Appendix C

The Police and Crime Commissioner for Lincolnshire

Financial Statements

Subject to Audit

2013/14

Version 0.2

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Police and Crime Commissioner for Lincolnshire

Annual Group Financial Report

2013/14

The statements are made up of separate elements: the Foreword by the Chief Finance Officer of the Police and Crime Commissioner (PCC); the Statement of Responsibilities; Governance Statements; the Statement of Accounts; the Independent Auditor's Report; and the Glossary of Terms. The 'true and fair' audit view only applies to the Statement of Accounts.

Contents

	Page
Introduction to the Financial Statements	3
Foreword by PCC Chief Finance Officer	5
Statement of Responsibilities	13
Governance	
Annual Governance Statement	14
Statement of Accounts	
Index for the Statement of Accounts	24
Movement in Reserves Statement	26
Group Comprehensive Income and Expenditure Statement	28
Group Balance Sheet	30
Group Cash Flow Statement	31
Notes to the Accounts	32 to 95
Police Officer Pensions - Home Office Memorandum Account	103
Independent Auditor's Report	**105**
Glossary of Terms	**106**

Police and Crime Commissioner for Lincolnshire

APPROVAL OF ACCOUNTS

In accordance with Regulation 8(3)c of the Accounts and Audit (England) Regulations 2011, I certify that the Police and Crime Commissioner for Lincolnshire approved the Statement of Accounts on 2x th September 2014.

Signed by the Police and Crime Commissioner for Lincolnshire.

…….
Alan Hardwick

Dated : …….

DATE OF ISSUE OF ACCOUNTS

The Police and Crime Commissioner is required to disclose the date that the financial statements are authorised for issue. This establishes the date after which events will not have been recognised in the Statement of Accounts.

Date of Issue of Accounts

2x th September 2014

Police and Crime Commissioner for Lincolnshire

Introduction to the Financial Statements

On 15 November 2012 Alan Hardwick was elected as the first Police and Crime Commissioner (PCC) for the Lincolnshire Police area. Standing as an independent candidate, he won with a majority of 4,135 for the area. The Commissioner took office on 22 November 2012. Elected PCCs serve a term of office which ends in May 2016, when PCC elections will take place again.

The Commissioner has a responsibility to hold the police to account on behalf of the public. The PCC provides a link between the police and communities, working to turn local police and crime related needs and wishes into action. The Chief Constable must answer to the PCC in terms of delivering efficient and effective policing, and the way resources and spending are managed.

Chief Executive Officer and Monitoring Officer
Every PCC must have a Chief Executive, who will also act as the Monitoring Officer. The Chief Executive will work with the PCC to deliver the PCC's vision, strategy and identified priorities. They will make sure the office of the PCC is led effectively through ongoing management and public involvement. They will help make sure that the police force's activities are checked accurately and appropriately. Malcolm Burch BA (Hons), MLib, MBA, MCMI is the Chief Executive and Monitoring Officer to the PCC in Lincolnshire.

Chief Finance Officer
The PCC must also appoint a Chief Finance Officer (CFO). The CFO is responsible for ensuring that the financial affairs of the PCC are properly administered and that financial regulations are observed and kept up to date. The role also includes ensuring that resources are used wisely to secure positive results. Julie Flint CPFA MSc is the Chief Finance Officer to the PCC in Lincolnshire.

Joint Independent Audit Committee
The role of the Joint Independent Audit Committee is to:

- provide independent assurance to the Police and Crime Commissioner and the Chief Constable regarding the adequacy of the risk management framework and the associated control environment

- provide Independent scrutiny of the Police and Crime Commissioner's and Force's financial performance
- oversee financial reporting processes.

The membership is as follows:

Mr David Finch (Chairman)
Mr John Cawdell
Mr James Evans
Mr James Gallagher
Mr Ian Haldenby

The Statement of Accounts

The 2013/14 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting. The accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include:

- The Police Reform and Social Responsibility Act 2011 (the Act);
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012;
- Scheme of Delegation
- Financial Regulations;
- Contract Regulations.

Further Information

Further information about the Financial Statements is available from the Chief Finance Officer, Police Headquarters, Deepdale Lane, Nettleham, Lincoln, LN2 2LT. In addition interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection has been advertised in the local press.

Chief Finance Officer's Foreword to the Statement of Accounts

This section highlights some of the more important issues that are reported in the Accounts. Commentary is included on any issues that have had a major effect on the Police and Crime Commissioner's finances during the year being reported and the factors that may impact in the future.

Introduction

I am pleased to present the Statement of Accounts for the Police and Crime Commissioner (PCC) for Lincolnshire and the PCC for Lincolnshire Group (the Group) for the financial year 2013/14. This Statement of Accounts sets out the overall financial position of the PCC and the PCC Group for the year ended 31 March 2014.

On 15th September 2011 the Police Reform and Social Responsibility Act 2011 was approved by Parliament. This Act introduced a major change to the way the Police Service in England and Wales is governed and held accountable. The former Lincolnshire Police Authority was replaced by an elected Police and Crime Commissioner. 2013/14 is the first full financial year in office for Alan Hardwick, Police and Crime Commissioner for Lincolnshire. The PCC sets the priorities for policing and is responsible for securing the maintenance of an efficient and effective police force for Lincolnshire and must hold the Chief Constable to account for the provision of operational policing in the county.

These are the second set of statutory accounts to be prepared under the new arrangements, although they cover the first full accounting year. The Lincolnshire Group position reflects the consolidated accounts of the PCC and the subsidiary accounts of the Chief Constable. Where the Group position differs from the PCC position this is made clear in the accounting statements and notes. A separate set of accounts are produced for the Chief Constable for Lincolnshire.

The Government's intention was to implement the police governance reforms over a period of time. The first stage, from November 2012 resulted in the PCC holding directly the finances of the whole Group, including controlling directly the assets, liabilities and reserves of the Group in their entirety. The PCC receives all funding and income and makes all payments for the Group. Under a detailed Scheme of Delegation an annual budget is provided in consultation with the Chief Constable for fulfilling requirements for policing Lincolnshire in accordance with the Police and Crime Plan. The accounts for 2012/13 were presented in accordance with the Stage 1 transfer arrangements with all financial transactions being included in the primary statements for the PCC and no entries being included in the primary statements for the Chief Constable, costs for operational policing being reflected in the notes to the Chief Constable's accounts.

Under the second stage of the reforms, from 1 April 2014, all Police Officers and the majority of police staff (other than a small number relating to the PCC's Office and Corporate Communications) have transferred to the Chief Constable's employment. Revised guidance, provided by the governing accounting body, indicates that, in the light of Stage 2, the accounting approach taken in 2012/13 is no longer acceptable for 2013/14 and that the accounts should be prepared on the principle that costs should be accounted for to reflect the incidence of the transaction. The Financial Statements have therefore been prepared to reflect the detail of the cost of providing operational policing in the Chief Constable's accounts with the PCC's accounts showing a commensurate transfer of resources to the Chief Constable.

In addition, the full effect of the Local Government Pension scheme accounting entries are shown within the Chief Constable's accounts as the amounts relating to the PCC's staff would not be of sufficient size to warrant separate disclosure. Similarly the Strategic Partnership contract which, whilst formally held by the PCC, is for the provision of a wide range of operational and support functions to the Chief Constable and has been accounted for in the Chief Constable's accounts in its entirety, as the amount which would relate to the PCC, would if apportioned, not be of sufficient size to warrant a separate disclosure.

All assets liabilities and reserves continue to be held in the main by the PCC however, those specifically relating to the Chief Constable entity (for example those relating to accounting for Pensions) are included in these accounts. The accounts presented in this document reflect the Stage 2 arrangements agreed by the Home Secretary to commence on 1st April 2014 and in order to provide for a prior year comparator the accounts in relation to 2012/13 have been restated to reflect this position in accordance with accounting requirements.

These accounts have been compiled in accordance with, and as required by, the Accounts and Audit Regulations 2011, the Code of Practice on Local Authority Accounting 2013/14 and also the Service Reporting Code of Practice (SeRCOP). The accounts show the financial affairs of the PCC for Lincolnshire and the Lincolnshire PCC Group during 2013/14 and the financial position as at 31st March 2014.

The accounts are prepared to provide the reader with a "true and fair" view of the financial position at the year end and the income and expenditure for the year. In order to achieve this view the accounts are prepared in accordance with the codes detailed above. These accounts are based on the requirements of International Financial Reporting Standards (IFRS). The move to international accounting standards was a major development in 2010/11. Group accounting was introduced in 2012/13 with the introduction of the PCC and is continued in the current year's financial statements.

International Financial Reporting Standards are primarily drafted for the commercial sector and are not designed to address all the accounting issues relevant to local authorities. The code of practice has therefore been developed based on a hierarchy of alternative standards including International Accounting Standards (IAS), Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and International Public Sector Accounting Standards (IPSAS).

This foreword provides a brief explanation of the main financial aspects of the PCC's Group activities.

Background

The PCC Group is responsible for providing policing services to a population in excess of 710,000 dispersed across a large geographical area of 590,000 hectares.

The PCC Group:

- sets its own budget;
- holds its own Reserves;
- receives its share of Police Grant paid by the Home Office in accordance with a detailed formula;

- also receives Council Tax Freeze Grant and Council Tax Support Grant from the Home Office;

- receives precepts for the proportion of the budget to be met by the residents of Lincolnshire as part of the overall council tax collected by District Councils.

The Accounts

The Financial Statements for Lincolnshire PCC Group consist of:

- Statement of Responsibilities;
- Annual Governance Statement;
- Accounting Statements;
- Notes to the Accounts including Accounting Policies.

Statement of Responsibilities – Page xx
This explains the responsibilities for the financial affairs of the Group and how these responsibilities are carried out.

Annual Governance Statement – Page xx
The PCC must prepare and publish an annual governance statement in accordance with the "Delivering Good Governance" guidance and in order to meet the statutory requirements set out in the Accounts and Audit Regulations 2011.

The Accounting Statements are as follows:

Movement in Reserves Statement – Page xx
A summary of the different reserves held by the PCC Group, distinguishing between those that are usable and unusable. It shows the overall financial result for the year in terms of movement in the Group's reserves.

Group Comprehensive Income and Expenditure Statement – Page xx
A summary of the resources generated and consumed by the PCC Group in accordance with accounting policies rather than the amount required from taxation.

Group Balance Sheet– Page xx
This represents the financial position of the PCC as at 31st March 2014. It shows the balances and reserves at the PCC Group's disposal together with the long term and current assets employed in its operation.

Group Cash Flow Statement– Page xx
This summarises the movement of the PCC Group's cash balances arising from transactions during the year and has been based on the indirect method of production.

Notes to the Accounts – Page xx to xx
The notes show details supporting each of the main accounting statements, together with additional information to help in describing the PCC Group's financial transactions. Note 1 contains the Accounting Policies. The purpose of these policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

Police Officer Pensions – Home Office Memorandum Account – Page xx to xx

This summarises the transactions relating to retirement benefits paid to police officers and how these costs are paid for.

Relationship between accounting statements

The different accounting statements are linked in several important ways.

- The relationship between the Comprehensive Income and Expenditure Statement and the movement in the PCC Group's total reserves is shown in the Movement in Reserves Statement.
- The Cash Flow statement reconciles to the balance on the Comprehensive Income and Expenditure Statement for the year and the movement in the Balance Sheet cash and cash equivalents.

The Statement of Accounts provides an opportunity to present more information to support the details in the Police and Crime Plan.

The Police and Crime Plan document is available from the PCC's website www.lincolnshire-pcc.gov.uk.

The PCC sets the budget in consultation with the Chief Constable and determines the Council Tax precept to be levied on Lincolnshire's District Councils. Expenditure on the day to day running costs of the service is charged against the Revenue Budget and is recorded in the Comprehensive Income and Expenditure Statement. This is analysed by type of spending in Note 40 to the accounts. IFRS also requires the disclosure of "Budget Accounting Information" which provides a link between the statements and the management accounting information normally used by the PCC for the monitoring and control of the revenue budget (Note 39).

Expenditure on assets, which will be of benefit over a period of years, is dealt with in the capital programme initially. The expenditure incurred is normally added to Property, Plant and Equipment in the Balance Sheet; although the annual costs of financing capital expenditure is reflected in the Revenue Budget and the Comprehensive Income and Expenditure Statement. A desk top revaluation of the PCC Group's Property Assets was undertaken during the year, with the results of the revaluation being included in the Balance sheet. This resulted in an overall decrease change in value of £xxxx million.

The Comprehensive Income and Expenditure Statement includes the costs of depreciation for all long term assets used in the delivery of services. The depreciation costs are not shown on the face of the statement but included across the services provided. Depreciation costs are replaced by capital financing charges in the Movement in Reserves Statement. The total capital financing charges are given in Note 50. The presentation of these details serves to highlight the value of the PCC Group's asset portfolio and the cost of using them in the delivery of services.

Revenue Budget Outturn 2013/14

On the 26th February 2013 the PCC approved a total net Revenue Budget of £114.0 million and a budget requirement of £104.8 million. In making this decision the PCC increased the council tax by 1.98% resulting in a charge of £190.08 for a Band D property.

The PCC's grant settlement for 2013/14 reflected the overall reductions being experienced in public sector funding. In line with other police forces the grant to be received was reduced by 1.6% when compared to the 2012/13 figure, a cash reduction of £1.0 million..

Financial Performance

A summarised statement of the actual net expenditure for the year is set out below and compared to the approved original budget for the year: needs updating

	Original Budget £m	Actual £m	(Under) / Over Spend £m
Services			
Police Force	112.0	109.8	(2.2)
PCC	1.1	0.9	(0.2)
Service Expenditure	**113.1**	**110.7**	**(2.4)**
Other Operating Costs			
Appropriations to Specific Reserves	0.0	3.3	3.3
Appropriations from Specific Reserves	0.0	(0.9)	(0.9)
Total Net Expenditure	**113.1**	**113.1**	**(0.0)**
Financed By:			
Specific and Non Specific Grants	(4.3)	(4.3)	0.0
Neighbourhood Policing Contribution	(1.5)	(1.5)	0.0
Police Grant	(39.8)	(39.2)	0.6
National Non Domestic Rates	(23.2)	(23.8)	(0.6)
Council Tax Payers	(44.3)	(44.3)	0.0
Total Funding	**(113.1)**	**(113.1)**	**(0.0)**
Contribution from General Reserve	0.0	0.0	0.0
Contribution to General Reserve	0.0	0.0	0.0
Transfer to General Reserve	**0.0**	**0.0**	**0.0**

Actual spending for 2013/14 was significantly less than the original budget. High turnover and changes to the pay structure lead to underspends against police officer budgets. Elsewhere, careful and prudent management of the budget enabled significant reductions in expenditure to be achieved. Savings were used to invest in capital developments, reduce borrowing costs and to help fund performance improvements in future.

The Service Reporting Code of Practice (SeRCOP) requires the disclosure of Police Service Expenditure with nine divisions of service. This has been included within the Group Comprehensive Income and Expenditure Statement. In order to assign monetary values to each of the nine divisions of service, apportionments of expenditure have been necessary. Apportionments have been based primarily upon the allocation of officers and staff across services, together with a proportional share of their overheads. A further allocation of central support service costs has been made across all services based on an appropriate allocation method.

In February 2014 the PCC considered his approach to reserves in the light of the "Guidance on Local Authority Reserves and Balances" issued by CIPFA. The review considered the risks being faced and their corresponding financial consequences. This approach provided a range of minimum and maximum reserve levels between £5.2 million and £11.3 million. The policy adopted is that reserves should be held commensurate with the mid point of this range at £8.185 million. The current reserves are in excess of this target at £8.263 million.

At 31st March 2014, the General Reserve was £5.663 million, with no significant change from 31st March 2013.

Earmarked Reserves (including the PCC's share of the East Midlands Special Operations Unit) totalled £8.219 million, of which £2.600 million has been risk assessed (see table below). The movements are detailed in Note 7 to the accounts. UPDATE TABLE.

	Lincolnshire PCC Group £000	EMSOU £000	Total £000
General Reserves	5,629	34	5,663
Earmarked Reserves: Risk Assessed	2,600	-	2,600
Other earmarked Reserves	5,496	123	5,619
Total	13,725	157	13,882

Pensions

The reporting requirement known as IAS 19 "Retirement Benefits" features in the Group accounting statements. This is a complex accounting standard but is based on a simple principle; that an organisation should account for retirement benefits when the commitment to give them is made, even if the actual liability will be many years into the future. The PCC Group operates two schemes, one of which, the Local Government Pension Scheme (LGPS) is funded and has assets to meet the future liabilities; the other for police officers is unfunded (or "pay as you go") with payments being made from the Home Office Police Officer Pensions Account as they become due.

From 2004/05, there was a requirement to disclose in the financial statements the full effect of IAS 19. The Comprehensive Income and Expenditure Statement has been designed to include the cost of retirement benefits when they are earned by employees rather than when the benefits are eventually paid as pensions. This has had a major impact on the statement, with the bottom line usually showing a large deficit (£138,245k in 2013/14).

The total pension liability for the two schemes is shown in the Balance Sheet. This has been achieved by the creation of a Pensions Reserve and Pension Liability Account. Full details of the accounting entries are shown in the notes to the accounts. The effect of including this liability has a significant impact, in terms of the overall value of the Balance Sheet. It is important to note that these are not new liabilities; they have always existed and been paid for on an annual basis from the revenue budget and funded separately by the Home Office in the case of the police officer scheme. The physical and cash reserves of the PCC Group are unaffected.

From 1st April 2006, a new method of financing the annual cost of police officer pensions was introduced by the Government with a separate Memorandum Pensions Account being created. All payments are made to retired officers out of this account, and income received from Government to offset the net cost of the account after serving officer contributions have been deducted. This has smoothed the burden on the PCC and Chief Constable of budgeting for the increasing costs of police officer pensions.

Capital Expenditure

Capital Expenditure during the year totalled £9.5 million. This included the following major items: an Oracle based ICT business platform (£1.7m); a further range of ICT business development projects in conjunction with our Strategic Partner G4S (£4m); infrastructure and buildings (£1.8m); and the replacement of operational vehicles (£0.9 m).

Capital Expenditure was financed from:

- Home Office grants and other grants of £1.2 million
- capital receipts of £1.5 million
- contribution from Revenue of £0.2 million
- financed initially from internal cash balances £5.4 million

The Prudential Code for Capital Finance in Local Authorities came into being on 1st April 2004. Under this system, individual PCC's are responsible for deciding the level of their borrowing, having regard to the Prudential Code. Borrowing was not necessary in 2013/14 due to the level of cash balances being held. Total debt outstanding at 31st March 2014 was £18.2 million, with £0.17 million interest owing. (remove interest reference?)

Assets and Liabilities

These are summarised in the table below. NEEDS UPDATING

	2011/12 £m	2012/13 £m
Assets:		
Long-Term Assets	28.8	32.1
Current Assets	23.2	20.3
Liabilities:		
Current Liabilities	(14.8)	(16.7)
Long-Term Liabilities	(880.9)	(1,018.9)
Total Net Assets	**(843.7)**	**(983.2)**
Financed by:		
Usable Reserves	12.0	14.1
Unusable Reserves	(855.7)	(997.3)
Total Reserves	**(843.7)**	**(983.2)**

Prospects for 2014/15 and beyond

For the financial year 2014/15, the PCC set a budget against the background of continued organisational change and the Government's programme of significant reductions in public sector spending. With effect from the 1st April 2012 the then Police Authority entered into a Strategic Partnership with the private sector company G4S for the provision of mid and back office services. This was the largest commercial contract in UK Policing with a contract being signed for an initial 10 year period.

This contract together with a major reorganisation of operational policing and a continuation of the realisation of significant savings in the revenue budget combined to meet a significant proportion of the forecast deficit for 2014/15. In order to provide for a balanced budget the PCC determined a precept increase of 1.99%. In doing so the PCC considered the Government's one year only offer of grant in return for a council tax freeze. The decision was taken in the light of future reductions in central government grant and the impact accepting the freeze would have, resulting in a significant increase in precept the following year and/or further reductions in police officer numbers.

The Government has not formally announced a grant settlement for the period beyond 2014/15. Indicative grant allocations for 2015/16 have not been published. However, overall police funding was planned to reduce by a further 3.2% in 2015/16 and so this has been used as the working assumption. Combining this with current cost projections lead to a planned use of £1.5 million of earmarked reserves to give a balanced budget in 2015/16. Forecasting beyond this

year has been undertaken up to 2017/18. Further funding reductions and cost pressures are expected, leading to a forecast deficit of £10m in 2017/18. This medium term financial plan will refined throughout the year as more information becomes known. Plans are being developed in response to the potential forecast deficit.

The Police & Crime Plan sets out the PCC's aim to secure a fairer deal for the people of Lincolnshire. Whilst Lincolnshire is the lowest spending Force in England and receives the third lowest level of Government funding, the people of Lincolnshire make an above average contribution to the cost of policing, contributing 41% of the total spend compared with an average contribution of 31% by council tax payers in England. .

The PCC has approved a capital programme of £3.8 million in 2014/15. The programme includes:

- significant investment in the Force estate;
- replacement programme for vehicles;
- expenditure to improve performance and productivity.

The planned investment in performance and productivity projects increases to £1m in 2015/16.

Impact of the current economic climate

A revaluation of the PCC's asset portfolio has been undertaken, the revised valuations reflecting the current commercial property market. The total value of the estate is now £21.587m.

The PCC has reviewed the policy for the investment of cash flow funds and has confirmed that the security and liquidity of investments are the priority over the yield. The continuing uncertain nature of the banking sector particularly with regard to the difficulties being experienced in the Euro zone has resulted in the PCC continuing the policy of limiting exposure to a small number of UK based institutions. This policy coupled with the continuation of historical low interest rates has however resulted in the continuance of lower returns from investments.

Police and Crime Commissioners

The introduction of the Police and Crime Commissioner has resulted in significant changes to the accounting and governance arrangements for policing. These Statements of Account, for both the Group and the Chief Constable, reflect the changes in governance and the significant revised accounting guidance received during the preparation of the accounts. The accounts presented have been developed in the light of the Stage 2 transfers agreed by the Home Secretary in March 2014 and coming into force from 1 April 2014. They are based upon the clear foundation of all assets, investments, contracts and liabilities being controlled by the PCC, and operational policing being under the direction of the Chief Constable. There has been no transfer of assets, liabilities or reserves into the Chief Constable's accounts other than those required to reflect the change in operational cost incidence and Pensions accounting..

Julie Flint, CPFA MSc
Chief Finance Officer
Police and Crime Commissioner

Statement of Responsibilities for the Statement of Accounts

This section explains the Police and Crime Commissioner's responsibilities for his financial affairs and how he makes sure he carries out his responsibilities properly.

The Police and Crime Commissioner's Responsibilities

The PCC is required to

- make arrangements for the proper administration of the financial affairs of the PCC and to secure that one of its officers has the responsibility for the administration of those affairs, which for the PCC is the Chief Finance Officer;
- to manage affairs of the PCC to secure economic, efficient and effective use of resources and to safeguard its assets;
- to approve the Statement of Accounts.

Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the PCC's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.

The Chief Finance Officer has also:

- kept proper accounting records, which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CHIEF FINANCE OFFICER'S CERTIFICATE

I certify that the Financial Statements present a true and fair view of the financial position of the Police and Crime Commissioner for Lincolnshire as at 31st March 2013 and its income and expenditure for the year then ended.

……

Julie Flint CPFA MSc
Chief Finance Officer

Date: ……..

Annual Governance Statement 2013/14

This section details the Police and Crime Commissioner for Lincolnshire's governance arrangements in operation during 2013/14 including plans for the financial year 2014/15.

1. SCOPE OF RESPONSIBILITIES

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

1.2 The Commissioner has a duty under the Policing Protocol Order 2011 to secure value for money on behalf of the public that he serves.

1.3 In discharging this overall responsibility, the Commissioner is required to put in place proper arrangements for the governance of his affairs and which facilitate the exercise of his functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility the Commissioner places reliance on the Chief Constable of Lincolnshire Police to support the governance and risk management processes.

1.4 The Commissioner has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. A copy is on our website at http://www.lincolnshire-pcc.gov.uk/ or can be obtained from:

Malcolm Burch, Chief Executive,
Office of the Police and Crime Commissioner for Lincolnshire,
Police Headquarters,
Deepdale Lane,
Nettleham,
Lincoln,
LN2 2LT.

Telephone 01522 947192.
Email lincolnshire-pcc@lincs.pnn.police.uk.

1.5 This statement explains how the Commissioner has complied with the Code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of an annual governance statement.

1.6 In accordance with paragraph 3.7.4.3 of the Code of Practice on Local Authority Accounting for 2013/14; the Commissioner's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable*

1.7 A Force Annual Governance Statement is signed by the Chief Constable in his own set of accounts and supports the group governance arrangements.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes, and culture and values utilised in the discharge of the Commissioner's statutory functions. It enables the Commissioner to monitor the achievement of his policies and strategic plans (as outlined in the Police and Crime Plan for Lincolnshire and associated strategies) and to consider whether those plans have led to the delivery of appropriate, cost-effective services, including achieving value for money.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable 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. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commissioner's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, to manage them effectively, efficiently and economically.

2.3 The governance framework has been in place for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

3.1 The governance regime introduced by the Commissioner gives effect to the provisions of the Police Reform and Social Responsibility Act 2011. This framework was designed so that:

- where statutory powers provide for non-operational decision making that rest with the Commissioner at Law, the Commissioner gives consent for certain decisions to be reached by the Chief Constable
- there is clarity on which statutory powers of the Commissioner have been delegated to the Commissioner's staff
- the decision making structure provides for effective management of resources
- proportionate control mechanisms are in place in order to secure probity in the use of public resources and value for money
- the Commissioner can be assured that the highest standards of openness, transparency, integrity, respect for others and corporate governance in the exercise of functions
- the Commissioner is seen to be accountable to the people of the area for the delivery of the service.

3.2 By law the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. It is however the Commissioner who is required to hold him to account for the exercise of those functions and those of the persons under his direction and control. This is done in a manner that recognises the commitment of the Commissioner and Chief Constable to abide by the working principles of the Policing Protocol as set out in the Schedule to the Policing Protocol Order 2011.

3.3 The key elements of the systems and processes that comprise the governance arrangements put in place for the Commissioner and Force are measures:

- for identifying and communicating the Commissioner's vision, purpose and intended outcomes;
- for reviewing the Commissioner's vision and its implications for governance arrangements;

- for measuring the quality of services for users, for ensuring they are delivered in accordance with the Commissioner's objectives and for ensuring that they represent the best use of resources;
- for defining and documenting the roles and responsibilities of the Commissioner and Force and the senior officers of each, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinizing Force activity;
- for developing, communicating and embedding codes of conduct, defining the standards of behaviour for officers and staff;
- for reviewing and updating standing orders, standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedure notes/ manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- for undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities; - *Delivering good governance in local government: Guidance note for Police*;
- for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- for whistle blowing and for receiving and investigating complaints from the public and handling redress;
- for identifying the development needs of senior officers in relation to their strategic roles, supported by appropriate training;
- for establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;
- for incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Commissioner's overall governance arrangements.

3.4 The governance framework has been adopted by the Commissioner and the Chief Constable. The Commissioner's Code of Corporate Governance together with the Governance Framework is available at: http://www.lincolnshire-pcc.gov.uk/Transparency/Corporate-Governance.aspx.

4. REVIEW OF EFFECTIVENESS

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

- the system of internal audit
- the system of internal control.

4.2 This review has been informed by the work of the Chief Executive, Deputy Chief Executive and the Chief Finance Officer, internal auditors, and also other members of the Commissioner's staff who have the responsibility for the development, maintenance and operation of the governance environment. In addition comments made by the internal and external auditors and other review agencies and inspectorates have informed this review.

4.3 The Joint Independent Joint Audit Committee (JIAC) held their inaugural meeting on 29 November 2013. The Interim Committee was dissolved following its last meeting held on 25 September 2013. The JIAC provides advice on matters relating to the adequacy and effectiveness of the financial and other controls, corporate governance, financial and contract regulations and risk management arrangements operated by both the Commissioner *and* the Chief Constable.

4.4 The Joint Independent Audit Committee has received and considered reports from both Internal and External Audit and monitored the implementation of action plans drawn up to address identified internal control weaknesses. The Performance Governance meetings consider Force performance and the Resources Governance meeting considers financial and people resources. The Professional Standards Governance meeting reviews matters relating to the conduct of police officers and staff.

4.5 The effectiveness of the governance framework has been reviewed by the Commissioner's Executive team in the year 2013/14. The review has been informed by:

- the internal audit report on the governance framework (reporting an overall opinion of substantial assurance (RAG rated green),
- consideration of the PCC's approach to risk management,
- the code of corporate governance and the annotated code providing sources of evidence,
- the Commissioner's Decision Making Framework and practical application of the significant public interest policy statement
- the Commissioner's Publication scheme and approach to ensuring that information is publicly available and transparent
- the review of the Scheme of Arrangements for the Discharge of Functions leading to a revised Integrated Scheme of Governance.
- consideration of the Commissioner's assurance framework and the developing assurance map.
- ongoing development and review of the Commissioner's Operational Delivery Monitoring Plan.

4.6 The review was carried out in the context of changes in the police service governance; it took into account the following factors:

- Increasing challenges to the longer term financial and operational sustainability of policing in Lincolnshire, in the context of the lowest cost Force per head of population and small workforce numbers.
- Lincolnshire's ongoing concern about the low level of Formula Grant that it receives compared to other Forces.
- The need to deliver the Police and Crime Plan goals while acknowledging financial pressures.
- The need to prepare and deliver a Stage 2 transfer scheme as required by the Home Secretary in a manner which provides for stability following any necessary structural modifications.
- The requirement for the police service nationally to continue to deliver savings over the next few years in light of the continuing public expenditure pressures and and the central government grant settlement received by the Commissioner.
- The impact of the implementation of the Hutton and Winsor review recommendations and the changes to police officer and staff terms and conditions and pensions.

4.7 The results of the review of the effectiveness of the governance framework have informed the development of a plan to address weaknesses and to ensure continuous improvement.

4.8 Internal Audit have completed their programme of work for 2013/14 and reported the outcome of their work to the Joint Independent Audit Committee.

4.9 The Force has undertaken its own review of governance and its own Annual Governance Statement has informed and supports this statement.

4.10 The Commissioner has been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the executive team, that the

arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

5. SIGNIFICANT GOVERNANCE ISSUES

5.1 Significant governance issues have been identified through a number of channels:

- those highlighted through the Commissioner's Register of Decision Notices[1],
- those highlighted to the Police and Crime Panel through the quarterly update report,
- any additional issues highlighted through the code of corporate governance, the risk registers and the assurance framework or other governance mechanisms.

5.2 An outline of the actions taken, or proposed to deal with significant governance issues in relation to the commissioner achieving his vision, along with a brief outline of the issue, is provided below.

5.3 The Police Reform and Social Responsibility Act 2011 established each Police and Crime Commissioner (PCC) and Chief Constable as corporations sole (i.e. separate legal entities). On 21st November 2012, Police Authorities were abolished and a 'Stage 1' transfer saw all existing rights, assets and liabilities transfer automatically, by operation of statute, to PCCs. This included the transfer of all police staff to the employment of the PCC. The Act sets out a second 'Stage 2' transfer which refers to the subsequent movement of certain staff, property, rights and liabilities from the PCC to the Chief Constable. PCCs were requested to draw up their proposals for Stage 2 transfers in a transfer scheme, to be agreed by the Chief Constable before the scheme was submitted to the Home Secretary by September 2013 with implementation by 1 April 2014.

5.4 The Home Secretary gave approval for Lincolnshire's scheme in March 2014. The majority of staff transferred to the Chief Constable with the exceptions of OPCC staff and those staff in the Corporate Communications Department. In total, 21 employees did not transfer to the Chief Constable. In addition to these transfers the Commissioner and Chief Constable have adopted a shared services approach to Corporate Communications, the Commercial Partnership Team, which manages the relationship with the strategic partnership and Corporate Finance.

5.5 In Lincolnshire, significant aspects of financial services are supplied to both the Police and Crime Commissioner and Chief Constable via the strategic partnership arrangement. The remaining retained finance function operates as a shared service model with joint reporting arrangements via both Chief Finance Officers. Single financial and banking systems are in place, and a joint independent audit committee (JIAC), as required by the Financial Management Code of Practice, is also in place. This approach optimises the use of the resources available, whilst avoiding unnecessary reporting between the two bodies.

5.6 The PCC has determined that he will continue to hold all assets and liabilities and will remain the sole contracting body for Lincolnshire Police. In order to reflect these new governance arrangements, a new Integrated Scheme of Governance (ISG) has been developed which will be implemented in May 2014. The ISG comprises:

- Scheme of Consent which sets out the extent to which the PCC empowers the Chief Constable to carry out function , on his own behalf rather than as an agent of the PCC.

[1] The Commissioner is required by law to publish a record of each decision of significant public interest.

- PCC's Scheme of Delegation: provides for the delegation of powers from the PCC to staff in his direct employ.
- Chief Constable's Scheme of Delegation: provides for the delegation of powers from the Chief Constable to officers under his direction and control and to staff in his direct employ.
- A single set of Financial and Contract Regulations for both corporations sole.
- Information Sharing Protocol (ISP) between the Chief Finance Officer to the Police and Crime Commissioner for Lincolnshire and the Chief Finance Officer to the Chief Constable of Lincolnshire Police

5.7 The JIAC has been consulted on the scheme and it will be reviewed on a regular basis.

5.9 The JIAC held its inaugural meeting on 29 November 2013. The JIAC provides advice on matters relating to the adequacy and effectiveness of the financial and other controls, corporate governance, financial and contract regulations and risk management arrangements operated by both the Commissioner *and* the Chief Constable. Prior to the creation of the JIAC, an interim committee provided this function.

5.10 The JIAC reviewed the Commissioner's risk management strategy and monitors the Commissioner's strategic risk register on a quarterly basis. An annual review of the risk register was carried out in line with the planning cycle. The JIAC also considered the Commissioner's Assurance Framework and the developing assurance map. The risk register and assurance framework are reviewed on a monthly basis by the Commissioner's officers. In addition, the Commissioner meets with the Chief Constable on a quarterly basis to discuss the assurance framework and to review live issues.

5.11 The Commissioner published his Annual Report in June 2013 and presented it to the Police and Crime Panel. The Annual Report demonstrates how the Commissioner has carried out his legal duties, sets out what has been achieved over the year and reports on the progress that has been made in meeting the objectives set out in the Police and Crime Plan. The report also includes information about the Commissioner's and Force's financial performance. The audited Financial Statements are published on his website to complement the Annual Report. The report is available via the PCC's website at: http://www.lincolnshire-pcc.gov.uk/Transparency/Annual-report.aspx

5.12 Her Majesty's Inspectorate of Constabulary's (HMIC's) Valuing the Police Programme has tracked how forces have planned to make savings to meet budget reductions. The HMIC report 'Policing in Austerity: Rising to the Challenge' was published in July 2013 and assessed the impact of the current financial landscape across the police service, including Lincolnshire. The local report for Lincolnshire Police, whilst acknowledging that good progress had been made in meeting its financial challenge, also highlighted their view that the force may soon struggle to protect frontline policing further. The Commissioner has managed the on-going governance risks through the governance framework and medium term financial planning. The internal audit strategy 2013/14 – 2015/16 included medium term financial planning and governance framework in the plan for 2013/14. The audits reported an overall opinion of substantial assurance (RAG rated green).

5.13 HMIC also published a report on Stop and Search in July 2013. This was in relation to the inner city riots of 2011 and a direct commission by the Home Secretary. There were no adverse issues where Lincolnshire Police was found to be markedly different from the majority of forces across the country, however, the Commissioner and Force expressed, through the development of an action plan, a commitment to continuously improve the service.

5.14 The Commissioner is committed to promoting fairness and equality and ensuring that people are treated with respect and dignity at all times. The monitoring and review of equality and diversity issues is carried out on a quarterly basis through the governance framework, in conjunction with the force. The joint equality and diversity annual report is published each year.

5.15 Lincolnshire Police carried out a review of the Police and Community Support Officer (PCSO) shifts and allowances in preparation for a consultation on shift patterns and responsibilities. This exercise identified that PCSOs had been paid incorrect shift allowances since the role was introduced in 2003. The Commissioner was made aware of the situation in August 2013 and immediately authorised Audit Lincolnshire to carry out an independent audit of the HR and Payroll processes to provide assurances that the Force has taken appropriate action and systems and controls will prevent reoccurrence. The Force HR and Payroll functions had already completed an extensive recalculation exercise to determine the value of the underpayment. This work identified a liability of approximately £1.1 million, which was included as a provision in the financial accounts. The findings were reported to the Joint Independent Audit Committee in November 2013 along with an action plan for completion of the recommendations.

5.16 The Commissioner's strategic partnership with G4S continues to deliver service improvements and savings which amounted to £2.8 million in 2013/14 with a further £500k reoccurring. The contract is overseen through a robust governance structure detailed in the governance framework and through the commercial partnership team who manage and monitor the contract on behalf of the Commissioner. The Performance and Delivery Board meet on a quarterly basis and their remit includes assuring compliance with service performance standards, oversight of the Transformation Programme and benefits realisation. The Executive Board meets every 6 months and takes ownership of the vision for the partnership and strategic planning to deliver the vision.

5.17 One key transformational project agreed with the strategic partner was to implement a new computer solution called t-Police to run the business functions of human resources, finance, procurement, stores, learning and development and the resource management unit. Two stages of the t-Police project have been delivered to date; phase one, the implementation of the core finance and purchasing system went live in January 2014 and the second stage, self-service human resources, in April 2014. The Chief Finance Officer sits on the t-Police Project Board as a senior user. Due to the cultural changes and impact of the system on staff and officers, a close level of monitoring and management has been maintained. The project board have been keen to ensure that any opportunities for development or improvement to the system are fed back into the project and a third stage of the project has been initiated to ensure that the benefits envisaged at the project's inception are delivered through the course of 2014/15. Given the scale of financial and other process change resulting from the t-Police.project, internal audit activity has been focussed accordingly. Whilst the Internal Audit Opinion for 2013/14 is positive, a negative opinion was reported for the Payments and Creditors audit. An action plan is being drawn up to address the identified control weaknesses and its delivery will be closely monitored by the Chief Finance Officer.

5.18 The Transformation Programme includes force lead projects such as mobile data, digital interviews, live links, body worn cameras and mobile ID and G4S projects such as Niche (crime record management system), victim care unit, IT infrastructure and t-police as mentioned above. The Commissioner maintains oversight of the programme through the Resources Governance meeting.

5.19 Significant work has been undertaken through the year to continue to develop joint strategies and commission services with partners, particularly within the areas of

community safety and criminal justice. From April 2015, PCCs will be responsible for commissioning the majority of victims' services.2014/15 will see necessary preparatory work for this area.

5.20 The Commissioner has continued to develop the approach to strategic planning and strategic financial management during the course of the year. This has required close working between the Commissioner's office, the Force and our strategic partners G4S. The process was assisted through a facilitated workshop on strategic planning where all stakeholders contributed to discussion and planning scenarios for the future. The Planning and Strategy meeting ensures that a 'forward look' is maintained and that strategic planning arrangements, including the effective preparation, planning and finalisation of the Police and Crime Plan, associated budgets and supporting strategies (ICT, human resources, assets, fleet) are in place. The Outline Budget and Planning Timetable document is used to keep all movement aligned (across strategic planning and financial planning/budget preparation) and all parties on track. The group monitors the delivery and achievement of the key milestones in the production of the plans, budget and decision points. The meeting is chaired by the Chief Finance Officer.

5.21 The Police and Crime Plan contains agreed key performance indicators (KPIs) which are used to monitor Force performance. The use of KPIs strengthens our ability to measure the quality of service for users and aid the communication of service outcomes, as well as hold the Force and Chief Constable to account on behalf of the communities of Lincolnshire.

5.22 The Commissioner and Chief Constable both have a statutory duty to make the best use of resources available to them. The majority of the income for police and crime services comes from local and national taxpayers. The Commissioner and Chief Constable need to be able to demonstrate to the people of Lincolnshire and to central government that they are using the funding received to the best possible effect. To this end, the Commissioner has approved a value for money plan as part of the Financial Strategy. Delivery of the Value for Money plan is overseen by the Transformation Board and progress is reported regularly to the Chief Constable and the Commissioner. The Financial Strategy includes performance measures relating to financial health and financial performance. The strategy is implemented through a number of plans and policies that sit underneath, namely the medium term financial plan, value for money plan, treasury management plan, procurement plan, charging policy and financial regulations.

5.23 The Commissioner's Financial Strategy requires that general reserves will be maintained around the mid point of a target range based on the financial risk assessment in respect of residual financial risks. The financial risks assessment indicates that general reserves should be maintained at around 5% of total annual expenditure. The range of required reserves is assessed as £5.2m to £11.3m giving a wide range of acceptability of £6.1m between the minimum and maximum acceptable range. In monetary terms, this is equivalent to £8.185m, the level of reserves is £8.23m. The adequacy of reserves have been assessed in the context of strategic, operational and financial risks which are detailed in the Budget Report 2013/14.

5.24 The Force and Commissioner have a joint Anti-fraud and Corruption Policy in place which has been reviewed during the year. Quarterly meetings between the Chief Finance Officer, Force CFO, Professional Standards Department, HR officers and internal audit ensure that current and emerging risks and issues in relation to anti-fraud and corruption are regularly discussed and reviewed. The Joint Independent Audit Committee are kept abreast of any issues and a response is provided to the Audit commission's fraud and corruption survey ' Protecting the Public Purse' on an annual

basis. Mandatory training on counter corruption was rolled out to all staff and officers across the organisations via the NCALT e-learning system; raising awareness of issues surrounding police corruption and misconduct.

5.25 The Confidential Reporting (Whistleblowing) policy was reviewed and updated by the Commissioner's Office, the Force and G4S in October 2013.

5.26 In addition to specific consultation as part of the development of the Police and Crime Plan, the Commissioner has set out a commitment to be accessible to the public through a range of channels. In the course of the year, the Commissioner received 1,359 pieces of correspondence, covering a wide range of issues.. This has demonstrated that there is an effective link between the public and the directly elected individual charged with governance. The Commissioner is committed to openness and transparency and maintains a dedicated section on his website to meet his statutory obligations in this area, including the publication of expenses, salaries of senior staff and expenditure over £500 and a list of assets held. The Commissioner has received 49 Freedom of Information (FOI) Requests in the last year. In comparison, Lincolnshire Police received 3,053 FOI requests[2]. The Commissioner has an Engagement and Communications strategy which enables him to meet people from across the county and listen to their views and comments about local policing. An Engagement and Campaigns Plan is in development for 2014/15.

5.27 The Commissioner has ensured he has arrangements in place for receiving and handling complaints from the public which are within his statutory remit.

5.28 The Commissioner's staff continued to provide secretariat support to the East Midlands collaboration arrangements between the region's forces and Commissioners during 2013/14. As part of this work, the Commissioner's Chief Executive has continued to lead the strengthening of the governance arrangements for collaboration. Effective delivery of those areas of operational policing provided through collaboration in the region remains central to the Commissioner's strategy for policing in the county, therefore risks related to this complex area of governance will be managed closely in the coming year.

5.29 The Commissioner's Chief Executive and Deputy Chief Executive have identified and addressed the development needs of the Commissioner's other officers through structured performance development reviews during 2013/14 and this will continue in the forthcoming year.

5.30 The Chief Officer Team has seen some instability over the last year which was noted in the HMIC report "*Policing in Austerity*". Both the DCC and ACC (Protective Services) positions became vacant in the summer of 2013 In August 2013, Sir Peter Fahy, Chief Constable of Greater Manchester Police, concluded an investigation commissioned by the PCC into an unexpected allegation relating to the temporary Chief Constable, which had led to the Chief Constable's suspension in February 2013. Sir Peter reported that no proof to substantiate the allegation had been found and recommended, *inter alia*, that the misconduct allegation against the Chief Constable be formally withdrawn. The relationship between the Commissioner and Temporary Chief Constable remained positive and professional and following an open, transparent and merit based selection process the temporary chief constable was appointed to the post on a permanent basis in December 2013. The Chief Constable then took action to bring greater stability to his team by appointing the acting DCC on a one year fixed term contract. The Commissioner and executive team have been keen to see the turnover in the chief

[2] Data covering period April 2013 to February 2014 with an estimate for March 2014.

officer team minimised and continue to have discussions with the Chief Constable about his succession planning for the future.

5.31 The Lincolnshire Police and Crime Panel Task Group issued a report in January 2014 that examined the events surrounding the decision by the Commissioner to suspend the temporary Chief Constable from duty. The Panel made a number of recommendations which the Commissioner accepted. The Internal Audit Plan for 2014/15 has been finalised which includes audits on governance (decision making process and integrity) and risk management (core audit).

5.32 At the time of writing (April 2014), there is outstanding legal action by the Chief Constable against the Commissioner relating to the decision to suspend. The Commissioner is waiting for clarifications on the intentions of the Chief constable, which are yet to be confirmed. This matter is reflected in the Commissioner's risk register and the Joint Independent Audit Committee is aware of the risk.

5.33 We propose over the coming year to continue our plans to address the above matters to further enhance our governance arrangements. These steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

SIGNED

Alan Hardwick Police and Crime Commissioner for Lincolnshire	Malcolm Burch Chief Executive to the Police and Crime Commissioner for Lincolnshire
DATE	DATE

Police and Crime Commissioner for Lincolnshire
Statement of Accounts
2013/14
Index

No.		Page
	Main accounting statements:	
	Movement in Reserves Statement	26
	Group Comprehensive Income and Expenditure Statement	28
	PCC Comprehensive Income and Expenditure Statement	19
	Group Balance Sheet	20
	Group Cashflow	21
	Notes to the accounts:	
1	Accounting policies	27
2	Accounting standards that have been issued but have not yet been adopted	49
3	Judgements in applying accounting policies	49
4	Assumptions made about the future and other major sources of estimation uncertainty	50
5	Material items of income and expense	52
6	Adjustments between accounting basis and funding basis under regulations	53
7	Transfers to/from Earmarked Reserves	56
8	Other Operating Expenditure	58
9	Financing and Investment Income and Expenditure	58
10	Taxation and Non Specific Grant Income	58
11	Property, Plant and Equipment	59
12	Valuation of Non-Current Assets	60
13	Investment Properties	60
14	Intangible Assets	61
15	Major Non Current Assets	61
16	Capital Expenditure	62
17	Capital Commitments	62
18	Financial Instruments	63
19	Inventories	65
20	Debtors	66
21	Cash and Cash Equivalents	66
22	Assets Held for sale	67
23	Creditors	67
24	Revenue Provisions	68
25	Usable Reserves	69
26	Unusable Reserves	69
27	Revaluation Reserve	70
28	Capital Adjustment Account	71
29	Pensions Reserve	72
30	Collection Fund Adjustment Account	72
31	Accumulated absences account	73
32	Cash Flow - Adjustment on Provision of Services for Non Cash Movements	73
33	Cash Flow - Adjustment on Provision of Services for Investing and Financing Activities	73
34	Cash Flow - Operating Activities	74
35	Cash Flow - Investment Activities	74
36	Cash Flow - Financing Activities	74
37	Proceeds from Short-Term Investments	74
38	Police Property Act Fund	75

Police and Crime Commissioner for Lincolnshire
Statement of Accounts
2013/14
Index – continued

No.		Page
39	Amounts Reported for Resource Allocation Decisions	75
40	Gross Expenditure and Income	79
41	Corporate and Democratic Core and Non Distributed Costs	79
42	Jointly Controlled Assets	80
43	Jointly Controlled Operations	82
44	Audit Committee Allowances and Expenses	83
45	Remuneration of Senior Staff	83
46	Audit Costs	86
47	Grant Income	86
48	Related Party Transactions	87
49	Capital Expenditure and Capital Financing	89
50	Minimum Revenue Provision (MRP)	89
51	Leases	90
52	Onerous Contracts	91
54	Retirement Benefits	91
55	Contingent Liabilities	99
56	Nature and Extent of Risks arising from Financial Instruments	100
57	Post Balance Sheet Events	102
	Police Officer Pensions Memorandum Account	103
	Independent Auditor's Report	105
	Glossary	106

PCC for Lincolnshire
Group Movement in Reserves Statement
2013/14

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other services. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	Capital Receipts Reserve £000	Earmarked Reserves £000	General Fund Balance £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2012	**545**	**5,780**	**5,667**	**11,992**	**(855,733)**	**(843,741)**
Movement in Reserves during 2012/13						
Surplus on the provision of services	-	-	(31,899)	(31,899)	-	(31,899)
Other Comprehensive Income and Expenditure	-	-	-	-	(107,582)	(107,582)
Total Comprehensive Income and Expenditure	**-**	**-**	**(31,899)**	**(31,899)**	**(107,582)**	**(139,481)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(312)	-	34,334	34,022	(34,022)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**(312)**	**-**	**2,435**	**2,123**	**(141,604)**	**(139,481)**
Transfers to/from Earmarked Reserves (Note 7)	-	2,439	(2,439)	-	-	-
Increase/(Decrease) in 2012/13	**(312)**	**2,439**	**(4)**	**2,123**	**(141,604)**	**(139,481)**
Balance at 31 March 2013 carried forward	**233**	**8,219**	**5,663**	**14,115**	**(997,337)**	**(983,222)**
Movement in Reserves during 2013/14						
Surplus on the provision of services			(39,063)	(39,063)	-	(39,063)
Other Comprehensive Income and Expenditure				-	(67,952)	(67,952)
Total Comprehensive Income and Expenditure	**-**	**-**	**(39,063)**	**(39,063)**	**(67,952)**	**(107,015)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	0	-	0	0	0	-
Net Increase / Decrease before Transfers to Earmarked Reserves	0	**-**	**(39,063)**	**(39,063)**	**(67,952)**	**(107,015)**
Transfers to/from Earmarked Reserves (Note 7)	-		0	-	-	-
Increase/(Decrease) in 2013/14	**0**	**0**	**(39,063)**	**(39,063)**	**(67,952)**	**(107,015)**
Balance at 31 March 2014 carried forward	**233**	**8,219**	**(33,400)**	**(24,948)**	**(1,065,289)**	**(1,090,237)**

PCC for Lincolnshire
PCC Movement in Reserves Statement
2013/14 (Balances TBC)

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the PCC, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other services. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	Capital Receipts Reserve £000	Earmarked Reserves £000	General Fund Balance £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2012						
Movement in Reserves during 2012/13 Surplus on the provision of services Other Comprehensive Income and Expenditure						
Total Comprehensive Income and Expenditure Adjustments between accounting basis and funding basis under regulations (Note 6)						
Net Increase / Decrease before Transfers to Earmarked Reserves Transfers to/from Earmarked Reserves (Note 7)						
Increase/(Decrease) in 2012/13						
Balance at 31 March 2013 carried forward						
Movement in Reserves during 2013/14 Surplus on the provision of services Other Comprehensive Income and Expenditure						
Total Comprehensive Income and Expenditure Adjustments between accounting basis and funding basis under regulations (Note 6)						
Net Increase / Decrease before Transfers to Earmarked Reserves Transfers to/from Earmarked Reserves (Note 7)						
Increase/(Decrease) in 2013/14						
Balance at 31 March 2014 carried forward						

PCC for Lincolnshire
Group Comprehensive Income and Expenditure Statement
2013/14

This 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement of Reserves Statement.

2012/13			Note		2013/14		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
42,557	(5,388)	37,169		Local Policing	43,258	(2,951)	40,307
7,867	(134)	7,733		Dealing with the Public	8,128	(130)	7,997
12,370	(211)	12,159		Custody	11,082	(205)	10,877
6,087	(1,338)	4,749		Road Policing	5,973	(1,145)	4,828
6,785	(116)	6,669		Specialist Operations	6,691	(112)	6,579
5,662	(97)	5,565		Intelligence	5,293	(94)	5,200
38,811	(498)	38,313		Investigation	39,362	(746)	38,616
2,226	(38)	2,188		Investigative Support	1,925	(37)	1,888
2,021	(1,815)	206		National Policing	2,089	(1,368)	721
1,042		1,042	41	Corporate and Democratic Core	1,284		1,284
110		110	41	Non Distributed Costs: Other	389		389
125,538	**(9,635)**	**115,903**	**40**	**Cost of Services**	**125,474**	**(6,787)**	**118,687**
3,054	(1,646)	1,408	8	Other Operating Expenditure	7,643	0	7,643
41,328	(257)	41,071	9	Financing and Investment Income and Expenditure	46,027	(252)	45,775
-	(126,483)	(126,483)	10	Taxation and Non-Specific Grant Income	-	(133,042)	(133,042)
169,920	**(138,021)**	**31,899**		**(Surplus) or Deficit on the Provision of Services**	**179,144**	**(140,081)**	**39,063**
		(119)	27	(Surplus) / Deficit on Revaluation of Non-Current Assets			42
		107,701	54	Actuarial (Gains) or Losses on Pension Assets and Liabilities			67,910
		107,582		**Other Comprehensive Income and Expenditure**			**67,952**
		139,481		**Total Comprehensive Income and Expenditure**			**107,015**

There were no acquisitions or discontinued operations in the current year or in the preceding year.

PCC for Lincolnshire
PCC Comprehensive Income and Expenditure Statement
2013/14

This 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement of Reserves Statement.

2012/13					2013/14		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
		0		Local Policing			0
		0		Dealing with the Public			0
		0		Custody			0
		0		Road Policing			0
		0		Specialist Operations			0
		0		Intelligence			0
		0		Investigation			0
		0		Investigative Support			0
		0		National Policing			0
		0	**41**	Corporate and Democratic Core			0
		0	**41**	Non Distributed Costs: Other			0
0	**0**	**0**	**40**	**Cost of Services**	**0**	**0**	**0**
		0	**8**	Other Operating			0
		0	**9**	Financing and			0
		0	**10**	Taxation and Non-			0
0	**0**	**0**		**(Surplus) or Deficit**	**0**	**0**	**0**
		0	**27**	(Surplus) / Deficit on			0
		0	**54**	Actuarial (Gains) or			0
		0		**Other**			**0**
		0		**Total**			**0**

PCC for Lincolnshire
Group Balance Sheet as at 31st March 2014

The Balance Sheet shows the value as at the Balance Sheet date of the assets &liabilities recognised by the authority. The net assets of (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reser statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay de second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserve unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting bas basis under regulations'.

31 March 2013		Note		31 March 2014	
PCC	Group			PCC	Group
£000	£000			£000	£000
	31,247	11	Property, Plant and Equipment		33,770
	795	13	Investment Property		875
	1	14	Intangible Assets		1
	112	20	Long-Term Debtors		102
0	**32,155**		**Long-Term Assets**	**0**	**34,748**
	0	18	Short-Term Investments		-
	432	19	Inventories		422
	9,569	20	Short-Term Debtors		11,743
	10,277	21	Cash and Cash Equivalents		5,195
0	0	22	Assets Held for Sale (< 1 yr)		-
0	**20,278**		**Current Assets**	**0**	**17,360**
	(2,059)	18	Short-Term Borrowing		(1,562)
	(10,814)	23	Short-Term Creditors		(11,128)
	(283)	51	Other Short Term Liabilities		(6,377)
	(1,763)	24	Short-Term Provisions		(514)
	(423)	48	Capital Grants Receipts in Advance (< 1 yr)		(419)
0	**(15,342)**		**Current Liabilities**	**0**	**(20,000)**
	(16,128)	18	Long-Term Borrowing		(14,714)
	(1,002,127)	54	Pension Liabilities		(1,106,965)
	(515)	51	Other Long-Term Liabilities		(516)
	(138)	24	Long-Term Provisions		(151)
0	**(1,018,908)**		**Long-Term Liabilities**	**0**	**(1,122,346)**
0	**(981,817)**		**Net Assets**	**0**	**(1,090,238)**
	0	25	Usable Reserves		15,253
	(997,337)	26	Unusable Reserves		(1,105,491)
0	**(997,337)**		**Total Reserves**	**0**	**(1,090,238)**

Note – PCC balance sheet TBC.

PCC for Lincolnshire
Group Cash Flow Statement
2013/14

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. As there is no distinction between the Group and the PCC cash movements there is no separate statement for the PCC.
The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the way the Group has managed its cash outflows against the monies received by way of grant income or from the recipients of services provided by the Group. Investing activities shows how the Group has made best use of its resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers or capital (i.e. borrowing) to the Group.

2012/13 £000	Note		2013/14 £000
31,899		Net (Surplus) or Deficit on the Provision of Services	39,064
(39,831)	**32**	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(37,374)
1,202	**33**	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(7,192)
(6,730)	**34**	**Net Cash Flows from Operating Activities**	**(5,502)**
7,202	**35**	Investing Activities	15,223
2,545	**36**	Financing Activities	(4,639)
3,017		**Net (Increase) or Decrease in Cash and Cash Equivalents**	**5,082**
13,294	**21**	Cash and Cash Equivalents at the Beginning of the Reporting Period	10,277
10,277	**21**	Cash and Cash Equivalents at the End of the Reporting Period	5,195

PCC for Lincolnshire
Notes to the Accounts
2013/14

1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the PCC's transactions for the 2013/14 financial year and its position at the year end of 31st March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require the statements to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Authority Accounting 2013/14, supported by International Financial Reporting Standards.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

All accounting policies that are material to the production of the accounts are described in this section.

1.2 Changes in Accounting Policies

Changes in accounting policy may arise through changes to the Code or changes instigated by the PCC. For changes brought in through the Code, the PCC and group will disclose the information required by the Code.

For other changes we will disclose:

- the nature of the change;
- the reasons why the change has been made;
- report the changes to the current period and each prior period presented and the amount of the adjustment relating to periods before those presented.

If retrospective application is impracticable for a particular prior period (or for periods before those presented), we will disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

1.3 Prior Period Adjustments

The Code requires prior period adjustments to be made when material omissions or misstatements are identified. Such errors include the effects of arithmetical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

The following disclosures will be made for each prior period adjustment:

- the nature of the prior period error;
- for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected, and;
- the amount of the correction at the beginning of the earliest prior period presented.

1.4. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the PCC transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the PCC;
- revenue from the provision of services is recognised when the PCC can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the PCC;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.5. Non-Current Assets – Property, Plant and Equipment

Property, plant and equipment are tangible items that:

- are held for operational use, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period.

1.6 Classification

Property, plant and equipment is classified under the following headings in the PCC's balance sheet:

Operational Assets:

- Land and Buildings;
- Vehicles, Plant, Furniture and Equipment;
- Non-Operational Assets:
- Surplus Assets; and
- Assets Under Construction.

a) Initial Recognition

To be recognised as an item of property, plant and equipment an asset must:

- yield benefits to the PCC for more than a year; and
- have a cost which can be measured reliably.

Assets are initially measured at cost on an accruals basis, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use and costs incurred subsequently to enhance, replace part of, or service it as long as the above criteria are met. This excludes expenditure on training, routine repairs and maintenance, which are charged directly to the Comprehensive Income & Expenditure Statement.

Further details relating to capital expenditure are set out in the PCC's Capitalisation Policy.

De minimis level

The PCC has a £10k de minimis level for recognising property, plant and equipment. This means that any item or scheme which meets the above criteria which is greater than £10k will be treated as capital. Items below £10k may also be considered for capital expenditure on a case by case basis. This relates to initial recognition and subsequent expenditure on assets.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value. Where subsequent expenditure is simply restoring the asset to the specification assumed by its economic useful life then the expenditure is charged to operating expenses. Where considered appropriate, the cost of the replacement is capitalised if it meets the criteria for recognition above.

Where material, the carrying value of the component replaced is de-recognised. Where the value is not known the value of the enhancement is used as a proxy. Indexation is used to deduce historic cost and a revaluation reserve. De-recognition costs are charged initially against any revaluation reserve for the asset and then to the Comprehensive Income & Expenditure Statement.

b) Measurement after Recognition – Valuation Approach

Property, Plant and Equipment assets are valued on the basis recommended by CIPFA and in accordance with the Practice Statements in the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors (RICS), in particular UK Practice Statement 1.1 – 1.3. Land and building valuations have been carried out by Lambert Smith Hampton, members of The Royal Institution of Chartered Surveyors. The PCC may rely on the advice of other relevant expert managers to value other assets.

Property, Plant and Equipment assets are classified into the groupings required by the Code of Practice on Local Authority Accounting. All operational and non-operational land and properties (including Investment Properties) were subjected to a full revaluation exercise at 1st April 2011. This valuation has been updated as at 31st March each year in 2012, 2013 and 2014 by way of a desktop revaluation of all assets.

All valuations are in accordance with the capital accounting rules on the following basis:

Operational Assets

- Land and operational properties – where the assets are considered by the valuers to be "specialist" in nature (for example custody suites in operational police stations) they are valued at depreciated replacement cost (DRC), reflecting their value to the PCC in

their current use. Because of the specialist nature of these buildings, the DRC value is normally higher than open market value. Where the assets are not considered to be "specialist" in nature, they are valued at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms-length transaction. For this section of the Code, fair value (for land and buildings) is to be interpreted as the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of existing use value (EUV) in accordance with UKPS 1.3 of the RICS Valuation Standards. Also note that

- vehicles, plant and equipment are determined to have short asset lives and are measured at historic cost; and
- furniture and non-specialist equipment are valued as a proportion of the building and have also been revalued in accordance with the movement in value of the host building.

Non-Operational Assets

- Surplus assets (being assets which the PCC no longer operates/are no longer used for service delivery, but are not investment properties or meet the definition for held for sale) are valued, measured and depreciated in line with the operational asset class; and
- Assets Under Construction are held at historical cost. When these assets are operationally complete they will be reclassified into the appropriate asset class and valued under the adopted approach.

Valuation Programme

In years when there is a full revaluation (every 5 years) the steps to account for assets involve valuing assets at the start of the financial year, and then considering impairment issues at the end of the year.

In all other years (including the 2013/14 financial year) the year end valuation encompasses all changes in value, whether from additions, disposals, changes in market value, impairment or other consumption of economic benefits.

Component Accounting for Property, Plant and Equipment

The Code requires that assets included within property, plant and equipment are broken down into significant component parts. Where a large asset, for example a building, includes a number of components with significantly different asset lives then these components can be treated as separate assets and depreciated over their own useful economic lives. Only those components with material values and significantly different useful lives are classified as separate components in the asset register. Only assets with a value of at least £500k are reviewed for potential components.

Further details for component accounting are set out in the PCC's Componentisation Policy.

c) Revaluation Gains and Losses

Movements in value arising from revaluation of assets are reflected in the value of these assets held on the balance sheet.

Recognising a Revaluation Gain or Loss

Increases as a result of revaluations are debited to the appropriate asset account, with the opposite entry going to the Revaluation Reserve to recognise unrealised gains, except to the

extent where it reverses a previous revaluation loss that was charged to a service revenue account within the Comprehensive Income & Expenditure Statement. In this case the revaluation gain will first be used to offset the previous loss and any further gain is then taken to the Revaluation Reserve. Revaluation gains charged to Surplus or Deficit on Provision of Services are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Decreases as a result of revaluation which are not specific to one asset but affect several are revaluations losses rather than impairments. The decrease is recognised in the Revaluation Reserve up to the balance in respect of each asset affected and then in Surplus or Deficit on Provision of Services. Any such charge taken to Surplus or Deficit on Provision of Services is then transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Any movements on revaluation arising before this date have been consolidated into the Capital Adjustment Account.

d) Depreciation

Depreciation is charged on all assets with a finite useful life (which can be determined at the time of acquisition or revaluation). It is PCC policy that six months of depreciation is charged against assets in the year of acquisition and also in the year of disposal.

The policy on asset lives is as follows:

- Operational buildings (other than temporary buildings) are depreciated over their estimated useful life of between 20 and 50 years as estimated by the valuer.
- Furniture and non-specialist equipment is depreciated over 15 years.
- Vehicles, plant and specialist equipment (including computing equipment) are depreciated over their estimated useful lives.

Depreciation is calculated as the current cost of the asset divided by the useful existing life of the asset. Hence, revaluation gains are depreciated as well as the historic cost of the asset, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on the historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

For surplus assets awaiting disposal, depreciation is not charged to services. Rather, it is charged to non distributed costs in the Income & Expenditure Statement. No depreciation is charged on: land; assets under construction; and assets held for sale. Depreciation of an asset begins when the asset becomes available for use and ceases when the asset has been de-recognised.

e) Disposal of Property, Plant and Equipment

An item of property, plant and equipment shall be de-recognised on disposal; or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from disposals is shown in the Comprehensive Income and Expenditure Statement (netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Any receipt from the sale of an item on the asset register is categorised as capital receipts and can only be used for new capital investment or to repay the principal of any amounts borrowed.

f) Impairment of Non-Current Assets

If an asset's carrying amount is more than its recoverable amount, the asset is described as impaired. Circumstances that might indicate that an impairment has occurred include:

- a significant decline in an asset's market value during the period that is specific to the asset;
- evidence of obsolescence or physical damage of an asset;
- a commitment by the PCC to undertake a significant reorganisation; or
- a significant change in the statutory environment in which the PCC operates.

Recognising an Impairment

Impairment losses are initially recognised against the revaluation reserve for that asset, up to the balance available. Any remaining loss is charged in the Surplus or Deficit on provision of services. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

1.7. Intangible Assets

Intangible assets are defined as an identifiable non-financial (monetary) asset without physical substance, but are under the control of the PCC, and expected to provide future economic or service benefits.

For the Police & Crime Commissioner for Lincolnshire, the most common classes of intangible assets are software licences. Software which is integral to the operation of hardware, e.g., an operating system, is capitalised as part of the relevant item of property, plant or equipment. Software which is not integral to the operation of hardware, e.g., application software, is capitalised as an intangible asset.

a) Recognition and Measurement

Recognition of assets that qualify as an intangible asset shall be measured at cost. Costs that are directly associated with the development of intangible assets for internal use by the PCC are recognised under this heading, including employee costs.

Intangible assets are determined to have short asset lives and will continue to be carried at depreciated historic cost in the balance sheet after initial recognition.

De minimis level

The Authority has no de minimis level for recognising intangible assets. This relates to initial recognition and subsequent expenditure on assets.

b) Subsequent Expenditure

Costs associated with maintaining intangible assets are recognised as an expense when incurred in the Comprehensive Income and Expenditure Statement.

c) Amortisation

The carrying value of intangible assets with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. Amortisation is charged to the relevant service area.

Intangible assets are all amortised over an estimated useful life of 5 years.

1.8. Investment Properties

An investment property is defined as a property that is solely held to earn rental income or for capital appreciation or both.

a) Initial Recognition

As with Property, Plant and Equipment, initial recognition includes the costs associated with the purchase.

b) Measurement after Recognition

Investment properties are measured at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction.

c) Revaluation Gains and Losses

A gain or loss arising from a change in the fair value of investment property shall be recognised in Surplus or Deficit on provision of service.

d) Depreciation

Depreciation is not charged on investment properties.

e) Disposal of Investment Properties

Gains or losses arising from the disposal of an investment property shall be recognised in Surplus or Deficit on Provision of Services. As with all capital receipts, on de-recognition of an investment property the charge to the Surplus or Deficit on Provision of Services shall be reversed out of the General Fund.

1.9. Non-Current Assets Held for Sale

Non current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the following criteria are met as at the balance sheet date:

- the asset is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- the sale is highly probable (with management commitment to sell and active marketing of the asset initiated);
- it is actively marketed for a sale at a price that is reasonable in relation to its current fair value; and
- the sale should be expected to qualify for recognition as a completed sale within one year.

a) Measurement

Non-Current Assets Held for Sale are measured at the lower of carrying value and fair value less costs to sell (fair value here is the amount that would be paid for the asset in its highest and best use, i.e., market value).

b) Depreciation

Depreciation is not charged on non-current assets held for sale.

c) Disposal

Receipts from disposals are recognised in the Surplus or Deficit on provision of services.

Any receipt from the sale of an item on the asset register is categorised as capital receipts and can only be used for new capital investment or to repay the principal of any amounts borrowed.

1.10 Charges to Revenue for the use of Non-Current Assets

Police services and central support services are charged with a capital charge for all non-current assets used in the provision of services to record the real cost of holding fixed assets during the year. The total charge covers:

- the annual provision for depreciation;
- impairment losses; and
- amortisation of intangible assets.

The PCC is not required to raise council tax to cover depreciation, impairment losses or amortisation. However, it is required to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is known at the Minimum Revenue Provision.

1.11 Minimum Revenue Provision

The PCC makes provision for the repayment of debt in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. This requires the PCC to set a Minimum Revenue Provision (MRP) which it considers to be prudent.

The accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers:

- the annual provision for depreciation;
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the PCC and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- amortisation of intangible fixed assets attributable to the service.

In accordance with the PCC's approved policy, the annual contribution towards the reduction in overall borrowing is equal to:

- 4% of the Capital Financing Requirement as at 31st March 2008, adjusted for repayments made since that date;
- 4% of any additional borrowing from 2008/09 onwards within our allocation of supported capital expenditure;
- for any other borrowing from 2008/09 onwards, a repayment based on the asset life method.

Depreciation, impairment losses and amortisations are therefore replaced by a revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

1.12 Revenue Expenditure Financed through Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset in the balance sheet has been charged as expenditure to the relevant service revenue account in the year.

Statutory provision reverses these charges from the Surplus or Deficit on provision of services by debiting the Capital Adjustment Account and crediting the General Fund Balance through the Movement in Reserves Statement.

1.13. Classification of Leases

Leases are classified as a finance lease or an operating lease depending on the extent to which risks and rewards of ownership (substance of the transaction over its legal form) of a leased asset lie with the lessor (landlord) or the lessee (tenant).

IAS 17 'Leases' includes indicators for the classification of leases as a finance lease. Within these indicators the PCC has set the following criteria: the 'major part' of the asset life is determined to be 75%; and 'substantially all' of the value is determined to be 75%.

Finance Lease

A lease is classified as a finance lease when the lease arrangement transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Operating Lease

All other leases are determined to be operating leases.

a) Finance Leases

i) Lessee – Vehicles, Plant & Equipment

Where a lease arrangement is identified as a finance lease and where the PCC is the lessee, the asset is recognised on the balance sheet at cost, and depreciated on a straight line basis over the term of the lease (in line with the PCCs capitalisation and depreciation policy for Vehicles, Plant and Equipment).

ii) Lessee – Property

Where a property lease arrangement is identified as a finance lease and where the PCC is the lessee, the asset is recognised on the balance sheet at an amount equal to the fair value of the property, or if lower, the present value of the minimum lease payments, determined at the inception of the lease.

In both cases above, a liability is also recognised at the asset value. This is reduced as lease payments are made.

Minimum lease payments are to be apportioned between the finance charge (interest) and the reduction of the deferred liability.

The finance charge (interest) will be charged to the surplus or deficit on the Provision of Services, and then transferred to the Capital Adjustment Account through the Movement In Reserves statement.

iii) Lessor – Property

Where a property lease arrangement is identified as a finance lease and where the PCC is the lessor, an asset is recognised on the balance sheet as a debtor at an amount equal to the net investment in the lease. The lease payment is treated as repayment of principal and finance income (interest).

Initial direct costs are included in the initial measurement of the debtor and recognised as an expense over the lease term on the same basis as the income.

Rental income from finance leases entered into after 1 April 2010 should be treated as a capital receipt.

b) Operating Leases

i) Lessee – Property, Vehicles, Plant & Equipment

Where a lease arrangement is identified as an operating lease and where the PCC is the lessee, the lease payments are treated as revenue expenditure on a straight line basis over the term of the lease.

ii) Lessor – Property, Vehicles, Plant & Equipment

Where a lease arrangement is identified as an operating lease and where the PCC is the lessor, an asset is shown within non-current assets according to the nature of the asset. (See above Property, Plant & Equipment policy.)

Lease income from operating leases shall be recognised as income on a straight line basis over the lease term.

1.14. Capital Government Grants and Contributions (for the acquisition of non-current assets)

Capital grants and contributions are used for the acquisition of non-current assets. The treatment of these grants is as follows:

a) Capital grants where there are no conditions attached to the grant. The income is recognised immediately in the Comprehensive Income & Expenditure Statement.

Capital grant income is not a proper charge to the General Fund. It is accounted for through the Capital Financing Requirement (set out in statue) so it does not have an effect on council tax. To reflect this, the income is credited to the Capital Adjustment Account through the Movement in Reserves Statement.

b) Capital grants where the conditions have not been met at the balance sheet date. At the balance sheet date the grant is recognised as a Capital Grant Receipt in Advance in the top part of the balance sheet. When the conditions have been met, the grant is recognised as income in the Comprehensive Income & Expenditure Statement and the appropriate statutory accounting requirements for capital grants are applied.

c) Capital grants where no conditions remain outstanding at the balance sheet date, but expenditure has not been incurred. The income is recognised immediately in the Comprehensive Income & Expenditure Statement. As the expenditure being financed from the grant has not been incurred at the balance sheet date, the grant is transferred to the Capital Grants Unapplied Account (within usable reserves in the balance sheet), reflecting its status as a capital resource available to finance expenditure, through the Movement in Reserves Statement. When the expenditure is incurred the grant is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure.

1.15 Debtors

Debtors are recognised in the accounts when the ordered goods or services have been delivered or rendered by the PCC by the 31st March but the income has not yet been received.

Debtors are recognised and measured at fair value in the accounts. There is no de-minimis for capital or revenue income accruals.

1.16 Creditors

Creditors are recorded where goods or services have been supplied to the PCC by 31st March but payment is not made until the following financial year.

Creditors are recognised and measured at fair value in the accounts. There is no de-minimis for capital or revenue accruals.

1.17 Debt impairment

The PCC makes a provision for debts which may go bad or not be paid in full. Where it is doubtful that debts will be settled, the fair value of that debt is written down accordingly and a charge made to the Comprehensive Income & Expenditure Statement for the income that might not be collected.

The PCC's policy is to review outstanding debts annually in order to allow for debt impairment.

1.18 Inventories

Inventory assets include materials or supplies to be consumed or distributed in the rendering of services. This includes fuel, uniforms and general stores. These are carried at the lower of cost (calculated as an average price) or current replacement cost (at the balance sheet date for an equivalent quantity).

A de minimis of £5k is set before a group of stock items would need to be accounted for at the year end.

1.19 Investments and Cash Equivalents

a) Investments

The PCC will classify these as follows:

- Short term deposits (due to be returned within any period from a day to a year after 31 March) held for investment purposes for the returns offered are classed as Short Term Investments.
- Deposits held for investment purposes for the returns offered which are due for return more than a year after 31 March are classed as Long Term Investments.

b) Cash and Cash Equivalents:

Cash Equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. The PCC will classify these as follows:

- Other cash, on-call deposit accounts or banking facilities set up for the purpose of meeting short term liquidity requirements are classed as Cash and Cash Equivalents.

c) Bank Overdrafts:

Bank overdrafts are shown separately from Cash and Cash Equivalents. They are recorded as liabilities within Creditors

1.20 Provisions

The PCC sets aside provisions for future expenses where:

- an event has taken place on or before the balance sheet date that creates an obligation;
- it is probable that the obligation requires settlement by a transfer of economic benefits;
- the value of settlement can be reliably estimated; but
- the timing of the transfer is uncertain.

Provisions are charged to the Comprehensive Income & Expenditure Statement in the year that the PCC becomes aware of the obligation based on the best estimate of the likely settlement. When payments are eventually made they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. When it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the Comprehensive Income & Expenditure Statement.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim) the income is only recognised in the Comprehensive Income & Expenditure Statement if it is virtually certain that reimbursement will be received when the obligation is settled.

Provisions contained within the balance sheet are split between current liabilities (those which are estimated to be settled within the next 12 months) and non-current liabilities (those which are estimated to be settled in a period greater than 12 months).

1.21 Contingent Liabilities

A contingent liability is where there is a possible obligation to transfer economic benefits due to a past event, but the possible obligation will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the PCC.

The PCC discloses these obligations in the narrative notes to the accounts if greater than £100k.

These amounts are not recorded in the PCC's accounts because:

- it is not probable that an outflow of economic benefits or service potential will be required to settle the obligation, or
- the amount of the obligation cannot be measured with sufficient reliability at the year end.

1.22 Contingent Assets

A contingent asset is where there is a possible transfer of economic benefit to the PCC from a past event, but the possible transfer will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the PCC.

The PCC discloses these rights in the narrative notes to the accounts if greater than £100k.

1.23 Events after the Reporting Date

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue. The PCC will report these in the following way if it is determined that the event has had a material effect on the PCC's financial position:

- events which provide evidence of conditions that existed at the end of the reporting period will be adjusted and included within the figures in the accounts; and
- events that are indicative of conditions that arose after the reporting will be reported in the narrative notes to the accounts.

1.24 Recognition of Revenue (Income and Expenditure)

Revenue shall be measured at the fair value of the consideration received or receivable.

Revenue is recognised only when it is probable that the economic benefits or service potential associated with the transaction will flow to the PCC.

1.25 Costs of Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2013/14. The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the PCC's status as a multi-functional democratic organisation;
- Non Distributed Costs – the historic costs of retirement benefits and the costs of supporting non operational assets.

These two cost categories are accounted for as separate headings in the Comprehensive Income & Expenditure Statement as part of the Net Cost of Services.

1.26 Revenue Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounts when it is expected that the conditions for their receipt will be complied with and there is reasonable assurance that the grant or contribution will be received.

Revenue grants are recognised in full in the year of their receipt. For grants not spent within the same financial year, the impact on the General Fund is negated by a transfer to Earmarked Reserves in the Movement in Reserves Statement.

Specific revenue grants are matched in the Net Cost of Services with the service expenditure to which they relate.

Grants which cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Comprehensive Income & Expenditure Statement.

1.27 Value Added Tax (VAT)

The PCC's Comprehensive Income & Expenditure Statement excludes VAT. All VAT must be passed on (where output tax exceeds input tax) or repaid (where input tax exceeds output tax) to HM Revenue and Customs.

The net amount due to or from HM Revenue and Customs for VAT at the year end shall be included as part of creditors or debtors balance.

1.28 Council Tax Income

The collection of council tax is in substance an agency arrangement with the seven Lincolnshire district authorities (billing authorities) collecting council tax on behalf of the PCC. The assessment of whether the PCC is acting as principal or agent is in line with IAS 18 Revenue, IPSAS 9 Revenue from Exchange Transactions and IPSAS 23 Revenue from Non Exchange Transactions.

The council tax income is included in the Comprehensive Income & Expenditure Statement on an accruals basis and includes the precept for the year plus the PCC's share of Collection Fund surpluses and deficits from the billing authorities.

The difference between the income reported in the Comprehensive Income & Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

The year end balance sheet includes the PCC's share of year end debtors (arrears and collection fund surpluses) and creditors (prepayments, overpayments and collection fund deficits).

1.29 Reserves

a) Usable Reserves

The PCC's general revenue balances are held in the General Fund. The PCC also maintains a number of specific 'earmarked' reserves for future expenditure on either target service areas or to cover contingencies. They are described in more detail in notes to the accounts.

b) Unusable Reserves

Certain reserves are kept to maintain the accounting processes for non-current assets, financial instruments and retirement benefits. These accounts do not represent usable resources for the PCC.

1.30 Employee Benefits – Benefits Payable during Employment

a) Short Term Benefits

These are amounts expected to be within 12 months of the balance sheet date. They include:

1. salaries, wages and expenses accrued up to the balance sheet date;
2. annual leave and flexi hours earned, but not yet taken at the balance sheet date, and;
3. 'back rest days' allocated to police officers when scheduled rest days are cancelled.

The first set of items are costs which appear in the accounts and are charged to the General Fund Balance. Items 2 and 3 are examples of short-term accumulating absences that will also be accrued in the balance sheet at the year end and charged to the relevant service revenue account. However the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010 (SI 2010/454) requires that these amounts are not charged to a revenue account until the date that the liability is discharged. Hence, statutory provision reverses these charges from the Surplus or Deficit on provision of services by debiting the Capital Adjustment Account and crediting the General Fund Balance through the Movement in Reserves Statement.

b) Long Term Benefits

These are amounts which are payable beyond 12 months. The PCC does not have any material long term benefits to be declared within the financial statements.

1.31 Employee Benefits – Termination Benefits

Termination benefits arise from the PCC's obligation to pay redundancy costs to employees. These costs will be recognised in the PCC's financial statements when the obligation to pay these benefits arises. For example; when there is a formal plan for redundancies approved by the Commissioner (including the location, function and approximate number of employees affected; the termination benefits offered, and the time of implementation).

These items will be accrued in the Balance Sheet at the year end and charged to the relevant service revenue account. If payments are likely to be payable in more than 12 months from the year end then these costs will be discounted at the rate determined by reference to market yields.

1.32 Employee Benefits – Post Employment Benefits (Pensions)

In accordance with IAS19, the Balance Sheet includes recognition of the net asset/liability and a pensions reserve. The Comprehensive Income & Expenditure Statement shows movements in the asset/liability relating to defined benefit schemes (with reconciling entries back to contributions payable for council tax purposes in the Movement in Reserves Statement).

Accounting for retirement benefits is complex but has a simple principle:

"An organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future."

The important distinction for pension schemes is whether they are "defined contribution" or "defined benefit". As the police pension scheme and police staff superannuation scheme are both based on employees earning benefits from years of service they are both "defined benefit schemes".

IAS 19 relies on the recognition of pension assets and liabilities.

Liabilities - being the retirement benefits promised measured on an actuarial basis

Assets – being the PCC's share of investments (if any)

Movements on these assets and liabilities have been recorded in the Comprehensive Income & Expenditure Statement. The PCC has commissioned the actuaries Hymans Robertson LLP to determine the relevant figures. More explanatory notes on each scheme are given below.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Lincolnshire County Council pension scheme attributable to the PCC are included in the Balance Sheet on an actuarial basis using the projected unit method. (This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings of future employees). Liabilities are discounted to their value at current prices, using a discount rate of 4.3%. This rate is derived from a corporate bond yield curve constructed from yields on high quality bonds. The discount rate recognises the weighted average duration of the benefit obligation for staff within the Lincolnshire Police scheme.

In assessing liabilities for retirement benefits at 31st March 2014 for the 2013/14 Statement of Accounts, the actuary made assumptions about inflation, salary increases, pension increases, expected return on assets and the discount rate. These are discussed further in Note 4.

The assets of the Lincolnshire County Council pension scheme attributable to the PCC are included in the Balance Sheet at their fair value as at 31st March 2014. The asset values are at bid value as required under IAS 19.

The Police Officer Pension Scheme

The police officer pension schemes (both the old and new schemes) are accounted for as defined benefits schemes. The liabilities of the police officer pension schemes are included in the Balance Sheet on an actuarial basis using the projected unit method. (This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings of future employees). Liabilities are discounted to their value at current

prices, using a discount rate of 4.3%. This rate is derived from a corporate bond yield curve constructed from yields on high quality bonds. The discount rate recognises the weighted average duration of the benefit obligation for staff within the Lincolnshire Police scheme.

In assessing liabilities for retirement benefits at 31st March 2014 for the 2013/14 Statement of Accounts, the actuary made assumptions about inflation, salary increases, pension increases, and the discount rate. These are discussed further in Note 4.

Pension Scheme Policies

The changes in the net pensions liability is analysed into several components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the Cost of Services in the Comprehensive Income and Expenditure Statement;
- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs;
- net interest expense – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, adjusted for interest form plan asets - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- return on plan assets – the annual investment return on the fund assets attributable to the PCC, based on an average of the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains/losses on settlements and curtailments – the result of actions to relieve the PCC of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with financial, demographic and other assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
- contributions paid to the Lincolnshire County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions limit the PCC to raising council tax to cover the amounts payable by itself to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are adjustments to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable to the fund but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.33 Discretionary Benefits

The PCC also has some restricted powers to make discretionary awards of retirement benefits in the event of early retirements. 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.

1.34 Police Officer Pensions - Home Office Memorandum Account

From 1st April 2006 the Home Office changed the method of financing police pensions. Effectively the PCC has continued to make payments but accounts for these outside of its own accounts in a separate memorandum account, which is reported as a supplementary statement in these accounts.

1.35 Group Relationships

The PCC assesses on an annual basis relationships with other bodies to identify the existence of any group relationships. A de-minimis level of £1million annual turnover has been set for considering bodies to be included within group accounts.

The PCC has not identified, and does not in aggregate have any a material interest in subsidiaries, associated companies or joint ventures other than the Chief Constable for Lincolnshire.

1.36 Financial Instruments

a) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the PCC has, this means that:

- the amount presented in the Balance Sheet is the outstanding principal repayable, and;
- interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

The PCC has not undertaken any repurchasing or early settlement of borrowing.

b) Financial Assets

Financial assets are classified into four types: loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments; fair value through profit and loss – assets that are held for trading and derivatives with a positive value; and held for maturity – assets that have fixed or determinable payments and a fixed maturity.

The PCC only has loans and receivables.

1.37 Loans and Receivables

Loans and receivables are included in current assets. The PCC's loans and receivables comprise: short term investments, trade debtors, accrued income and 'other receivables'.

Loans and receivables are recognised initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using an effective interest method.

2. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities.
• *IFRS 10 Consolidated Financial Statements*: this standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The PCC group currently comprises of the PCC and Chief Constable. There are partnerships with other agencies but none of them will lead to disclosure as an associate. The regional collaboration work is considered within Joint Arrangements below. No impact is expected on the 2013/14 statement of accounts.
• *IFRS 11 Joint Arrangements*: this standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Authority's regional collaboration work within the East Midlands falls under the category of a jointly controlled operation and will not be affected by the new requirements.
• *IFRS 12 Disclosures of Involvement with Other Entities*: this is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Authority has a number of arrangements with other entities. Only the work with Lincolnshire Road Safety Partnership is material in the context of the 2013/14 financial statements.

3. Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the PCC Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. The significant judgements made in the Statement of Accounts are:

- There is uncertainty about service provision following government decisions to reduce future levels of funding for the PCC Group. However, the Group has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Group might be impaired as a result of a need to close facilities and reduce levels of service provision.

- As part of the strategic partnership with G4S, the transfer of some ICT and furniture for £1 has been treated as a disposal of assets. The subsequent use of the assets creates a finance lease under IFRIC 4. Hence, the transfer valuation of £1,121k appears in the asset register of the PCC and is depreciated and revalued as normal. There is a matching finance lease liability which is written down over the individual assets lives.

- For retirement benefits, the interpretation of CIPFA guidance differs from that of the Code itself. CIPFA guidance expects plan assets to be included in our financial statements, but the Code says not to include them. This means that by following the CIPFA guidance, the PCC has treated £16.858m (2011/12; £14.596m) pension top up as an employee contribution, reducing the overall pension liability. The impact of this on the General Reserve is reversed through the Movement in Reserves Statement, with a corresponding entry in the Pensions Reserve. The PCC and the Chief Finance

Officer have concluded that this approach presents a true and fair view of the PCC's financial position, financial performance and cash flow.

- Masts are treated as investment properties as they are not used directly by the PCC for operational purposes. The Force may make incidental use of them via third party suppliers, but ownership and control of the assets is not relevant to our policing requirements.
- The Scheme of Arrangements within the PCC Group and the governance arrangements indicate that the Chief Constable controls police officers, whilst the PCC controls police staff, income, assets, reserves and goods and services. Hence, recharges for police officer salaries and related costs are included in the Operating Cost Statement of the Chief Constable, with all other transactions being recorded in the PCC Statement of Accounts.
- G4S joined Lincolnshire Pension Fund as a new Transferee Admission Body on 1st April 2012 on a "pass through" arrangement for a contract term of 10 years. Lincolnshire Police are considered to be the principal rather than merely an agent in these transactions as they retain responsibility for the liabilities. Hence, the IAS19 results as at 31st March 2014 reflect the combined G4S and Lincolnshire Police pension fund assets and liabilities.

4. Assumptions made about the future and other major sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the PCC 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 items in the PCC's Group Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are described below. The main area of fluctuation is the assessment of pensions assets and liabilities. Hence, these are considered separately.

Pensions assumptions

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PCC with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions have been measured and described in the tables below. The tables give an indication of the impact of changes in the main assumptions but are not an exhaustive list of the variables involved.

Pensions liability	A report from the Office of Budget Responsibility indicates that RPI is likely to be around 0.8% higher than CPI in future. The observed difference in the past has been 0.5%. However, the actuaries have continued to assume that CPI will be approximately 0.8% p.a. below RPI on average.	The impact is estimated to be a reduction in future service costs from April 2011 onwards of around 6% per annum.

The carrying value of pension liabilities at the balance sheet date was £1,002,127k.

The sensitivities regarding the Police Pension Scheme liabilities are set out below.

Change in financial assumptions	Approximate percentage increase likely to employer liability	Approximate monetary amount (£m)
0.1% decrease in the Real Discount Rate	2%	17.9
1 year increase in member life expectancy	3%	29.1
0.5% increase in the Salary Increase Rate	2%	14.3
0.5% increase in the Pensions Increase Rate (CPI)	8%	77.8

The sensitivities regarding the Police Pension Scheme current service costs are set out below.

Change in financial assumptions	Approximate percentage increase to projected current service cost	Approximate monetary amount (£m)
0.1% decrease in the Real Discount Rate	3%	0.8
1 year increase in member life expectancy	3%	0.7
0.5% increase in the Salary Increase Rate	5%	1.2
0.5% increase in the Pensions Increase Rate (CPI)	12%	2.8

The sensitivities regarding the principal assumptions used to measure the liabilities in the Local Government Pension Scheme are set out below.

Change in financial assumptions	Approximate percentage increase likely to employer liability	Approximate monetary increase (£m)
0.5% decrease in the Real Discount Rate	12%	14.2
1 year increase in member life expectancy	3%	3.5
0.5% increase in the Salary Increase Rate	5%	5.5
0.5% increase in the Pensions Increase Rate	7%	8.4

Other areas of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Valuations are provided at a specific date. Market conditions can change with at short notice.	The last 5 years has seen a 25% drop in the general property market. However, much of this fall was anticipated by our annual desktop reviews, so the quinquennial revaluation only saw a fall of £1.1m. It is considered unlikely that there would be material reductions in value in future given the falls of recent years.
Classification of leases	There is some subjective interpretation of contract information when classifying some arrangements as finance or operating leases. For some equipment, the nature of the agreement points to a finance lease, but the details in the contract do not allow accurate calculations to be performed.	We have treated some arrangements as operating leases in the absence of the necessary information to account for them as finance leases. Assets and liabilities may be understated in the Balance Sheet by around £70k. We expect to correct this anomaly in future year accounts.
Collection fund balances	Estimates have been used to show the proportion of income due to the PCC for council tax, but held by the district councils in their collection fund account. Some councils have estimated their year end surplus and the associated Balance Sheet figures, but have had to do so several months before the collection fund accounts are prepared.	There is no impact on the General Fund Balance. The surplus in the Comprehensive Income and Expenditure Statement and the associated Balance Sheet figures could vary by up to £200k.
Employee benefits: measurement of short term accumulating absences accrual	Measurement covers most staff for leave and time in lieu, but not all. It is possible that some staff not covered by the current approach may have time owing which is significantly different to the average.	There is no impact on the General Fund Balance. The surplus in the Comprehensive Income and Expenditure Statement and the associated Balance Sheet figures could vary by up to £100k.

5. Material Items of Income and Expense

This note sets out the nature and amount of material items not disclosed on the face of the Comprehensive Income and Expenditure Statement.

Note 10 taxation and non-specific grant incomes gives details of material income. Note 40 gross expenditure and income gives a breakdown by service expenditure. There are no material items not disclosed on the face of the Comprehensive Income and Expenditure Statement.

6. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the PCC in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the PCC are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the PCC Group is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Group is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

2012/13 Comparative Figures	Usable Reserves		
	Capital Receipts Reserve £000	General Fund Balance £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets		3,802	(3,802)
Amortisation of lease prepayment		10	(10)
Revaluation losses on Property Plant and Equipment		1,286	(1,286)
Movements in the market value of Investment Properties		30	(30)
Amortisation of intangible assets		1	(1)
Capital grants and contributions applied		(1,205)	1,205
Revenue expenditure funded from capital under statute		0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement		2,406	(2,406)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment		(2,064)	2,064
Voluntary provision for the financing of capital investment		0	0
Capital expenditure charged against the General Fund		(326)	326
Adjustments primarily involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,210	(1,210)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,497)		1,497.00
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(25)	25	
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 54)		64,098	(64,098)
Employer's pensions contributions and direct payments to pensioners payable in the year		(32,465)	32,465
Adjustments primarily involving the Collection Fund Adjustment Account:			
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements		128	(128)
Adjustments primarily involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(182)	182
Total Adjustments	(312)	34,334	(34,022)

2013/14	Usable Reserves		
	Capital Receipts Reserve £000	General Fund Balance £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets			0
Amortisation of lease prepayment			0
Revaluation losses on Property Plant and Equipment			0
Movements in the market value of Investment Properties			0
Amortisation of intangible assets			0
Capital grants and contributions applied			0
Revenue expenditure funded from capital under statute			0
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement			0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment			0
Voluntary provision for the financing of capital investment			0
Capital expenditure charged against the General Fund			0
Adjustments primarily involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement			0
Use of the Capital Receipts Reserve to finance new capital expenditure			0
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals			0
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 54)			0
Employer's pensions contributions and direct payments to pensioners payable in the year			0
Adjustments primarily involving the Collection Fund Adjustment Account:			
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements			0
Adjustments primarily involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements			0
Total Adjustments	0	0	0

7. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund into Earmarked Reserves to provide financing for future expenditure plans and the amounts appropriated from earmarked reserves to meet General Fund expenditure in 2013/14.

	Balance at 1 April 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Transfer Between Reserves 2012/13	Balance at 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Transfer Between Reserves 2013/14	Balance at 31 March 2014 £000
Major Incidents	1,850				1,850				**1,850**
Insurance	750				750				**750**
Specific Time Limited Posts	9	(9)			-				**-**
Business Change Fund	213			(213)	-				**-**
Crime and Intelligence	4			(4)	-				**-**
Police Authority Reserve	40			(40)	-				**-**
PRIDE	23	(23)			-				**-**
POCA	61	(61)			-				**-**
POCA 2010/11	93	(34)	86		145	(75)	150		**220**
Employee Welfare Reserve	42				42				**42**
Funded Fleet Vehicles	31	(31)			-				**-**
Business Transformation Project	60			(60)	-				**-**
Migration Impact	86	(32)			54				**54**
Farm & Country Watch	7			(7)	-				**-**
Moorland Youth Warden	1			(1)	-				**-**
Neighbourhood Watch Signs	9			(9)	-				**-**
Grantham Cadets	1			(1)	-				**-**
Crime Commissioner	150			(150)	-				**-**
Crime Prevention Payments	3			(3)	-				**-**
Consultancy	8	(8)			-				**-**
IMU Agency C/fwd	17	(17)			-				**-**
Reserve to bal 13/14 Budget	1,500				1,500				**1,500**
Police Officer Reserve	449	(449)			-				**-**
Contingency	244	(244)			-				**-**
CPT Consultancy	-				-		60		**60**
Victims commissioning grant	-				-		264		**264**
Reserves for 14/15 Budget	-				-		1,272		**1,272**
Regional Transformations	-				-		174		**174**
External Training	-				-		105		**105**
ANPR Funding	-				-		300		**300**
NHS Custody Grant	-				-		100		**100**
Restoritive Justice	-				-		77		**77**
Skirbeck Skate Park	1			(1)	-				**-**
LCJB Income	-				-		62		**62**
Licensing Income	-				-		10		**10**
Domestic Violence Admin	11			(11)	-				**-**
Carry forward of Underspends	-		887		887	(887)			**-**
Performance & Productivity	-			500	500	(129)	500		**871**
Historic Pension Costs	-		1,116		1,116	(1,116)			**-**
Volunteers Initiative	-		1,000		1,000	(180)			**820**
Second Homes	-		252		252	(97)			**155**
Subtotal	**5,663**	**(908)**	**3,341**	**-**	**8,096**	**(2,484)**	**3,074**	**-**	**8,686**
EMSOU	117	(18)	24		123				123
Total	**5,780**	**(926)**	**3,365**	**-**	**8,219**	**(2,484)**	**3,074**	**-**	**8,809**

Descriptions of the earmarked reserves

Earmarked reserve	£000s	Description of purpose
Major Incidents	1850	The requirements of operational policing can vary significantly from year to year. This reserve ensures that the Authority can always respond to the requirements of major incidents.
Insurance	750	To support the costs of on-going claims and for future unforeseen claims which have not yet arisen.
Proceeds of Crime Act	220	The police share of assets recovered from criminals is reserved for investing in more financial investigation.
Employee Welfare Reserve	42	To improve the working environment of employees.
Migration Impact	54	Grant for promoting community cohesion in areas of significant inward immigration.
Reserve to balance 2014/15 budget	1,272	Use of reserves to balance a forecast budget shortfall in 2014/15.
Carry forward of underspends	678	Underspend from 2013/14 budgets, to be allocated at the discretion of the PCC.
Performance and productivity	871	To promote business change and efficiency.
Volunteers initiative	820	To support and promote the recruitment and retention of volunteers.
Second homes	155	Reserve for potential payments to local authorities to support community safety.
ANPR	300	Funding held aside for both a new program of ANPR cameras, and an upgrade of the existing devices.
Regional Transformation	174	To be used with specific regard to Regional Initiatives
To confirm	1500	To confirm

8. Other Operating Expenditure

2012/13				2013/14		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,559	(487)	1,072	(Gains) or Losses on the Disposal of Property, Plant & Equipment	7,247		7,247
-	-	0	(Gains) or Losses on the Disposal of Assets Held for Sale			-
343	-	343	Levies	396		396
1,152	(1,159)	(7)	Seconded Officers			0
3,054	**(1,646)**	**1,408**		**7,643**	**0**	**7,643**

9. Financing and Investment Income and Expenditure

2012/13				2013/14		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
796	-	796	Interest Payable on Debt	731	-	731
55	-	55	Interest Element of Finance Lease (Lessee)	380		380
40,445	-	40,445	Pensions Interest Cost and Expected Return on Pensions Assets	44,881	-	44,881
-	(132)	(132)	Investment Interest Income	-	(65)	(65)
-	(125)	(125)	Rentals Received on Investment Properties		(107)	(107)
2	-	2	Expenses Incurred on Investment Properties	35	-	35
30	-	30	Changes in Fair Value of Investment Properties		(80)	(80)
41,328	**(257)**	**41,071**		**46,027**	**(252)**	**45,775**

10. Taxation and Non Specific Grant Incomes

2012/13				2013/14		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
-	(1,423)	(1,423)	Recognised Capital Grants and Contributions	-	(1,150)	(1,150)
-	(39,220)	(39,220)	General Government Grants	-	(64,772)	(64,772)
-	(23,734)	(23,734)	Non Domestic Rates Redistribution	-	-	-
-	(1,059)	(1,059)	Council Tax Freeze Grant	-	(1,059)	(1,059)
-	(44,189)	(44,189)	Council Tax Income	-	(46,065)	(46,065)
-	(16,858)	(16,858)	Home Office Grant Payable towards the Cost of Retirement Benefits	-	(19,996)	(19,996)
-	**(126,483)**	**(126,483)**		**-**	**(133,042)**	**(133,042)**

11. Property, Plant and Equipment

Movements and closing balances in 2012/13	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2012	21,238	22,549	200	-	43,987
Additions	1,381	4,500	-	3,627	9,508
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	106	12	-	-	118
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,247)	(7)	(30)	-	(1,284)
Derecognition - Disposals	-	(1,176)	-	-	(1,176)
Assets reclassified to/from Held for Sale	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-
At 31 March 2013	**21,478**	**25,878**	**170**	**3,627**	**51,153**
Depreciation and Impairment					
At 1 April 2012	(433)	(15,671)	-	-	(16,104)
Derecognition - Disposals	-	-	-	-	-
Depreciation charge in year	(423)	(3,379)			(3,802)
At 31 March 2013	**(856)**	**(19,050)**	**-**	**-**	**(19,906)**
Net Book Value:					
At 31 March 2013	**20,622**	**6,828**	**170**	**3,627**	**31,247**
At 31 March 2012	**20,805**	**6,878**	**200**	**-**	**27,883**

Movements and closing balances in 2013/14	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2013	20,622	6,828	170	3,627	31,247
Additions	1,717			1,168	2,885
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	(41)				(41)
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(935)		(20)		(955)
Assets reclassified to/from Held for Sale					-
Assets reclassified to/from Assets Under Construction	243	1,796		(3,556)	(1,517)
Assets reclassified to/from G4S Finance Lease		3,768			
Other movements in cost or valuation					-
At 31 March 2014	**21,606**	**12,392**	**150**	**1,239**	**31,619**
Depreciation and Impairment					
At 1 April 2013					-
Derecognition - Disposals	(128)	(223)			(351)
Derecognition - G4S Finance Lease		(3,768)			(3,768)
Depreciation charge in year	(449)	(3,369)			(3,818)
At 31 March 2014	**(577)**	**(7,360)**	**-**	**-**	**(7,937)**
Net Book Value:					
At 31 March 2014	**21,029**	**5,032**	**150**	**1,239**	**23,682**
At 31 March 2013	**20,622**	**6,828**	**170**	**3,627**	**31,247**

12. Valuation of Non-Current Assets

Non-current assets have been revalued on the basis described in Note 1 and in accordance with the principles of the Accounting Code of Practice. Property, plant and equipment and investment properties were revalued in the form of a desktop valuation exercise as at the 31st March 2014 by Mr R Smalley BSc MRICS of the independent firm of Chartered Surveyors Lambert Smith Hampton. This followed the quinquennial review which took place in 2011/12. The desktop revaluation resulted in some increases and decreases to the Authority's assets although there was very little movement seen compared with valuations received in previous years. In accordance with the required accounting practice these revaluations have been written back to the Revaluation Reserve (to the extent possible), and then to the Comprehensive Income and Expenditure Statement. The PCC has no Private Finance Initiative (PFI) arrangements.

Investment Properties are also valued by Lambert Smith Hampton as described above who are independent of the PCC and have recent experience of the location and category of our investment properties.

13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2012/13 £000	2013/14 £000
Rental income from investment property	(125)	(107)
Direct operating expenses arising from investment property	2	35
Net gain/(loss)	**(123)**	**(72)**

There are no restrictions on the PCC's ability to realise the value inherent in its investment property or on the PCC's right to the remittance of income and the proceeds of disposal. The PCC has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2012/13 £000	2013/14 £000
Balance at start of the year	825	795
Net gains/(losses) from fair value adjustments	(30)	80
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	-	-
Balance at end of the year	**795**	**875**

14. Intangible Assets

The movement on Intangible Asset balances during the year is as follows:

	2012/13	2013/14
	Other Assets £000	Other Assets £000
Balance at start of year:		
Gross carrying amounts	153	1
Accumulated amortisation	(151)	
Net carrying amount at start of year	2	
Amortisation for the period	(1)	
Additions:		
Purchases	-	1,461
Transfer From AUC		1,767
Disposals		(3,229)
Other changes	-	
Net carrying amount at end of year	**1**	**(1)**
Comprising:		
Gross carrying amounts	153	
Accumulated amortisation	(152)	

Amortisation of intangible assets is apportioned across all the service categories on the face of the Comprehensive Income and Expenditure Statement. It has no impact on Corporate & Democratic Core or Non Distributed Costs.

The PCC has no internally generated assets. All other assets have finite useful lives and amortised in line with the PCC's accounting policies, note 1.

15. Major Non Current Assets

An analysis of major non current assets is:

	31st March 2013 (Numbers)	31st March 2014 (Numbers)
Force Headquarters	1	1
Police Stations	39	39
Sexual Assault Referral Centre	1	1
Major Aerial sites	3	3
Vehicles	447	399
Police dog training establishment	1	1
Share of Regional Headquarters	-	1

16. Capital Expenditure

The capital expenditure during the year was:

	£000
Vehicles	866
Force HQ refurbishments and improvements	166
West Parade improvements	150
Skegness improvements	194
Boston improvements	118
T-Police	967
ICT software	495
Assets Under Construction - software	392
E Mail Upgrade	642
Fleet Workshop	156
Airwaves	357
Titan House	970
Other	304
ICT Hardware	1,634
Data Centre Build	460
Regional Collaboration Operational Equipment	
Total	**7,871**

17. Capital Commitments

As part of the on-going strategic partnership that Lincolnshire Police has with G4S there is a commitment to spend £1.1m in 2014/15. This relates to the procurement of new software systems. In addition £384,000 and £201,000 has been committed but not spent for buildings and vehicle capital work, relating to work that was planned for 2013/14 but not completed.

18. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
Cash				
Loans and receivables	-		9,884	4,932
Total cash	**-**	**-**	**9,884**	**4,932**
Debtors				
Loans and receivables	-		1,295	2,473
Total debtors	**0**	**0**	**1,295**	**2,473**
Borrowings				
Financial liabilities at amortised cost - PWLB	15,816	14,306	2,007	1,658
Financial liabilities at amortised cost - Deferred Liabilities	312	260	52	52
Total borrowings	**16,128**	**14,566**	**2,059**	**1,710**
Creditors				
Financial liabilities at amortised cost	-		7,675	7,335
Total creditors	**-**	**-**	**7,675**	**7,335**
Capital Grants / Receipts in advance			**99**	**99**

The Police and Crime Commissioner is exposed to minimum risk. Any short-term deposits are included in the cash and cash equivalents note 21.

Financial Liabilities is borrowing with the Public Works Loan Board (PWLB) and Deferred Liabilities. Total PWLB outstanding at 31st March 2014 is £15.964m. The table also includes capitalisation of interest payable of £157k in 2012/13 and £148k in 2013/14 (as required by LAAP 81).

Total Deferred Liabilities outstanding at 31st March 2014 is £0.312m. These represent the balance of loans outstanding as at 31st March 1995 which were transferred to the new Police Authority as established under the Police and Magistrates' Court Act 1994. The loans are administered by Lincolnshire County Council on behalf of the PCC. Repayments of £52k were made in 2013/14.

No additional borrowing took place in 2013/14. After making normal repayments of principal totalling £1.902 million and a decrease in loan interest accrual of £0.009 million, this decreased the PCC's borrowing from £18.187 million to £16.276 million in the year.

The debtors and creditors figures have been adjusted for non-contractual obligations. For debtors these are VAT debtors, Statutory Maternity Pay debtors, payments in advance, grant income and collection fund adjustments. For creditors these are receipts in advance, tax and NI and collection fund adjustments.

	Range of interest rates payable %	31st March 2013 £000	31st March 2014 £000
PWLB	1.60 - 8.25	(17,823)	(15,964)
Transferred Debt - Lincolnshire CC	Variable	(364)	(312)
		(18,187)	**(16,276)**

A full analysis of loans by maturity is shown in note 56 under 'liquidity risk exposure'.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2012/13			2013/14		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	(796)	-	(796)	(731)		(731)
Total expense in Surplus or Deficit on the Provision of Services	**(796)**	**-**	**(796)**	**(731)**	**-**	**(731)**
Interest income	-	132	132		65	65
Total income in Surplus or Deficit on the Provision of Services	**-**	**132**	**132**	**-**	**65**	**65**
Net gain/(loss) for the year	**(796)**	**132**	**(664)**	**(731)**	**65**	**(666)**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets 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

- the fair value of PWLB has been calculated by reference to the 'premature repayment' set of rates as at 31st March 2014
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- deferred liabilities have been accounted for on the basis of outstanding principal amounts as defined by statutory arrangements

Financial Liabilities

The fair values calculated are as follows

	31 March 2013		31 March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities - PWLB	17,823	21,668	15,964	18,147
Financial liabilities - Deferred Liabilities	364	364	312	312
Financial liablitities - Current Creditors	7,675	7,675	7,335	7,335

The fair value of PWLB loans is more than the carrying amount because the PCC's portfolio of loans is based on fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

The table above excludes other Financial Liabilities such as cash overdrawn and other liabilities. The carrying amount as shown in the Balance Sheet is assumed to approximate to fair value, as the instrument will mature in the next 12 months.

Financial Assets

The fair values calculated are as follows

	31 March 2013		31 March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables - Current Debtors	1,295	1,295	2,473	2,473
Loans and receivables - Cash	9,984	9,984	4,932	4,932
Capital Grants / Receipts in Advance	99	99	99	99

The fair value has been assessed as being the same as the carrying value.

19. Inventories

An analysis of inventories is given below:

	Uniform and Equipment		Diesel		Fleet Maintenance		Other		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Balance outstanding at start of year	**340**	**319**	**130**	**90**	**23**	**18**	**1**	**5**	**494**	**432**
Purchases	245	313	736	818	97	134	11	3	1,089	1,268
Recognised as an expense in the year	(265)	(327)	(776)	(813)	(106)	(113)	(7)	(6)	(1,154)	(1,259)
Written off balances	(1)	-	-	(20)	4	-	-	-	3	(20)
Balance outstanding at year-end	**319**	**305**	**90**	**75**	**18**	**39**	**5**	**2**	**432**	**421**

20. Debtors

An analysis of debtors is shown below:

	31 March 2013 £000	31 March 2014 £000
Amounts falling due within one year:		
Central government bodies	3,933	7,937
Other entities and individuals	5,636	3,641
Total Debtors falling due within one year	**9,569**	**11,578**

	31 March 2013 £000	31 March 2014 £000
Amounts falling due after one year:		
Other entities and individuals	112	102
Total Debtors falling due after one year	**112**	**102**

The other entities and individuals figure is presented net of impairment as per LAAP 88. Central government bodies balances include government grants such as Pension top up grant which were outstanding at the Balance Sheet date.

The funding arrangements for the police station at Market Rasen amount to a lease prepayment. Each year, a proportion of the prepayment is amortised as the useful life of the building reduces.

21. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2013 £000	31 March 2014 £000
Cash held by the Authority	31	32
Bank current accounts	(139)	772
Confiscated account	(14)	(44)
Short-term deposits with building societies	10,399	4,159
Total Cash and Cash Equivalents	**10,277**	**4,919**

The cash and cash equivalents figure represents a total amount of £xxk in hand. The group does not go overdrawn at the bank, but the adjusted cashbook cash position at the bank and held as petty cash was a balance of £xxk overdrawn. This includes cheques drawn but not presented. £xxk represents short-term deposits, including an interest accrual of £xxk.

22. Assets Held for Sale

The analysis of Assets Held for Sale is shown below:

	2012/13 £000	2013/14 £000
Balance outstanding at start of year	**1,229**	**-**
Assets newly classified as held for sale:		
- Property, Plant and Equipment	0	-
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	0	0
Cost to Sell	0	-
Assets sold in the year	(1,229)	0
Balance outstanding at year end	**-**	**0**

Property

There were no buildings in 2013/14 which were held in this category and being actively marketed.

Vehicles

All Authority vehicles are depreciated over 3 years. Fleet review all vehicles on an on-going basis throughout the year to identify any vehicles that need to be sold i.e. older than 3 years or with excessive mileage. Vehicles are sent to auction six at a time.

As soon as a vehicle is identified for decommissioning the tax disc is removed and livery removed. At this point the asset is classified as non-operational and available for sale. As at 31st March 2014, there were no vehicles held awaiting auction.

23. Creditors

An analysis of creditors is given below. Other entities and individuals include: supplies and services, pay accruals, receipts in advance, other creditors and employee benefits. Employee benefits are the theoretical value of annual leave/time owed to staff at the Balance Sheet date.

	31 March 2013 £000	31 March 2014 £000
Central government bodies	(1,709)	(1,486)
Other local authorities	(208)	(8,555)
Other entities and individuals	(10,302)	(773)
Total Short-Term Creditors	**(12,219)**	**(10,814)**

24. Revenue Provisions

The Group has made provisions to meet the costs of the liabilities described below. They are classified as provisions because there is uncertainty about the value and timing of the liabilities, and whether there was an obligation to transfer economic benefits at the Balance Sheet date.

	Pay £000	Legal Services £000	Ill Health Retirements £000	Termination Benefits of Employment £000	Total £000
Balance at 31 March 2013	**(1,381)**	**(188)**	**(177)**	**(155)**	**(1,901)**
Additional Provisions Made In 2013/14	0	(371)	(75)	(169)	(615)
Amounts Used In 2013/14	1,381	107	177	155	1,820
Unused amounts reversed in 2013/14	-	31	-	-	31
Balance at 31 March 2014	**0**	**(421)**	**(75)**	**(169)**	**(665)**

All provisions are expected to be used in 2014/15. The termination benefits of employment is split between short-term provisions (£k) and long-term provisions (£k).

Provision	Description of the obligation	Expected timing of payments	An indication of the uncertainties	Amount of any expected reimbursement
Pay	Correction of errors in salary calculations	Payment expected during 2014/15	Details of terms and conditions for individuals will influence the payments made.	None.
On-going Insurance Claims	A number of claims are being pursued against the Authority, both motor, public and employer's liability.	No certainty, but expected during 2014/15	As with any legal claim, the final outcome will depend upon many factors.	Insurers bear any costs above the excess on our policy.
Ill Health Retirements	Officers were being considered for ill health retirement at the Balance Sheet date.	April 2014	Appeals are possible within the process of ill health retirements.	None.

Termination Benefits of Employment	Amounts to be paid in relation to Police Staff previously retired.	These liabilities are met on a monthly basis, they will continue for the lifetime of the claimant.	Actual costs will vary with the lifespan of the claimant.	None

25. Usable Reserves

Movements in the PCC's usable reserves are detailed in the Movement in Reserves Statements. The PCC keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. Usable Capital Receipts are the proceeds from the sale of capital assets, which are used to fund future capital expenditure.

	Capital Receipts Reserve £000	Earmarked Reserves (PCC)	Earmarked Reserves (Region)	**Earmarked Reserves Total £000**	General Fund Balance £000	General Fund Balance (Region) £000	**General Reserve Total £000**	**Total Usable Reserves £000**
Balance as at 31 March 2013	**233**	**8,096**	**123**	**8,219**	**5,629**	**34**	**5,663**	**14,115**
Movements during the year								
Deficit on the provision of services				-	(39,063)		(39,063)	(39,063)
Adjustments between accounting basis and funding basis under regulations				-	50	(50)	0	0
Income and Expenditure contribution		3,074	-	3,074	(3,074)		(3,074)	0
Used in the year		(2,484)	0	(2,484)	2,484		2,484	0
Total reserve movements 2013/14	**0**	**590**	**0**	**590**	**(39,603)**	**(50)**	**(39,653)**	**(39,063)**
Balance as at 31 March 2014	**233**	**8,686**	**123**	**8,809**	**- 33,974**	**- 16**	**- 33,990**	**- 24,948**

26. Unusable Reserves

	31 March 2013 £000	**31 March 2014 £000**
Revaluation Reserve	511	464
Capital Adjustment Account	7,130	6,066
Pensions Reserve	(1,002,282)	(1,002,282)
Collection Fund Adjustment Account	44	(279)
Accumulated Absences Account	(2,740)	(2,603)
Total Unusable Reserves	**(997,337)**	**(998,634)**

27. Revaluation Reserve

The Revaluation Reserve records the accumulated gains on the long-term assets held by the PCC arising from increases in value. The Reserve is also debited with amounts equal to the part of depreciation charges on assets that have been incurred only because the asset has been revalued. The balance is reduced when assets with accumulated gains are:

a. revalued downwards or impaired and the gains are lost
b. used in the provision of services and the gains are consumed through depreciation, or
c. disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2012/13 £000			2013/14 £000
488	**Balance at 1 April**		**511**
182	Upward revaluation of Property, Plant and Equipment	4	
(63)	Downward revaluation of Property Plant and Equipment, and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(46)	
-	Downward revaluation of Assets Held for Sale and impairment losses not charged to the Surplus or Deficit on the Provision of Services	-	
-	Upward valuation of Assets Held for Sale		
-	Upward revaluation of Investment Properties		
119	**Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**(42)**
(11)	Difference between fair value depreciation and historical cost depreciation and adjustment on revaluation reserve	(5)	
(85)	Accumulated gains on assets sold or scrapped		
(96)	**Amount written off to the Capital Adjustment Account**		**(5)**
511	**Balance at 31 March**		**464**

28. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

2012/13 £000		2013/14 £000
9,477	**Balance at 1 April**	**7,130**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(3,802)	Charges for depreciation and impairment on non-current assets	(3,825)
(10)	Market Rasen Station Prepayment	(10)
(1,286)	Revaluation losses on Property, Plant and Equipment	(955)
(1)	Amortisation of intangible assets	0
0	Revenue expenditure funded from capital under statute	0
(2,406)	Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	
(7,505)		**(4,790)**
96	Amounts written out of the Revaluation Reserve	5
(7,409)	**Net written out amount of the cost of non-current assets consumed in the year**	**(4,785)**
	Capital financing applied in the year:	
1,497	Use of Capital Receipts Reserve to finance new capital expenditure	335
326	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,160
1,205	Application of capital grants and contributions to capital financing transferred to the CAA	370
3,028		**4,865**
(30)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	80
(30)		**80**
	Items not debited or credited to the Comprehensive Income and Expenditure Statement:	
0	Transfer to earmarked reserves	(1,224)
2,064	Revenue provision for the repayment of debt	
2,064		**(1,224)**
7,130	**Balance at 31 March**	**6,066**

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

29. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The PCC Group, accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the Group has set aside to meet them. The statutory arrangements will have been set aside by the time the benefits come to be paid.

2012/13 £000		2013/14 £000
(862,948)	**Balance at 1 April**	**(1,002,282)**
(107,701)	Actuarial gains or losses on pensions assets and liabilities	
(64,100)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	
32,465	Employer's pensions contributions and direct payments to pensioners payable in the year	
2	Other unfunded termination benefits	
(1,002,282)	**Balance at 31 March**	**(1,002,282)**

30. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2012/13 £000		2013/14 £000
172	**Balance at 1 April**	**44**
(128)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(323)
44	**Balance at 31 March**	**(279)**
	Represented by:	
1,869	Council tax arrears	2,195
(559)	Impairment for doubtful debts	(762)
(795)	Council tax overpayments and prepayments	(778)
(471)	Creditors, billing authorities	(934)
44	**Collection fund surplus / (deficit)**	**(279)**

31. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2012/13 £000		2013/14 £000
(2,922)	**Balance at 1 April**	**(2,740)**
2,922	Settlement or cancellation of accrual made at the end of the preceding year	2,740
(2,740)	Amounts accrued at the end of the current year	**(2,603)**
182	**Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements**	**137**
(2,740)	**Balance at 31 March**	**(2,603)**

32. Cash Flow – Adjustments on Provision of Services for Non Cash Movements

2012/13 £000		2013/14 £000
(3,782)	Depreciation of Non-Current Assets	
(1,316)	Impairment and Downward Valuations of Non-Current Assets	
(1)	Amortisation of Intangible Assets	
206.00	Amortisation of Government Grant and Other Contributions	
-	Increase in Impairment Provisions for Bad Debts	
(750)	Increase/(Decrease) in Creditors	
1,354	(Increase)/Decrease in Debtors	
(62)	(Increase)/Decrease in Stock	
(31,633)	Pension Liability	
(2,406)	Carrying Amount of Non-Current Assets Sold	
(1,411)	Contributions to Provisions	
(30)	Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	
(39,831)	**Non Cash Movements**	**0**

33. Cash Flow – Adjustment on Provision of Services for Investing and Financing Activities

2012/13 £000		2013/14 £000
1,202	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	
0	Capital Grants credited to Surplus or deficit on the provision of services	
1,202		**0**

34. Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

2012/13 £000		2013/14 £000
(132)	Interest received	
851	Interest paid	
719	**Net Cash Flows from Investing Activities**	**0**

35. Cash Flow Statement – Investment Activities

2012/13 £000		2013/14 £000
8,387	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	
27,300	Purchase of Short-Term and Long-Term Investments	
(1,185)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	
(27,300)	Proceeds from Short-Term and Long-Term Investments	
7,202	**Net Cash Flows from Investing Activities**	**0**

36. Cash Flow Statement – Financing Activities

2012/13 £000		2013/14 £000
0	Cash Receipts of Short and Long-Term Borrowing	
0	Other Receipts from Financing Activities	
323	Cash Payments for the Reduction of the Outstanding Liability Relating to a Finance Lease	
2,222	Repayments of Short and Long-Term Borrowing	
-	Other Payments for Financing Activities	
2,545	**Net Cash Flow from Financing Activities**	**0**

37. Proceeds from Short-Term Investments

2012/13 £000		2013/14 £000
0	Balance Sheet Opening Balance	
0	Transactions during the year reported in the Cash Flow Statement	
0	**Balance Sheet Closing Balance**	**0**

This item relates to the movement in short term investments made by the PCC during the year.

38. Police Property Act Fund

	2012/13 £000	2013/14 £000
Balance as at 1st April	(30)	(31)
Income	(20)	(14)
Expenditure	19	18
Balance as at 31st March	**(31)**	**(27)**
Cash balance held by Lincolnshire Police as at 31st March	**(31)**	**(27)**

Police and Crime Commissioners are required under the Police Property Act 1997 to set aside any money received from the sale of property which has come into their possession in connection with a criminal charge. The net proceeds from this fund are subsequently either repaid to the individual, used to defray expenses incurred in the storage and safe custody of property, or distributed to local charities as directed by the Chief Constable.

39. Amounts Reported for Resource Allocation Decisions (TBC)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Police Authority on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement;
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

Reconciliation of Directorate Income and Expenditure to Net Cost of Services in the Comprehensive Income and Expenditure Statement

Directorate Income and Expenditure 2012/13	Police Officer Pay Costs £000s	Operational Devolved Budgets £000s	Support Devolved Budgets £000s	Central Budgets £000s	Police & Crime Commissioner £000s	Seconded Officers £000s	General Government Grants £000s	NNDR £000s	Council Tax £000s	Other Grants £000s	Other Income / Funding £000s	Total £000s
Fees, charges & other service income		(4,144)	(2,151)	(110)	(61)							**(6,466)**
Government grants		(219)					(40,279)	(23,734)	(44,317)	(5,842)		**(114,391)**
Total Income	**-**	**(4,363)**	**(2,151)**	**(110)**	**(61)**	**-**	**(40,279)**	**(23,734)**	**(44,317)**	**(5,842)**	**0**	**(120,857)**
Employee expenses	59,453	13,054	2,871	563	482		-	-	-	-	-	**76,423**
Other operating expenses		2,192	9,148	3,438	415	36	-	-	-	-	-	**15,229**
Support services		4,231	499	24,414	65		-	-	-	-	-	**29,209**
Total Expenditure	**59,453**	**19,477**	**12,518**	**28,415**	**962**	**36**	**-**	**-**	**-**	**-**	**-**	**120,861**
Net Expenditure	**59,453**	**15,114**	**10,367**	**28,305**	**901**	**36**	**(40,279)**	**(23,734)**	**(44,317)**	**(5,842)**	**0**	**4**

Directorate Income and Expenditure 2013/14	Police Officer Pay Costs £000s	Operational Devolved Budgets £000s	Support Devolved Budgets £000s	Central Budgets £000s	Police & Crime Commissioner £000s	Seconded Officers £000s	Government Grants £000s	NNDR £000s	Council Tax £000s	Other Grants £000s	Other Income / Funding £000s	Total £000s
Fees, charges & other service income												**0**
Government grants												**0**
Total Income	**-**	**0**	**0**	**0**	**0**	**-**	**0**	**0**	**0**	**0**	**0**	**0**
Employee expenses												**0**
Other operating expenses												**0**
Support services												**0**
Total Expenditure	**0**	**0**	**0**	**0**	**0**	**0**	**-**	**-**	**-**	**-**	**-**	**0**
Net Expenditure	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement. (TBC)

	2012/13 £000s	2013/14 £000s
Net Expenditure in the Directorate Analysis	**4**	**0**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis.	0	
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement, Cost of Services.	116,966	
Cost of Services in Comprehensive Income and Expenditure Statement	**116,970**	**0**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012/13	Directorate Analysis £000s	Services and Support Services not in Analysis £000s	Amounts not reported to management for decision making £000s	Amounts not included in I&E £000s	Other Adjustments £000s	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(5,659)			(3,976)		**(9,635)**		**(9,635)**
Surplus or deficit on associates and joint ventures	-			0		**-**		**-**
Interest and investment income	(132)			132		**0**	(132)	**(132)**
Income from council tax	(44,317)			44,317		**0**	(44,189)	**(44,189)**
Government grants and contributions	(87,866)			87,867		**1**	(82,983)	**(82,982)**
Total Income	**(137,974)**	**-**	**-**	**128,340**	**0**	**(9,634)**	**(127,304)**	**(136,938)**
Employee expenses	52,870			31,458		**84,328**	(7)	**84,321**
Other service expenses	40,352			(40,352)		**0**	40,352	**40,352**
Support services	40,522			(3,346)		**37,176**	0	**37,176**
Capital financing Principal	3,581			1,519		**5,100**	0	**5,100**
Capital financing Interest Paid	796			(796)		**0**	796	**796**
Depreciation, impairment	344			(344)		**0**	344	**344**
Precepts & levies	- 487			487		**0**	(487)	**(487)**
Gain or (loss) on disposal of non current assets	0					**0**	0	**0**
Total Expenditure	**137,978**	**0**	**-**	**(11,374)**	**0**	**126,604**	**40,998**	**167,602**
(Surplus) or Deficit on the Provision of Services	**4**	**0**	**-**	**116,966**	**-**	**116,970**	**(86,306)**	**30,664**

2013/14	Directorate Analysis £000s	Services and Support Services not in Analysis £000s	Amounts not reported to management for decision making £000s	Amounts not included in I&E £000s	Other Adjustments £000s	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income						**0**		**0**
Surplus or deficit on associates and joint ventures						**-**		**-**
Interest and investment income						**0**		**0**
Income from council tax						**0**		**0**
Government grants and contributions						**0**		**0**
Total Income	**0**	**-**	**-**	**0**	**0**	**0**	**0**	**0**
Employee expenses						**0**		**0**
Other service expenses						**0**		**0**
Support services						**0**		**0**
Capital financing Principal						**0**		**0**
Capital financing Interest Paid						**0**		**0**
Depreciation, impairment						**0**		**0**
Precepts & levies						**0**		**0**
Gain or (loss) on disposal of non current assets						**0**		**0**
Total Expenditure	**0**	**0**	**-**	**0**	**0**	**0**	**0**	**0**
(Surplus) or Deficit on the Provision of Services	**0**	**0**	**-**	**0**	**-**	**0**	**0**	**0**

40. Gross Expenditure and Income

The Comprehensive Income and Expenditure Statement has been prepared using the service expenditure analysis for Police Services as detailed in the 2013/14 Service Reporting Code of Practice (SerCOP).

The following table is intended to aid the reader in understanding where the money is spent and in making comparisons between Authorities in terms of the type of expenditure incurred.

2012/13 £000	Description	2013/14 £000
58,674	Police Pay and Allowances	55,702
15,336	Police Staff Pay and Allowances	14,345
376	Other Employee Expenses	642
1,485	Police Pensions - Ill Health Retirements	1,385
8,458	IAS 19 pension costs	12,043
3,473	Premises	2,566
2,619	Transport	2,317
5,781	Supplies and Services	4,973
21,360	Third Party Payments	21,865
2,876	Support Services	4,815
5,100	Capital Financing	4,822
(9,635)	Income from Grants, Fees and Charges	**(6,787)**
115,903	**Net Cost of Services**	**118,688**

The Cost of Services is split across police services on the face of the Comprehensive Income & Expenditure Statement. The split is based on the “Police Objective Analysis” (POA), which has been developed by the Police Service following the end of Activity Based Costing. This method of allocating costs across services is based on a series of apportionments of expenditure in accordance with the actual functions carried out by police officers and staff. However, SerCOP also requires the allocation of central support service costs and other adjustments, which are not considered in the POA.

41. Corporate and Democratic Core and Non Distributed Costs

Corporate and democratic core expenditure represents those costs of operating an organisation such as the PCC, which cannot be directly attributed to a particular function as defined in the Service Reporting Code of Practice.

Non distributed costs are a classification from the Service Reporting Code of Practice. They are costs which do not require allocation as police service costs. Rather, they are an overhead cost for the organisation. They come from two sources: the historic cost of retirement benefit, and the costs of non operational assets.

	2012/13 £000	2013/14 £000
Police Services	114,751	117,014
Corporate and Democratic Core	1,042	1,284
Change from RPI to CPI within IAS19 Pensions	-	
Non Distributed Costs	110	389
Net Cost of Services	**115,903**	**118,687**

Historic costs of retirement benefits

The liabilities as at 31st March 2014 are based on the current benefit structure of both the Local Government Pension Scheme and the Police Pension Scheme. The liabilities include an allowance for the change in commutation factors with effect from 20th April 2011. In 2012/13 there was no effect of this change but in 2011/12 the effect is a £10.4m past service cost in the revenue account. There is also £46k in respect of losses on curtailments in 2012/13 and £36k in 2011/12.

Costs of non operational assets

Impairment costs for non-operational assets were £30k (£447k in 2011/12). Costs of maintaining properties prior to their sale were £34k (£76k in 2011/12)

42. Jointly Controlled Assets

Sexual Assault Referral Centre

Spring Lodge, Sexual Assault Referral Centre (SARC) opened in April 2010. The SARC is a one stop location where victims of sexual assault can receive medical care and counselling whilst at the same time having the opportunity to assist the police investigation into alleged offences. It is a partnership between Lincolnshire Police and Lincolnshire Partnership NHS Foundation Trust, with Lincolnshire Police acting as the lead Authority. The financial statements include the Authority's share of capital expenditure, primarily the purchase and refurbishment costs associated with Spring Lodge (PCC Lincolnshire share is 65%). The financial statements also include the PCC's share of revenue expenditure (PCC Lincolnshire is 50%).

Regional Collaboration (EMSOU; EMSOU Major Crime; EMSOU TSU, EM Forensics, EM OHU, EMPPU)

The East Midlands Special Operations Unit (EMSOU) is responsible for undertaking special operations across Leicestershire, Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire (including the Regional Asset Recovery Team and the Regional Review Unit). Leicestershire acts as the lead Authority. During 2011/12 this collaboration was extended to include EMSOU MC (Major Crime) with Leicestershire acting as the lead Authority and EMSOU TSU (Technical Support Unit) with Derbyshire acting as the lead Authority. During 2012/13 the collaboration was extended to include EM Forensics with Derbyshire as the lead Authority and EM OHU (Occupational Health Unit) with Leicestershire as the lead Authority. During 2013/14 the collaboration was extended to include EMPPU (Protected Persons Unit). The following table shows the total balance sheet for this jointly controlled asset together with the balances attributable to Lincolnshire. The transactions relating to Lincolnshire's 12.8% with the exception of

forensics which is 20% share of revenue expenditure have been included in the Comprehensive Income and Expenditure Statement. The Balance Sheet and Cash Flow also incorporate Lincolnshire's share of EMSOU transactions.

PCC Lincolnshire's contribution to EMSOU was £1,221,870 in 2013/14 (£830,336 in 2012/13), EMSOU MC was £181,954 (£186,498 in 2012/13), EMSOU TSU was £290,470 (£289,549 in 2012/13), EM Forensics was £541,072 (£614,726 in 2012/13) and EM OHU was £204,110 (£230,744 in 2012/13)

Lincolnshire share of regional Balance Sheet as at 31st March 2014

31 March 2013 £000		31 March 2014 £000
147	Property, Plant & Equipment	710
1	Intangible Assets	-
-	Asset Under Construction	27
148	**Long Term Assets**	**737**
4	Payments In Advance	6
275	Cash and Cash Equivalents	251
192	Short-Term Debtors	429
471	**Current Assets**	**686**
(280)	Short-Term Creditors	(206)
(33)	Receipts In Advance	(15)
(32)	Employee Benefits	(31)
(345)	**Current Liabilities**	**(252)**
274	**Net Assets**	**1,171**
34	General Fund Balance	71
123	Earmarked Reserves	394
157	**Usable Reserves**	**465**
149	Capital Adjustment Account	737
(32)	Accumulated Absences Account	(31)
117	**Unusable Reserves**	**706**
274	**Total Reserves**	**1,171**

Lincolnshire share of regional Comprehensive Income and Expenditure Statement

2012/13 £000		2013/14 £000
607	Police Pay and Allowances	615
1,111	Police Staff Pay and Allowances	1,177
28	Other Employee Expenses	34
130	Premises	65
108	Transport	112
327	Supplies and Services	365
0	Support Services	0
14.00	Agency and Contracted Services	14
36.00	Depreciation	51
1.00	Amortisation	1
0	Capital Financing	0
2,362	**Gross Operating Expenditure**	**2,434**
(30)	Other Income	(32)
0	(Gains) or Losses on Disposal of Non Current Assets	0
2,332	**Amount to be met from Partners**	**2,402**
	Financed by:	
(2,165)	Contributions from Partners	(3,240)
(219)	External Grants	(322)
0	Capital Grants & Contributions	(155)
(52)	**Deficit on the Provision of Services**	**(1,315)**
-	(Surplus) or Deficit on Revaluation of Non-Current Assets	-
-	**Other Comprehensive Income and Expenditure**	-
(52)	**Total Comprehensive Income and Expenditure**	**(1,315)**

43. Jointly Controlled Operations

Lincolnshire Road Safety Partnership

Lincolnshire Road Safety Partnership (LRSP) was formed in June 2000 in order to reduce the number of people killed or injured on Lincolnshire's roads. LRSP is a unique multi-agency partnership that brings together road safety professionals from the Police, Lincolnshire County Council, Fire & Rescue, the NHS, the Highways Agency and the Probation Service. As well as the time of Roads Policing Officers, Lincolnshire Police made a cash contribution of £51k to the partnership (£51k in 2012/13).

Drug and Alcohol Action Team (DAAT)

The Lincolnshire DAAT is a virtual partnership of all the statutory services in the area and some other significant organisations responsible for delivering the National Drugs Strategy. Previously named the Lincolnshire DAT (Drugs Action Team), the organisation's remit has been widened to incorporate responsibility for the National Alcohol Harm Reduction Strategy and is now called the Lincolnshire Drug and Alcohol Action Team. Drugs Referral Officers work in the Authority's custody suites to provide

support and advice to individuals and families affected by substance misuse. Lincolnshire Police made a contribution of £55k to DAAT in 2013/14 (£55k in 2012/13).

44. Audit Committee Allowances and Expenses

The amount paid to members of the Joint Independent Audit Committee equated to £6,957 for the year, including costs for the interim body.

45. Remuneration of Senior Staff

Remuneration includes all sums paid to or receivable by an employee. Pension contributions payable by the employer are excluded.

The table below excludes senior employees who are shown in more detail in the following tables for Senior Officers' Remuneration. It includes 3 Chief Superintendents for 2012/13 and 4 Chief Superintendents for 2013/14.

The table includes 1 employee who received redundancy payments in the year for 2013/14, there were none in 2012/13.

Remuneration Range	2012/13 Number of employees	2013/14 Number of employees
£50,000 to £54,999	48	54
£55,000 to £59,999	25	26
£60,000 to £64,999	7	7
£65,000 to £69,999	2	1
£70,000 to £74,999	2	3
£75,000 to £79,999	7	4
£80,000 to £84,999	1	2
£85,000 to £89,999	3	1
£90,000 to £94,999	-	-
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-

2012/13 Senior Employees' Remuneration

Post title	Notes	Salaries, fees or allowances £	Performance related pay £	Compensation for loss of office £	Other benefits receivable in the role £	**Total remuneration excluding pension contributions 2012/13 £**	Employer's pension contribution £	**Total remuneration including pension contributions 2012/13 £**
Police and Crime Commissioner	**22/11/12 to 31/03/13**	23,292				**23,292**	4,635	**27,927**
Office of the Police and Crime Commissioner								
Chief Executive and Monitoring Officer *		90,971			1,239	**92,210**	19,550	**111,760**
Chief Finance Officer **		41,556			775	**42,331**	8,125	**50,456**
Police officers								
Temporary Chief Constable		136,219			5,283	**141,502**	31,471	**172,973**
Temporary Deputy Chief Constable		106,654			5,300	**111,954**	24,152	**136,106**
Temporary Deputy Chief Constable***		137,364	7,500		2,197	**147,061**	31,398	**178,459**
Assistant Chief Constable 1		109,602			5,024	**114,626**	25,615	**140,241**
Temporary Assistant Chief Constable 2		93,951			4,061	**98,012**	21,956	**119,968**
Chief Finance Officers of the Chief Constable								
Chief Finance Officer 1		65,508				**65,508**	13,036	**78,544**
Chief Finance Officer 2	26/06/12 to 31/03/12	40,573				**40,573**	-	**40,573**

* The Monitoring Officer services were provided via a 3rd party from 1 April 2012 until 21 November 2012 at which point the Chief Executive took on the role of Monitoring Officer. Payments amounting to £4,000 were made to the third party for Monitoring Officer services.

** The Chief Finance Officer's services were provided via a third party until July. Payments amounting to £23,846 were made to the third party for the Chief Finance Officer's services.

*** This Officer has been seconded from Lincolnshire Police to the post of Chief Executive of the Child Exploitation and Online Protection Centre (CEOP). Costs are reimbursed.

2013/14 Senior Employees' Remuneration

Post title	Notes	Salaries, fees or allowances £	Performance related pay £	Compensation for loss of office £	Other benefits receivable in the role £	**Total remuneration excluding pension contributions 2012/13 £**	Employer's pension contribution £	**Total remuneration including pension contributions 2012/13 £**
Police and Crime Commissioner		65,000				**65,000**	12,935	**77,935**
Office of the Police and Crime Commissioner								
Chief Executive		96,805			1,400	**98,205**	19,018	**117,222**
Chief Finance Officer		71,647			1,300	**72,947**	14,011	**86,959**
Police officers								
Chief Constable		139,292			6,289	**145,581**	32,270	**177,850**
Temporary Deputy Chief Constable*		112,131			5,014	**117,145**	26,227	**143,373**
Temporary Deputy Chief Constable**		29,966			2,289	**32,255**	29,966	**62,222**
Deputy Chief Constable	Left 16/08/13	51,954			3,314	**55,268**	10,624	**65,892**
Assistant Chief Constable 1***		98,928			2,289	**101,217**	22,998	**124,214**
Temporary Assistant Chief Constable 2****		97,142			2,289	**99,431**	21,998	**121,429**
Temporary Assistant Chief Constable	Left 16/06/13	19,834			500	**20,334**	4,635	**24,969**
Chief Finance Officers of the Chief Constable								
Chief Finance Officer 1		65,890				**65,890**	13,112	**79,002**
Chief Finance Officer 2		53,424				**53,424**	-	**53,424**

Estimated figures have been used for other benefits until the information is available from p11d's

* This officer was in an Assistant Chief Constable post between 01/04/13 to 15/08/13

** This Officer has been seconded from Lincolnshire Police to the post of Chief Executive of the Child Exploitation and Online Protection Centre (CEOP). Costs are reimbursed. The officer

*** Temporary in post from 03/06/13 until 29/01/14 at which point a permanent appointment was made

**** In post from 19/08/13

46. Severance Costs

Cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number by cost band		Total cost in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0,000 to £20,000	1	2	-	-	1	2	3,332	8,350
£20,001 to £40,000	-	-	-	-	-	-	30,837	47,736
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,000 to £150,000	-	-	-	-	-	-	-	-
Total	**1**	**2**	**-**	**-**	**1**	**2**	**34,169**	**56,086**

The cost in the £20k-£40k band in 2012/13 is £31k pension strain which relates to an individual who left the organisation in 2011/12.
The cost in the £20k-£40k band in 2013/14 is £48k pension strain which relates to an individual who left the organisation in 2013/14.

The number of cases, analysed between compulsory redundancies and other departures and total cost are set out in the table above.

The PCC terminated the contract of 2 employees in 2013/14, incurring liabilities of £56k. This is made up of:

- £8k in compulsory redundancy payments (£3k in 2012/13);
- £48k for enhanced retirement benefits, this relates to a member who retired under the rule of 85 in 2013/14 (£31k in 2012/13 relating to a member of staff who was made redundant in 2011/12)

Further, the PCC has recognised the potential liability of £168k for 13 employees who had their contracts terminated in the past under different accounting arrangements. For these employees, the impact on the General Fund is restricted to the £18k cash payment made in 2013/14.

47. Audit Costs

	2012/13 £000	2013/14 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	64	59
Rebate received with regard to External Audit Services	0	
Total	**64**	**59**

48. Grant Income

The PCC credited the following grants to the Comprehensive Income and Expenditure Statement.

	2012/13 £000	2013/14 £000
Credited to Taxation and Non Specific Grant Income		
Central Government:		
Police Grant	(39,220)	(64,772)
National Non Domestic Rates	(23,734)	
Home Office Pension Grant	(16,858)	(19,996)
Revenue Support Grant	-	-
Capital Grants and Contributions	(1,423)	(895)
Council Tax Freeze Grant	(1,059)	(1,058)
Other Bodies:		
Council Tax Precept	(44,189)	(45,829)
Total	**(126,483)**	**(132,550)**

	2012/13 £000	2013/14 £000
Credited to Services		
Central Government:		
Neighbourhood Policing Fund	(2,851)	-
Counter Terrorism	(378)	(37)
Proceeds of Crime Act	(94)	(94)
Other Home Office Grants	(27)	(478)
Other Bodies:		
LCC Neighbourhood Policing	(1,500)	(1,500)
Migration Impact Fund	(5)	-
Total	**(4,855)**	**(2,109)**

	31 March 2013 £000	31 March 2014 £000
Capital Grants Receipts in Advance <1 year		
Mobile Data	(324)	(320)
Body Worn Video Device	(99)	(99)
Home Office Capital Grant	-	-
Total	**(423)**	**(419)**

The PCC has received a number of grants that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the donor. The balances at the year-end are as follows:
(TBC)

49. Related Party Transactions

The entity is required to disclose details of any material transactions with related parties - bodies or individuals that have the potential to control or influence the Group of PCC or to be controlled or influenced by it. Disclosure of these transactions allows readers to assess the extent to which the entity 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 with it.

UK Central Government
The UK central government has effective control over the general operations of the PCC. It is responsible for establishing the statutory framework within which the PCC operates. It provides a large proportion of the PCC's funding in the form of grants and prescribes the terms of many of the transactions that the PCC has with other parties. Grants received from government departments are included in the subjective analysis in Note 39 on reporting for resources allocation decisions. Home Office Grants credited to the Comprehensive Income and Expenditure Statement in 2013/14 amounted to £84,763k (Note 47). Grant receipts outstanding at 31 March 2014 are also shown in Note 47.

Chief Constable for Lincolnshire
Within the PCC Group, the Chief Constable is accountable to the Police & Crime Commissioner for Lincolnshire. The PCC provides all funding to the Chief Constable for the discharge of his duties. The total funding of £83,301k is shown in the PCC's Comprehensive Income & Expenditure Statement.

Officers
The total remuneration to senior staff in 2013/14 is shown in Note 45. All senior officers employed by the PCC Group at the 31st March 2014 have completed a related party transaction declaration for the financial year in respect to themselves and close family members to identify any business dealings with the Group that fall into this category. No further disclosures are required.

Other Public Bodies
Jointly controlled assets and operations are disclosed in Notes 42 and 43 respectively.

The table below sets out material transactions between all other public bodies and the PCC Group.

	Income £000	Expenditure £000
Boston Borough Council		1
East Lindsey District Council		
Lincoln City Council		1
North Kesteven District Council		13
South Holland District Council		0
South Kesteven District Council		
West Lindsey District Council		
Lincolnshire County Council	142	97
National Policing Improvement Agency		
Forensic Science Service		

50. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the PCC, the expenditure results in an increase in Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the PCC that has yet to be financed. The CFR is analysed in the second part of this note.

	2012/13 £000	2013/14 £000
Opening Capital Financing requirement	20,108	24,419
Capital Investment		
Land and Buildings	1,356	1,717
Plant & Equipment	4,420	3,525
Assets under Construction	3,627	1,167
Intangible Assets	-	1,461
Revenue Expenditure Funded from Capital Under Statute	-	
Sources of Finance		
Capital Receipts	(1,497)	(334)
Government grants and other contributions	(1,205)	(370)
Revenue Provision (including MRP)	(2,390)	(5,384)
Closing Capital Financing Requirement	**24,419**	**26,201**
Explanation of Movements in Year		
Assets acquired under finance leases	1,121	
Increase in underlying need to borrow (Unsupported by Government Financial Assistance)	3,190	1,782
Increase/(decrease) in Capital Financing Requirement	**4,311**	**1,782**

51. Minimum Revenue Provision (MRP)

The PCC is required to adopt a "prudent" approach to the repayment of long term borrowing. Various methods are authorised for the calculation of the Minimum Revenue Provision. The PCC must set an annual policy describing its calculation.

For capital expenditure before 1st April 2008 or which forms part of its Supported Capital Expenditure, the Group applies option 2, with MRP equal to 4% of these balances. For other capital borrowing on or after 1st April 2008 the Group applies option 3, calculating MRP over the life of the assets created.

On this basis the MRP for 2013/14 was £2.573 million (2012/13:MRP was £12.064 million).

The preceding organisation Lincolnshire Police Authority followed the practice of recognising borrowing costs in the year that they were paid. This led to a voluntary revenue provision of £362k in 2011/12. The Group now restricts repayments to those required by statute. Hence, no voluntary provision is made.

52. Leases

PCC as Lessee

Finance Leases

The PCC has a Police dog training establishment with kennels and a radio mast under a 99-year finance lease. The asset acquired under this lease is carried as Property, Plant and Equipment in the Balance Sheet, and as Land & Buildings in the table below. There is no corresponding liability to recognise as the PCC paid the full costs of constructing the premises at the inception of the lease. If demanded the annual rent is one peppercorn per annum, so there are no minimum lease payments to disclose.

Net Carrying Amount	31 March 2013 £000	31 March 2014 £000
Land and Buildings	171	175
Vehicles, Plant, Furniture and Equipment	798	6893
	969	**7,068**

Minimum Lease Payments	31 March 2013 £000	31 March 2014 £000
Not later than one year	323	1,036
Later than one year and not later than five years	483	4,911
Later than five years	97	937
	903	**6,884**

As part of the strategic partnership with G4S, ICT and furniture assets valued at £1,121k were transferred to G4S for £1 in 2012/13, additional assets have been added to the in 2013/14 for £6,798k. Under IFRIC 4 there is a finance lease for these assets. The associated minimum lease payments are shown above. There are no contingent rents or sublease payments.

The assets are carried in the PCC Group asset register and are subject to depreciation. Their carrying value as at 31 March 2014 was £6,893k as shown above, with £516k on the balance sheet as Other Long Term Liabilities, and £6,377k Other Short Term Liabilities.

Operating Leases

The PCC has acquired a number of assets (properties and Livescan devices) by entering into operating leases, typically on a short-term basis. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2013 £000	31 March 2014 £000
Not later than one year	50	26
Later than one year and not later than five years	122	98
Later than five years	118	45
	290	**169**

The expenditure charged against the cost of services section of the Comprehensive Income and Expenditure Statement during the year in relation to leases was:

	2012/13 £000	2013/14 £000
Minimum lease payments	135	122
	135	**122**

The PCC has 7 additional licenses to occupy premises on a peppercorn rent basis, which are cancellable by either party at between 1 and 3 months notice. These premises are typically utilised by Neighbourhood Police Teams. No payments are made for these licenses and as such no value is recorded in the tables above in relation to them.

PCC as Lessor

Operating Leases

The PCC leases out office accommodation and space on radio masts under operating leases for the following purposes:

- office accommodation for the provision of probation services
- office accommodation for the provision of UK immigration services.
- space on radio masts for telecommunication services

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2013 £000	31 March 2014 £000
Not later than one year	109	50
Later than one year and not later than five years	330	179
Later than five years	292	159
	731	**388**

53. Onerous Contracts

There are no onerous contracts that need to be declared in the 2013/14 accounts.

54. Retirement Benefits

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the Group offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to disclose the cost of future pension liabilities at the time that employees earn their future entitlement.

The Group participates in two pensions schemes:

The Local Government Pension Scheme is for police staff, and is administered by Lincolnshire County Council. This is a funded defined benefit final salary scheme, meaning that the PCC and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. G4S joined Lincolnshire Pension Fund as a new Transferee Admission Body on 1st April 2012 on a "pass through" arrangement for a contract term of 10 years. The IAS19 results as at 31st March 2014 reflect the combined G4S and Lincolnshire Police pension fund assets and liabilities.

The Police Pension Scheme for police officers – this is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year are less than amounts payable, the PCC must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by a central government pension top up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the PCC who then must repay the amount to central government.

Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Retirement Benefits

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

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Police Pension Scheme		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current service cost	(3,709)	(4,464)	(19,900)	(22,900)	(23,609)	(27,364)
Past service costs	(46)	(163)	0	(200)	(46)	(363)
Effect of settlements	-	-	-	-	-	0
Financing and Investment Income and Expenditure						
Net interest expense	(1,108)	(1,481)	(40,000)	(43,400)	(1,108)	(1,481)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(4,863)**	**(6,108)**	**(59,900)**	**(66,500)**	**(24,763)**	**(29,208)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
Return on plan assets (excluding the amount included in the net interest expense)	6,395	(3,543)			6,395	(3,543)
Actuarial gains and losses arising on changes in demographic assumptions	0	(2,990)			0	(2,990)
Actuarial gains and losses arising on changes in financial assumptions	(15,119)	2,119			(15,119)	2,119
Other (if applicable)	86	(96)			86	(96)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(13,501)**	**(10,618)**	**(59,900)**	**(66,500)**	**(33,401)**	**(33,718)**
Movement in Reserves Statement						
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	4,863	6,108	59,900	66,500	64,763	72,608
Actual Amount charged against the General Fund Balance for pensions in the year:						
Employers contributions payable to scheme	(4,165)	(3,981)	-	-	(4,165)	(3,981)
Retirement benefits payable to pensioners	-	-	(28,300)	(31,700)	(28,300)	(31,700)

Pensions Assets and Liabilities in relation to Retirement Benefits

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan is as follows:

	Funded liabilities LGPS		Discretionary benefits Police Pension Scheme	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Present value of the defined benefit obligation	117,715	127,314	932,700	1,025,400
Fair value of plan assets	(85,271)	(88,239)	0	0
Sub-total	**32,444**	**39,075**	**932,700**	**1,025,400**
Other movements in the liability (asset)	183	190	36,800	42,300
Net liability arising from the defined benefit obligation	**32,627**	**39,265**	**969,500**	**1,067,700**

Reconciliation of the movements in the fair value of the scheme (plan) assets

	Local Government Pension Scheme	
	2012/13 £000	2013/14 £000
Opening fair value of scheme assets	71,990	85,271
Interest income	3,535	3,893
Remeasurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	6,395	(3,543)
Other	0	0
Effect of changes in foreign exchange rates	0	0
Contributions from employer	4,165	3,981
Contributions from employees in the scheme	1,354	1,234
Benefits paid	(2,168)	(2,597)
Other	-	-
31st March	**85,271**	**88,239**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Funded liabilities LGPS		Unfunded liabilities Police Pension Scheme	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Opening balance at 1 April	95,281	117,898	839,500	969,500
Current service cost	3,709	4,464	19,900	22,900
Interest cost	4,643	5,374	40,000	43,400
Contributions from scheme participants	1,354	1,234	5,000	5,300
Remeasurement gain / (loss):				
Actuarial gains / losses arising from changes in demographic assumptions	0	2,990	0	23,500
Actuarial gains / losses arising from changes in financial assumptions	15,119	(2,119)	98,800	39,500
Other	(86)	96	(400)	400
Past service cost	46	163	0	200
Losses / (gains) on curtailment	0	0		0
Liabilities assumed on entity combinations				
Benefits paid	(2,168)	(2,597)	(33,300)	(37,000)
Liabilities extinguished on settlements (where relevant)	0	0	-	-
31st March	**117,898**	**127,503**	**969,500**	**1,067,700**

Local government pension scheme assets

The police pension schemes have no assets to cover their liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

LGPS asset details	Fair value of scheme assets	
	2012/13 £000	2013/14 £000
Cash and cash equivalents	964.9	1361.7
Equity instruments		
Consumer	15,891.7	16,234.6
Manufacturing	3,521.9	2,981.1
Energy and utilities	6,932.8	6,479.9
Financial institutions	9,145.3	10,425.8
Health and care	-	-
Information technology	3,056.4	2,410.7
Other	9,681.4	11,205.6
Sub-total, equity	48,229.5	49,737.7
Bonds by sector		
Corporate	2,755.6	2,750.6
UK Government	1,689.7	1,621.9
Other	1,111.8	1,053.1
Sub-total, bonds	5,557.1	5,425.6
Property by type		
UK property	7,296.6	8,295.1
Overseas property	1,580.5	1,335.8
Sub-total, property	8,877.1	9,630.9
Private equity		
Sub-total, private equity	5,655.4	4,834.8
Other investment funds		
Equities	4,237.0	4,121.2
Bonds	5,034.0	5,564.1
Hedge funds	-	-
Commodities	-	-
Infrastructure	-	-
Other	6,715.9	7,562.9
Sub-total, other investment funds	15,986.9	17,248.2
Derivatives		
Sub-total, derivatives	-	-
Total assets	**85,270.9**	**88,238.9**

Basis for Estimating Assets and Liabilities

Both the Police Scheme and the Local Government Scheme liabilities have been assessed by Hymans Robertson (an independent firm of actuaries). The value of the liabilities is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc..

For the Local Government Pension Scheme, liabilities have been assessed on an actuarial basis using the projected unit method. Estimates are based on the latest full valuation of the scheme as at 31st March 2013.

For the police schemes (both the 1987 Police Pension Scheme and the 2006 new Police Pension Scheme) liabilities have been assessed on an actuarial basis. The last formal valuation of the schemes were carried out as at 31st March 2012. The results of this valuation have been projected forward to 31st March 2014 using approximate methods. The roll forward allows for changes in financial assumptions, additional benefit accruals, estimate cash-flows over the period and updated membership information.

The principal assumptions used by the actuary are set out in the table below.

	Local Government Pension Scheme		**Police Pension Scheme**	
	2012/13	**2013/14**	**2012/13**	**2013/14**
Long term expected rate of return on assets in the scheme:				
Equity investments	4.5	4.3	n/a	n/a
Bonds	4.5	4.3	n/a	n/a
Other	4.5	4.3	n/a	n/a
Mortality assumptions	Longevity at 65		Longevity at 60	
	Years	Years	Years	Years
Longevity for current pensioners:				
Men	21.2	22.2	21.2	29.3
Women	23.4	24.4	23.4	31.5
Longevity for future pensioners:				
Men	23.7	24.5	23.7	30.9
Women	25.7	26.8	25.7	33.0
Financial assumptions	**%**	**%**	**%**	**%**
Market derived RPI	3.6	3.7	3.6	3.6
Rate of increase in salaries	5.1	4.1	3.8	3.8
Rate of increase in pensions	2.8	2.8	2.8	2.8
Rate for discounting scheme liabilities	4.5	4.3	4.5	4.3

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the

scheme, i.e., on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the defined benefit obligation in the scheme	
	LGPS £000	Police pension scheme £000
Longevity (increase or decrease in 1 year) Rate of inflation (increase or decrease by 1%) Rate of increase in salaries (increase or decrease by 1%) Rate of increase in pensions (increase or decrease by 1%) Rate for discounting scheme liabilities (increase or decrease by 1%)		
31st March	**0**	**0**

Impact on the Authority's cash flows

The liabilities show the underlying commitments for retirement benefits that the PCC Group has to pay in the long run. The total liability of £1,002 million has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £982 million. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

The objectives of the local government scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2016.

For police pensions, finance is only required to be raised to cover costs as they are paid. As described above, police pension costs are funded by a cash top-up from the Home Office. The top-up is received in July, providing resources for monthly payments to pensioners and lump sums to new pensioners for the remainder of the financial year.

The local government scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2014 (or service after 31st March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipated to pay £9,651k expected contributions to the LGPS in 2014/15. It expected to pay £1,551k contributions to the police pension scheme.

The weighted average duration of the defined benefit obligation for local government pension scheme members is 22.1 years, 2013/14 (22.1 years 2012/13).
The weighted average duration of the defined benefit obligation for the combined police pension scheme members is 18.8 years, 2013/14 (18.3 years 2012/13).

55. Contingent Liabilities

Legal claims against the PCC Group

A number of legal claims are being pursued against the Group. They are all being rigorously defended.

- The claims are motor, public liability, employer's liability and employment tribunal cases brought against the Group.
- It is not expected that any material awards will be made against the Group other than those already included in the Provisions.
- As with any legal claim, the final outcome and timing of each case will depend upon many factors, some of which had not been determined at the Balance Sheet date.
- The Group will be reimbursed for any costs which exceed the insurer's excess for an individual case.

Ill health retirements

The medical condition of some staff may mean that they qualify for ill health retirements under the rules of their pension scheme. In such cases, the Group is required to make a contribution to the pension scheme to fund the additional payments to the individual.

- Each case is considered individually, with professional medical advice being sought.
- As at 31st March, there was 1 employee being considered for medical retirement where no provision had been made.
- Key factors in the assessment process are the nature of the condition, illness or disability, the prognosis for its development in the future and the impact on the individual's ability to work for the police.
- The total cost to the PCC for the member of staff would be around £75k, but there is no certainty that they will retire.

56. Nature and Extent of Risks arising from Financial Instruments

Credit Risk Exposure

This is the risk that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party. Exposure to this risk is managed through the Treasury Management Strategy. The PCC only invests in approved institutions with secure credit ratings, there are also limits in place on how much can be invested with counterparties.

In the current climate an interim set of operating procedures have been implemented. These are:

i) Weekly review of Fitch IBCA rating for each counterparty. Loan limits are based on the following:

Rating AA+ to AA-	£5,000,000
Rating A+ to A	£4,000,000
Rating A-	£3,000,000

The rating is also amended by the Fitch Rating outlook so that a negative outlook would result in the institutions banding being reduced by one level.

ii) The loan activities have been further limited by no longer using Banks who are not based in the UK.

iii) All loans where possible are placed in on call accounts with the main UK clearing banks. This has resulted in a reduced level of interest being received but is seen as lower risk.

In the event that there is insufficient head room within the loan limits for placing on call money with these counterparties then loans will be placed with other UK based counterparties on the approved list for a period of no greater than one month.

The PCC does not generally allow extended credit for customers such that £131k of the £677k for 2013/14 balance is past its due date for payment. The amounts not impaired can be analysed by age as follows:

	2012/13 £000	**2013/14 £000**
Current	1	546
Up to one month	231	18
Up to six months	112	69
Up to one year	8	25
More than one year	38	19
Total:	**390**	**677**
Other debtors	9,291	10,900
Total:	**9,681**	**11,577**

Note that this table shows the aged debt analysis from the trade debtors account, with all other debtors included at the 'Other Debtor' line.

Liquidity Risk Exposure

This is the risk that a party will be unable to raise funds to meet its commitments associated with financial instruments. As the PCC currently has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the PCC will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The financial liabilities however all mature at different times. The maturity analysis of financial liabilities is as follows:

2012/13 long term borrowing	**PWLB**	**Deferred Liabilities**	**Total**
	£000	**£000**	**£000**
Less than 1 year	2,007	52	2,059
Between one and two years	1,510	52	1,562
Between two and five years	3,109	156	3,265
More than five years	11,197	104	11,301
Total	**17,823**	**364**	**18,187**

2013/14 long term borrowing	**PWLB**	**Deferred Liabilities**	**Total**
	£000	**£000**	**£000**
Less than 1 year	1,658	52	1,710
Between one and two years	1,260	52	1,312
Between two and five years	2,689	156	2,845
More than five years	10,357	52	10,409
Total	**15,964**	**312**	**16,276**

This excludes trade and other payables (creditors and other liabilities) which are due to be paid in less than one year.

Market Risk Exposure

This is the risk that the value of an instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates. The PCC has limited risk. PWLB interest rates are fixed, and no short term investments were held at the end of 2013/14. The PCC does not invest in equity shares and has no financial assets or liabilities in foreign currencies.

The following sensitivity analysis shows that as at 31 March 2013 and as at 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2012/13 £000	2013/14 £000
Increase in interest payable on variable rate borrowings	4	3
Increase in interest receivable on variable rate investments	-	
Impact on Surplus or Deficit on the Provision of Services	**4**	**3**
Decrease in fair value of fixed rate investment assets	-	
Impact on Other Comprehensive Income and Expenditure	**4**	**3**
Decrease in fair value of fixed rate borrowings (no impact on the Surplus or Deficit on the Provision of Services)	(1,858)	(3,521)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The variable rate borrowings referred to are the deferred liabilities, transferred debt from Lincolnshire County Council and the variable rate investments are the short term investments. The fixed rate borrowings are the PWLB borrowings. The sensitivity analysis for both years has been prepared using the same method.

57. Post Balance Sheet Events

The Audit Committee approved the draft financial statements on 5 June 2014.

Adjusting events

There have been no material post balance sheet events between the year end and the date of approval of these accounts which require adjustment to these draft financial statements.

Non adjusting events

TBC

58. Prior Period Adjustments

New IAS19 regulations applied, £663k change to I+E disclosures, but not material.

PCC / CC split reviewed.

PCC for Lincolnshire

Police Officer Pensions - Home Office Memorandum Account

2013/14

This statement shows the transactions relating to retirement benefits paid to Police Officers and how those costs are paid for.

2012/13 £000	Fund account	2013/14 £000
	Contributions Receivable	
	From Employer:	
9,883	Normal	9,533
569	Early Retirements	686
4	Reimbursement of Unabated Pensions of 30+ Police Officers	-
178	Recovery from PCC for Humberside	160
	From Members:	
4,858	Contributions	5,144
98	Individual Transfers in from Other Schemes	102
15,590		**15,625**
	Benefits Payable	
25,877	Pensions	27,343
6,361	Commutations	7,755
0	Lump Sum Death Benefits	-
4	Unabated Pension of 30+ Police Officers	-
	Payments To and On Account of Leavers	
0	Refunds of Contributions	4
206	Individual Transfers Out	519
-	Employers Sanction Charge	-
-	Equivalent Premium	-
32,448		**35,621**
16,858	**Sub-total for the year before transfer from the PCC for Lincolnshire of amount equal to the deficit**	**19,996**
(16,858)	**Additional funding payable by the PCC for Lincolnshire to meet deficit for the year**	**(19,996)**
-	**Net Amount payable/(receivable) by the PCC for Lincolnshire**	-

Disclosure Notes

1. The operation of the Pension Fund for Police and Crime Commissioners in England and Wales is controlled by the Police Pension Fund Regulations 2007 (SI 2007 No 1932). It covers both old and new Police Officer pension schemes but has no impact on the benefit structure of either scheme. The new scheme was introduced from 1 April 2006. This is the only scheme open to new officers, whereas officers in the existing scheme have the option to transfer to the new scheme. Injury and ill health awards continue to be paid from the PCC's operating account. The employer contribution rate is 24.2% of pensionable pay. Employees' contributions in the old scheme are either 13.5% or 14% of pensionable pay. In the new scheme employees contribute either 10.7%, 11.5% or 12% of pensionable pay.

2. The fund is administered locally by Lincolnshire Police. Salary deductions are made from members of the scheme, and payments are made to retiring officers and pensioners in accordance with Police Pension Fund Regulations 2007. Returns are made to the Home Office for the projected and actual costs in each year, and funds are transferred accordingly.

3. There are no investment assets; the fund is balanced to nil each year by receipt of a pension top up grant from the Home Office (via PCC for Lincolnshire). Payments are made monthly to pensioners, with the pension fund entries being kept separate, outside of the PCC's general ledger accounts. Details of the PCCs long term pension obligations can be found in the main statements at Note 54.

4. The accounting policies followed are in accordance with Note 1 on pages 27 to 43.

5. The Police Officer Pensions - Home Office Memorandum Account does not take account of liabilities to pay pensions and benefits after the period end.

6. The net amount receivable of £7,049,573 is shown in PCC for Lincolnshire accounts as due from the Home Office.

2012/13 £000	Net Asset Statement as at 31st March	2013/14 £000
	Net Current Assets and Liabilities	
2,280	Pension benefits paid in advance	-
28	Receivable from PCC for Humberside	60
(2,308)	Creditors to the PCC for Lincolnshire	(60)
-	Total	-

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE

Glossary of Terms

'30+' police officers

Police officers may opt to receive the lump sum from their pension after 30 years and continue as officers outside the pension scheme. They are no longer able to contribute or accrue further benefits from the scheme. The pension scheme compensates the police officers for loss of any allowances. The Police Authority reimburses the pension scheme for this cost.

Accrual

An adjustment to ensure that expenditure and income are reflected in the appropriate accounting period.

Actuary/Actuarial

A person professionally qualified to advise on pension matters and undertakes calculations on pension costs, allowing for risk and demographic factors.

Amortisation

This is the equivalent of depreciation for intangible assets.

Audit Report

The Audit Commission are an independent body charged with auditing public sector organisations to ensure that proper stewardship is undertaken.

Authority

The Authority refers to the PCC Group, being the PCC and Chief Constable position.

Back Rest Days

Due to the rescheduling of rest days Police Officers may accrue untaken rest days which they may accumulated over a number of years.

Balances

The total revenue Reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

Capital Adjustment Account

A reserve primarily designed to represent timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

Expenditure on assets, which have a long term value. Includes the purchase of land, purchase or construction of new buildings and vehicles.

Capital Grants

Grants received towards capital outlay on a particular service or project.

Capital Receipts

Proceeds received from the sale of property and other fixed assets (assets which have value beyond one financial year).

CIPFA

The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public service.

Collection Fund

A fund administered by each billing Authority. Council tax monies are paid into the fund. These are distributed to precepting and billing Authority's in proportion to the council tax set.

Creditors

Amounts owed by the PCC for work done, goods received or services rendered but for which payment has not been made at 31 March.

Debtors

Sums of money due to the PCC but unpaid at 31 March.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

Direct Revenue Financing

This refers to financing of capital expenditure directly from revenue rather than loans or other sources.

Earmarked Reserves

The elements of total PCC's Reserves, which are retained for specific purposes.

EMSOU

East Midland Special Operations Unit

Finance lease

Where the conditions of the lease amount to recognising all the costs of an asset but legal title is with a third party.

Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability of another. For local authorites, this will normally mean contracts which involve the right to transfer cash or other financial assets.

Flexi Time

Police Staff may utilise the Authority flexi time scheme to accrue additional hours worked that are held pending their utilisation at a future date.

FRS

Financial Reporting Standards, as agreed by the UK accountancy profession and the Accounting Standards Board.

Government Grants

Payments by Central Government towards the PCC's expenditure. They are receivable in respect of both revenue and capital expenditure.

IFRS

International Financial Reporting Standards: the accounting standards which determine the production and disclosure of financial statements, being due for introduction to local authorities in 2010/11.

Impairment

An adjustment to the value of long-term assets caused by the consumption of economic benefits.

Long Term Debtors

Sums of money due to the PCC originally repayable within a period in excess of twelve months and where payment is not due until future years.

Materiality

An item that is not material will not be relevant, cannot influence a user's decision and need not be reported in the financial statements.

Minimum Revenue Provision (MRP)

The statutory requirement to set aside a minimum revenue provision for the repayment of external loans.

Net Book Value

Long-term assets are depreciated in accordance with their asset life. The net book value is the value remaining after cumulative depreciation has been taken away.

Non Domestic Rates

Rates levied on business properties, collected by District Councils, which are then distributed amongst local authorities as income.

Non Operational Assets

Fixed Assets held by a local Authority but not directly occupied, used or consumed in the delivery of services. These will include buildings under construction and surplus assets.

OJEU

Official Journal of the European Union

Operating lease

A lease where the asset is only used for part of its useful life, and lease payments amount to rental of the asset.

PCC Group

The Police and Crime Commissioner and the Chief Constable are separate legal entities. They are part of the same PCC Group whose combined accounts are presented collectively.

Precept

The amount levied by one Authority which is collected by another e.g. the Police Authority is the precepting Authority and the District Councils are the collecting authorities.

PWLB

Public Works Loan Board, a body providing debt funding to local authorities.

Revaluation Reserve

A reserve designed to represent the amount by which the current value of long-term assets carried in the Balance Sheet is greater, because they are carried at revalued amounts rather than depreciated historical cost.

Revenue Contributions

This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

Revenue Expenditure

The day to day expenditure of the PCC group on such items as employees and equipment.

Revenue Support Grant (RSG)

Grant paid by Central Government in aid of service provision.

SeRCOP

This is CIPFA's 'Service Reporting Code of Practice' which sets out the legislative requirements for consistent financial reporting of local Authority services.

Straight Line Depreciation

The writing down of a long-term asset's value by an equal amount for each year of that asset's life.

TOIL

Time Off In Lieu may be accrued by both Police Officers and Staff when working additional hours for which payment is not made.

Virement

Transfers between budget headings, in accordance with Financial Regulations, reflecting changes in the PCC's expenditure plans.