | Other Operating Expenditure / Income                               | 5                   | (670)           | (665)         |
| 0                   | (2,573)         | (2,573)       | External Grants and Contributions                                  | 0                   | (1,204)         | (1,204)       |
| 0                   | (11,955)        | (11,955)      | Contributions From Partners                                        | 0                   | (10,629)        | (10,629)      |
| <b>14,760</b>       | <b>(15,394)</b> | <b>(634)</b>  | <b>(Surplus) or Deficit on Provision of Services</b>               | <b>12,812</b>       | <b>(12,503)</b> | <b>309</b>    |
|                     |                 | (12)          | Other CIES                                                         |                     |                 | 12            |
|                     |                 | <b>(646)</b>  | <b>Total CIES</b>                                                  |                     |                 | <b>321</b>    |

| Joint Operations Movement in Reserves                                    | General Fund<br>Balance<br>£000 | Earmarked<br>Reserves<br>£000 | Capital Grants<br>Unapplied<br>£000 | Total Usable<br>Reserves<br>£000 | Unusable<br>Reserves<br>£000 | Total<br>Reserves<br>£000 |
|--------------------------------------------------------------------------|---------------------------------|-------------------------------|-------------------------------------|----------------------------------|------------------------------|---------------------------|
| <b>Balance at 31 March 2018</b>                                          | <b>(75)</b>                     | <b>(1,246)</b>                | <b>0</b>                            | <b>(1,321)</b>                   | <b>(2,896)</b>               | <b>(4,217)</b>            |
| Movements in reserves during 2018-19                                     | 0                               | 0                             | 0                                   | 0                                | 0                            | 0                         |
| (Surplus) / deficit on the provision of services                         | 309                             | 0                             | 0                                   | 309                              | 0                            | 309                       |
| Other CIES                                                               | 12                              | 0                             | 0                                   | 12                               | 0                            | 12                        |
| <b>Total CIES</b>                                                        | <b>321</b>                      | <b>0</b>                      | <b>0</b>                            | <b>321</b>                       | <b>0</b>                     | <b>321</b>                |
| Adjustments between accounting basis and funding basis under regulations | 12                              | 0                             | 0                                   | 12                               | (12)                         | 0                         |
| <b>Net (Increase) or Decrease before Transfers to Earmarked Reserves</b> | <b>333</b>                      | <b>0</b>                      | <b>0</b>                            | <b>333</b>                       | <b>(12)</b>                  | <b>321</b>                |
| Transfers to / (from) Earmarked Reserves                                 | (333)                           | 338                           | 0                                   | 5                                | 5                            | 10                        |
| <b>(Increase) or Decrease in 2018-19</b>                                 | <b>0</b>                        | <b>338</b>                    | <b>0</b>                            | <b>338</b>                       | <b>(7)</b>                   | <b>331</b>                |
| <b>Balance at 31 March 2019</b>                                          | <b>(75)</b>                     | <b>(908)</b>                  | <b>0</b>                            | <b>(983)</b>                     | <b>(2,903)</b>               | <b>(3,886)</b>            |

| 31 March 2018<br>£000 | Joint Operations Balance Sheet | 31 March 2019<br>£000 |
|-----------------------|--------------------------------|-----------------------|
| 2,917                 | Property, Plant and Equipment  | 2,918                 |
| 182                   | Intangible Assets              | 140                   |
| <b>3,099</b>          | <b>Long Term Assets</b>        | <b>3,058</b>          |
| 0                     | Assets Held for Sale           | 0                     |
| 1,262                 | Short Term Debtors             | 1,169                 |
| 1,541                 | Cash and Cash Equivalents      | 871                   |
| <b>2,803</b>          | <b>Current Assets</b>          | <b>2,040</b>          |
| (1,685)               | Short-Term Creditors           | (1,212)               |
| <b>(1,685)</b>        | <b>Current Liabilities</b>     | <b>(1,212)</b>        |
| 0                     | Long Term Liabilities          | 0                     |
| <b>4,217</b>          | <b>Net Assets</b>              | <b>3,886</b>          |
| (1,321)               | Usable Reserves                | (983)                 |
| (2,896)               | Unusable Reserves              | (2,903)               |
| <b>(4,217)</b>        | <b>Total Reserves</b>          | <b>(3,886)</b>        |

## Group Accounts

### Joint Operations & Associate Entities

The OPCC's share of Joint Operations (JO's) for 2018-19 is as follows:

| Ownership<br>% | Arrangement                       | 2018-19             |                 |             |
|----------------|-----------------------------------|---------------------|-----------------|-------------|
|                |                                   | Expenditure<br>£000 | Income<br>£000  | Net<br>£000 |
| 27.30%         | EM Legal Services                 | 493                 | (479)           | 14          |
| 50.00%         | EM Strategic Commercial Unit      | 541                 | (534)           | 7           |
| 27.30%         | EM Major Crime                    | 212                 | (221)           | (9)         |
| 27.30%         | EM Serious Organised Crime        | 5,252               | (4,892)         | 360         |
| 34.90%         | EM Criminal Justice               | 227                 | (230)           | (3)         |
| 34.90%         | EM Operational Support Services   | 171                 | (224)           | (53)        |
| 27.30%         | EM Occupational Health Unit       | 459                 | (457)           | 2           |
| 27.30%         | EM Forensics                      | 2,301               | (2,258)         | 43          |
| 31.42%         | EM Learning & Development         | 803                 | (783)           | 20          |
| 31.04%         | Multi Force Shared Service (MFSS) | 2,244               | (2,244)         | 0           |
| 22.60%         | Emergency Services Network (ESN)  | 121                 | (181)           | (60)        |
| 0.00%          |                                   |                     |                 |             |
|                |                                   | <b>12,824</b>       | <b>(12,503)</b> | <b>321</b>  |



## GLOSSARY

## GLOSSARY

| ACCOUNTING PERIOD                                                                                                                                                 | ACCOUNTING POLICIES                                                                                                                                                                                                                                                                   | ACCRUALS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date. | These are a set of rules and codes of practice used when preparing the Accounts.                                                                                                                                                                                                      | Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.                                                                                                                                                                                                                                                                                                                    |
| ACT                                                                                                                                                               | ACTUARIAL GAINS AND LOSSES                                                                                                                                                                                                                                                            | ASSET                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| The Police Reform and Social Responsibilities Act 2011.                                                                                                           | <p>For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:</p> <p>Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or the actuarial assumptions have changed.</p> | <p>An item having value to the Authority in monetary terms. Assets are categorised as either current or non-current.</p> <ul style="list-style-type: none"> <li>• A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock).</li> <li>• A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a police station, or intangible, e.g. computer software licences.</li> </ul> |
| AUDIT OF ACCOUNTS                                                                                                                                                 | BALANCE SHEET                                                                                                                                                                                                                                                                         | BORROWING                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| An independent examination of the Authority's financial affairs                                                                                                   | A statement of the recorded assets, liabilities and other balances at the end of the accounting period.                                                                                                                                                                               | Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.                                                                                                                                                                                                                                                                                                                    |

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

| CONTINGENT ASSET                                                                                                                                                                                                                                                  | CONTINGENT LIABILITY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | CREDITOR                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.</p>                                                | <p>A contingent liability is either:</p> <ul style="list-style-type: none"> <li>• A possible obligation arising from past events whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the Authority's control; or</li> <li>• A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.</li> </ul> | <p>Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.</p>      |
| CURRENT SERVICE COST (PENSIONS)                                                                                                                                                                                                                                   | DEBTOR                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | DEFINED BENEFIT PENSION SCHEME                                                                                                                                                                          |
| <p>The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.</p>                                                                                                       | <p>Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of the accounting period.</p>                                                                                                                                                                                                                                                                                                 | <p>Pension schemes in which benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.</p>                          |
| DEPRECIATION                                                                                                                                                                                                                                                      | DISCRETIONARY BENEFITS (PENSIONS)                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | EVENTS AFTER BALANCE SHEET DATE                                                                                                                                                                         |
| <p>The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.</p> | <p>Retirement benefits, which the employer has not legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.</p>                                                                                                                                                                                                                                                       | <p>Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.</p> |

**EXPECTED RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

**FAIR VALUE**

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

**FINANCE LEASE**

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

**GOING CONCERN**

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

**IFRS**

International Financial Reporting Standards are developed by the International Accounting Standards Board (IASB) and regulate the preparation and presentation of Financial Statements. Any material departures from these Standards would be disclosed in the notes to the Accounts.

**GROUP**

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

**IMPAIRMENT**

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

**INTANGIBLE ASSETS**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. These are generally computer software licences.

**INTEREST COSTS (PENSION)**

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

| LIABILITY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | MATERIALITY                                                                                                                                                                                                                         | NON-OPERATIONAL ASSETS                                                                                                                                                                                                                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>A liability is where the Authority owes payment to an individual or another organisation:</p> <ul style="list-style-type: none"> <li>• A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.</li> <li>• A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.</li> </ul> | <p>The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.</p> | <p>Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.</p>                  |
| NET BOOK VALUE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | OPERATIONAL ASSETS                                                                                                                                                                                                                  | PAST COSTS (PENSIONS)                                                                                                                                                                                                                                              |
| <p>The amount at which fixed assets are included in the balance sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.</p>                                                                                                                                                                                                                                                                                                                     | <p>Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.</p>           | <p>For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to the employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.</p> |
| OPERATING LEASE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | MINIMUM REVENUE PROVISION (MRP)                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                    |
| <p>A lease where the ownership of the fixed asset remains with the lessor.</p>                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.</p>                                                        |                                                                                                                                                                                                                                                                    |

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

# REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

# TEMPORARY BORROWING

Money borrowed for a period of less than one year.

# USEFUL ECONOMIC LIFE (UEL)

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