Lincolnshire
POLICE & CRIME COMMISSIONER
SAFER TOGETHER

Lincolnshire Police and Crime Commissioner

Financial Statements

2017/18

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Police and Crime Commissioner for Lincolnshire

PCC Group and PCC

Statement of Accounts 2017-18

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Introduction to the Financial Statements

Police and Crime Commissioner Marc Jones

I was elected to serve by the people of Lincolnshire as Police and Crime Commissioner (PCC) in May 2016. The PCC's primary functions are to secure the maintenance of Lincolnshire Police and secure its efficiency and effectiveness. I must also hold the Chief Constable to account for a number of duties. The primary legislative provisions setting out the PCC's obligations are the Police Reform and Social Responsibility Act 2011, the Policing and Crime Act 2017 and the Police Act 1996.

All the financial transactions incurred during 2017/18 for policing Lincolnshire have been recognised and recorded in this Statement of Accounts. The statement sets out the financial performance and financial position of the PCC and the Group (PCC and Chief Constable) as at 31 March 2018 and how the financial position has changed over time.

The PCC has the legal power and duty to set the strategic direction and objectives of Lincolnshire Police through the Police and Crime Plan and must also scrutinise, support and challenge the overall performance of the Force against the priorities agreed within the Plan.

I issued my Community Safety, Policing and Criminal Justice Plan for the period 2017 – 2021 in March 2017. It is built around four key principles:

- community safety and prevention in partnership;
- listening and responding;
- protecting and supporting victims and the vulnerable; and
- policing that works.

The Chief Constable Bill Skelly, whom I appointed in 2017, has been in post for the whole of the 2017/18 financial year. He has made, and continues to make an impact both locally and nationally.

Lincolnshire Police's overall performance continues to be good when compared to other police forces. The issue of the future funding for Lincolnshire Police continues to be a crucial one for my office and for me personally. I have made it a priority to address this issue with Government and recently travelled to London to meet Police and Fire Minister Nick Hurd to highlight the issue of sustainable funding for Lincolnshire Police.

Although a council tax rise of, on average, 25p a week and a £5.3 million use of reserves has allowed me to protect policing budgets for the 2018/19 year the future is still uncertain and with

reserves now depleted, the force faces a funding gap which could hit £6.5m by 2021 if current funding levels do not change.

Despite this uncertainty and Lincolnshire Police's position as one of the lowest funded Forces in the country, we continue to innovate and look to secure best value for money from the available funds. This includes the following:

- Our Blue Light collaboration project, which will enable all emergency services in Lincolnshire to work more closely together to meet the needs of communities more efficiently and effectively, continues to make good progress, funded in part from a grant of £7.5 million from the Government's Police Innovation Fund.

- I have approved investment to purchase a new fleet of 4X4 vehicles, followed by the creation of a drone "squad" equipped with thermal imaging technology which has already proved its worth in saving life and apprehending suspects.

- Each officer and PCSO now carries a hand-held computer providing them with the ability to check records, complete forms and crucially stay out of an office and in the community for longer.

- In recent months the force capability has increased further with the purchase of all-terrain vehicles to help to protect some of our more remote communities, hidden heritage and combat rural crime.

- I have approved an investment of £400k in the latest Automatic Number Plate Recognition equipment for police vehicles which puts crime fighting information at their fingertips.

All of these investments are designed to ensure that our force has the capability to help prevent harm in our communities as well as find, intercept and arrest criminals wherever and whenever they try to strike.

More detail on performance in 2017/18 can be found in my annual report which is available at https://lincolnshire-pcc.gov.uk/transparency/what-our-priorities-are-and-how-we-are-doing/annual-reports/

Roles and responsibilities

The Commissioner and the Chief Constable have specific roles and responsibilities as determined under the Police Reform and Social Responsibility Act 2011. The Commissioner provides a link between the police and the community, he sets out the strategic policing and crime priorities and objectives through the publication of a Police and Crime Plan and also sets the policing and crime precept. The Chief Constable is operationally independent of the Commissioner but must have regard to the Commissioner's Police and Crime Plan.

The Statement of Accounts

The 2017/18 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2017/18. 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 2013; and

- The Commissioner's Governance Arrangements including Financial and Contract Regulations.

Further information about the Financial Statements is available from:

PCC's 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.

Marc Jones
Police and Crime Commissioner for Lincolnshire

Annual Governance Statement 2017/18

Below are details of the Police and Crime Commissioner for Lincolnshire's governance arrangements in operation during 2017/18 including plans for the financial year 2018/19.

1. INTRODUCTION

1.1. Good governance is about how organisations ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open and accountable manner. It comprises the systems, processes, culture and values by which organisations are directed and controlled, and through which they account to, engage with and, where appropriate, lead their communities.

1.2. All Police and Crime Commissioners and Chief Constables are required by regulation to produce an Annual Governance Statement (AGS). This is a document which accompanies the statement of accounts and describes how good our governance arrangements have been over the last 12 months and sets out areas for development.

2. SCOPE OF RESPONSIBILITIES

2.1. 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.

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

2.3. 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. This 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.

2.4. The Lincolnshire Police Annual Governance Statement is signed by the Chief Constable in his own set of accounts and supports the group governance arrangements.

2.5. 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 available on the Commissioner's website at http://www.lincolnshire-pcc.gov.uk/Transparency/Corporate-Governance.aspx or can be obtained from the Office of the Police and Crime Commissioner for Lincolnshire, Police Headquarters, Deepdale Lane, Nettleham, Lincoln, LN2 2LT. Telephone 01522 947192 or email lincolnshire-pcc@lincs.pnn.police.uk.

2.6. This statement explains how the Commissioner has complied with the Code and also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

3. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

3.1. 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 services and value for money.

3.2. 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.

3.3. The governance framework has been in place for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

4. THE GOVERNANCE FRAMEWORK

4.1. The governance regime introduced by the Commissioner gives effect to the provisions of the Police Reform and Social Responsibility (PR&SR) Act 2011. This framework was designed so that:

- where statutory powers provide for non-operational decision making that rests with the Commissioner, the Commissioner may give 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 of 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.

4.2. 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 Lincolnshire Police. 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.

4.3. The key elements of the systems and processes that comprise the governance arrangements put in place for the Commissioner and the Chief Constable 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 Committees: Practical Guidance for Local Authorities and 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.

4.4 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.

5. REVIEW OF EFFECTIVENESS

5.1. The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework including the system of internal control.

5.2. This review has been informed by the work of the Chief Financial Officer (CFO) and the Chief Executive (CE), who also undertakes the roles of Monitoring Officer and Head of Paid Service. In addition, the work of the internal auditors, plus members of the Commissioner's staff, who have the responsibility for the development, maintenance and operation of the governance environment also inform the review. Comments made by the internal and external auditors and other review agencies and inspectorates are also considered as part of this review.

5.3. The Commissioner and Chief Constable have a Joint Independent Audit Committee (JIAC) that meet at least 4 times a year. 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. The JIAC is subject to an annual self-assessment.

5.4. The JIAC has received and considered independent reports from both Internal and External Audit and monitored the implementation of action plans drawn up to address identified internal control weaknesses. The Head of Internal Audit provides an opinion, based on the work undertaken in the year, on the adequacy and effectiveness of the assurance framework, risk management, internal control and governance, in compliance with the Public Sector Internal Audit Standards (PSIAS). The following opinion was provided for 2017/18:

> *"Our overall opinion is that adequate and effective risk management, control and governance processes were in place to manage the achievement of the organisations objectives. We have however, identified weaknesses in respect of the Road Safety Partnership".*

5.5. The External Auditor provides an opinion on the financial statements and value for money.

5.6. There are a number of internal groups that meet on a regular basis to enable the Commissioner to carry out effective monitoring and review of the Force's performance and assess progress made against the objectives stated in the Police and Crime Plan. The Performance Governance meetings consider police performance (crime) and the Resources Governance meeting considers financial, people, estates and ICT resources. The Professional Standards Governance meeting reviews matters relating to the conduct of police officers and staff. The Police and Crime Strategic Board (P&CSB) considers long term strategy development, significant and emerging risk areas and the Chief Constable's report.

5.7. The effectiveness of the governance framework has been reviewed by the Commissioner's Executive Team[1] in the year 2017/18. The review has included:

- the internal audit reports, including: governance (decision making) and delivery of the police and crime plan;
- review of the Commissioner's risk strategy, risk appetite, associated processes and overall 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 Integrated Scheme of Governance (ISG) that includes the Scheme of Consent, Commissioner's and Chief Constable's Scheme of Delegation and the Financial and Contract regulations;
- consideration of the Commissioner and Chief Constable's joint assurance map;
- ongoing development and review of the Commissioner's Operational Delivery Monitoring Plan;
- review and monitoring of Lincolnshire Police performance (both organisational and operational) through the governance meeting structure and written and oral briefings;
- external auditors and their formal reporting;
- feedback received from the JIAC.

5.8. Assurance on the effectiveness of the Commissioner's regulatory framework has been provided by the CE who, as Monitoring Officer, has a legal duty to ensure the lawfulness and fairness of decision-making. Specialist legal advice is available to the Monitoring Officer as required.

5.9. Assurance on the effectiveness of the Commissioner's financial controls has been provided by the CFO who is designated as the responsible officer for the administration of financial affairs under section 151 of the Local Government Act 1972. Systems are in place to ensure the lawfulness and financial prudence of decision-making and to fully discharge the responsibilities of the role. The financial arrangements in place conform to

[1] Chief Executive, Chief Finance Officer

the governance requirements of the CIPFA Statement on the Role of the CFO of the Police and Crime Commissioner and the CFO of the Chief Constable (2014).

5.10. The ISG was first published in 2014 to reflect the new governance arrangements arising from the PRSR Act 2011. The JIAC has been consulted on the scheme and its content is reviewed annually. Prompted by internal audit, a mandatory ISG training package has been developed for all relevant staff. The training package is designed to allow staff positively to attest that they are cognisant of the policies relating to the scheme and the financial and contract regulations. This 'e-learning' package is delivered through the National Centre for Applied Learning Technologies (NCALT).

5.11. The Commissioner's risk management arrangements are well developed and embedded. The JIAC reviews the Commissioner's risk management strategy on an annual basis and monitors the Commissioner's strategic risk register quarterly. The Executive team consider and review risks on a monthly basis through management meetings. The risk registers and assurance framework are aligned and drive improvement activity where assurance on the effectiveness of controls needs to be strengthened. A review of the structure and supporting processes of the joint Assurance Map has been completed and a new map created based on a thematic approach. The new map was formally adopted on 5th September 2017 with the intent of its revised format and content helping to drive appropriate activity in both organisations and to reduce unnecessary complexity. Consequently the joint assurance map is no longer a restricted document, thereby improving the transparency of the overall governance, risk and control environment across both the force and OPCC.

5.12. 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 through a member of the Commissioner's staff attending the bi-monthly Equality and Diversity Board meetings for which minutes and actions are recorded. The Commissioner also has oversight of the Chief Constable's approach to stop and search activity, this is achieved through regular written assurance reports from the responsible Lead Officer including commentary from the Deputy Chief Constable.

5.13. The Police and Crime Panel in Lincolnshire exist to scrutinise the Commissioner (not the Chief Constable), to promote openness in the transaction of PCC business and to support the Commissioner in the effective exercise of his functions. In Lincolnshire, the Commissioner and his senior staff have attended every meeting of the Police and Crime Panel.

5.14. The Commissioner publishes his Annual Report in June and presents 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 audited Financial Statements are published on the PCC's website to complement the Annual Report which is available at: https://lincolnshire-pcc.gov.uk/transparency/what-our-priorities-are-and-how-we-are-doing/annual-reports/

5.15. The Commissioner has had a bespoke media and communications contract in place with a specialist provider since November 2016. This arrangement allows the Commissioner to have a service tailored and responsive to his specific requirements. In addition, the OPCC supplements this arrangement with social media content based on awareness of local and national communication campaigns.

5.16. The Commissioner engages in widespread consultation on a range of subjects, key examples include, the annual budget, and the development of his Police and Crime Plan. A major consultation was undertaken by the Commissioner in December 2017 when a county-wide 'Crime & Policing Survey' was conducted. This sought the views of Lincolnshire residents on a range of subjects including their priorities for policing and

their own personal experience and perception of crime. It received an unprecedented response with over 2,750 responses received within the first ten days of the consultation. This represents the most comprehensive survey ever conducted by a Lincolnshire PCC. The bespoke survey has been designed to provide insights from across a broad range of respondents representative of Lincolnshire residents. The survey will help to guide the commissioners funding priorities and inform key decisions faced by the Commissioner.

5.17. The Commissioner is committed to being accessible to the public through a wide range of channels. Over the course of the year, the Commissioner received over 1,500 pieces of correspondence (excluding routine correspondence from Policing Bodies), and 33 Freedom of Information (FOI) Requests[2]. In addition, The Commissioner is an avid user of social media through use of his Twitter and Facebook profiles, which he uses to enhance his public visibility and reach. For example he has personally made over 4,500 tweets attracting over 3,500 'followers' since taking office in May 2016. All of which demonstrates that there is an effective link between the public and the elected individual charged with governance. The Commissioner is also 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. In addition, the Commissioner also produces a quarterly performance update report, which is published on the Commissioners website and presented to the Police and Crime Panel quarterly. This report consists of a data pack of statistical indicators, a narrative report providing contextual explanation of the data, and a guidance document explaining the performance measures and the rationale for their use. This provides incremental information on the forces' performance against key areas of the Commissioners Community Safety, Policing and Criminal Justice Plan. As a consequence of this comprehensive approach to transparency the OPCC has been awarded the Transparency Quality Mark certificate 2017/18 by CoPaCC the body responsible for evaluating police transparency.

5.18. Lincolnshire Police and the Commissioner have a joint Anti-fraud and Corruption Policy in place which has been reviewed during the year. Quarterly meetings ensure that current and emerging risks and issues in relation to anti-fraud and corruption are regularly discussed and reviewed and the JIAC are kept abreast of any issues arising.

5.19. The Commissioner and Chief Constable adopted the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption published in 2014. This year the OPCC and Force also joined the Lincolnshire Counter Fraud Partnership (LCFP) to work with key partners to share information and expertise to help both organisations maintain their vigilance in tackling fraud and corruption.

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

5.21. The Chief Constable has undertaken his own review of governance and his own Annual Governance Statement has informed and supports this statement.

5.22. 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 and 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.

[2] Total number of requests in the period April 2017 to March 2018.

6. SIGNIFICANT GOVERNANCE ISSUES

6.1. The Risk Register is a tool that identifies the risks that would prevent or distract the Commissioner from achieving his objectives. No significant governance issues have occurred during the year which have not already been addressed through the risk register.

6.2. *Alongside the Risk Register,* the joint assurance map is recognised by the Commissioner and the Chief Constable as a vital tool for effective corporate governance. It provides timely and reliable information on the effectiveness of the management of major strategic risks and significant control issues; it also provides a cohesive and comprehensive view of assurance across the risk environment. The assurance map provides much of the evidence base for this annual governance statement. Independent assurance is also provided by the JIAC.

6.3. Areas identified within the assurance map as experiencing high levels of risk or significant control issues are considered jointly by the force and OPCC on a quarterly basis. This supports the continuous assessment of the effectiveness of the management of risk and internal control and helps to drive appropriate action. The Commissioner's significant governance issues are detailed below, sourced from the joint assurance map and Commissioner's risk register. They include an outline of the actions taken or further work that is required to address the issues and whom has responsibility for these.

The risk of failure of government to address Lincolnshire's case for a fairer share of national funding.

6.4. During the latter part of 2016/17, the Home Office initiated a process for fundamental review of the national police funding formula; the Commissioner's CFO participated in this work as a member of the Technical Working Group. Consultation on the conclusion of this work is currently on hold; the Policing Minister has indicated his intention to progress consultation alongside the next government spending review, likely to be during 2019. Both the PCC and Chief Constable are supportive of revision of the national police funding formula; previous attempts at reform suggested that Lincolnshire might benefit by around £8 million annually. The Home Office published its provisional grant settlement on 19 December 2017 in which it confirmed its stance on revising the funding formula. The Government's immediate priority is stated as being to provide funding certainty for 2019/20 by increasing the flexibility on precept, allowing PCCs to raise council tax precept levels to £12 without the need to call a local referendum. The medium term financial security of policing in Lincolnshire force remains uncertain until the outcome of the funding formula review is known.

6.5. As a result of the increased uncertainty on the timing of any introduction of the Formula Funding review, the PCC's medium term financial plan no longer includes any assumed additional funding from central government grant. This has resulted in a budget gap of £7m+ in the medium term, for which the Chief Constable is developing plans to address.

The risk of a lack of resilience and stability within the chief officer team following significant changes in the Team.

6.6. The last year has seen continued change within the Force Chief Officer Team. The new Chief Constable arrived on the 1st February 2017. In the following weeks the existing Deputy Chief Constable was successful in securing a role as Deputy Chief Constable with Derbyshire Police; the Assistant Chief Officer (Resources) left to pursue other options and the Acting Assistant Chief Constable (ACC) left to work on a national programme and was subsequently successful in his application to be the ACC in Derbyshire. This presented the Chief Constable with an unanticipated challenge of replacing the majority of the Chief Officer Team. In response the Chief Constable acted quickly to appoint through competition a new permanent Assistant Chief Constable who was immediately 'Acted Up' to Deputy Chief Constable and an existing Lincolnshire Chief Superintendent was brought into the team as Acting Assistant Chief Constable.

The Assistant Chief Officer (Resources) post was filled on a temporary 2 year basis without a competitive recruitment process. While recognising it is the Chief Constable's decision, the Commissioner sought and received assurances from the Chief Constable that in departing from normal practice in this way he had a sound rationale, was following the law, and was taking appropriate Human Resources advice. The Chief Constable is committed to advertising for a permanent Assistant Chief Officer (Resources) within the next 24 months. In January 2018 the acting Deputy Chief Constable (DCC) was successful with his application to become the permanent DCC. In May 2018 the force advertised for a permanent ACC and this recruitment process is ongoing.

6.7. This combination of changes has led to a significant learning curve for all but has delivered relative stability in the second half of the financial year, and a more sustainable outlook for the year ahead.

The risk of failure to achieve and demonstrate efficiencies and value for money.

6.8. The Commissioner and Chief Constable both have a statutory duty to make the best use of resources available to them. The Police and Crime Plan commits to obtaining value for money from all funding and avoiding waste. Over the last year key work streams have furthered this commitment including: the continued roll-out of significant technical solutions such as Body Worn Video and Mobile Technology together with the initiation of the Wellbeing Programme. Oversight is gained through the Resources Governance meeting and the Police and Crime Strategic Board; independent assurance is gained through HMIC via the Efficiency pillar of their PEEL inspection programme. In November 2017, HMIC graded the Force as 'Requires Improvement' in respect of the efficiency with which it keeps people safe and reduces crime and recommended that the Force should link its financial plans with its operational plans, informed by an understanding of demand.

6.9. The provisional police grant settlement, announced in December 2017, emphasised the government's intention to link future flexibility on precept increases for Police and Crime Commissioners with improved productivity and efficiency by the police service.

6.10. The Commissioner continues to support the Force in maintaining project and programme discipline to ensure that anticipated benefits are realised and the development of an embedded approach to benefits realisation remains a priority for 2018/19. The Financial Strategy includes performance measures relating to both financial health and financial performance, supported by a number of plans and policies.

The risk of failing to plan for the effective transition from the current commercial contract arrangements.

6.11. The Commissioner's strategic partnership reaches year seven of ten in April 2018. There remains in the original agreement the ability to negotiate an extension of the current arrangements for up to a further five years. Though the end date of the contract in 2022 is four years away it will be important to plan carefully for any potential transition from existing arrangements. The contract is unique and was procured in little over a year originally but consumed significant strategic resources of the Force and of (at that time) the Police Authority. While the contract has been an important plank of Lincolnshire's response to constrained resources (the lowest spend per head nationally), the Force and Police and Crime Commissioner will be taking a careful planned approach to meeting the financial and delivery risk of any potential change. In particular the absence of a developing market from other forces over the last six years means that a strategic approach, focussed on managing risk, will be required. The Office of the Police and Crime Commissioner, the Force and G4S have already begun talking about the future supported by a strong culture of openness and honesty.

The risk of failing to ensure that G4S objectives are delivered - With the resources available.

6.12. The Commissioner's strategic partnership continues to deliver appropriate services and savings. The governance structures continue to operate robustly over the full breadth of the contract. Coping with issues in service delivery where they arise and continuing to deliver value for money for the Commissioner and effective support for the Force. The growing demand on policing nationally has impacted on Lincolnshire and put strain on some areas of delivery like the Force Control Room and Crime Management Bureau. Pragmatic and solid partnership working within the governance and contractual structures of the partnership continue to satisfactorily manage delivery.

6.13. The innovative transformation of firearms licensing is largely complete offering a better service to Lincolnshire as well as the potential to provide services to other force areas.

6.14. G4S have provided significant technical underpinning to the growing use of the NICHE information system across the East Midlands and more recently to the City of London Police. This has provided both operational and reputational benefits to Lincolnshire Police.

6.15. The success of our Mobile Data Project, again underpinned by G4S, has been singled out by the Policing Minister as an example of good practice. Through partnership, Lincolnshire Police 'punch above their weight' on the national stage.

The risk of failing to deliver the objectives of the Tri-service "Blue Light Programme."

6.16. The shared Fire/Police Headquarters has been delivered and all staff moved in. The current focus is on the delivery of the three service deployment base in South Park in Lincoln. This remains on track but is a challenging project in scale and timeline. Close partnership work has continued to support this project. Resourcing of project support remains an issue of concern but contracts, planning and delivery are all underway. Close liaison with Central Government to ensure the grant conditions are met has also been required. The additional cost of this project (above initial estimates) continues to place financial strain on the Commissioner's investment capacity but the closer working and facilities fit for future remain important objectives.

6.17. The Force continues to explore areas of closer operational integration with the Fire Service to support increased productivity and better outcomes for the people of Lincolnshire.

6.18. The Commissioner is beginning to explore options for the use of the West Parade site that will be vacated in 2019.

The risk of a lack of capacity and resilience in the Office of the Police and Crime Commissioner specifically including the commissioning of services.

6.19. Nationally the role of the PCC continues to evolve and develop. The second cycle of PCCs now in office, are experiencing a greater emphasis on the commissioning role of the PCC. This has partly been driven by the desire for greater devolvement of responsibility for services to ensure they best meet the local context and communities they serve. In addition there has been a growth in partnership / collaborative working in order to deliver even greater efficiencies and innovative ways of providing services. These drivers have increased the need for greater capacity and expertise across the full commissioning lifecycle (understand, plan, do and review).

6.20. In the recent past the Lincolnshire OPCC has relied on the use of temporary secondments or external consultants, as is the case with both the development of new victims services and the creation of a joint mental health strategy and action plan for Lincolnshire. Clearly there is a need for a more permanent and sustainable solution to this gap in capacity and commissioning capability within the OPCC. The Chief executive

therefore established two new roles within the OPCC specifically designed to provide a much needed boost to enabling partnership working, commissioning, and the delivery of other key operational work-streams.

6.21. This revised structure also incorporates policing interns and an administrative apprentice, and the use of external media support. Overall these changes will help to meet the growing development and delivery requirements of the Community Safety, Policing and Criminal Justice plan, introduced from April 2017. The plan is ambitious and encompasses a far broader scope than any previous plan. It ranges across the wider criminal justice system, with an emphasis on partnership working, under the banner of "Safer together".

6.22. In addition, the workload associated with the statutory "holding to account" requirements of the Commissioner's role have continued with the added complexity brought about by the adjustment to an entirely new Chief Officer team in the Force.

6.23. The OPCC Chief Executive will continue to monitor the resource requirements to support the PCC and his ambitious plans. Although the original intent was to wherever possible deliver through partnership working rather than seeking to further expand the OPCC, this approach has proved to be unsustainable and some carefully considered recruitment has been now been completed.

6.24. The five regional PCC's have created a regional secretariat including a collaboration manager, analyst and meetings administrator to fully service their combined needs. This will reduce the burden on the OPCC who have previously taken a share of this, not inconsiderable, responsibility.

The risk of failing to maintain or develop beneficial regional collaborations.

6.25. Collaboration with four other forces in the East Midlands has been a key plank in Lincolnshire's approach to providing effective and efficient policing. Collaborative services have expanded and deepened in recent years with positive expansion in, for example, Forensics. However in the last year some areas of collaborative growth have been subject to re-evaluation and amendment. Most recently Nottinghamshire, after a long period of discussion and tension, has withdrawn from the East Midlands Operational Support Service (EMOpSS) collaboration. The decision, and the subsequent readjustment, has caused some turbulence both in regional governance and in operational delivery. The risks are being managed effectively. The recruitment of a regional collaboration team (based in Lincolnshire) to support Police and Crime Commissioners (PCCs) has been particularly effective in maintaining equilibrium.

The risk of the force not delivering operational effectiveness.

6.26. The continued effectiveness of the Force in the face of a potentially deteriorating financial position is a significant matter of concern. Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service (HMICFRS) inspection in 2017 highlighted that Force planning for budget reductions was not in place. The Commissioner has actively sought reassurance and evidence that the Force has planned for and can articulate the steps that need to be taken if the financial outlook does not improve. While significant work is put into securing a sustainable financial envelope it remains essential that we make plans for and can deliver changes to service levels that flow from funding constraints. The work currently underway is prudent preparation to ensure the impact of any future financial constraint is minimised and mitigated as far as is possible. It is equally important that the implications are fully understood and can be articulated.

7. INSPECTORATE FINDINGS

7.1. The inspectorate has been renamed as a result of having its remit extended to include the inspection of Fire and Rescue Services. Previously known as HMIC it is now known

as Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).

7.2. The PEEL Inspection programme for 2017/18 conducted by HMICFRS scrutinises all 43 forces in England and Wales and examines their Efficiency, Effectiveness and Legitimacy providing comparable grades for each force against these three "Pillars". Inspections are currently conducted throughout the year and grades are published on HMICFRS's website. At the end of each inspection year a PEEL assessment is published in which Her Majesty's Inspector for each force area summarises the overall performance for their respective Force. In the spring of 2018 as part of the overall assessment for the force Her Majesties' Inspector for Lincolnshire stated:

"I am pleased that overall Lincolnshire Police's performance in effectively keeping people safe and reducing crime is good again this year. However, there is still more for the force to do in terms of its service to some vulnerable victims", and also commented:

"I commend the police officers, PCSOs and police staff working for Lincolnshire Police for their hard work in maintaining their performance in challenging financial circumstances. They understand the importance in taking prompt action to keep victims safe and they work well with local partners, like local councils, to generally achieve good outcomes for their communities."

7.3. On 9th November 2017 the Lincolnshire PEEL inspection report for Efficiency (Including leadership) was published. The force received an overall grade of "Requires Improvement". This represents a reduction in Grade from the "Good" achieved when the force was inspected some 8 months earlier. As a result the Commissioner wrote in response to the report's findings stating he was "baffled" by the grade received as it came within such a short space of time following a "Good" grading which praised the force for being one of the most efficient in the country stating

"The force has done what can reasonably be expected to become efficient, to maximise value for money for the taxpayer while providing an effective policing service to the communities of Lincolnshire".

7.4. The Commissioner received no formal response to his comments.

7.5. The commissioner is required by law to publish his response to all force specific HMICFRS inspection reports following their publication, these responses are available on the PCC's website at https://lincolnshire-pcc.gov.uk/transparency/what-our-priorities-are-and-how-we-are-doing/hmic-inspections/.

7.6. The PEEL Legitimacy inspection report was published on 12th December 2017 this graded the force as "Good", which maintained the grade achieved the previous year. The report stated:

"The force is good at treating the people it serves with fairness and respect. It is also good at how well it ensures its workforce behaves ethically and lawfully, which is more positive than last year's assessment although it now requires improvement in some of the aspects of treating its workforce with fairness and respect".

7.7. In February 2018 HMICFRS once again judged the force to be "good" for the extent to which it is effective at keeping people safe and reducing crime although it noted that there is some improvement needed with regard to protecting vulnerable people.

7.8. The force's progress against 'areas for improvement' and recommendations made in inspections continue to be tracked and monitored by both HMICFRS and the Commissioner within the current "holding to account" elements of the governance framework.

7.9. Following on from previous PEEL inspections, in December 2016 HMICFRS published a national report which highlighted the need for all forces to address the potential risk of "Abuse of position for a sexual purpose". The report recommended that all forces should

create an action plan to address this issue. The ongoing implementation of these plans will be subjected to further inspection by HMICFRS. In June 2017 HMICFRS assessed the forces' plans and stated in a subsequent letter to the Chief Constable

"We were pleased to find that your plans submitted in response to our recommendation were comprehensive" and it continued "We found evidence in your plans of a review of the capability and capacity of your counter-corruption unit, improvements in your IT systems' monitoring capability and initiatives to seek intelligence from those organisations that support vulnerable people. Work to implement all three elements had already started at the time of our review".

7.10. There were no other notable force inspections outside of the PEEL regime in 2017/18.

7.11. In the coming inspection year 2018/19, HMICFRS intend changing the way in which they inspect forces, moving towards a more risk-based approach. This revised approach will consist of a single annual PEEL inspection where HMICFRS inspect the aspects of policing in each force which they consider present the greatest risk of failure.

7.12. A significant part of the risk assessment for each force will depend on the information gleaned from the planned introduction by HMICFRS of Force Management Statements (FMS). Each Force will be required to produce a FMS containing a self- assessment evaluating the following 4 years across 4 key areas:

a) The demand likely to be faced by the force;

b) The condition, capacity, capability, serviceability, performance and security of supply of the workforce and other assets such as ICT;

c) The forces plan to improve efficiency;

d) The force's financial income.

7.13. The adoption of this "Integrated PEEL inspection regime" is due to commence in the second half of 2018, HMICFRS expect the first years FMS to be completed and ready for submission by May 2018.

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

SIGNED

Marc Jones Police and Crime Commissioner for Lincolnshire	Malcolm Burch Chief Executive to the Police and Crime Commissioner for Lincolnshire
DATE	DATE

Chief Finance Officer's Narrative Report

The Narrative Report to the financial statements provides a guide to the most significant matters reported in the accounts and includes key performance information, a comparison of outturn figures to the budget and highlights significant areas of expenditure and major changes.

Introduction

I am pleased to present the Statement of Accounts for the Police & Crime Commissioner for Lincolnshire for the financial year 2017/18. This Statement of Accounts sets out the overall financial position of the Police & Crime Commissioner for Lincolnshire (PCC Group) for the year ended 31 March 2018.

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 a share of Police Grant paid by the Home Office;
- Also receives Legacy Council Tax Grants from the Home Office;
- Determines and 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.

Central Government funding provides the PCC Group with the majority of its income required to police Lincolnshire. The remainder is mostly met from local council tax payers.

The amount of Government grant is reducing in real terms each year. In 2017/18, despite the 2% increase in the council tax precept, overall funding reduced in real terms meaning that savings had to be found to finance the increasing costs that are incurred from rising demands and inflation.

A review of the way in which Government grant is distributed between force areas (funding formula review) has been delayed and will not now be implemented before the next spending review in 2020/21 at the earliest, so will not be implemented for 1 April 2018 as previously anticipated within the Medium Term Financial Plan.

Economic uncertainty will continue to impact future central Government expenditure with a consequent potential impact on police funding. Continuing funding uncertainty underlines the need for robust plans with adequate levels of reserves.

Governance

The PCC is responsible for the totality of policing within Lincolnshire, with the Chief Constable being responsible for operational policing.

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

The annual review of Governance and Internal Control is included within the arrangements for producing the Annual Governance Statement, which forms part of these Financial Statements, and includes the governance arrangements of the Chief Constable.

Organisation

The PCC receives all funding and income and makes all payments for the PCC Group. Under a detailed Scheme of Delegation an annual budget is provided, following consultation with the Chief Constable, for fulfilling requirements for policing Lincolnshire in accordance with the Police and Crime Plan.

All Police Officers and the majority of police staff (other than a small number relating to the PCC's Office and regional support arrangements) are in the Chief Constable's employment. The Financial Statements reflect 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.

The Strategic Partnership contract is formally held by the PCC for the provision of a wide range of operational and support functions to the Chief Constable. This has been accounted for in full in the PCC's accounts as that is where the contractual, budgetary and management control resides.

Lincolnshire Police is one of five regional forces in the East Midlands and works closely with the other four across various collaborations to provide an efficient service. More detail and how the regional accounts are accounted for in these Financial Statements is provided in Note 36.

The Commissioner's Priorities

The Community Safety, Policing and Criminal Justice Plan for Lincolnshire April 2017 to March 2021 sets out the actions that the PCC will be taking to help ensure communities stay safe. This is available on the PCC's website www.lincolnshire-pcc.gov.uk.

Among the actions set out in the plan are:

- Create a single joined up approach to reducing offending and re-offending and establish integrated offender management to tackle our most challenging and prolific offenders;
- Create a coherent approach to managing offenders released from prison to maximise the chance of rehabilitation and reduce reoffending;
- Support for citizen involvement through volunteers and 'watch' schemes;
- Raise awareness of elder abuse and of those with learning difficulties or other vulnerabilities and work with partners to identify and disrupt threats to the vulnerable, for example from targeted 'scamming';
- Establish a Youth Advisory Group to seek the views of the young from a range of backgrounds;
- Create a Community Commission to ensure the public voice is heard from across the county;
- Commission, with partners, specialist adult and children services to support victims of sexual crimes and domestic abuse with compassionate services that support them through the criminal justice process and beyond;

- Ensure services are commissioned to keep those with mental health needs out of the criminal justice system;

- Invest in ensuring the police have access to mental health advice and support in the Force control room, in the community and through improved training and awareness for officers and staff;

- Support neighbourhood policing, backed by specialist support, that work with their communities to identify, prevent and tackle crime;

- Invest in appropriate information and communication technology (ICT) to support modern frontline policing enabling officers to spend less time desk-bound and more time out in the community;

- Invest in appropriate equipment to meet the varied needs of policing a large and diverse county;

- Provide fit for purpose property suitable for modern and flexible policing, including the creation of a combined police, fire and ambulance station in Lincoln to share resources and to support and enhance their emergency response to the public.

Performance

The achievements for the year are summarized below under the headings of the Key Principles of the Community Safety, Policing and Criminal Justice Plan for Lincolnshire.

Community safety and prevention in partnership:

- Operation Galileo – 30% drop in reported incidents of hare coursing. This season officers have seized 76 dogs being used for this rural crime and 45 people were arrested or reported for summons. Another 58 people were served with dispersal notices, forcing them to leave the county and often without their dog;

- Road Safety Summit - More than 100 delegates from across the UK attended the first ever Road Safety Summit, with a number of positive projects emerging from the event, including the Community Speed Watch Scheme, and the Safer Roads Team focused on Fatal Four enforcement;

- Assisting Rehabilitation through Collaboration project (ARC) – now with 80 clients, and 42 programme completions, the level of offences committed by those completing has dropped by 53%, saving a calculated cost of £2m;

- Sobriety tags – 23 tags imposed in the county with only 3 orders failed for further offending.

Listening, responding and being accountable:

- Ground breaking public opinion survey – 3,000 people took part with at least 265 from each district council area to ensure robust statistical analysis;

- Personal engagement – the PCC prioritised travelling the county to meet as many individuals, organisations and groups who are dedicated to making their communities better places to live, and did one such meeting almost every single working day in the year.

Protecting and supporting victims and the vulnerable:

- Domestic abuse project - £1.4m grant awarded by the Home Office to provide training to professionals to recognise and respond safely at an earlier stage, and to help correct abusive behaviours;

- Mental health collaborative plan - developed a Lincolnshire wide collaborative action plan with Lincolnshire Partnership NHS Foundation Trust to approach mental health and criminal justice;

- Victims' services praised – the Victims' Commissioner Baroness Newlove praised services in Lincolnshire, after a personal visit to see them in action, for their proactive approach and the fact they seek to take the initiative in making contact with victims;

- Online reporting and Track My Crime - the new online reporting tool is used around 140 times a month, helping to make the soft launch a success, ready for further roll out.

Policing that works:

- New latest generation tasers – 212 new TASERX2 devices rolled out that improve safety and accountability;

- Introduction of spit guards – purchased and issued 5,000 Spit and Bite Guards (SBG) to all frontline officers to help protect against assaults;

- Environmental sustainability – trials of electric cars and LED lighting, along with the latest sustainable technologies report are all part of the new environmental strategy plan being developed to save money and create a 'green' police force;

- Officer well-being – baby boxes for new parents, fitness mentors and two well-being days off have been introduced as part of the commitment to ensuring the mental, physical, emotional, and spiritual welfare of policing staff;

- Joint service HQ – Lincolnshire Police has now successfully completed the establishment of a joint Fire and Police HQ and 999 response call centre at Nettleham;

- Automatic Number Plate Recognition (ANPR) – confirmed an investment of £400k in the latest ANPR equipment for police vehicles which puts crime fighting information at their fingertips;

- Firearms licensing – increased the number of staff to process applications in a more acceptable timescale, and developed and introduced the UK's first fully digital portal for applications. Lincolnshire Police has become the first UK force to require a medical certificate before issuing a license or renewal to the 20,000 license holders in the county.

Key Crime Statistics

Lincolnshire continues to maintain its place as one of the safest places to live in the UK with the sixth lowest crime rate per 1,000 people according to the latest report by the Office for National Statistics.

Whilst Lincolnshire is graded as one of the lowest forces in terms of crime levels, with 40,597 offences recorded in the year ending December 2017, there has been a 10% annual increase in overall crime (excluding fraud), although this is less than is being experienced on a national level where crime has risen by 15%.

Sexual offences have increased year on year by 27%, a slightly higher increase than the national average of 25%, but the PCC Group has worked hard to create a culture which encourages people to trust that complaints of sexual crimes will be treated both sensitively and seriously. As a result there has been a significant level of historical offences being reported and that will have had some effect on the figure.

Lincolnshire Police also has a good level of successful prosecutions in sexual offences cases so the growing level of reporting means more offenders can be prosecuted and removed from our communities.

Criminal damage and arson made up a significant proportion of crimes in the county with 5,592 offences recorded, a 4% rise on last year but lower than the national average increase of 7%.

In the overall “violence against a person” category, there was a rise of 11% from the previous year, but this is significantly lower than the national average increase of 21%.

The largest crime rate annual increase was shoplifting, which increased by 28%.

Gender Pay Gap

Our current gender pay gap is 7.6% based on the median salary rate. The national average for policing is 18.4% and for all workplaces it is 9.1%.

Lincolnshire Police are committed to equality of opportunity and the equal treatment of all employees regardless of protected characteristics, and therefore we are pleased that we have a lower gender pay gap than our key comparators.

We are satisfied that there is no difference in pay between officers and staff at the same rank or grade. The major issue regarding the gender pay gap relates to differences in the advancement of women. The Chief Officer team are determined to ensure that opportunities are provided to all our officers and staff to progress through the grades and ranks. We remain committed to ensuring fairness and inclusivity within Lincolnshire Police, and acknowledge the many benefits this brings to our organisation.

Financial Performance

Analysis of Revenue and Capital Expenditure

Total operational expenditure for the 2017-18 financial year was £115.331m compared with £111.802m for the previous financial year. Total operational expenditure is less than expenditure shown in the financial statements because it excludes regional costs, pension costs and other adjustments for statutory reporting purposes. The table below shows those items which are excluded from total operational expenditure.

2016/17 £000	Total Operational Expenditure	2017/18 £000
180,123	Expenditure as per Financial Statements	196,681
(50,028)	Pensions Accounting	(59,282)
(5,287)	Capital Accounting	(9,678)
(71)	Accumulated Absence Adjustment	(430)
(450)	Collection Fund Adjustment	(107)
(83)	Regional reserves transfer	112
(5,903)	Chief Constable Income Adjustment	(8,481)
(2,206)	Custody Contract Income Adjustment	(2,143)
(2,606)	Regional NICHE pass through Adjustment	(1,277)
(1,569)	Regional ICT non-crime Platform Income Adjustment	-
(118)	Miscellaneous Income	(62)
111,802		**115,333**

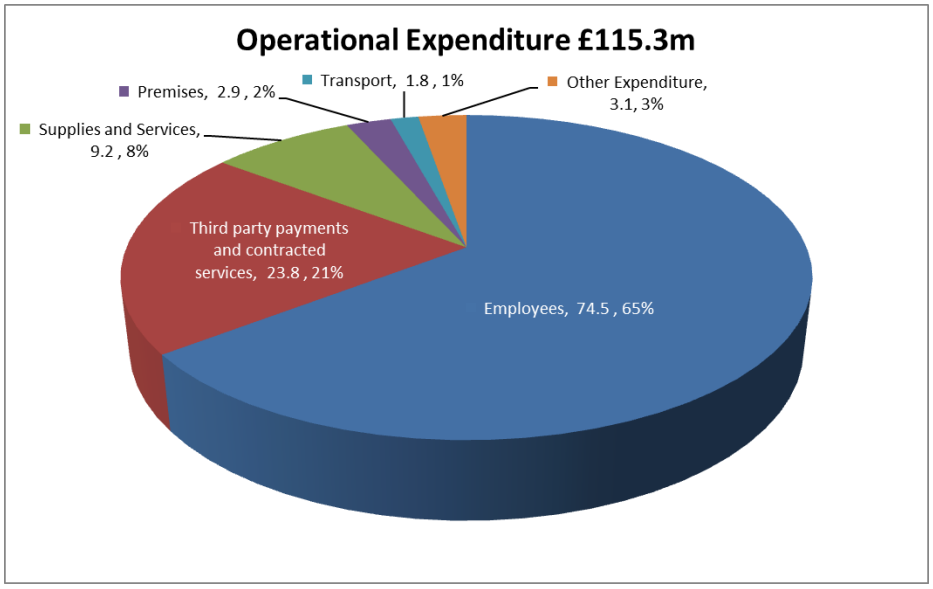
The table and pie chart below provide further analysis of the main components of total operational expenditure.

Employee Spend: Spend on police officers, police staff and police community support officers amounted to 65% of total spending.

Third party payments and contracted services: This represents 21% of the total spending and includes the G4S strategic partnership that provides back office services.

Operational running costs: Spend amounts to 16% for the premises, transport and operational consumables, including uniforms. Premises include 38 police stations and the force HQ which is now shared with the Fire service.

2016/17 £m	Operational Expenditure	2017/18 £m	Ratio for year
66.8	Employees	74.5	65%
23	Third party payments and contracted services	23.8	21%
13.1	Supplies and services	9.2	8%
2.6	Premises	2.9	3%
1.9	Transport	1.8	2%
4.4	Other expenditure	3.1	3%
111.8		**115.3**	



Funding

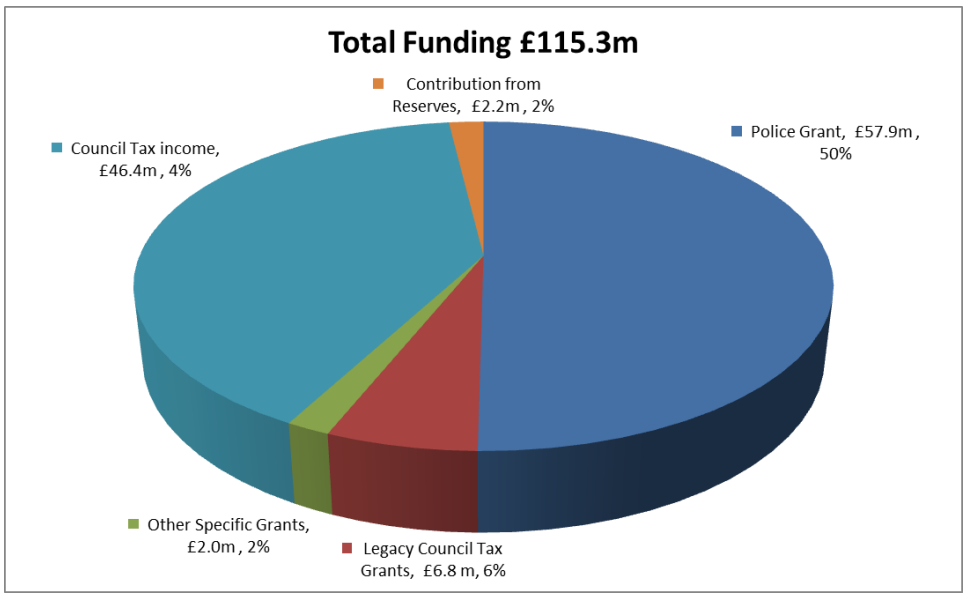
Total Funding for 2017-18 was £115.333 million compared with £111.802m for 2016-17. Total funding is less than the income shown in the financial statements because it excludes pension top-up grant, capital receipts and regional contributions. The table below shows those income items that are excluded from total funding.

2016/17 £000	Total Funding	2017/18 £000
(151,393)	Expenditure as per Financial Statements	(150,696)
22,008	Pensions Accounting	20,070
2,206	Capital Accounting	2,143
1,569	Accumulated Absence Adjustment	-
2,606	Collection Fund Adjustment	1,277
4,836	Regional reserves transfer	5,540
6,021	Chief Constable Income Adjustment	8,545
346	Custody Contract Income Adjustment	(2,212)
111,802		**115,333**

The table and pie chart below provide further analysis of the main components of total funding:

- Government grants. The majority of funding is from central government grants, including Police Grant and Legacy Council Tax grants;
- Local Funding. 40% of funding is provided by local council tax payers.

2016/17 £m	Total Funding	2017/18 £m	Ratio for year
	Central Funding:		
58.7	Police Grant	57.9	50%
6.8	Legacy Council Tax Grants	6.8	6%
1.3	Other Government Grants	2	2%
	Local Funding:		
45.3	Council Tax Income	46.4	40%
(0.3)	Contribution (to)/from Reserves	2.2	2%
111.8		**115.3**	

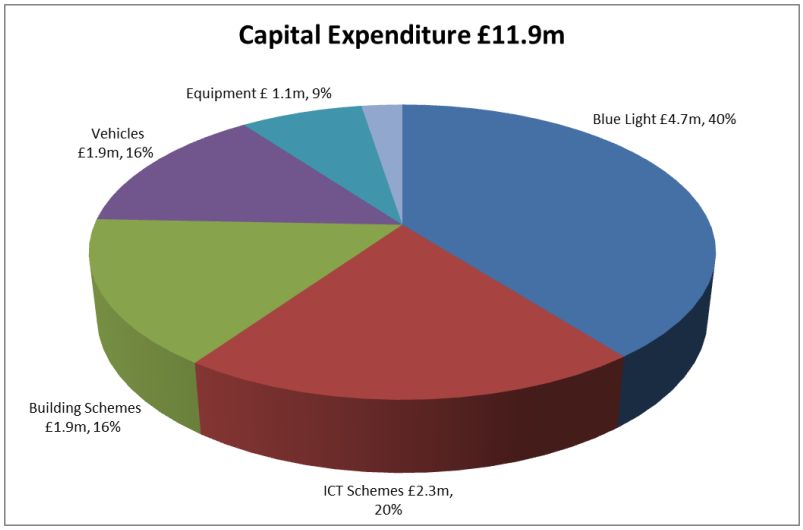


Capital Expenditure

Capital expenditure represents money spent on acquiring, upgrading and improving assets and major operational equipment. It relates to the provision of assets which will bring long-term benefit to the PCC Group. The table below sets out the capital investment made in 2017/18:

2016/17 £m	Capital Expenditure	2017/18 £m	Ratio for year
1.8	Blue Light Project*	4.7	40%
1.5	ICT Schemes	2.4	20%
2	Buildings Schemes	1.9	16%
0.6	Vehicles	1.7	14%
0	Equipment	0.9	8%
0.2	Speed Cameras	-	0%
0.3	Regional	0.3	3%
6.4		**11.9**	

*Blue Light Project includes £4.2m of REFCUS



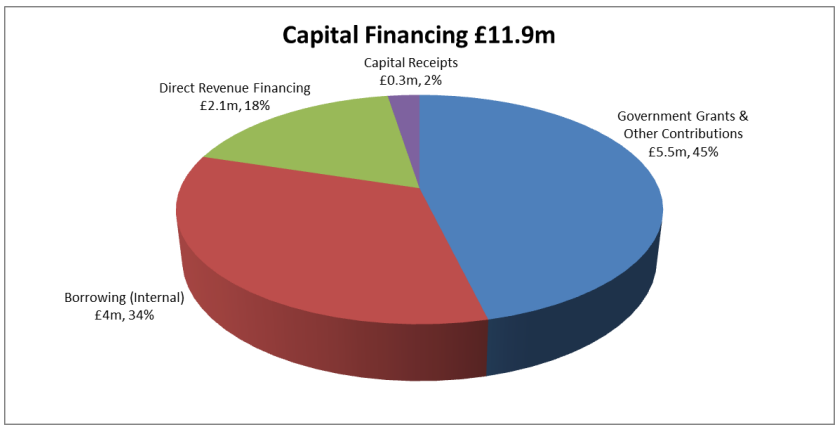
The PCC has approved a capital programme of £25.2m for 2018/19, and includes:

- £14.5m major investment in Blue Light collaboration supported by Innovation Fund grant from the Home Office;
- £1.3m investment in the Force estate;
- £1.6m investment for ICT schemes;
- £1.1m replacement programme for vehicles.

Capital Financing

The PCC Group's capital programme in 2017/18 was financed through grants, contributions from revenue, capital receipts and internal cash balances. External borrowing was not necessary in 2017/18 due to the level of cash balances being held.

2016/17 £m	Capital Financing	2017/18 £m	Ratio for year
4.4	Government Grants and Other Contributions	5.5	45%
1.7	Borrow ing (internal)	4.0	34%
0.3	Direct Revenue Financing	2.1	18%
-	Capital Receipts	0.3	3%
6.4		**11.9**	



Balance Sheet

The balance sheet shows the financial position as at the end of the financial year, with previous figures for comparison. It shows, in particular, the value of the assets owned and any sums owed to and by the PCC Group. The Balance Sheet can be reviewed in the main statements to the accounts.

The figures are dominated by the inclusion of the pension liability which is explained in detail in the pension notes.

Performance Against Budget

In February 2017, the PCC approved a net revenue budget for 2017/18 of £118.3m of which £104.3m was funded from Police Grant and Council Tax receipts.

In order to deliver a balanced budget, use of reserves of £3.9m was required.

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

2017/18	Budget £m	Actual £m	Variance £m
Services			
PCC	30.8	30.0	(0.8)
Chief Constable Delegated Budget	86.3	86.4	0.1
Joint Services	1.2	1.1	(0.1)
Total Service Expenditure	**118.3**	**117.5**	**(0.8)**
Income			
General Police Grant	57.9	57.9	0.0
Special Grant	0.0	0.9	0.9
Council Tax Precept	46.4	46.4	0.0
Innovation Funds	0.3	0.3	0.0
Custody Contract	2.1	2.1	0.0
Other Specific and Non-Specific Grants	7.7	7.7	0.0
Total Income	**114.4**	**115.3**	**0.9**
Total (Surplus) / Deficit	**3.9**	**2.2**	**(1.7)**
Financed by Reserves			
Appropriation to Earmarked Reserves	0.0	2.8	2.8
Appropriation from Earmarked Reserves	(3.9)	(5.0)	(1.1)
	0.0	**0.0**	**0.0**

The original budget showed a planned deficit of £3.9m which would be matched by a contribution from reserves. The final net contribution required from reserves was reduced by £1.7m to £2.2m due to a number of factors as follows:

- £0.9m receipt of Home Office Special Grant in respect of a number of specific police operations;
- £0.3m underspend on community grants due to rescheduling of planned programmes. This amount has been transferred to an earmarked reserve for use in future years;
- £0.1m underspend on capital charges due to slippage in the capital programme;

- £0.1m net overspend on the Chief Constable's budget as a result of higher than anticipated staff pay awards offset by vacancies;

- £0.4m net underspend across remaining budget areas.

Reserves

Earmarked reserves as at 31 March 2018 total £11.0m, including regional reserves, and are held for specific expenditure or contingencies. Movements in Earmarked Reserves are detailed in Note 7.

The PCC's Financial Strategy at the start of 2017/18 required that general reserves be maintained around the mid-point of a target range based on the financial risk assessment in respect of residual financial risks;

As at 31 March 2018, the PCC held a General Reserve of £5.6m, although plans for 2018/19 are that this will be reduced by £3.1m to support the revenue budget.

An assessment in February 2018 indicated the range of required reserves at £5.4m - £11.7m, the mid-point of which is £8.6m. This is set against forecast risk based reserves as at 1 April 2018 of £5.4m representing 4.4% of the revenue budget; General Reserve £2.5m, Major Incident Reserve £1.9m and Insurance Reserve £1m.

As a result, the previous policy is unachievable and the latest approved Financial Strategy requires risk-based reserves at the minimum of the target range. This increases the financial risk being carried by the PCC and is a consequence of the desire to release risk based reserves to mitigate the operational risk.

Nevertheless, given the context of increased financial risk, the need for sound financial control is further emphasised. The role of the Force Chief Financial Officer in supporting the Chief Constable and his team is key to delivering this.

Principal Risks

The principal risks facing the PCC Group are detailed in the Annual Governance Statement included within these Financial Statements.

Outlook for 2018/19 and Beyond

There is a balanced budget for 2018/19 that requires the use of reserves as detailed above.

The Medium Term Financial Plan includes provisional service budgets proposed for 2019/20 to 2021/22. Whilst the government has indicated the level of aggregate police grant for 2019/20, it has yet to set aggregate grant levels for the last two of those years. Although estimates have been based on prudent assumptions, there remains the risk that grant income will be lower than assumed.

There is also uncertainty beyond 2019/20 on the government's future intentions in relation to the limitation of council tax increases.

On current assumptions substantial budget gaps are forecast from 2019/20 onwards (£3.5m), reaching £6.9m in 2021/22, around 5% of the total budget. This is based on maintaining the resources available for police officers/PCSOs, and maintaining the number of police staff.

It is clear that, without a more equitable slice of the national police grant, or substantial precept rises in future years, a degradation of service for Lincolnshire from 2019 onwards remains a significant risk.

This risk is mitigated by investment in ICT infrastructure and the implementation of a class-leading Command and Control system which should provide the platform to unlock significant operational benefits through the better use of resources and data, building upon the significant success and savings already achieved from the mobile data platform.

Notwithstanding the operational risks, sound financial control will be key to delivering financial balance beyond 2018/19. Reserves to support the revenue budget will have been depleted by 2019/20 and, unless additional funding is made available either by increased government grant or from council tax receipts, cost reductions of £3.5m will be required. The Chief Constable is developing a plan to achieve cost savings in 2019/20-2021/22. In advance of that plan being available, and in fulfilment of my responsibilities to ensure a balanced budget, the necessary cost savings for 2019/20 are achievable by suspending any PCSO recruitment in 2018/19 and subsequently, and cancelling any police officer recruitment in 2019/20. Whilst this action delivers £5.2m recurrent savings by 2021/22, further action will be required beyond 2019/20 in order to deliver the savings target of c. £7m.

Going Concern

These Financial Statements have been prepared on a going concern basis on the assumption that the functions of the PCC Group will continue in operational existence for the foreseeable future. The PCC has to adhere to a balanced budget, and can only be discontinued by a statutory prescription.

On the basis that the PCC Group carries out functions essential to the local community and is limited on its revenue-raising powers, if there were financial difficulties, it is likely that alternative arrangements would be made by central government either for the continuation of the services it provides or, for assistance with the recovery of a deficit over more than one financial year.

Any transfer of services under combinations of public sector bodies (such as local government reorganisation) does not negate the presumption of going concern.

Therefore, as per the Statutory Framework, there are no material uncertainties related to events or conditions that may cast doubt on the ability of the PCC Group to continue as a going concern.

Explanation of Financial Statements

These Financial Statements have been compiled in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting 2017/18.

The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accountancy in the United Kingdom 2017/18; which in turn is underpinned by International Financial Reporting Standards.

These Financial Statements set out the PCC Group income and expenditure for the year and its financial position at 31 March 2018. It comprises core and supplementary statements, together with disclosure notes.

A glossary of terms can be found at the end of this publication.

The PCC Group position reflects the consolidated accounts of the PCC and the Chief Constable. Where the PCC Group position differs from the PCC position this is made clear in the accounting statements and notes. A separate set of accounts is produced for the Chief Constable for Lincolnshire.

All assets, liabilities and reserves continue to be held in the main by the PCC. However, those specifically relating to accounting entries within the Chief Constable entity are included in the Chief Constable's accounts. Pension liabilities have been split between the PCC and CC accounts.

Core Statements

- Expenditure and Funding Analysis. This shows how annual expenditure is used and funded from resources. It shows how the expenditure is allocated for decision making purposes between the PCC, CC and Joint Services. Income and expenditure accounted for under generally accepted accounting principles is presented more fully in the Comprehensive Income and Expenditure Statement;

- Comprehensive Income and Expenditure Statement. This 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;

- Movement in Reserves Statement. This shows the movement on the various reserves held by the Force, from the start of the financial year to the end of the year. This is analysed into usable reserves (those that can be applied to fund expenditure) and other unusable reserves;

- Balance Sheet. This represents the financial position as at the balance sheet date of the assets and liabilities recognised. The net assets are matched by the two categories of the reserves held;

- Cash Flow Statement. This shows the changes in cash and cash equivalents during the period. It shows how they are generated and used 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 extent to which the operations are funded by the way of taxation and grant income. Investing activities represent the extent to which cash outflows contribute to the resources for future service delivery.

Supplementary Statements

- Annual Governance Statement – the PCC publishes an Annual Governance Statement in accordance with the Delivering Good Governance guidance in order to meet the statutory requirements set out in the Accounts and Audit Regulations 2015;

- Statement of Responsibilities – this explains the responsibilities for the financial affairs and how these responsibilities are carried out;

- Notes to the Accounts – the notes show details supporting each of the main accounting statements, together with additional information to explain the 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 – this summarises the transactions relating to retirement benefits paid to police officers and how these costs are financed.

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 Expenditure and Funding Analysis shows how the expenditure is allocated for decision making purposes between the directorates within the Force.

Julie Flint, CPFA MSc
Chief Finance Officer to the
Police and Crime Commissioner for Lincolnshire

Statement of Responsibilities for the Statement of Accounts

This section explains the Police and Crime Commissioner's responsibilities for the stewardship of the PCC's financial affairs.

Responsibilities of The Police and Crime Commissioner	**Responsibilities of the Chief Finance Officer**
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 (the Chief Financial Officer) has the responsibility for the administration of those affairs; • To manage affairs of the PCC to secure economic, efficient and effective use of resources and to safeguard its assets; and • Approve the Statement of Accounts.	The Chief Finance Officer is responsible for the preparation of the PCC's Statement of Accounts in accordance with 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 Code; • kept proper accounting records which were up to date; • taken reasonable steps for the prevention and detection of fraud and other irregularities; • assessed the PCC's and the Group's ability to continue as a going concern disclosing, as applicable, matters related to going concern; • used the going concern basis of accounting on the assumption that the functions of the PCC and the Group will continue in operational existence for the foreseeable future; and • maintained such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

I approve these audited Statement of Accounts.	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 31 March 2018 and its income and expenditure for the year then ended.

Marc Jones Police and Crime Commissioner for Lincolnshire Date:	Julie Flint CPFA MSc Chief Finance Officer Date:

Independent Auditor's Report to the Police and Crime Commissioner for Lincolnshire

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Lincolnshire ('the Authority') for the year ended 31 March 2018 which comprise the Authority and Group Comprehensive Income and Expenditure Statement(s), the Authority and Group Balance Sheet(s), the Authority and Group Movement in Reserves Statement(s), the Authority and Group Cash Flow Statement(s) and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Chief Financial Officer is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Chief Financial Officer's responsibilities

As explained more fully in the statement set out on page 35, the Chief Financial Officer is responsible for: the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Lincolnshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether the Police and Crime Commissioner for Lincolnshire had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller

and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner for Lincolnshire put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner, as a body, for our audit work, for this report, or for the opinions we have formed.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner for Lincolnshire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Andrew Cardoza
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
B46GH

31 July 2018

Group Expenditure and Funding Analysis 2017/18

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources. It shows how the expenditure is allocated for decision making purposes between the PCC, CC and Joint Services. Income and expenditure accounted for under generally accepted accounting principles is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17				Group	2017/18		
Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Note		Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
22,896	3,607	26,503		Police and Crime Commissioner	24,432	7,397	31,829
106,091	(11,700)	94,391		Chief Constable	105,802	4,404	110,206
1,833	-	1,833		Joint Services	1,095	-	1,095
130,820	**(8,093)**	**122,727**		**Cost of Services**	**131,329**	**11,801**	**143,130**
731	1,722	2,453	**8**	Other Operating Expenditure	821	2,751	3,572
1,077	39,621	40,698	**9**	Financing and Investment Income and Expenditure	1,146	34,686	35,832
(132,891)	(4,256)	(137,147)	**10**	Taxation and Non-Specific Grant Income	(131,204)	(5,345)	(136,549)
(263)	**28,994**	**28,731**	**4**	**(Surplus) or Deficit on the Provision of Services**	**2,092**	**43,893**	**45,985**
5,657				Opening General Fund Balance as at 31 March	**5,656**		
263				Increase/(Decrease) in Year before Transfers to Earmarked Reserves	(2,092)		
(264)			**7**	Net transfers (to)/from Earmarked Reserves	2,100		
5,656				**Closing General Fund as at 31 March**	**5,664**		

PCC Expenditure and Funding Analysis 2017/18

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources. It shows how the expenditure is allocated for decision making purposes between the PCC, CC and Joint Services. Income and expenditure accounted for under generally accepted accounting principles is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17				PCC	2017/18		
Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Note		Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
22,896	3,607	26,503		Police and Crime Commissioner	24,432	7,397	31,829
628	-	628		Joint Services	629	-	629
23,524	**3,607**	**27,131**		**Cost of Services**	**25,061**	**7,397**	**32,458**
(3)	1,722	1,719	**8**	Other Operating Expenditure	(7)	2,751	2,744
1,077	(95)	982	**9**	Financing and Investment Income and Expenditure	1,145	55	1,200
(132,891)	(4,256)	(137,147)	**10**	Taxation and Non-Specific Grant Income	(131,204)	(5,345)	(136,549)
108,029	-	108,029	**11**	Expenditure - Intra Group financing	107,097	-	107,097
(264)	**978**	**714**	**4**	**(Surplus) or Deficit on the Provision of Services**	**2,092**	**4,858**	**6,950**
5,655				Opening General Fund Balance as at 31 March	**5,656**		
264				Increase/(Decrease) in Year before Transfers to Earmarked Reserves	(2,092)		
(264)			**7**	Net transfers (to) / from Earmarked Reserves	2,100		
5,655				**Closing General Fund as at 31 March**	**5,664**		

Group Comprehensive Income and Expenditure Statement 2017/18

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC Group raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2016/17					2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
34,573	(8,070)	26,503		Police and Crime Commissioner	38,284	(6,455)	31,829
99,363	(4,972)	94,391		Chief Constable	116,883	(6,677)	110,206
2,092	(259)	1,833		Joint Services	1,266	(171)	1,095
136,028	**(13,301)**	**122,727**		**Cost of Services**	**156,433**	**(13,303)**	**143,130**
3,083	(630)	2,453	**8**	Other Operating Expenditure	4,353	(781)	3,572
41,012	(314)	40,698	**9**	Financing and Investment Income and Expenditure	35,895	(63)	35,832
-	(137,148)	(137,148)	**10**	Taxation and Non-Specific Grant Income	-	(136,549)	(136,549)
180,123	**(151,393)**	**28,730**		**(Surplus) or Deficit on the Provision of Services**	**196,681**	**(150,696)**	**45,985**
-	(2,266)	(2,266)	**26**	(Surplus) / Deficit on Revaluation of Non-Current Assets	-	(434)	(434)
160,490	-	160,490	**28**	Actuarial (Gains) or Losses on Pension Assets and Liabilities	12,892	-	12,892
160,490	**(2,266)**	**158,224**		**Other Comprehensive Income and Expenditure**	**12,892**	**(434)**	**12,458**
340,613	**(153,659)**	**186,954**		**Total Comprehensive Income and Expenditure**	**209,573**	**(151,130)**	**58,443**

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 requires that the Comprehensive Income and Expenditure Statement (CIES) reflects the internal management reporting and decision making arrangements of the organisation.

The strategic partnership contract is managed by the PCC and has been included within the annual statements for the PCC. This represents a change to the reporting arrangements since 2015/16, when the costs were reported within the CC and Group Financial Statements.

The cost relating to the G4S strategic partnership of £22.5m for 2017/18 (2016/17: £22.7m) is included in the Group Comprehensive Income and Expenditure Statement shown above.

PCC Comprehensive Income and Expenditure Statement 2017/18

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC Group raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2016/17					2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
34,573	(8,070)	26,503		Police and Crime Commissioner	38,284	(6,455)	31,829
707	(79)	628		Joint Services	799	(170)	629
35,280	**(8,149)**	**27,131**		**Cost of Services**	**39,083**	**(6,625)**	**32,458**
1,787	(69)	1,718	**8**	Other Operating Expenditure	2,832	(88)	2,744
1,297	(314)	983	**9**	Financing and Investment Income and Expenditure	1,264	(63)	1,200
-	(137,148)	(137,148)	**10**	Taxation and Non-Specific Grant Income	-	(136,549)	(136,549)
108,029	-	108,029		Expenditure - Intra Group financing	107,097	-	107,097
146,393	**(145,680)**	**713**		**(Surplus) or Deficit on the Provision of Services**	**150,276**	**(143,325)**	**6,950**
-	(2,266)	(2,266)	**26**	(Surplus) / Deficit on Revaluation of Non-Current Assets	-	(434)	(434)
356	-	356	**28**	Actuarial (Gains) or Losses on Pension Assets and Liabilities	(144)		(144)
356	**(2,266)**	**(1,910)**		**Other Comprehensive Income and Expenditure**	**(144)**	**(434)**	**(578)**
146,749	**(147,946)**	**(1,197)**		**Total Comprehensive Income and Expenditure**	**150,132**	**(143,759)**	**6,372**

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 requires that the Comprehensive Income and Expenditure Statement (CIES) reflects the internal management reporting and decision making arrangements of the organisation.

The strategic partnership contract is managed by the PCC and has been included within the annual statements for the PCC.

The cost relating to the G4S strategic partnership of £22.5m for 2017/18 (2016/17: £22.7m) is shown in the PCC Comprehensive Income and Expenditure Statement shown above.

Group Movement in Reserves Statement 2017/18

The Movement in Reserves Statement shows the movement in the year on the reserves held by the PCC Group, analysed into usable reserves and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the PCC Group'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 PCC Group.

Group	Capital Receipts Reserve	Capital Grants Unapplied	Earmarked Reserves	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016	**133**	**364**	**12,815**	**5,657**	**18,969**	**(1,138,147)**	**(1,119,178)**
Movement in Reserves during 2016/17							
Deficit on the provision of services	-	-	-	(28,730)	(28,730)	-	(28,730)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(158,224)	(158,224)
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**(28,730)**	**(28,730)**	**(158,224)**	**(186,954)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	65	304	-	28,993	29,362	(29,362)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**65**	**304**	**-**	**263**	**632**	**(187,586)**	**(186,954)**
Net transfers (to)/from Earmarked Reserves (Note 7)	-	-	264	(264)	**-**	-	-
Increase/(Decrease) in 2016/17	**65**	**304**	**264**	**(1)**	**632**	**(187,586)**	**(186,954)**
Balance at 31 March 2017 carried forward	**198**	**668**	**13,079**	**5,656**	**19,601**	**(1,325,733)**	**(1,306,132)**
Movement in Reserves during 2017/18							
Deficit on the provision of services	-	-	-	(45,985)	(45,985)	-	(45,985)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(12,458)	(12,458)
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**(45,985)**	**(45,985)**	**(12,458)**	**(58,443)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(198)	(72)	-	43,893	43,623	(43,623)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**(198)**	**(72)**	**-**	**(2,092)**	**(2,362)**	**(56,081)**	**(58,443)**
Net transfers (to)/from Earmarked Reserves (Note 7)	-	-	(2,100)	2,100	-	-	-
Increase/(Decrease) in 2017/18	**(198)**	**(72)**	**(2,100)**	**8**	**(2,362)**	**(56,081)**	**(58,443)**
Balance at 31 March 2018 carried forward	**-**	**596**	**10,979**	**5,664**	**17,238**	**(1,381,813)**	**(1,364,575)**

PCC Movement in Reserves Statement 2017/18

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the PCC, analysed into usable and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the PCC'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 PCC.

PCC	Capital Receipts Reserve	Capital Grants Unapplied	Earmarked Reserves	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total PCC Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016 carried forward	**133**	**364**	**12,815**	**5,655**	**18,967**	**3,922**	**22,889**
Movement in Reserves during 2016/17							
Deficit on the provision of services	-	-	-	(713)	(713)	-	(713)
Other Comprehensive Income and Expenditure	-	-	-	-	-	1,910	1,910
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**(713)**	**(713)**	**1,910**	**1,197**
Adjustments between accounting basis and funding basis under regulations (Note 6)	65	304	-	977	1,346	(1,346)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**65**	**304**	**-**	**264**	**633**	**564**	**1,197**
Net transfers (to)/from Earmarked Reserves (Note 7)	-	-	264	(264)	-	-	-
Increase/(Decrease) in 2016/17	**65**	**304**	**264**	**-**	**633**	**564**	**1,197**
Balance at 31 March 2017 carried forward	**198**	**668**	**13,079**	**5,656**	**19,601**	**4,486**	**24,086**
Movement in Reserves during 2017/18							
Deficit on the provision of services	-	-	-	(6,950)	(6,950)	-	(6,950)
Other Comprehensive Income and Expenditure	-	-	-	-	-	578	578
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**(6,950)**	**(6,950)**	**578**	**(6,372)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(198)	(72)	-	4,858	4,588	(4,588)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**(198)**	**(72)**	**-**	**(2,092)**	**(2,362)**	**(4,010)**	**(6,372)**
Net transfers (to)/from Earmarked Reserves (Note 7)	-	-	(2,100)	2,100	-	-	-
Increase/(Decrease) in 2017/18	**(198)**	**(72)**	**(2,100)**	**8**	**(2,362)**	**(4,010)**	**(6,372)**
Balance at 31 March 2018 carried forward	**-**	**596**	**10,979**	**5,664**	**17,238**	**477**	**17,715**

Group and PCC Balance Sheet as at 31 March 2018

The Balance Sheet shows the value of the assets and liabilities recognised by the PCC Group and the PCC. For each entity the net assets are matched by the reserves held. Reserves are reported as Usable and Unusable Reserves. Unusable reserves include reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2017				31 March 2018	
PCC £000	Group £000	Note		PCC £000	Group £000
31,575	31,575	12	Property, Plant and Equipment	32,159	32,159
1,179	1,179	14	Investment Property	-	-
3,920	3,920	15	Intangible Assets	3,216	3,216
58	58	12	Assets Held for Sale	-	-
36,732	**36,732**		**Long-Term Assets**	**35,375**	**35,375**
386	386	19	Inventories	362	362
21,068	21,068	20	Short-Term Debtors	16,329	16,329
6,370	6,370	21	Cash and Cash Equivalents	2,384	2,384
-	-	45	Short-Term Investments	-	-
27,824	**27,824**		**Current Assets**	**19,075**	**19,075**
(1,012)	(1,012)	45	Short-Term Borrowing	(1,002)	(1,002)
(17,994)	(17,994)	22	Short-Term Creditors	(14,921)	(14,921)
(1,479)	(1,479)	18	Other Short Term Liabilities	(1,764)	(1,764)
(644)	(660)	23	Short-Term Provisions	(1,059)	(1,075)
(50)	(50)		Capital Grants Receipts in Advance (< 1 yr)	(30)	(30)
(21,179)	**(21,195)**		**Current Liabilities**	**(18,776)**	**(18,792)**
(11,301)	(11,301)	45	Long-Term Borrowing	(10,563)	(10,563)
(2,071)	(1,332,138)	43	Pension Liabilities	(2,105)	(1,384,237)
(5,918)	(5,918)	18	Other Long-Term Liabilities	(5,291)	(5,291)
-	(136)	23	Long-Term Provisions	-	(142)
(19,290)	**(1,349,493)**		**Long-Term Liabilities**	**(17,959)**	**(1,400,233)**
24,087	**(1,306,132)**		**Net Assets**	**17,715**	**(1,364,575)**
19,600	19,600	24	Usable Reserves	17,238	17,238
4,488	(1,325,732)	25	Unusable Reserves	477	(1,381,813)
24,088	**(1,306,132)**		**Total Reserves**	**17,715**	**(1,364,575)**

Group and PCC Cash Flow Statement 2017/18

The Cash Flow Statement shows the changes in cash and cash equivalents of the PCC Group during the financial year. The statement shows the cash and cash equivalents by operating, investing and financing activities. The net cash flows arising from operating activities is a key indicator of the extent to which the operations of the PCC Group are funded by way of taxation and grant income or from the recipients of services provided by the PCC Group. Investing activities represent the cash outflows relating to resources that contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting commitments to future cash flows by providers of capital to the PCC Group.

2016/17				2017/18	
PCC £000	Group £000	Note		PCC £000	Group £000
714	28,730		**Net (Surplus) or Deficit on the Provision of Services**	6,950	45,985
(9,205)	(37,221)	**31**	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(14,951)	(53,986)
69	69	**32**	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	88	88
(8,422)	**(8,422)**		**Net Cash Outflows from Operating Activities**	**(7,913)**	**(7,913)**
4,121	4,121	**34**	Investing Activities	9,387	9,387
2,549	2,549	**35**	Financing Activities	2,512	2,512
(1,752)	**(1,752)**		**Net (Increase) or Decrease in Cash and Cash Equivalents**	**3,986**	**3,986**
4,618	4,618	**21**	Cash and Cash Equivalents at the Beginning of the Reporting Period	6,370	6,370
6,370	6,370	**21**	Cash and Cash Equivalents at the End of the Reporting Period	2,384	2,384

Police and Crime Commissioner for Lincolnshire

Notes to the Accounts

The notes below provide additional explanation or support for the information contained within the main financial statements for the PCC Group and PCC (Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement). Where the balances and transactions explained are the same between the PCC Group and PCC the note will only provide one explanation, where there are differences between the PCC Group and PCC balances, the notes will outline both in the required detail.

Values are rounded to nearest £1,000 unless specified otherwise. Please note some slight rounding differences may occur.

1. Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the PCC's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The PCC is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 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 2017/18, 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. Prior period adjustments, Changes in Accounting Policies and Estimate and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

1.3. 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.

- 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.

1.4. 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

- Expected to be used during more than one period.

1.4.1. 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.

1.4.2. Initial Recognition

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The PCC Group does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the PCC Group). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the PCC Group.

1.4.3. 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.

1.4.4. 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 relevant service lines in the Comprehensive Income and Expenditure Statement.

1.4.5. 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. 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 were subjected to a full revaluation exercise at 1 April 2016. This valuation has been updated as at 31 March each year since, by way of a desktop revaluation of all assets.

All valuations are in accordance with the capital accounting rules.

1.5. Operational Assets

1.5.1. Land and Operational Properties:

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

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 current value with depreciated replacement cost (DRC) methodology, reflecting their value to the PCC in their current use. Due to 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 current value, determined as the amount that would be paid for the asset in its existing use (EUV). 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.

1.6. Non-Operational Assets

1.6.1. Surplus assets

Assets which the PCC no longer operates or are no longer used for service delivery, but are not investment properties or meet the definition for held for sale. They are valued at fair value and measured and depreciated in line with the operational asset class. Current value, determined as the amount that would be paid for the asset in its existing use (EUV) is used for this.

1.6.2. Assets Under Construction

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.

1.7. 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 2017/18 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.

The next full valuation will be carried out in 2021/22.

1.8. 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.

1.9. Revaluation Gains and Losses

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

1.9.1. 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 and 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. Component assets are treated as separate assets and therefore revalued separately. 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.

1.10. Depreciation

Depreciation is charged on all assets with a finite useful life (which can be determined at the time of acquisition or revaluation). Depreciation is charged against assets from the month they are capitalised, to the month that they are disposed, decommissioned or reach the end of their useful life.

The policy on useful asset life is as follows:

- Operational buildings (other than temporary buildings) are depreciated over their estimated useful life of between 20 and 75 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 (between 3 and 8 years dependent on the asset).

Depreciation is calculated as the current value 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. 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.

1.11. Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale. 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.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the PCC's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.12. Impairment of Non-Current Assets

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

1.13. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the PCC as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the PCC.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the PCC will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the PCC's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the PCC can be determined by reference to an active market. In practice, no intangible asset held by the PCC meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired, any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.13.1. De Minimis Level

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

1.14. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

The PCC no longer recognises any assets as investment properties as those previously classified as such, have been reclassified as operational assets.

1.15. 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;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible assets.

The PCC is not required to raise council tax to cover depreciation, revaluation and 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 as the Minimum Revenue Provision.

1.16. 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 non-current 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 non-current 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 assets attributable to the service;
- The annual contribution towards the reduction in overall borrowing, in accordance with the PCC's approved policy;
- 4% of the Capital Financing Requirement as at 31 March 2008, adjusted for repayments made since that date;
- All borrowing from 2008/09 onwards, a repayment based on the asset life method.

Depreciation, revaluation and impairment losses and amortisation 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.

1.17. 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 Comprehensive Income and Expenditure Statement 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.

1.18. 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).

1.18.2. Finance Lease

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

1.18.3. Operating Lease

All other leases are determined to be operating leases.

1.19. The PCC as Lessee

1.19.1. Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the PCC are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment where applied to write down the lease liability; and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the PCC at the end of the lease period).

The PCC is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.19.2. Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

1.20. The PCC as Lessor

1.20.1. Finance Leases

Where the PCC grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the PCC's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property which is applied to write down the lease debtor (together with any premiums received); and

- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to [the Deferred Capital Receipts Reserve (England and Wales) or Capital Receipts Reserve (Scotland)] in Movement in Reserves Statement. [When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales).]

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.20.2. Operating Leases

Where the PCC grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.21. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the PCC when there is reasonable assurance that:

- The PCC will comply with the conditions attached to the payments;

- The grants or contributions will be received.

Amounts recognised as due to the PCC are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.22. Debtors

Debtors are recognised in the accounts when the ordered goods or services have been delivered or rendered by the PCC by the 31 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.

Where there are differences between the Group and PCC balance at 31 March the note will show both balances.

1.23. Creditors

Creditors are recorded where goods or services have been supplied to the PCC by 31 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.

Where there are differences between the Group and PCC balance at 31 March the note will show both balances.

1.24. 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 and 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.

1.25. 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.

1.26. Investments and Cash and Cash Equivalents

1.26.1. Investments

The PCC will classify these as follows:

- Short-term deposits (due to be returned within 12 months 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.

1.26.2. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the cash flow statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand or form an integral part of the Force's cash management.

1.27. Provisions

Provisions are made where an event has taken place that gives the PCC a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the PCC may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the PCC becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the PCC settles the obligation.

1.28. 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, not wholly within the control of the PCC. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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.

1.29. 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.

1.30. Reserves

The force sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from reserves is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in reserves Statement so that there is no net charge against council tax for the expenditure.

1.30.1. 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.

1.30.2. 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.

1.31. Events after the Reporting Period

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

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

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

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

1.32. 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.

1.33. Costs of Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the PCC Group's arrangements for the accountability and financial performance.

1.34. Value Added Tax (VAT)

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

1.35. Fair Value Measurement

The PCC measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The PCC measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the PCC takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The PCC uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the PCC's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the PCC can access at the measurement date;

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3 – unobservable inputs for the asset or liability.

1.36. Employee Benefits

1.36.1. Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the PCC . An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

1.36.2. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the PCC to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the PCC can no longer withdraw the offer of those benefits or when the PCC recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the PCC to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

1.36.3. Post-employment Benefits

Employees of the PCC Group are members of two separate pension schemes:

- The Police Officer Pension Scheme, for which the scheme manager is the Chief Constable, administered by Kier Business Services at Middlesbrough;

- The Local Government Pensions Scheme, administered by West Yorkshire Pension Fund on behalf of Lincolnshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees.

1.36.4. The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lincolnshire pension fund attributable to the PCC are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. 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, etc. and projections of projected earnings for current employees;

- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (based on the indicative rate of return on high quality AA index corporate bonds;

- The assets of Lincolnshire pension fund attributable to the PCC are included in the Balance Sheet at their fair value as follows:

  - Quoted securities – current bid price;

  - Unquoted securities – professional estimate;

  - Unitised securities – current bid price;

  - Property – market value.

1.36.5. The Police Officer Pension Scheme

The police officer pension schemes (both the old and new schemes) are accounted for as a defined benefit scheme:

- The liabilities of the Lincolnshire pension fund attributable to the Chief Constable are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. 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 etc. and projections of projected earnings for current employees;

- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (based on the indicative rate of return on high quality AA index corporate bonds.

1.36.6. Pension Scheme Policies

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:

  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment 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 to a corporate service segment;

  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the PCC – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and

Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Contributions paid to the Lincolnshire 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 require the General Fund Balance to be charged with the amount payable by the PCC to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve 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 but unpaid at the year-end. The negative balance that arises on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than when the benefits are earned by employees.

1.36.7. Discretionary Benefits

The PCC also has 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.

1.36.8. Police Officer Pensions – Home Office Memorandum Account

From 1 April 2006 the Home Office changed the methods of financing police pensions. Effectively the PCC has continued to make payments but accounts for these outside of the accounts in a separate memorandum account. This is included as supplementary statement to the accounts.

1.37. Joint Operations

Joint operations are joint arrangements in which the PCC and other venturers have joint control of the arrangement. The parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The PCC accounts for only its share of the joint operations assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint operation and income that it earns from the venture.

1.38. Financial Instruments

1.38.1. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For all of the borrowings that the PCC has, this means that:

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

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

1.38.2. Financial Assets

Financial assets are classified into two types:

- Loans and receivables, where assets have fixed or determinable payments but are not quoted in an active market;
- Available-for-sale assets, where assets have a quoted market price and/or do not have fixed or determinable payments.

The PCC only has loans and receivables.

1.38.3. Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The PCC's loans and receivables comprise: short term investments, trade debtors, accrued income and 'other receivables'.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the

difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2. 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 specialised equipment and intangible assets, have been treated as a disposal of assets. The subsequent use of the assets creates a finance lease under IFRIC 4. Hence, the transfer valuation appears in the asset register of the PCC and is depreciated and re-valued in line with accounting policies. There is a matching finance lease liability that is written down over the individual asset 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 the financial statements, but the Code says not to include them. This means that by following the CIPFA guidance, the PCC has treated pension top up as an employers' 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;

- The Scheme of Arrangements within the PCC Group and the governance arrangements indicate that the Chief Constable controls police officers and police staff, with the exception of PCC staff. The PCC controls income, assets and usable reserves;

- G4S joined Lincolnshire Pension Fund as a new Transferee Admission Body on 1 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 31 March 2018 reflect the combined G4S and Lincolnshire Police pension fund assets and liabilities.

3. Assumptions 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.

Item	Uncertainties	Effect if actual results differ from assumptions
Pension liability (Group) £1,384,237k of which £2,105k relates to the PCC	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 pension 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.
Actuarial Assumptions (Group) £1,384,237k of which £2,105k relates to the PCC	The actuaries have assumed that CPI will be approximately 1% p.a. below RPI on average.	As a market in CPI linked bonds does not exist the actuaries need to make an estimate of the long term gap between RPI and CPI in order to arrive at a CPI assumption for the accounts. The assumption that CPI will be 1% below RPI on average leads to future service costs being around 8% lower than if the RPI indicator was used.

The items in the PCC's Group Balance Sheet at 31 March 2018 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 pension's assets and liabilities. Hence, these are considered separately.

3.1. Pension assumptions

The sensitivity analyses for the Police and Local Government Pension Schemes are set out in the tables below. Sensitivity analysis is based on changes to the assumptions occurring at the end of the reporting period and with only one assumption changing at a time rather than assumptions changing in combination with each other. The sensitivity on the longevity assumption, for example, is based upon life expectancy increasing or decreasing for both men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

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

Change in financial and demographic assumptions	Approximate percentage increase to Employer Liability	Approximate monetary amount (£m)
0.5% decrease in the Real Discount Rate	9%	122.79
1 year increase in member life expectancy	3%	39.95
0.5% in the Salary Increase Rate	1%	13.18
0.5% increase in the Pensions Increase Rate (CPI)	8%	101.97

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

Change in financial and demographic assumptions	Approximate percentage increase to Projected Current Service Cost	Approximate monetary amount (£m)
0.5% decrease in the Real Discount Rate	19%	5.21
1 year increase in member life expectancy	3%	0.84
0.5% in the Salary Increase Rate	0%	0.13
0.5% increase in the Pensions Increase Rate (CPI)	10%	2.87

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

Change in financial and demographic assumptions	Approximate percentage increase toDefined Benefit Obligation	Approximate monetary amount (£m)
0.5% decrease in the Real Discount Rate	12%	20.83
0.5% in the Salary Increase Rate	2%	3.13
0.5% increase in the Pensions Increase Rate (CPI)	10%	17.44

3.2. Other Areas of Estimation Uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment £32,159k	Valuations are provided at a specific date. Market conditions can change at short notice.	The last year has seen a 2% increase in the PPE figures. However, much of this is due to the quinquennial revaluation.
Classification of leases £7,055k	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
Collection fund balances £458k	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.
Accumulated Absences (Group) £1,908k Increase in year of £430k	The calculation is based on the balance of hours owed to or owing by each individual recorded in the Duty Management System which includes Annual Leave, Time Off In Lieu and Rest Days in Lieu. Adjustments have been made to remove negative balances and reduce high carry forward balances that significantly exceed policy. Annual Leave is restricted to 5 days, as per policy. The hourly rate used is based on the average pay from the March payroll files.	Actual balances have since been calculated for approved carry forward and the figures are not materially different to the estimates, therefore no adjustments have been made.

4. Expenditure and Funding Analysis

2016/17					Group	2017/18			
Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000	Note		Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
3,590	(54)	71	3,607		Police and Crime Commissioner	6,845	122	430	7,397
-	(11,700)	-	(11,700)		Chief Constable	-	4,404	-	4,404
-	-	-	-		Joint Services	-	-	-	-
3,590	**(11,754)**	**71**	**(8,093)**		**Cost of Services**	**6,845**	**4,526**	**430**	**11,801**
1,722	-	-	1,722	**8**	Other Operating Expenditure	2,751	-	-	2,751
(154)	39,774	-	39,621	**9**	Financing and Investment Income and Expenditure	-	34,686	-	34,686
(4,707)	-	450	(4,256)	**10**	Taxation and Non-Specific Grant Income	(5,452)	-	107	(5,345)
452	**28,020**	**522**	**28,992**		**Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit**	**4,144**	**39,212**	**537**	**43,893**

2016/17					PCC	2017/18			
Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000	Note		Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
3,590	(54)	71	3,607		Police and Crime Commissioner	6,845	122	430	7,397
-	-	-	-		Joint Services	-	-	-	-
3,590	**(54)**	**71**	**3,607**		**Cost of Services**	**6,845**	**122**	**430**	**7,397**
1,722	-	-	1,722	**8**	Other Operating Expenditure	2,751	-	-	2,751
(154)	59	-	(95)	**9**	Financing and Investment Income and Expenditure	-	55	-	55
(4,707)	-	450	(4,256)	**10**	Taxation and Non-Specific Grant Income	(5,452)	-	107	(5,345)
452	**5**	**522**	**977**		**Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit**	**4,144**	**177**	**537**	**4,858**

4.1. Adjustments for Capital Purposes

The Adjustments for Capital Purposes column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other Operating Expenditure adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;
- Financing and Investment Income and Expenditure. The statutory charges for capital financing, i.e. Minimum Revenue Provision, and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices;
- Taxation and Non-Specific Grant Income and Expenditure. Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

4.2. Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- Services represent the removal of the employer pension contributions made by the PCC Group as allowed by statute and the replacement with current service costs and past service costs;

- Financing and Investment Income and Expenditure where the net interest on the defined benefit liability is charged to the CIES.

4.3. Other Differences

Other differences between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute:

- Financing and Investment Income and Expenditure. Other Differences recognises adjustments to the General Fund for the timing differences for premiums and discounts;

- The charge under Taxation and Non-Specific Grant Income and Expenditure represents the difference between what is chargeable under statutory regulations for council tax that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

5. Expenditure Analysed by Nature

2016/17 £000	Group Expenditure and Income	2017/18 £000
	Expenditure	
48,550	Police Pay and Allowances	51,835
17,335	Police Staff Pay and Allowances	21,115
930	Other Employee Expenses	1,583
872	Police Pensions - Ill Health Retirements	989
20,504	Pension costs	30,826
2,605	Premises	2,940
1,875	Transport	1,764
13,109	Supplies and Services	9,187
22,999	Third Party Payments	23,755
3,467	Capital Financing	8,230
3,780	Depreciation and amortisation	4,209
1,719	Gains or (losses) on the disposal of assets	2,832
662	Precepts and levies	701
72	Seconded Officers	820
41,012	Interest and investment expenditure	35,895
179,491	**Total expenditure**	**196,681**
	Income	
(13,301)	Fees, charges and other service income	(13,303)
-	Seconded Officers	(693)
-	Gains or (losses) on the disposal of assets	(88)
(314)	Interest and investment income	(63)
(51,705)	Income from council tax	(53,119)
(85,443)	Government grants and contributions	(83,430)
(150,762)	**Total income**	**(150,696)**
28,729	**(Surplus) or Deficit on the Provision of Services**	**45,985**

2016/17 £000	PCC Expenditure and Income	2017/18 £000
	Expenditure	
-	Police Pay and Allowances	10
3,066	Police Staff Pay and Allowances	2,080
57	Other Employee Expenses	41
-	Premises	15
1	Transport	-
2,079	Supplies and Services	1,052
22,829	Third Party Payments	23,446
3,467	Capital Financing	8,230
3,780	Depreciation and amortisation	4,209
1,719	Gains or (losses) on the disposal of assets	2,832
1,297	Interest and investment expenditure	1,264
108,030	Intra Group financing	107,097
146,324	**Total expenditure**	**150,276**
	Income	
(8,149)	Fees, charges and other service income	(6,625)
-	Gains or (losses) on the disposal of assets	(88)
(314)	Interest and investment income	(63)
(51,705)	Income from council tax	(53,119)
(85,443)	Government grants and contributions	(83,430)
(145,610)	**Total income**	**(143,325)**
714	**(Surplus) or Deficit on the Provision of Services**	**6,951**

6. Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustments are made to the total comprehensive income and expenditure recognised by both the PCC Group and the PCC in the year in accordance with accounting practice.

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

6.1. General Fund Balance

The General Fund is the statutory fund into which all the receipts are required to be paid and out of which all liabilities 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 is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the PCC is required to recover) at the end of the financial year.

6.2. 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.

6.3. Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects, for which the Force has met the conditions that would otherwise require repayment of the monies, but which yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2016/17 Adjustment between Accounting Basis and Funding Basis

2016/17 Group	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve)	28,020	-	-	(28,020)
Council tax (transferred to or from Collection Fund)	450	-	-	(450)
Unused Leave (transferred to the Accumulated Absences Reserve)	71	-	-	(71)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	4,486	-	-	(4,486)
Total Adjustments to Revenue Resources	**33,027**	**-**	**-**	**(33,027)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(65)	65	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(3,217)	-	-	3,217
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(448)	-	-	448
Total Adjustments between Revenue and Capital Resources	**(3,731)**	**65**	**-**	**3,666**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure Application of capital grants to finance capital expenditure	(304)	-	304	-
Total Adjustments to Capital Resources	(304)	-	304	-
Total Adjustments	**28,992**	**65**	**304**	**(29,361)**

2016/17 PCC	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve)	5	-	-	(5)
Council tax (transferred to or from Collection Fund)	450	-	-	(450)
Unused Leave (transferred to the Accumulated Absences Reserve)	71	-	-	(71)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	4,486	-	-	(4,486)
Total Adjustments to Revenue Resources	**5,012**	**-**	**-**	**(5,012)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(65)	65	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(3,217)	-	-	3,217
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(448)	-	-	448
Total Adjustments between Revenue and Capital Resources	**(3,731)**	**65**	**-**	**3,666**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-
Application of capital grants to finance capital expenditure	(304)	-	304	-
Total Adjustments to Capital Resources	(304)	-	304	-
Total Adjustments	**977**	**65**	**304**	**(1,346)**

2017/18 Adjustment between Accounting Basis and Funding Basis

2017/18 Group	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve)	39,212	-	-	(39,212)
Council tax (transferred to or from Collection Fund)	107	-	-	(107)
Unused Leave (transferred to the Accumulated Absences Reserve)	430	-	-	(430)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	8,322	-	-	(8,322)
Total Adjustments to Revenue Resources	**48,071**	**-**	**-**	**(48,071)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(82)	82	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(3,351)	-	-	3,351
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(817)	-	-	817
Total Adjustments between Revenue and Capital Resources	**(4,250)**	**82**	**-**	**4,168**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	-	(280)	-	280
Application of capital grants to finance capital expenditure	72	-	(72)	-
Total Adjustments to Capital Resources	72	(280)	(72)	280
Total Adjustments	**43,893**	**(198)**	**(72)**	**(43,623)**

2017/18 PCC	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve)	177	-	-	(177)
Council tax (transferred to or from Collection Fund)	107	-	-	(107)
Unused Leave (transferred to the Accumulated Absences Reserve)	430	-	-	(430)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	8,322	-	-	(8,322)
Total Adjustments to Revenue Resources	**9,036**	**-**	**-**	**(9,036)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(82)	82	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(3,351)	-	-	3,351
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(817)	-	-	817
Total Adjustments between Revenue and Capital Resources	**(4,250)**	**82**	**-**	**4,168**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	-	(280)	-	280
Application of capital grants to finance capital expenditure	72	-	(72)	-
Total Adjustments to Capital Resources	72	(280)	(72)	280
Total Adjustments	**4,858**	**(198)**	**(72)**	**(4,588)**

7. Transfers to/from Earmarked Reserves

Group / PCC	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Transfer Between Reserves 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Transfer Between Reserves 2017/18 £000	Balance at 31 March 2018 £000
Major Incidents	**1,850**	-	-	-	**1,850**	-	-	-	**1,850**
Insurance	**903**	-	97	-	**1,000**	-	-	-	**1,000**
Proceeds of Crime Act	**188**	(18)	-	-	**170**	-	58	-	**228**
Employee Welfare Reserve	**42**	(10)	25	-	**57**	(5)	-	-	**52**
Budget Flexibility Reserve	**5,013**	(2,461)	2,008	469	**5,029**	(3,868)	685	-	**1,847**
Development and Partnership Working	**977**	(140)	-	-	**837**	(68)	274	-	**1,044**
Niche Data Quality and Regional Transformation	**176**	(27)	13	-	**162**	-	-	-	**162**
Partner Agency Funding	**121**	-	-	-	**121**	-	-	-	**121**
Performance and Productivity	**684**	(330)	646	-	**1,000**	(118)	100	-	**982**
Volunteers Initiative	**216**	(216)	-	-	**-**	-	-	-	**-**
Mobile Data	**54**	(45)	-	-	**9**	(6)	-	-	**3**
CATS / Niche Back Office	**100**	-	-	-	**100**	-	-	-	**100**
Hi-Tech Crime Computer Analysis	**29**	(29)	-	-	**-**	-	-	-	**-**
Innovation Fund	**76**	-	-	-	**76**	-	-	-	**76**
Strategic Partnership Carry Forward	**427**	(106)	-	-	**321**	(321)	-	-	**-**
Blue Light Integration	**147**	(147)	-	-	**-**	-	-	-	**-**
Internships	**52**	(32)	20	-	**40**	(28)	-	-	**12**
Corporate Communications	**30**	(30)	-	-	**-**	-	-	-	**-**
East Midlands Operational	**83**	(83)	-	-	**-**	-	-	-	**-**
CSI Mileage for staff relocation	**10**	(10)	-	-	**-**	-	-	-	**-**
East Midlands Criminal Justice	**25**	(25)	-	-	**-**	-	-	-	**-**
Innovation Funds Carry Forward	**749**	(280)	35	(469)	**35**	-	-	-	**35**
Capital Financing Reserve	**321**	-	330	-	**651**	-	145	-	**796**
Operation Hillstar Staffing Commitment	**-**	-	200	-	**200**	(66)	-	-	**134**
ASB Case Management	**-**	-	21	-	**21**	(21)	-	-	**-**
Corporate Communications	**-**	-	59	-	**59**	(59)	-	-	**-**
Bank Holiday maternity pay	**-**	-	60	-	**60**	(60)	-	-	**-**
Telephony system scoping	**-**	-	15	-	**15**	-	-	-	**15**
FCR Mental Health Nurse	**-**	-	60	-	**60**	(45)	-	-	**15**
Regional NICHE	**-**	-	357	-	**357**	(293)	-	-	**64**
Crime Prevention Scheme SKDC	**-**	-	11	-	**11**	-	-	-	**11**
Policing Model Carry Forward	**-**	-	51	-	**51**	(51)	-	-	**-**
Ill Health Retirements	**-**	-	225	-	**225**	-	-	-	**225**
Staffing Reserve	**-**	-	100	-	**100**	-	-	-	**100**
PCC Regional Staffing	**-**	-	-	-	**-**	-	118	-	**118**
Mobile Data Terminals	**-**	-	-	-	**-**	-	68	-	**68**
ARV Grant Notts	**-**	-	-	-	**-**	-	257	-	**257**
Niche CofL Reserve	**-**	-	-	-	**-**	-	218	-	**218**
Specific Grant for Specialist Ongoing Operations	**-**	-	-	-	**-**	-	874	-	**874**
Subtotal	**12,274**	**(3,988)**	**4,334**	**-**	**12,619**	**(5,009)**	**2,797**	**-**	**10,407**
Regional Reserve	542	(82)	-	-	460	-	112	-	**572**
Total	**12,816**	**(4,070)**	**4,334**	**-**	**13,079**	**(5,009)**	**2,909**	**-**	**10,979**

Descriptions of the Earmarked Reserves

Earmarked Reserves - Group / PCC Balance at 31 March 2018	£000	Description of Reserve
Major Incidents	1,850	The requirements of operational policing vary significantly from year to year. The reserve ensures that the PCC Group has funds available to respond to the requirements of major incidents.
Insurance	1,000	To support the costs of on-going claims and for future unforeseen claims which have not yet arisen and for which revenue provision is insufficient.
Proceeds of Crime Act	228	The police share of assets recovered from the proceeds of crime is reserved for funding local crime reduction initiatives to benefit the community.
Employee Welfare Reserve	52	Reserved sum to improve the working environment of employees.
Budget Flexibility Reserve	1,847	Reserve to be used to support future revenue budgets.
Development and Partnership Working	1,044	Reserve to be used for Victims commissioning, force Intranet, governance, and Channel Management.
Niche Data Quality and Regional Transformation	162	Reserve to be used for funding of specific Regional Initiatives.
Partner Agency Funding	121	Reserve for Funding received from NHS (custody transformation) and LCJB.
Performance and Productivity	982	Reserve to fund business change and efficiency projects.
Mobile Data	3	Reserve for additional costs of the Mobile Data implementation.
CATS / Niche Back Office	100	Reserve to support the CATS / Niche system record conversion.
Innovation Fund	76	Round 2 Innovation final costs.
Internships	12	Reserve to cover the costs associated with an internship scheme.
Innovation Funds Carry Forward	35	Round 2 Innovation final costs.
Capital Financing Reserve	796	Reserve allocation set aside to fund future capital programme items.
Operation Hillstar Staffing Commitment	134	Staffing commitment on Operation Hillstar (ongoing Major Incident).
Telephony system scoping	15	Costs to cover the development work around a new phone system.
FCR Mental Health Nurse	15	Funding of a pilot registered mental health professional in the FCR.
Regional NICHE	64	Surplus generated on the Derbyshire NICHE project to use on future regional development.
Crime Prevention Scheme SKDC	11	CCTV initiative start up costs in connection with partner agency.
Ill Health Retirements	225	Reserve to ensure Force can meet the cost of potential Ill Health retirements.
Staffing Reserve	100	To provide for potential base budget shortfalls in the event the vacancy factor isnt met.
PCC Regional Staffing	118	Balance of funding to be carried forward in order to cover the costs of staffing the regional team.
Mobile Data Terminals	68	Carry forward of direct revenue financing in order to fund equipment purchases in 2018/19.
ARV Notts	257	Home Office grant held for distribution in 2018/19.
Niche CofL Reserve	218	Income received from City of London upon joining the NICHE collaboration. This amount is held in order to reimburse partner Forces.
Specific Grant for Specialist Ongoing Operations	874	Grant received in order to fund on going specialist operation.
Sub-Total	**10,407**	
Regional Reserve	572	Reserves from surplus of funding relating to regional expenditure.
Total	**10,979**	

8. Other Operating Expenditure

2016/17			Group	2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,787	(69)	1,719	(Gains) or Losses on the Disposal of Property, Plant and Equipment	2,832	(88)	2,744
662	-	662	Levies	701		701
634	(562)	72	Seconded Officers	820	(693)	127
3,083	**(630)**	**2,453**		**4,353**	**(781)**	**3,572**

2016/17			PCC	2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,787	(69)	1,719	(Gains) or Losses on the Disposal of Property, Plant and Equipment	2,832	(88)	2,744
1,787	**(69)**	**1,719**		**2,832**	**(88)**	**2,744**

Levies are the Chief Constable's contributions towards national police computing systems provided by the Home Office.

9. Financing and Investment Income and Expenditure

2016/17			Group	2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
566	-	566	Interest Payable on Debt	490	-	490
647	-	647	Interest Element of Finance Lease (Lessee)	719	-	719
39,774	-	39,774	Pensions Interest Cost and Expected Return on Pensions Assets	34,686	-	34,686
-	(41)	(41)	Investment Interest Income	-	(63)	(63)
-	(120)	(120)	Rentals Received on Investment Properties		-	-
25	-	25	Expenses Incurred on Investment Properties	-	-	-
-	(154)	(154)	Changes in Fair Value of Investment Properties	-	-	-
41,012	**(314)**	**40,698**		**35,895**	**(63)**	**35,832**

2016/17			PCC	2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
566	-	566	Interest Payable on Debt	490	-	490
647	-	647	Interest Element of Finance Lease (Lessee)	719	-	719
59	-	59	Pensions Interest Cost and Expected Return on Pensions Assets	55	-	55
-	(41)	(41)	Investment Interest Income	-	(63)	(63)
-	(120)	(120)	Rentals Received on Investment Properties	-	-	-
25	-	25	Expenses Incurred on Investment Properties	-	-	-
-	(154)	(154)	Changes in Fair Value of Investment Properties	-	-	-
1,297	**(314)**	**983**		**1,264**	**(63)**	**1,201**

10. Taxation and Non-Specific Grant Income

2016/17			Group / PCC	2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
-	(4,536)	(4,536)	Recognised Capital Grants and Contributions	-	(5,254)	(5,254)
-	(58,728)	(58,728)	General Government Grants	-	(57,909)	(57,909)
-	(5,775)	(5,775)	Council Tax Support Grant	-	(5,775)	(5,775)
-	(1,059)	(1,059)	Council Tax Freeze Grant	-	(1,059)	(1,059)
-	(44,871)	(44,871)	Council Tax Income	-	(46,285)	(46,285)
-	(22,008)	(22,008)	Home Office Grant Payable tow ards the Cost of Retirement Benefits	-	(20,070)	(20,070)
-	(171)	(171)	Regional Grant income	-	(197)	(197)
-	**(137,148)**	**(137,148)**		**-**	**(136,549)**	**(136,549)**

11. Intra-group Financing

An annual intra-group transfer of funds is made by the PCC to the Chief Constable. This intra-group transfer will equal the income requirement for the Chief Constable.

12. Property, Plant and Equipment

Movements and closing balances in 2016/17 Group / PCC	Land and Buildings £000	Vehicles, Plant, Furniture and £000	Assets Held for Sale £000	Assets Under Construction £000	Total Property, Plant and £000
Cost or Valuation					
At 1 April 2016	22,937	27,178	58	717	50,891
Additions	1,592	1,051	-	2,463	5,107
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	1,730	-	-	-	1,730
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,695)	-	-	-	(2,695)
Derecognition - Disposals	(166)	(1,054)	-	-	(1,220)
Derecognition - Leased assets	-	(290)	-	-	(290)
Assets reclassified to/from Assets Under Construction	220	559	-	(778)	-
Asset additions leased	-	290	-	-	290
At 31 March 2017	**23,619**	**27,734**	**58**	**2,403**	**53,813**
Depreciation and Impairment					
At 1 April 2016	(32)	(20,145)	-	-	(20,177)
Depreciation w ritten out through the revaluation reserve	536		-	-	536
Derecognition - Disposals		896	-	-	896
Revaluation increases/(decreases) recognised in CIES	30		-	-	30
Depreciation charge in year	(551)	(2,915)	-	-	(3,465)
At 31 March 2017	**(17)**	**(22,163)**	**-**	**-**	**(22,180)**
Net Book Value:					
At 31 March 2017	**23,602**	**5,571**	**58**	**2,403**	**31,632**
At 31 March 2016	**22,905**	**7,034**	**58**	**717**	**30,714**

Movements and closing balances in 2017/18 Group / PCC	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Held for Sale £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2017	23,619	27,734	58	2,403	53,814
Additions	2,206	3,315	-	896	6,417
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	(156)	-	-	-	(156)
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,879)	-	-	-	(3,879)
Derecognition - Disposals	(113)	(1,100)	-	-	(1,213)
Derecognition - Leased assets	-	(1,373)	-	(47)	(1,420)
Assets reclassified to/from Assets Under Construction	2,090	158	-	(2,248)	-
Assets reclassified to/from Assets Held for Sale	58	-	(58)	-	-
Assets reclassification from Investment Properties	1,179	-	-	-	1,179
Asset additions leased	-	1,373	-	47	1,420
At 31 March 2018	**25,004**	**30,107**	**-**	**1,051**	**56,162**
Depreciation and Impairment					
At 1 April 2017	(17)	(22,163)	-	-	(22,180)
Depreciation written out through the revaluation reserve	590	-	-	-	590
Derecognition - Disposals	-	1,080	-	-	1,080
Depreciation charge in year	(607)	(2,886)	-	-	(3,493)
At 31 March 2018	**(34)**	**(23,969)**	**-**	**-**	**(24,003)**
Net Book Value:					
At 31 March 2018	**24,970**	**6,138**	**-**	**1,051**	**32,159**
At 31 March 2017	**23,602**	**5,571**	**58**	**2,403**	**31,632**

Group / PCC Major Non Current Assets	2016/17 (Numbers)	2017/18 (Numbers)
Force Headquarters	1	1
Police Stations	38	38
Sexual Assault Referral Centre	1	1
Major Aerial sites	3	3
Vehicles	438	471
Police dog training establishment	1	1

Note - excludes share of regional buildings as these are not on our Fixed Asset Register

13. 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, equipment and investment properties were valued as at the 1 April 2016 by Mr J Bailey BSc (Hons) FRICS of the independent firm of Chartered Surveyors Bruton Knowles, who are independent of the PCC.

A desktop valuation was carried out by Bruton Knowles as at 1 April 2017, who also carried out a material change review as at 31 March 2018.

14. Investment Properties

Radio masts which have previously been classified as investment properties and valued at fair value have been reviewed and have been found to be incorrectly classified in prior years. The value at reclassification is £1,179k. These assets are not used solely to earn rentals or for capital appreciation or both.

As such, these assets have been reclassified as Operational Properties and measured for their service potential at EUV by Bruton Knowles.

The misstatement of the Investment Properties in prior years is an error but does not require a restatement as the value of the error in the Comprehensive Income and Expenditure Statement is not material and the misstatement in prior periods would not influence the assessments of the user.

In 2016/17 the net gain arising from Investment Properties was £95k and the movement in the fair value was £154k gain. The Investment Properties had been assessed as being Level 2 on the fair value hierarchy.

15. Intangible Assets

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

Group / PCC	2016/17 £000	2017/18 £000
Balance at start of year:		
Gross Carrying Amounts	4,499	5,750
Accumulated Amortisation	(1,251)	(1,830)
Net Carrying Amount at Start of Year	**3,249**	**3,920**
Amortisation for the Period	(579)	(728)
Additions:		
Purchases	1,251	1,302
Additions Leased	1,173	
Reclassified to Finance Leases:		
Disposals	(1,173)	(1,278)
Net carrying amount at end of year	**3,920**	**3,216**
Comprising:		
Gross Carrying Amounts	5,750	5,774
Accumulated Amortisation	(1,830)	(2,558)
	3,920	**3,216**

The PCC has no internally generated assets. All other assets have finite useful lives of 8 years and are amortised on a straight line basis. The amortisation of £728k charged to revenue in the year was charged to the capital financing cost centre and then absorbed as an overhead by the PCC in the Cost of Services.

16. Capital Commitments

There is a £63k commitment to building projects which commenced during 2017/18 and will be finalised during 2018/19. The one remaining project with a definite commitment is Blue Light. With expenditure of £5.5m incurred during 2017/18 year, the budget has been set at £14.5m in 2018/19 when including partner contributions.

Other projects have been carried forward including the replacement of the Command and Control system, and the upgrading of some of the Automatic Number Plate Recognition system but there was no firm commitment to these at the year end.

17. 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 financed in future years by charges to revenue, 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.

Group / PCC	2016/17 £000	2017/18 £000
Opening Capital Financing requirement	**28,963**	**29,261**
Capital Investment		
Land and Buildings	1,592	2,206
Plant and Equipment	1,051	3,315
Assets Under Construction	2,463	896
Intangible Assets	1,251	1,302
G4S Leased Assets	1,463	1,420
Assets Held for Sale	-	-
Revenue Expenditure Funded from Capital Under Statute	606	4,197
Sources of Finance		
Capital Receipts	-	(285)
Government Grants and other Contributions	(4,403)	(5,524)
Direct Revenue Financing	(508)	(2,093)
Minimum Revenue Provision	(1,686)	(1,536)
Revenue Provision	(1,531)	(1,816)
Closing Capital Financing Requirement	**29,261**	**31,343**
Explanation of Movements in Year		
Assets acquired under finance leases	1,463	1,420
Increase / (decrease) in underlying need to borrow	(1,165)	662
Increase/(decrease) in Capital Financing Requirement	**298**	**2,082**

18. Leases

18.1. PCC as Lessee - Finance Leases

The PCC Group 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 and 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 - Group / PCC	2016/17 £000	2017/18 £000
Land and Buildings	193	193
Vehicles, Plant, Furniture and Equipment	6,873	6,211
	7,066	**6,404**

Minimum Lease Payments - Group / PCC	2016/17 £000	2017/18 £000
Not later than one year	1,479	1,764
Later than one year and not later than five years	5,918	5,291
Later than five years	-	-
	7,397	**7,055**

As part of the strategic partnership with G4S, ICT and furniture assets were transferred to G4S in 2012/13. Additional assets have since been added and are now valued at £6,404k. 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.

18.2. PCC as Lessee - Operating Leases

The PCC has acquired a number of assets 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:

Group / PCC	2016/17 £000	2017/18 £000
Not later than one year	27	27
Later than one year and not later than five years	74	47
Later than five years	-	-
	101	**74**

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

Group / PCC	2016/17 £000	2017/18 £000
Minimum lease payments	48	103
	48	**103**

The PCC Group has 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.

18.3. PCC as Lessor - Finance Leases

Intangible assets for the NICHE City of London project were acquired by Lincolnshire Police in 2017/18 from G4S and treated as a finance lease. These assets have then been leased by Lincolnshire Police to the City of London. The total amount of these assets is £1.3m. Under the Section 22 agreement for NICHE, these assets would revert back to Lincolnshire Police who would then continue to provide the service to the City of London should the agreement no longer continue.

18.4. 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:

Group / PCC	2016/17 £000	2017/18 £000
Not later than one year	143	141
Later than one year and not later than five years	311	304
Later than five years	107	108
	561	**553**

Lincolnshire Fire and Rescue occupy approximately 7.6% of the shared Headquarters site. Their annual rental cost is on a peppercorn basis.

A service charge is levied of £86k per annum to facilitate Lincolnshire Police recovering expenditure incurred on items such as rates and utilities.

In accordance with guidance, this service charge is not included in the above table as service charges are excluded from minimum lease payments.

19. Inventories

Group / PCC	Uniform and Equipment		Diesel		Fleet Maintenance		Other		Total	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Balance at Start of Year	**323**	**291**	**52**	**62**	**33**	**32**	**1**	**1**	**408**	**386**
Purchases	212	191	628	615	108	120	6	4	954	930
Recognised as an Expense in the year	(238)	(223)	(615)	(610)	(109)	(118)	(6)	(3)	(968)	(954)
Written off Balances	(6)	-	(2)	-	-	-	-	-	(8)	-
Balance at End of Year	**291**	**259**	**62**	**67**	**32**	**34**	**1**	**2**	**386**	**362**

20. Debtors

Group / PCC	2016/17 £000	2017/18 £000
Amounts falling due within one year:		
Central Government Bodies	11,525	8,548
Other Local Authorities	6,141	5,426
Other Entities and Individuals	3,402	2,355
Total Debtors falling due within one year	**21,068**	**16,329**

21. Cash and Cash Equivalents

Group / PCC	2016/17 £000	2017/18 £000
Cash Held by the PCC	22	28
Bank Current Accounts	620	484
Insurance Imprest Account	8	28
Confiscated Account	(329)	(56)
Short-term Deposits	6,050	1,900
Total Cash and Cash Equivalents	**6,370**	**2,384**

Any cash confiscated as part of police operations is paid into and held in the bank current account until a later date when it is decided by the court whether it should be paid back to the individual from whom it was confiscated, or paid over to the Home Office as a result of criminal activity.

22. Creditors

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 or time owed to staff at the Balance Sheet date.

Group	2016/17 £000	2017/18 £000
Central Government Bodies	(2,179)	(1,889)
Other Local Authorities	(8,410)	(4,998)
Other Entities and Individuals	(7,405)	(8,033)
Total Short-Term Creditors	**(17,994)**	**(14,921)**

PCC	2016/17 £000	2017/18 £000
Central Government Bodies	(2,179)	(1,889)
Other Local Authorities	(8,410)	(4,998)
Other Entities and Individuals	(5,928)	(6,126)
Inter Group	(1,478)	(1,908)
Total Short-Term Creditors	**(17,994)**	**(14,921)**

23. Revenue Provisions

The PCC Group has made provisions to meet the costs of the liabilities described below. They are classified as provisions because there is a present obligation to transfer economic benefit as a result of a past event, payment is probable and the amount can be reliably estimated.

All provisions are expected to be used in 2018/19.

Short Term Provisions - Group	Balance 31/3/2017	Additional provisions made in 2017/18	Amounts used in 2017/18	Unused amounts reversed in 2017/18	Balance 31st March 2018
Legal Services	(421)	(415)	619	(275)	(492)
Termination Benefits of Employment	(16)	-	-	-	(16)
GMP Stage 2 Reconciliation	(17)	-	17	-	-
Major Incidents	(150)	(318)	150	-	(318)
Forensics	(55)	-	55	-	-
Demand Analysis	-	(30)	-	-	(30)
Police Dependents Income	-	(3)	-	-	(3)
SPOC Overtime	-	(50)	-	-	(50)
Ill Health Reserve	-	(86)	-	-	(86)
Fixed Term Contract Liabilities	-	(80)	-	-	(80)
Total	**(660)**	**(982)**	**841**	**(275)**	**(1,075)**

Short Term Provisions - PCC	Balance 31/3/2017	Additional provisions made in 2017/18	Amounts used in 2017/18	Unused amounts reversed in 2017/18	Balance 31st March 2018
Legal Services	(421)	(71)	-	-	(492)
GMP Stage 2 Reconciliation	(17)	-	17	-	-
Major Incidents	(150)	(318)	150	-	(318)
Forensics	(55)	-	55	-	-
Demand Analysis	-	(30)	-	-	(30)
Police Dependents Income	-	(3)	-	-	(3)
SPOC Overtime	-	(50)	-	-	(50)
Ill Health Reserve	-	(86)	-	-	(86)
Fixed Term Contract Liabilities	-	(80)	-	-	(80)
Total	**(644)**	**(638)**	**222**	**-**	**(1,059)**

All provisions are held in the PCC except for the termination benefits of employment relating to the pension payments which are held by the Chief Constable along with the IAS19 Pension Liability.

Long Term Provisions - Group	Balance 31/3/2017	Additional provisions made in 2017/18	Amounts used in 2017/18	Unused amounts reversed in 2017/18	Balance 31st March 2018
Termination Benefits of Employment	(136)	(6)	-	-	(142)
Total	**(136)**	**(6)**	**-**	**-**	**(142)**

24. 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 Reserves - Group	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Earmarked Reserves (PCC) £000	Earmarked Reserves (Region) £000	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 2017	**198**	**668**	**12,619**	**460**	**13,079**	**5,629**	**26**	**5,656**	**19,600**
Movements during the year									
Surplus / (Deficit) on the provision of services	-	-	-	-	-	(46,105)	120	(45,985)	(45,985)
Adjustments between accounting basis and funding basis under regulations	(198)	(72)	-	-	-	43,893	-	43,893	43,623
Income and Expenditure contribution	-	-	2,797	112	2,909	(2,797)	(112)	(2,909)	-
Used in the year	-	-	(5,009)	-	(5,009)	5,009	-	5,009	-
Total reserve movements 2017/18	**(198)**	**(72)**	**(2,212)**	**112**	**(2,100)**	**-**	**8**	**8**	**(2,362)**
Balance as at 31 March 2018	**-**	**596**	**10,407**	**572**	**10,979**	**5,629**	**34**	**5,664**	**17,238**

Usable Reserves - PCC	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Earmarked Reserves (PCC) £000	Earmarked Reserves (Region) £000	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 2017	**198**	**668**	**12,619**	**460**	**13,079**	**5,629**	**26**	**5,656**	**19,600**
Movements during the year									
Surplus / (Deficit) on the provision of services	-	-	-	-	-	(7,070)	120	(6,950)	(6,950)
Adjustments between accounting basis and funding basis under regulations	(198)	(72)	-	-	-	4,858	-	4,858	4,588
Income and Expenditure contribution	-	-	2,797	112	2,909	(2,797)	(112)	(2,909)	-
Used in the year			(5,009)	-	(5,009)	5,009	-	5,009	-
Total reserve movements 2017/18	**(198)**	**(72)**	**(2,212)**	**112**	**(2,100)**	**-**	**8**	**8**	**(2,362)**
Balance as at 31 March 2018	**-**	**596**	**10,407**	**572**	**10,979**	**5,629**	**34**	**5,664**	**17,238**

25. Unusable Reserves

Unusable Reserves - Group	2016/17 £000	2017/18 £000
Revaluation Reserve	4,443	4,789
Capital Adjustment Account	3,029	(757)
Pensions Reserve	(1,332,291)	(1,384,395)
Collection Fund Adjustment Account	565	458
Accumulated Absences Account	(1,478)	(1,908)
Total Unusable Reserves	**(1,325,732)**	**(1,381,813)**

Unusable Reserves - PCC	2016/17 £000	2017/18 £000
Revaluation Reserve	4,443	4,789
Capital Adjustment Account	3,029	(757)
Pensions Reserve	(2,073)	(2,106)
Collection Fund Adjustment Account	565	458
Accumulated Absences Account	(1,478)	(1,908)
Total Unusable Reserves	**4,486**	**477**

26. 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 re-valued. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- 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.

2016/17 £000	Group / PCC	2017/18 £000
2,238	**Balance at 1 April**	**4,442**
3,206	Upward revaluation of Property, Plant and Equipment	475
(940)	Downward revaluation of Property Plant and Equipment, and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(41)
2,266	**Surplus / (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**434**
(62)	Difference between fair value depreciation and historical cost depreciation and adjustment on revaluation reserve	(87)
(62)	**Amount written off to the Capital Adjustment Account**	**(87)**
4,442	**Balance at 31 March**	**4,789**

27. 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 PCC Group as finance for the costs of acquisition, construction and enhancement.

2016/17 £000	Group / PCC	2017/18 £000
3,788	**Balance at 1 April**	**3,030**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(3,466)	Charges for depreciation and impairment on non-current assets	(3,491)
(2,664)	Revaluation losses on Property, Plant and Equipment	(3,879)
(579)	Amortisation of intangible assets	(728)
(606)	Revenue expenditure funded from capital under statute	(4,197)
(1,787)	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	(2,833)
60	Other movements debited/credited through CAA	-
(9,042)		**(15,128)**
62	Amounts written out of the Revaluation Reserve	87
(8,980)	**Net written out amount of the cost of non-current assets consumed in the year**	**(15,041)**
	Capital financing applied in the year:	
-	Use of Capital Receipts Reserve to finance new capital expenditure	285
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing:	
448	Capital expenditure charged against the general fund	2,093
4,403	Application of capital grants and contributions to capital financing transferred to the CAA	5,524
4,851		**7,902**
154	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-
154		-
	Items not debited or credited to the Comprehensive Income and Expenditure Statement:	
3,217	Revenue provision for the repayment of debt	3,352
3,217		**3,352**
3,030	**Balance at 31 March**	**(757)**

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.

28. 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 a benefit earned to be financed, as the PCC Group 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.

2016/17 PCC £000	2016/17 Group £000		2017/18 PCC £000	2017/18 Group £000
(1,713)	**(1,143,781)**	**Balance at 1 April**	**(2,073)**	**(1,332,291)**
(356)	(160,490)	Actuarial gains or losses on pensions assets and liabilities	144	(12,892)
(221)	(65,120)	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	(319)	(71,766)
216	33,301	Employers contributions payable to scheme	142	29,084
-	3,799	Employers contributions payable to schemes - Cash Top-up	-	3,475
-	-	Other unfunded termination benefits	-	(5)
(2,073)	**(1,332,291)**	**Balance at 31 March**	**(2,106)**	**(1,384,395)**

29. 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.

2016/17 £000	Group / PCC	2017/18 £000
1,015	**Balance at 1 April**	**565**
(450)	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	(107)
565	**Balance at 31 March**	**458**
	Represented by:	
2,751	Council tax arrears	2,717
(854)	Impairment for doubtful debts	(941)
(1,083)	Council tax overpayments and prepayments	(1,023)
(249)	Creditors, billing authorities	(295)
565	**Collection fund surplus / (deficit)**	**458**

30. 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.

2016/17 £000	Group / PCC	2017/18 £000
(1,406)	**Balance at 1 April**	**(1,478)**
1,406	Settlement or cancellation of accrual made at the end of the preceding year	1,478
(1,478)	Amounts accrued at the end of the current year	**(1,908)**
(71)	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	**(430)**
(1,478)	**Balance at 31 March**	**(1,908)**

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

2016/17 £000		Cash Flow - Non Cash Movements	2017/18 £000	
PCC	Group		PCC	Group
(3,465)	(3,465)	Depreciation of Non-Current Assets	(3,493)	(3,493)
(2,665)	(2,665)	Impairment and Downward Valuations of Non-Current Assets	(3,879)	(3,879)
(579)	(579)	Amortisation of Intangible Assets	(728)	(728)
69	69	Amortisation of Government Grant and Other Contributions	21	21
11	11	(Increase)/Decrease in Impairment Provisions for Bad Debts	(93)	(93)
(3,038)	(3,038)	(Increase)/Decrease in Creditors	1,317	1,317
2,101	2,101	Increase/(Decrease) in Debtors	(4,646)	(4,646)
(22)	(22)	Increase/(Decrease) in Inventories	(25)	(25)
(5)	(28,021)	Pension Liability	(177)	(39,207)
(1,787)	(1,787)	Carrying Amount of Non-Current Assets Sold and Assets Held for Sale	(2,832)	(2,832)
21	21	Contributions to Provisions	(416)	(421)
154	154	Other Non-Cash Items Charged to the Net Deficit on the Provision of Services	-	-
(9,205)	**(37,221)**	**Non Cash Movements**	**(14,951)**	**(53,986)**

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

2016/17 £000	Group / PCC	2017/18 £000
69	Proceeds from the Sale of Property, Plant and Equipment, Investment Property	88
69		**88**

33. Cash Flow – Operating Activities

2016/17 £000	Group / PCC	2017/18 £000
(41)	Interest received	(63)
566	Interest paid	1,208

34. Cash Flow Statement – Investment Activities

2016/17 £000	Group / PCC	2017/18 £000
8,190	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	9,475
4,000	Purchase of Short-Term and Long-Term Investments	3,500
(69)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(88)
(8,000)	Proceeds from Short-Term and Long-Term Investments	(3,500)
4,121	**Net Cash Flows from Investing Activities**	**9,387**

35. Cash Flow Statement – Financing Activities

2016/17 £000	Group / PCC	2017/18 £000
1,479	Cash Payments for the Reduction of the Outstanding Liability Relating to a Finance Lease	1,764
1,070	Repayments of Short and Long-Term Borrowing	748
2,549	**Net Cash Flow from Financing Activities**	**2,512**

36. Joint Operations

36.1. Sexual Assault Referral Centre

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 joint operation between Lincolnshire Police and Lincolnshire Partnership NHS Foundation Trust, with Lincolnshire Police acting as the lead body. The financial statements include the PCC Group's share of non-current assets, 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 Income £9k and revenue expenditure £89k (PCC Lincolnshire is 50%).

36.2. Regional Collaboration

The East Midland Regional Collaboration consists of:

- East Midlands Special Operations Unit (EMSOU) – including Regional Asset Recovery Team, Regional Review Unit, Collaboration Team and Protected Persons Unit - Lead body Leicestershire;
- EMSOU Major Crime – lead body Leicestershire;
- EMSOU Technical Support Unit (TSU) – lead Body Derbyshire;
- Forensics – lead body Derbyshire;
- Occupational Health Unit (OHU) – lead body Leicestershire;
- East Midlands Operational Support Services (EMOpSS) including Armed Policing Training and Serious Collision Investigation Unit – lead body Lincolnshire;

- East Midlands Criminal Justice – lead body Leicestershire, Finance Lincolnshire;
- East Midlands Legal Services – lead body Derbyshire.

As all assets, liabilities and reserves are held by the PCC; only the operational policing costs have been shown in the Chief Constable's Comprehensive Income and Expenditure Statement. The PCC's share of assets and liabilities is included in the PCC Group accounts. The transactions relating to Lincolnshire's share of a five Force collaboration is set at 13.2%, in the case of 4 Force collaborations such as EMOpSS, Lincolnshire's share is 16.9% of revenue expenditure. These allocations from regional forces have been included in the Comprehensive Income and Expenditure Statement.

Lincolnshire share of Regional Balance Sheet as at 31 March 2018

2016/17 £000	Group / PCC	2017/18 £000
1,109	Property, Plant and Equipment	1,155
67	Intangible Assets	70
58	Assets Held For Sale	-
-	Asset Under Construction	214
1,234	**Long Term Assets**	**1,439**
-	Payments In Advance	5
472	Cash and Cash Equivalents	370
248	Short-Term Debtors	615
720	**Current Assets**	**990**
(231)	Short-Term Creditors	(381)
(5)	Receipts In Advance	(4)
(64)	Employee Benefits	(85)
(299)	**Current Liabilities**	**(470)**
1,655	**Net Assets**	**1,959**
26	General Fund Balance	34
460	Earmarked Reserves	572
486	**Usable Reserves**	**606**
1,233	Capital Adjustment Account	1,432
-	Revaluation Reserve	6
(64)	Accumulated Absences Account	(85)
1,169	**Unusable Reserves**	**1,353**
1,655	**Total Reserves**	**1,959**

Lincolnshire share of Regional Comprehensive Income and Expenditure Statement

2016/17 £000	Group / PCC	2017/18 £000
1,059	Police Pay and Allowances	1,113
1,977	Police Staff Pay and Allowances	2,283
278	Other Employee Expenses	297
36	Premises	67
394	Transport	384
564	Supplies and Services	612
42	Agency and Contracted Services	567
150	Depreciation	151
2	(Surplus) or Deficit on revaluation of non current assets (not covered by accumulated revaluation gains)	(11)
4,502	**Gross Operating Expenditure**	**5,463**
(104)	Other Income	(162)
13	(Gains) or Losses on Revaluation of Non-Current Assets Held for Sale	-
-	(Gains) or Losses on Disposal of Non Current Assets	1
4,411	**Amount to be met from Partners**	**5,302**
	Financed by:	
(3,775)	Contributions from Partners	(4,701)
(574)	External Grants	(703)
(171)	Capital Grants and Contributions	(197)
(109)	**Deficit on the Provision of Services**	**(299)**
-	(Surplus) or Deficit on Revaluation of Non-Current Assets	**(6)**
-	**Other Comprehensive Income and Expenditure**	**(6)**
(109)	**Total Comprehensive Income and Expenditure**	**(305)**

37. Funded Partnerships Outside Scope of Collaborative Arrangements

37.1. Lincolnshire Road Safety Partnership

Lincolnshire Road Safety Partnership (LRSP) was formed 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 and Rescue, the NHS, the Highways Agency and the Probation Service. Roads Policing Officers provide their time as an integral part of the Partnership. Income in the year was £974k and expenditure £734k

38. Audit Committee Allowances and Expenses

The amount paid to members of the Joint Independent Audit Committee equated to £5,306 for the year compared to £8,412 in 2016/17. £3,184 is charged to the PCC based on the percentage split used for allocating finance joint services costs.

39. Remuneration of Senior Officers

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

The Accounting Code of Practice requires detailed disclosure for specific senior officers. These are disclosed in the tables below.

2016/17 details

Restated	Notes	Salaries, fees or allowances £	Relocation benefits receivable in the role £	Car benefits receivable in the role £	Other benefits receivable in the role £	**Total remuneration excluding pension contributions 2016/17 £**	Employer's pension contribution £	**Total remuneration including pension contributions 2016/17 £**
Police and Crime Commissioner	Term End 11/05/2016	7,339	-	-	-	**7,339**	1,460	**8,799**
Police and Crime Commissioner	Term Start 12/05/2016	57,661	-	-	-	**57,661**	11,475	**69,136**
Office of the Police and Crime Commissioner								
Chief Executive		98,654	-	1,239	-	**99,893**	19,632	**119,525**
Chief Finance Officer		72,677	-	1,239	-	**73,916**	14,463	**88,379**
Police officers								
Chief Constable	Retired 31/01/2017	127,087	-	-	-	**127,087**	3,240	**130,327**
Chief Constable	From 01/02/2017	25,337	-	-	-	**25,337**	6,004	**31,341**
Temporary Deputy Chief Constable	Retired 30/04/2016	12,656	-	530	-	**13,186**	2,262	**15,448**
Deputy Chief Constable	From 14/03/2016	122,190	-	6,668	-	**128,858**	28,618	**157,476**
Assistant Chief Constable	Retired 05/02/2017	99,314	-	1,597	-	**100,911**	-	**100,911**
Temporary Assistant Chief Constable	From 21/03/2016	100,763	-	5,548	-	**106,311**	23,701	**130,012**
Chief Finance Officers of the Chief Constable								
Chief Finance Officer 1	Retired 31/10/2016	32,074	-	-	-	**32,074**	6,383	**38,457**
Chief Finance Officer 2	Temp cover 01/10/2016 - 09/01/2017	16,516	-	-	-	**16,516**	3,287	**19,803**
Chief Finance Officer 3	From 10/01/2017	14,531	-	-	-	**14,531**	2,892	**17,423**
Assistant Chief Officer (Resources)		103,422	-	5,605	-	**109,027**	20,581	**129,608**

2017/18 details

	Notes	Salaries, fees or allowances	Relocation benefits receivable in the role	Car benefits receivable in the role	Other benefits receivable in the role	**Total remuneration excluding pension contributions 2017/18**	Employer's pension contribution	**Total remuneration including pension contributions 2017/18**
		£	£	£	£	**£**	£	**£**
Police and Crime Commissioner		65,000	-	-	-	**65,000**	10,595	**75,595**
Office of the Police and Crime Commissioner								
Chief Executive		99,063	-	1,239	-	**100,302**	16,147	**116,449**
Chief Finance Officer		72,978	-	1,239	-	**74,217**	11,895	**86,112**
Police officers								
Chief Constable*		153,101	42,170	-	-	**195,271**	36,234	**231,505**
Temporary Deputy Chief Constable	ACC 19/06/2017. Temp DCC wef 26/06/2017. DCC wef 07/02/2018	92,165	14,579	4,967	-	**111,711**	21,593	**133,304**
Deputy Chief Constable	Transferred out of Force 25/06/2017	27,636	-	1,502	-	**29,138**	6,474	**35,612**
Temporary Assistant Chief Constable	Temp wef 26/06/2017	75,096	-	4,282	-	**79,378**	16,993	**96,371**
Temporary Assistant Chief Constable †	Temp secondment from 02/07/2017	104,830	-	5,605	-	**110,435**	23,769	**134,204**
Chief Finance Officers of the Chief Constable								
Chief Finance Officer		66,261	-	-	-	**66,261**	10,800	**77,061**
Assistant Chief Officer (Resources) 1	Resigned 10/06/2017	21,112	-	1,074	-	**22,186**	3,441	**25,627**
Assistant Chief Officer (Resources) 2	From: 19/06/2017	86,283	-	4,391	-	**90,674**	13,645	**104,319**

*Car and relocation benefits receivable in the role for the Chief Constable include an amount to settle his personal tax liability specifically relating to his relocation expenses in line with Police Regulations.

†Partially funded secondment to Dorset Police, for Transforming Forensics Programme. Wef 26/03/2018 fully funded secondment to Derbyshire Police.

The table below highlights the employees within defined remuneration ranges. This excludes the senior employees who are shown in more detail in the tables above.

Remuneration Range	2016/17 Number of employees	2017/18 Number of employees
£50,000 to £54,999	-	1
£55,000 to £59,999	1	-
£60,000 to £64,999	2	1
£65,000 to £69,999	4	2
£70,000 to £74,999	1	1
£75,000 to £79,999	-	1
£80,000 to £84,999	-	3
£85,000 to £89,999	-	-
£90,000 to £94,999	-	-
£95,000 to £99,999	-	-
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-

40. Termination Benefits

In 2017/18, there was one employment contract terminated.

Group Cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number by cost band		Total cost in each band £000	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0,000 to £20,000	2	-	-	1	2	1	23	5
£20,001 to £40,000	1	-	-	-	1	-	21	-
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,000 to £150,000	-	-	-	-	-	-	-	-
Total	**3**	**-**	**-**	**1**	**3**	**1**	**44**	**5**

PCC Cost band (including special payments)	Number of compulsory		Number of other departures agreed		Total number by cost band		Total cost in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £000	2017/18 £000
£0,000 to £20,000	1	-	-	-	1	-	7	-
£20,001 to £40,000	1	-	-	-	1	-	21	-
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,000 to £150,000	-	-	-	-	-	-	-	-
Total	**2**	**-**	**-**	**-**	**2**	**-**	**28**	**-**

41. Audit Costs

Group	2016/17 £000	2017/18 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	44	44
Total	**44**	**44**

PCC	2016/17 £000	2017/18 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	29	29
Total	**29**	**29**

42. 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 Force or, to be controlled or influenced by the Force. 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.

42.1. 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.

42.2. Chief Constable for Lincolnshire

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

42.3. Officers

The total remuneration to senior staff in 2017/18 is shown in Note 39. All senior officers employed by the PCC Group at the 31 March 2018 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.

42.4. Other Public Bodies

Group / PCC	Income 2017/18 £000	Expenditure 2017/18 £000
Boston Borough Council	(3,775)	58
City Of Lincoln Council	(4,935)	212
College Of Policing	(1)	149
East Lindsey District Council	(8,879)	129
Home Office	(6)	1,998
Lincolnshire County Council	(73)	2,172
Lincolnshire County Council Pension Fund	-	35
Metropolitan Police	-	80
National Police Chiefs Council	-	9
North Kesteven District Council	(7,613)	469
South Holland District Council	(5,595)	39
South Kesteven District Council	(9,521)	198
University Of Leicester	-	145
West Lindsey District Council	(6,128)	-
Other PCCs	(4,174)	8,013

Joint Operations and Funded Partnerships are disclosed in Notes 36 and 37.

43. Retirement Benefits

As part of the terms and conditions of employment of its officers and other employees, the PCC Group offers retirement benefits. Although these benefits will not actually be payable until employees retire, the PCC 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:

1. The Local Government Pension Scheme (LGPS) for police staff is administered by West Yorkshire Pension Fund on behalf of Lincolnshire County Council. This is a funded defined benefit scheme, meaning that the PCC Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Due to changes under the Public Pension Services Act 2013, from the 1 April 2014 scheme members now accrue pension entitlements based on their career-average rather than their final salary.

G4S joined Lincolnshire Police pension fund as a new Transferee Admission Body on 1 April 2012 on a “pass through” arrangement for a contract term of 10 years. The IAS 19 results as at 31 March 2018 reflect the combined G4S and Lincolnshire Police pension fund assets and liabilities.

2. The Police Pension Scheme for police officers is an unfunded defined benefit scheme. This means 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. From the 1 April 2015 The Police Pension Scheme 2015 (CARE) scheme was introduced (under the Public Pension Services Act 2013), and members who are not covered by protection or the transitional arrangements in the previous schemes now accrue pension entitlements based on their career-average rather than their final salary. Three schemes were in operation during 2017/18 as well as injury awards:

- The *1987 scheme* (Final Salary) which is based on a maximum pensionable service of 30 years (closed to new entrants on 31 March 2006);

- The 2006 scheme (Final Salary) which is based on a maximum pensionable service of 35 years (closed to new entrants on the 31 March 2015);

- The *2015 (CARE)* scheme which was available to new entrants from the 1 April 2015 and is a Career Average Revalued Earnings (CARE) scheme there is no maximum period of service.

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 transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, this cost is met by a central government pension top up grant.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

43.1. 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 scheme assets built up to meet these pension liabilities.

43.2. 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 PCC Group recognises 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 the PCC Group is 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 in 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.

43.3. Transactions Relating to Retirement Benefits

Local Government Pension Scheme	2016/17		2017/18	
	PCC £000	Group £000	PCC £000	Group £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	(161)	(4,032)	(262)	(6,538)
Past service costs	(1)	(14)	(2)	(42)
Effect of settlements	-	-	-	-
Financing and Investment Income and Expenditure:				
Net interest expense	(59)	(1,474)	(55)	(1,386)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(221)**	**(5,520)**	**(319)**	**(7,966)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Return on scheme assets (excluding the amount included in the net interest expense)	462	11,546	(15)	(372)
Actuarial gains and losses arising on changes in demographic assumptions	113	2,820	-	-
Actuarial gains and losses arising on changes in financial assumptions	(1,227)	(30,672)	159	3,976
Other experience	297	7,416	-	4
Subtotal Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(356)**	**(8,890)**	**144**	**3,608**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(576)**	**(14,410)**	**(175)**	**(4,358)**
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	221	5,520	319	7,966
Actual Amount charged against the General Fund Balance for pensions in the year:				
Employers contributions payable to scheme	(216)	(5,400)	(142)	(3,559)
Retirement benefits payable to pensioners	-	-	-	-
Movement from Comprehensive Income and Expenditure Statement to the General Fund	**5**	**120**	**177**	**4,407**

Police Pension Scheme	2016/17	2017/18
	Group £000	Group £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	(21,200)	(30,500)
Past service costs	(100)	-
Effect of settlements	-	-
Financing and Investment Income and Expenditure:		
Net interest expense	(38,300)	(33,300)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(59,600)**	**(63,800)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Return on scheme assets (excluding the amount included in the net interest expense)	-	-
Actuarial gains and losses arising on changes in demographic assumptions	(7,300)	13,200
Actuarial gains and losses arising on changes in financial assumptions	(144,300)	23,200
Other experience	-	(52,900)
Subtotal Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(151,600)**	**(16,500)**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(211,200)**	**(80,300)**
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	59,600	63,800
Actual Amount charged against the General Fund Balance for pensions in the year:		
Employers contributions payable to scheme	(27,901)	(25,525)
Employers contributions payable to schemes - Cash Top-up	(3,799)	(3,475)
Retirement benefits payable to pensioners	-	-
Movement from Comprehensive Income and Expenditure Statement to the General Fund	**27,900**	**34,800**

Total Pension Liability	2016/17		2017/18	
	PCC £000	Group £000	PCC £000	Group £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	(161)	(25,232)	(262)	(37,038)
Past service costs	(1)	(114)	(2)	(42)
Effect of settlements	-	-	-	-
Financing and Investment Income and Expenditure				
Net interest expense	(59)	(39,774)	(55)	(34,686)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(221)**	**(65,120)**	**(319)**	**(71,766)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Return on scheme assets (excluding the amount included in the net interest expense)	462	11,546	(15)	(372)
Actuarial gains and losses arising on changes in demographic assumptions	113	(4,480)	-	13,200
Actuarial gains and losses arising on changes in financial assumptions	(1,227)	(174,972)	159	27,176
Other (if applicable)	297	7,416	-	(52,896)
Subtotal Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(355)**	**(160,490)**	**144**	**(12,892)**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(576)**	**(225,610)**	**(175)**	**(84,658)**
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	221	65,120	319	71,766
Actual Amount charged against the General Fund Balance for pensions in the year:				
Employers contributions payable to scheme	(216)	(33,301)	(142)	(29,084)
Employers contributions payable to schemes - Cash Top-up	-	(3,799)	-	(3,475)
Retirement benefits payable to pensioners	-	-	-	-
Movement from Comprehensive Income and Expenditure Statement to the General Fund	**5**	**28,020**	**177**	**39,207**

43.4. Pensions Assets and Liabilities in relation to Retirement Benefits

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

Local Government Pension Scheme	2016/17		2017/18	
	PCC £000	Group £000	PCC £000	Group £000
Present value of the defined benefit obligation	6,919	172,984	7,126	178,151
Fair value of scheme assets	(4,852)	(121,312)	(5,027)	(125,670)
Sub-total	**2,067**	**51,672**	**2,099**	**52,481**
Other movements in the liability (asset)	7	166	6	156
Net liability arising from the defined benefit obligation	**2,074**	**51,838**	**2,105**	**52,637**

Discretionary Benefits Police Pension Scheme	2016/17 Group £000	2017/18 Group £000
Present value of the defined benefit obligation	1,230,500	1,278,600
Fair value of scheme assets	-	-
Sub-total	**1,230,500**	**1,278,600**
Other movements in the liability (asset)	49,800	53,000
Net liability arising from the defined benefit obligation	**1,280,300**	**1,331,600**

43.5. Reconciliation of the movements in the Fair Value of the scheme assets

Local Government Pension Scheme	2016/17		2017/18	
	PCC £000	Group £000	PCC £000	Group £000
Opening fair value of scheme assets at 1 April	4,119	102,976	4,852	121,312
Interest income	146	3,656	127	3,172
Remeasurement gain / (loss):				
The return on scheme assets, excluding the amount included in the net interest expense	462	11,546	(15)	(372)
Other	-	-	-	-
Effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	216	5,400	142	3,559
Contributions from employees in the scheme	42	1,053	42	1,043
Benefits paid	(133)	(3,319)	(122)	(3,044)
Other	-	-	-	-
31 March	**4,852**	**121,312**	**5,026**	**125,670**

43.6. Reconciliation of Present Value of the scheme liabilities (defined benefit obligation)

Local Government Pension Scheme Liabilities	2016/17		2017/18	
	PCC £000	Group £000	PCC £000	Group £000
Opening balance at 1 April	5,833	145,804	6,927	173,150
Current service cost	161	4,032	262	6,538
Interest cost	205	5,130	182	4,558
Contributions from scheme participants	42	1,053	42	1,043
Re-measurement (gain) / loss:				
Actuarial gains / losses arising from changes in demographic assumptions	(113)	(2,820)	-	-
Actuarial gains / losses arising from changes in financial assumptions	1,227	30,672	(159)	(3,976)
Other	(297)	(7,416)	-	(4)
Past service cost	1	14	2	42
Losses / (gains) on curtailment	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	(133)	(3,319)	(122)	(3,044)
Liabilities extinguished on settlements (where relevant)	-	-	-	-
31 March	**6,927**	**173,150**	**7,134**	**178,307**

Unfunded liabilities Police Pension Scheme	2016/17 Group £000	2017/18 Group £000
Opening balance at 1 April	1,100,800	1,280,300
Current service cost	21,200	30,500
Interest cost	38,300	33,300
Contributions from scheme participants	5,100	5,400
Re-measurement (gain) / loss:		
Actuarial gains / losses arising from changes in demographic assumptions	7,300	(13,200)
Actuarial gains / losses arising from changes in financial assumptions	237,300	(23,200)
Other	(93,000)	52,900
Past service cost	100	-
Losses / (gains) on curtailment	-	-
Liabilities assumed on entity combinations	-	-
Benefits paid	(36,800)	(34,400)
Liabilities extinguished on settlements (where relevant)	-	-
31 March	**1,280,300**	**1,331,600**

43.7. Pension scheme assets

The Police Pension Schemes are unfunded in nature and hence have no scheme assets.

The PCC Group's Local Government Pension Scheme assets consist of the following categories:

Fair value of scheme assets	2016/17		2017/18	
	PCC £000	Group £000	PCC £000	Group £000
Cash and cash equivalents	**34**	**859**	**61**	**1,537**
Equity Instruments				
Consumer	546	13,639	369	9,232
Manufacturing	71	1,783	286	7,145
Energy and utilities	126	3,145	139	3,484
Financial institutions	335	8,378	346	8,642
Health and care	-	-	214	5,346
Information technology	187	4,670	391	9,776
Other	398	9,959	-	-
	1,663	**41,574**	**1,745**	**43,625**
Bonds by sector				
Corporate	451	11,276	-	-
UK Government	157	3,917	-	-
Other	-	-	-	-
	608	**15,193**	**-**	**-**
Property by type				
UK property	442	11,038	426	10,650
Overseas property	15	369	38	938
	456	**11,408**	**464**	**11,588**
Private equity	**112**	**2,801**	**81**	**2,035**
Other investment funds				
Equities	1,333	33,330	1,395	34,868
Bonds	-	-	594	14,856
Hedge funds	-	-	-	-
Commodities	-	-	-	-
Infrastructure	73	1,824	73	1,831
Other	573	14,325	613	15,330
	1,979	**49,478**	**2,675**	**66,885**
Derivatives	**-**	**-**	**-**	**-**
Total assets	**4,852**	**121,312**	**5,026**	**125,670**

43.8. Basis for estimating assets and liabilities

Both the Police Pension Scheme and the Local Government Pension 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 uncertain variables.

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 31 March 2016.

For the Police Pension Scheme liabilities have been assessed on an actuarial basis using the projected unit method. The last formal valuation of the schemes was carried out as at 31 March 2017. The results of this valuation have been projected forward to 31 March 2018 using approximate methods. The roll forward allows for changes in financial assumptions, additional benefit accruals, actual cash flows over the period and estimated where necessary and updated membership information.

	Local Government Pension Scheme		Police Pension Scheme	
Mortality assumptions	**2016/17**	**2017/18**	**2016/17**	**2017/18**
	Longevity at 65		Longevity at 60	
	Years	Years	Years	Years
Longevity for current pensioners:				
Men	22.1	22.1	30.2	29.5
Women	24.4	24.4	31.7	31.5
Longevity for future pensioners:				
Men	24.1	24.1	31.6	30.8
Women	26.6	26.6	33.2	32.8
Financial assumptions	**%**	%	**%**	%
Market derived RPI	3.4	3.4	3.4	3.4
Rate of increase in salaries	2.8	2.8	3.4	3.4
Rate of increase in pensions	2.4	2.4	2.4	2.4
Rate for discounting scheme liabilities	2.6	2.7	2.6	2.7

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

43.9. Present Value of Liabilities

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Present value of liabilities						
Local government pension scheme	(117,898)	(127,503)	(155,899)	(145,804)	(173,150)	(178,307)
Police pension scheme	(969,500)	(1,067,700)	(1,260,900)	(1,100,800)	(1,280,300)	(1,331,600)
Fair value of assets in the local government pension scheme	85,271	88,239	99,719	102,976	121,312	125,670
Surplus / (deficit) in the scheme	**(1,002,127)**	**(1,106,964)**	**(1,317,080)**	**(1,143,628)**	**(1,332,138)**	**(1,384,237)**
Local government pension scheme	(32,627)	(39,264)	(56,180)	(42,828)	(51,838)	(52,637)
Police pension scheme	(969,500)	(1,067,700)	(1,260,900)	(1,100,800)	(1,280,300)	(1,331,600)
Total surplus / (deficit) in the scheme	**(1,002,127)**	**(1,106,964)**	**(1,317,080)**	**(1,143,628)**	**(1,332,138)**	**(1,384,237)**

43.10. Impact on the PCC Group'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 has a substantial impact on the net

worth of the PCC Group as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of the PCC Group remains healthy.

The objectives of the local government scheme are to keep employers' contributions at as constant a rate as possible. The PCC Group has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. At the last triennial valuation it was agreed that in order to mitigate for the effect of fluctuations in membership numbers that a lump sum contribution towards meeting the deficit would also be paid alongside the percentage of pay contribution.

The minimum employer contributions payable over the next year for the PCC Group is 16.3% plus a £1,102k lump sum payment. Estimated employer's contribution for 2018/19 amount to £2.5m on the Local Government Pension Scheme.

Funding levels are monitored through the triennial valuation process and the last triennial valuation was as at 31 March 2016.

For police pensions, the rate (%) at which employer contributions are made to the police pension fund is set by the Home Office. An actuarial valuation during 2014/15 resulted in a reduction in the employers' contribution rate from 24.2% to 21.3% from 1 April 2015. The difference between the old employer contribution rate of 24.2% and the new rate will be retained by the exchequer by means of a reduction in the pensions top-up grant from the Home Office, therefore the actual cost to the PCC Group of the employer's contribution is still 24.2%.

Estimated employer contributions for 2018/19 at 24.2% of pensionable pay amount to £9.7m.

The Local Government Pension Scheme and the Police Pension Scheme take account of the national changes required under the Public Pensions Services Act 2013. Under the Act, the main public service pension schemes may not provide benefits on a final salary basis in relation to service after 31 March 2015. 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. For the Local Government Pension Scheme these changes came into operation on 1 April 2014 and for the Police scheme from 1 April 2015.

Maturity profile of the defined benefit obligation

	Local Government Pension Scheme			Police Pension Scheme		
	Liability Split as at 31 March 2018 £000	Liability Split as at 31 March 2018 %	Weighted Average Duration at Previous Formal Valuation £000	Liability Split as at 31 March 2018 £000	Liability Split as at 31 March 2018 %	Weighted Average Duration at Previous Formal Valuation £000
Active Members	81,793	45.9%	25.0	444,800	34.8%	26.2
Deferred Members	46,563	26.1%	26.9	55,900	4.4%	26.8
Pensioner Members	49,795	28.0%	12.2	777,900	60.8%	11.8
Total	**178,151**	**100.0%**	**20.6**	**1,278,600**	**100.0%**	**17.5**
Contingent Injuries				22,200	41.9%	26.2
Injury pension liabilities				30,800	58.1%	15.7
Total				**53,000**	**100.0%**	**20.1**

44. Contingent Liabilities

44.1. 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.

There are also three other specific matters which currently have the potential to impact the Force:

1. An Employment Tribunal ruling in relation to Source Handlers and overtime payment claims, made between May 2009 and May 2012, has identified 13 potential officers who are affected. Whilst the value of the liability cannot yet be accurately determined, and so no provision has yet been made, £250K has been set aside in earmarked reserves to meet the liability when the final amount has been agreed;
2. A national review of Undercover Policing is currently taking place. At this point, future timescales and implications are uncertain. Further information can be found at www.ucpi.org.uk;
3. The Chief Constable of Lincolnshire (along with other Chief Constables and the Home Office) currently has 88 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to

the Judiciary and Firefighters Pension regulations and in 2016/17 these claims were heard in the Employment Tribunal. In 2017/18 the Judiciary and Firefighter claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the judgement. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact. Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability as at 31 March 2018.

45. Financial Instruments

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

	Long-term		Current	
Categories of Financial Instruments - Group / PCC	**2016/17 £000**	**2017/18 £000**	**2016/17 £000**	**2017/18 £000**
Cash				
Loans and receivables	-	-	6,198	2,014
Total cash	**-**	**-**	**6,198**	**2,014**
Debtors				
Loans and receivables	-	-	11,717	8,959
Total debtors	**-**	**-**	**11,717**	**8,959**
Borrowings				
Financial liabilities at amortised cost - PWLB	11,197	10,511	960	950
Financial liabilities at amortised cost - Deferred Liabilities	104	52	52	52
Total borrowings	**11,301**	**10,563**	**1,012**	**1,002**
Creditors				
Financial liabilities at amortised cost	-	-	16,495	11,144
Total creditors	**-**	**-**	**16,495**	**11,144**

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 consists of borrowing with the Public Works Loan Board (PWLB) and Deferred Liabilities. Total PWLB outstanding at 31 March 2018 is £11.4m.

Total Deferred Liabilities outstanding at 31 March 2018 is £104k. These represent the balance of loans outstanding as at 31 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 2017/18.

No additional borrowing took place in 2017/18. Repayments of the principal were made totalling £892k and an increase in loan interest accrual of £113k. This decreased the PCC's borrowing from £12.3m to £11.5m 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. There are no concerns over the recoverability of debtors that are past due and not impaired.

Group / PCC	Range of interest rates payable %	As at March 31 2017 £000	As at March 31 2018 £000
PWLB	3.69 - 8.25	(12,157)	(11,461)
Transferred Debt - Lincolnshire CC	Variable	(156)	(104)
		(12,313)	**(11,565)**

A full analysis of loans by maturity is shown in Note 46 under 'liquidity risk exposure'.

45.1. 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:

Income, Expense, Gains and Losses Group / PCC	2016/17			2017/18		
	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	(566)	-	(566)	(490)	-	(490)
Total expense in Surplus or Deficit on the Provision of Services	**(566)**	**-**	**(566)**	**(490)**	**-**	**(490)**
Interest Income	-	41	41	-	63	63
Total income in Surplus or Deficit on the Provision of Services	**-**	**41**	**41**	**-**	**63**	**63**
Net gain/(loss) for the year	**(566)**	**41**	**(525)**	**(490)**	**63**	**(427)**

45.2. Fair Values of Financial Assets

None of the PCC's financial assets are measured at fair value.

45.3. The Fair Values of Financial Liabilities that Are Not Measured at Fair Value (but for which Fair Value Disclosures are Required)

Financial liabilities for which fair value disclosures are required held by the PCC are classified as PWLB loans and Transferred Debt and are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows:

Financial liabilities - Group / PCC	Fair Value Hierarcy Measurement	2016/17		2017/18	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
PWLB	Level 2	12,157	15,501	11,461	14,036
Deferred Liabilities	Level 2	156	156	104	104

The fair value of PWLB loans is higher than the carrying amount because the PCC's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

However, the PCC has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the movement in interest that the PCC will pay as a result of its PWLB commitments for fixed rate loans is

to compare the terms of these loans with the new borrowing rates available from the PWLB. The PCC review the carrying amounts and potential penalty charge for early redemption regularly to ensure that opportunities to make savings through re-financing are maximised. Currently the penalty charges are much higher than the savings that would be made through current interest rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

The table above excludes other financial liabilities such as cash overdrawn. 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.

The fair value hierarchy is as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets at the Balance Sheet Date;
- Level 2 – comparators other than quoted prices included in Level 1 that are observable for that asset, either directly or indirectly;
- Level 3 – unobservable comparators for the asset.

The financial liabilities held by the PCC are Level 2 in the fair value Hierarchy Level of Measurement and there has been no change to this level during the year.

The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the investments using the following assumptions:

- For loans from the PWLB, equivalent borrowing rates available from the PWLB at 31 March 2018 have been applied to provide the fair value under the PWLB debt redemption procedures;
- No early repayment or impairment is recognised;
- Transferred debt has been accounted for on the basis of outstanding principal amounts as defined by statutory arrangements and will be repaid by the end of December 2019.

46. Nature and Extent of Risks Arising from Financial Instruments

46.1. 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 PCC's detailed Treasury Management Strategy, which is available at the following web address: www.lincolnshire-pcc.gov.uk/finance.

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. These counterparties are reviewed weekly, and the loan limits are detailed in the table below:

Specified Investments	**Max % of total investments/£ limit per institution**	**Max. maturity period**
DMADF - UK Government	Unlimited	6 months
Money market funds	£4m / 20%*	Liquid
Local Authorities	£4m / 20%*	1 Year
Term deposits with banks and building societies	£4m / 20%*	3months - 1 year

* Whichever is higher

The PCC does not allow extended credit for customers. Due to the nature of the debtors being principally relating to Government funding, there are no concerns about their credit worthiness. The amounts not impaired are analysed by age as follows:

Sales Ledger - Aged Debt Analysis	**2016/17 £000**	**2017/18 £000**
Current	6,195	995
Up to one month	16	129
Up to six months	32	75
Up to one year	2	6
More than one year	29	20
Total:	**6,274**	**1,225**
Other debtors	5,443	7,734
Total:	**11,717**	**8,959**

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

46.2. 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:

2016/17 Borrowing	PWLB	Deferred Liabilities	Total
	£000	£000	£000
Less than 1 year	960	52	1,012
Between one and two years	840	52	892
Between two and five years	2,476	52	2,528
More than five years	7,881	-	7,881
Total	**12,157**	**156**	**12,313**

2017/18 Borrowing	PWLB	Deferred Liabilities	Total
	£000	£000	£000
Less than 1 year	950	52	1,002
Between one and two years	950	52	1,002
Between two and five years	2,440	-	2,440
More than five years	7,121	-	7,121
Total	**11,461**	**104**	**11,565**

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

46.3. Market Risk Exposure

Market risk is the risk that the value of an instrument will fluctuate because of changes in interest rates, market prices and 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 2017/18. The PCC does not invest in equity shares and has no financial assets or liabilities in foreign currencies.

The following sensitivity analysis shows the financial effect of a one percent point movement in average interest rates as at 31 March 2017 and 31 March 2018:

2016/17 Sensitivity Analysis	Fair Value 2016/17 £000	Fair Value at 1% Higher £000	Fair Value at 1% Lower £000
PWLB Long Term Fixed Borrowing	15,501	15,495	15,507

2017/18 Sensitivity Analysis	Fair Value 2017/18 £000	Fair Value at 1% Higher £000	Fair Value at 1% Lower £000
PWLB Long Term Fixed Borrowing	14,036	14,031	14,041

The transferred debt from Lincolnshire County Council has been excluded as these variable rate borrowings are not considered to be material.

47. Accounting Standards Issued but Not Yet Adopted

The following Accounting Standards may be required from 1 April 2019. If these had been adopted for the financial year 2017/18 there would be no known material changes. If further information becomes available that requires changes to 2017/18 these will be restated in the 2018/19 financial statements.

These changes are:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers;
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses;
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative;
- IFRS 16 Lease recognition. The elimination of the distinction between finance and operating leases. This standard is anticipated to be adopted in the 2019/20 Code.

48. Grant Income

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

Group / PCC	**2016/17 £000**	**2017/18 £000**
Credited to Taxation and Non Specific Grant Income		
Central Government:		
Police Grant	(58,728)	(57,909)
Home Office Pension Grant	(22,008)	(20,071)
Capital Grants and Contributions	(4,536)	(5,255)
Council Tax Freeze Grant	(1,059)	(1,059)
Council Tax Support Grant	(5,775)	(5,775)
Regional Grant income	(171)	(197)
Total	**(92,277)**	**(90,266)**

Group	**2016/17 £000**	**2017/18 £000**
Credited to Services		
Central Government:		
Proceeds of Crime Act	(103)	(171)
Mini Police	-	(100)
Special Grant	-	(874)
Live Links Grant	(118)	-
Innovation Blue Light Integration	(400)	(250)
Regional ICT non-crime Platform Income	(1,569)	-
Other Home Office Grants	(865)	(864)
Total	**(3,055)**	**(2,259)**

PCC	2016/17 £000	2017/18 £000
Credited to Services		
Central Government:		
Other Home Office Grants	(865)	(864)
Total	**(865)**	**(864)**

Group / PCC	2016/17 £000	2017/18 £000
Capital Grants Receipts in Advance <1 year		
Mobile Data	(50)	(30)
Total	**(50)**	**(30)**

Where the Group has received grants with conditions attached that it has not met at year end, these are not to be recognised in the income.

Police Officer Pensions - Home Office Memorandum Account 2017/18

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

2016/17 £000	Fund account	2017/18 £000
	Contributions Receivable	
	From Employer:	
9,063	Normal	9,351
288	Early Retirements	371
102	Recovery from PCC for Humberside	-
	From Members:	
5,125	Contributions	5,244
81	Individual Transfers in from Other Schemes	303
14,659		**15,269**
	Benefits Payable	
30,251	Pensions	30,946
5,992	Commutations	4,356
-	Lump Sum Death Benefits	-
61	GAD Revised Commutations and Interest	-
	Payments To and On Account of Leavers	
23	Refunds of Contributions	7
186	Individual Transfers Out	8
154	Scheme Pays	23
-	Equivalent Premium	-
36,667		**35,340**
22,008	**Sub-total for the year before transfer from the PCC Group for Lincolnshire of amount equal to the deficit**	**20,071**
(22,008)	**Additional funding payable by the PCC Group for Lincolnshire to meet deficit for the year**	**(20,071)**
-	**Net Amount payable/(receivable) by the PCC Group 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, new and Career Average Revalued Earnings (CARE) Police Officer occupational pension schemes but has no impact on the benefit structure of either scheme. The CARE scheme was introduced from 1 April 2015. This is the only scheme open to new officers. Existing officers will be brought into the scheme on 1 April 2015 unless they have full transitional protection or tapered protection. 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 1987 old scheme are either 14.25% or 15.05% of pensionable pay. In the 2006 new scheme employees contribute either 11%, 12.05% or 12.75% of pensionable pay. In the 2015 CARE scheme employees contribute either 12.44%, 13.44% or 13.78% 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 PCC's long-term pension obligations can be found in the main statements at Note 43.

4. The accounting policies followed are in accordance with Note 1.

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 £3,321,228 is shown in PCC for Lincolnshire accounts as due from the Home Office.

2016/17 £000	Net Asset Statement as at 31 March	2017/18 £000
	Net Current Assets and Liabilities	
2,557	Pension benefits paid in advance	**2,659**
-	Receivable from PCC for Humberside	**-**
(2,557)	Creditors to the PCC for Lincolnshire	**(2,659)**
-	**Total**	-

Glossary of Terms

Term	Definition
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	The measure of the wearing out, consumption, or other reduction in the useful economic life of Intangible Assets.
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 Property Plant and Equipment 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, Plant and Equipment (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 authorities 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 Property, Plant and Equipment.
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.
EMCJS	East Midlands Criminal Justice Service

EMOpSS	East Midlands Operational Support Service
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 authorities, this will normally mean contracts which involve the right to transfer cash or other financial assets
Flexi Time	Police Staff may utilise the 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.
Impairment	An adjustment to the value of long-term assets.
ISG	Integrated Scheme of Governance
JIAC	Joint Independent Audit Committee
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.
NICHE	A Police Records Management System that manages information in relation to the core Policing entities.
Non Domestic Rates	Rates levied on business properties, collected by District Councils, which are then distributed amongst local authorities as income.
Non Operational Assets	Property, Plant and Equipment held by the PCC Group 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.
PEEL	Police effectiveness, efficiency and legitimacy board.
Precept	The amount levied by one authority which is collected by another, e.g. the PCC Group 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	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 supplies and services.
Revenue Support Grant (RSG)	Grant paid by Central Government in aid of service provision.
Section 22 Agreement	Section 22 of the Police Act 1996 provides for joint working between police forces and/or Police & Crime Commissioners where, in the opinion of the Chief Constable or the Commissioner, collaboration would deliver greater efficiency or effectiveness.
Straight Line Depreciation	The writing down of Property, Plant and Equipment values by an equal amount for each year of that asset's life.
Strategic Partner	G4S are the Strategic Partner with the Force since taking over the Police Support Services in 2012.
TOIL	Time Off In Lieu may be accrued by both Police Officers and Staff when working additional hours for which payment is not made.
WYPF	West Yorkshire Pension Fund
Virement	Transfers between budget headings, in accordance with Financial Regulations, reflecting changes in the PCC's expenditure plans.