



Lincolnshire
POLICE & CRIME COMMISSIONER

SAFER TOGETHER

Lincolnshire Police and Crime Commissioner

Financial Statements

2018/19

Page left intentionally blank

Police and Crime Commissioner for Lincolnshire

PCC Group and PCC

Statement of Accounts 2018/19

Contents

Contents	3
Introduction to the Financial Statements	6
Annual Governance Statement	9
Chief Finance Officer's Narrative Report	22
Statement of Responsibilities for the Statement of Accounts.....	40
Independent Auditor's Report	41
Group Expenditure and Funding Analysis.....	42
PCC Expenditure and Funding Analysis	43
Group Comprehensive Income and Expenditure Statement	44
PCC Comprehensive Income and Expenditure Statement.....	45
Group Movement in Reserves Statement	46
PCC Movement in Reserves Statement.....	47
Group and PCC Balance Sheet	48
Group and PCC Cash Flow Statement	49
Notes to the Accounts.....	50
1. Accounting Policies	50
2. Judgements in Applying Accounting Policies.....	70
3. Assumptions and Other Major Sources of Estimation Uncertainty	71
4. Expenditure and Funding Analysis	74
5. Expenditure Analysed by Nature	76
6. Adjustments between Accounting Basis and Funding Basis under Regulations.....	77
7. Transfers to/from Earmarked Reserves.....	80
8. Other Operating Expenditure	82
9. Financing and Investment Income and Expenditure.....	82
10. Taxation and Non-Specific Grant Income	83
11. Grant Income	83

12. Intra-group Financing	84
13. Property, Plant and Equipment	84
14. Valuation of Non-Current Assets	85
15. Intangible Assets.....	86
16. Capital Commitments.....	86
17. Capital Expenditure and Capital Financing.....	87
18. Leases.....	87
19. Inventories.....	89
20. Debtors.....	89
21. Cash and Cash Equivalents.....	89
22. Short-Term Creditors	90
23. Revenue Provisions	91
24. Usable Reserves.....	92
25. Unusable Reserves.....	92
26. Revaluation Reserve.....	92
27. Capital Adjustment Account.....	94
28. Pensions Reserve	94
29. Collection Fund Adjustment Account	95
30. Accumulated Absences Account	96
31. Cash Flow – Adjustments on Provision of Services for Non Cash Movements	96
32. Cash Flow – Adjustment on Provision of Services for Investing and Financing Activities ..	96
33. Cash Flow – Operating Activities	96
34. Cash Flow Statement – Investment Activities.....	97
35. Cash Flow Statement – Financing Activities.....	97
36. Joint Operations	97
37. Funded Partnerships Outside Scope of Collaborative Arrangements	99
38. Audit Committee Allowances and Expenses	99
39. Remuneration of Senior Officers.....	100
40. Termination Benefits	102
41. Audit Costs.....	103
42. Related Party Transactions.....	103
43. Retirement Benefits.....	104

44. Contingent Liabilities	112
45. Financial Instruments	114
46. Nature and Extent of Risks Arising from Financial Instruments.....	116
47. Revenue Grant Received in Advance	118
48. Accounting Standards Issued but Not Yet Adopted.....	118
49. Prior Period Adjustments	118
Police Officer Pensions - Home Office Memorandum Account	120
Glossary of Terms	122

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 2018/19 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 2019 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 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 I have met with the Police and Fire Minister Nick Hurd to highlight the issue of sustainable funding for Lincolnshire Police.

Although a council tax rise of, on average, 55p a week and £0.5 million use of earmarked reserves has helped towards protecting policing budgets for the 2019/20 year, the Chief Constable has faced a savings target of £3.2m to balance the budget. The future is still

uncertain and with reserves depleted, the funding gap could hit £7m (5%) by 2023 if current funding levels do not change.

I have been successful in securing £2.7m of special grant over the last two years, whilst this is welcome, it is one off funding and does not provide sustainability for the medium to long term position in Lincolnshire.

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. I would like to highlight the following:

- I have approved the investment in one of the most advanced command and control systems anywhere in the country – enabling officers to be deployed quicker and better prepared than ever before;
- My determination to ensure officers spend as much time as possible away from their desks and out in the community has also been the focus of much investment and focus in the last 12 months. The roll-out of mobile finger printing and handheld computers has enhanced the equipment already introduced since I took office in 2016 – saving thousands of hours of officer time;
- Meanwhile the ability to both apprehend criminals and successfully put them behind bars has been strengthened by the introduction of new automatic number plate recognition hardware, drones and an enhanced dog unit with the introduction of new pursuit vehicles due later this year;
- I look forward to the unveiling of the brand new blue light campus in Lincoln later this year – providing one of the most modern emergency service centres in the country and uniting, for the first time, police with fire and ambulance services;
- But however successful these developments are in tackling crime there will always be victims and that is why I have made it a priority to provide the best services possible to support people in coping with, and recovering from, the emotional or physical consequences. During the last 12 months my office has made considerable progress in reviewing and improving the victims' service provided.

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, and where there are victims to provide the support they deserve.

More detail on performance in 2018/19 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 2018/19 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2018/19. 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 2018; 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 2018/19

Below are details of the Police and Crime Commissioner for Lincolnshire's governance arrangements in operation during 2018/19 including plans for the financial year 2019/20.

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 Community Safety, Policing and Criminal Justice 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 2019 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 for each of the Police and Crime Commissioner and Chief Constable corporations sole, 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).

5.5. For the Police & Crime Commissioner corporation sole, the following opinion was provided for 2018/19:

“Our overall opinion is that adequate and effective risk management, control and governance processes were in place to manage the achievement of the organisation’s objectives.”

5.6. For the Chief Constable corporation sole, the following opinion was provided for 2018/19:

“Our overall opinion is that adequate and effective risk management, control and governance processes were in place to manage the achievement of the organisation’s objectives. We have, however, identified weaknesses in respect of HR – Recruit to Reward.”

5.7. Following the issue of the ‘limited assurance’ opinion in respect of the HR – Recruit to Reward internal audit, the Chief Constable put in place an action plan to address the recommendations that were agreed following the audit. A follow-up internal audit during 2019/20 will review the implementation of these recommendations and will carry out further compliance testing to provide assurance that the controls have been effectively embedded.

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

5.9. 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.

5.10. The effectiveness of the governance framework has been reviewed by the Commissioner’s Executive Team¹ in the year 2018/19. 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;

¹ Chief Executive, Chief Finance Officer

- 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.
- 5.11. 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.
- 5.12. 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 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).
- 5.13. 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).
- 5.14. 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 and the joint assurance map 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.
- 5.15. 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 reporting at the performance governance meetings. 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.
- 5.16. 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/>

- 5.17. 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.
- 5.18. 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 again undertaken by the Commissioner in December 2018 following the success of the previous year's county-wide 'Crime & Policing Survey'. This seeks the views of Lincolnshire residents on a range of subjects including their priorities for policing and their own personal experience and perception of crime. 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.
- 5.19. 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 1,240 pieces of correspondence (excluding routine correspondence from Policing Bodies), and 36 Freedom of Information (FOI) Requests². In addition, The Commissioner uses social media particularly his Twitter profile, which he uses to enhance his public visibility and reach. For example he has personally made over 6,700 tweets attracting over 4,800 'followers' since taking office in May 2016. This demonstrates 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. 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.
- 5.20. 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. In addition a joint fraud risk register is under development to help in proactively identifying and assessing current and emerging fraud risks and potential actions to mitigate the risks identified.
- 5.21. 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

² Total number of requests in the period April 2018 to March 2019.

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.

- 5.22. The Commissioner has ensured he has arrangements in place for receiving and handling complaints from the public which are within his statutory remit.
- 5.23. The Chief Constable has undertaken his own review of governance and his own Annual Governance Statement has informed and supports this statement.
- 5.24. 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.

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. During the year a number of governance issues emerged that were not identified within the risk register. Instances occurred where approved processes were not followed by the Force. These have been reported and addressed through JIAC and an action plan agreed. No further 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.

Over the course of the last year the RAG ratings of the assurance map have been the subject of significant discussion and challenge between the Force and the OPCC with the OPCC changing some of the Management controls and corporate reporting RAG ratings to red. This is based on concerns at the absence of visible delivery plans and mechanisms that evidence the Force's management approach. Joint work continues to understand the Force's emerging approach to delivery management and to flex the assurance framework to reflect the reality in this changing environment. There remains a shared strong commitment to a joint assurance map and the expectation is that as evidence of the revised Force approach emerges that RAG ratings will improve.

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

- 6.3. 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 medium term financial security of policing in Lincolnshire force remains uncertain until the outcome of the funding formula review is known.

- 6.4. 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

- 6.5. The Chief Officer Team has continued to develop significant resilience. A permanent ACC appointment together with a continued temporary ACC with a reshaped partnership focus has ensured a more robust and consistent "uniformed" team. The team had been supplemented by a new Chief of Staff appointment but this post has now been deleted and the Chief Finance Officer continues to connect the Chief Officer Team to the OPCC through the shared OPCC/ Force Finance structures.
- 6.6. The Assistant Chief Officer (Resources) post was filled on a temporary 2 year basis without a competitive recruitment process as a response to the significant uncertainty when the current Chief arrived and there were so many unanticipated departures. The permanent Chief Officer Team appointments now provide a stable environment in which to consider the future as the temporary ACO appointment draws to a close.
- 6.7. The retirement of the Deputy Chief Constable in June 2019 led to external recruitment; the new Deputy Chief Constable will take up post in June 2019.

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. The capital programme continues to support this by investing in technology which improves operational efficiency such as improved Telephony, Mobile Data, a new Command & Control system and Fleet telematics. Investment decisions and benefits realisation are undertaken by the Force Change Board and monitored by the Resources Governance meeting and the Police and Crime Strategic Board; independent assurance is gained through HMICFRS via the Efficiency pillar of their PEEL inspection programme. In November 2017, the last time the Force was subject to an Efficiency Inspection, 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. The Financial Strategy includes performance measures relating to both financial health and financial performance, supported by a number of plans and policies. Internal Audit conducted an audit into benefits realisation in March 2018 and found satisfactory assurance in the processes.

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

- 6.9. The Commissioner's strategic partnership reaches year eight of ten in April 2019. There remains in the original agreement the ability to negotiate an extension of the current arrangements for up to a further five years. The end date of the contract in 2022 is three years away and considerable discussion between the Force and the PCC has supported a joint approach to planning carefully for any potential transition from

existing arrangements. The PCC has asked the Force to lead on exploring and delivering future options to ensure the contract continues to fully meet the Chief Constable's requirements. This includes consideration of the Force taking the lead on contractual and Governance matters; a potentially significant change. This is especially challenging as the Force has set itself the target of delivering additional savings from the contract. 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. The contract has been an important plank of Lincolnshire's response to constrained resources (the lowest spend per head nationally). It is recognised that the Force has a significant challenge in delivering a sustainable approach to the future delivery of services over the course of the coming year.

The risk of failing to ensure that G4S objectives are delivered with the resources available

- 6.10. The Commissioner's strategic partnership continues to deliver appropriate services and savings. The current governance structures led by the OPCC 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.
- 6.11. The innovative transformation of firearms licensing is now offering a highly efficient and effective service and serves as a model for service innovation and delivery partnership between PCC, Force and G4S.
- 6.12. 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. Linkages to the new Command and Control system (see below) will continue Lincolnshire's effective and innovative use of technology and through partnership, Lincolnshire Police 'punch above their weight' on the national stage.
- 6.13. G4S have, on behalf of the PCC and Force, overseen the procurement of a new Command and Control system that will be at the heart of the Force's continued transformation of efficiency and effectiveness updating operational capability, information and data management and the capacity to provide a better service to the people of Lincolnshire from within the available resources.

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

- 6.14. 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.
- 6.15. 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.
- 6.16. The Commissioner is beginning to explore options for the use of the West Parade site that will be vacated in 2019.

The risk of failing to maintain or develop beneficial regional collaborations

6.17. 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. The last year has seen continued tensions and difference of approach from the five East Midlands Chief Constables. Working together the PCCs, supported by the new Regional Collaboration team based in Lincolnshire, have provided clear strategic oversight of the collaborations through a difficult period. The turbulence following Nottinghamshire's withdrawal from EMOpSS has been successfully managed and a new tri-Force model put in place. Discussions over the future shape of EMSOU and the management of significant budget strain will need to be carefully navigated. National changes to ROCUs and specialist capabilities make this a difficult area to optimise as local, regional and national demands come together to create a complex and challenging environment. The coming year will be one of careful re-evaluation and assessment to ensure the collaborative approach delivers for all partners and, importantly, the people of Lincolnshire. All options will remain under consideration including collaboration with partners outside the East Midlands.

The risk of the force not delivering operational effectiveness

6.18. The continued effectiveness of the Force in the face of a potentially deteriorating financial position is a significant matter of particular concern especially as recorded crime has increased significantly in the last two years with resources at a steady level. Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service (HMICFRS) inspections in 2017/18 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 PEEL Inspection programme for 2018/19 conducted by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) scrutinises all 43 police forces in England and Wales and examines their Efficiency, Effectiveness and Legitimacy providing comparable grades for each of the 43 forces in England and Wales.
- 7.2. The most recent PEEL inspection grades received by the force are; "Good" for Legitimacy received in December 2017 "Requires improvement" received for Efficiency in November 2017, and a "Good" received for effectiveness in March 2018.
- 7.3. 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 Majesty's 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.”

- 7.4. 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/>
- 7.5. The force’s progress against ‘areas for improvement’ and recommendations made in inspections continues to be tracked and progress monitored by the force through it’s HMICFRS tracker. This document is regularly reviewed as part of the commissioner’s “holding to account” governance processes. In addition HMICFRS has developed its own online ‘register of recommendations’ which was launched in October 2018. The force and HMICFRS are currently reconciling the entries in their respective trackers to ensure they are accurate, up to date and aligned. The OPCC is monitoring this development with interest as it may help to provide assurance that all recommendations both thematic and force specific have been addressed and remedial work has been fully completed.
- 7.6. From May 2018, HMICFRS changed the way in which they inspect forces, moving towards a more risk-based approach. This revised approach consists of a single annual PEEL inspection where HMICFRS inspect in each force the aspects of policing which they consider present the greatest risk of failure. Their assessment will be underpinned by data analysis and the ongoing monitoring of forces.

A significant part of the risk assessment for each force will depend on the information gleaned from the Force Management Statement (FMS). Each Force is 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 force’s plan to improve efficiency;
 - d) The force’s financial income.
- 7.7. The force submitted its first FMS to HMICFRS in May and subsequently published it in September 2018. The second iteration is in production with HMICFRS having amended some of their requirements of forces following consultation and evaluation of the current submissions.
 - 7.8. Outside of the PEEL regime the force received an inspection of its Crime Data Integrity (CDI) which scrutinises the way in which the force records crime in accordance with the national Crime Recording Standards (NCRS). This inspection is part of a rolling programme of inspections covering all 43 forces in England and Wales - Lincolnshire was previously inspected in 2014. The latest HMICFRS report was published in July 2018 and the force received an overall grading of “Inadequate”. HM Inspector of Constabulary stated:

“It is of very great concern to me that Lincolnshire Police is failing to record almost one in five crimes reported to it” and continued “This inspection revealed unacceptable failings in the Force’s recording practices”.

The inspection report raised a formal ‘cause of concern’

“Lincolnshire Police officers and staff too often fail to make correct crime recording decisions at the first opportunity. This is due to deficiencies in the force’s crime recording processes, insufficient understanding of crime recording requirements and limited supervision to correct the decisions of officers and staff and improve standards from the outset. This means the force is letting down many victims of crime.

The force is failing to ensure it properly records all crimes of rape and all crimes of violence, including domestic abuse crimes and crimes reported directly to its public protection department.”

HMICFRS made 7 time sensitive recommendations and raised a further 3 ‘areas for improvement’.

- 7.9. The PCC wrote formally to the Chief Constable on the 5th of July to register his shock, and concern at the findings contained in the report, and also to highlight a number of actions that he saw as vital to restoring confidence in Lincolnshire Police’s crime recording capability and addressing the wider implications for the reputation of the Force. His letter and the chief constable’s response can be found on the Commissioners website here:

<https://lincolnshire-pcc.gov.uk/transparency/what-our-priorities-are-and-how-we-are-doing/hmicfrs-inspections/themed-inspections/2018-crime-data-integrity-inspection/>

- 7.10. One of the “vital actions” identified by the Commissioner was his intention to create an independent Crime Recording Confidence Panel (ICRCP) to deliver transparent oversight of the implementation of the improvements required and to independently assess the progress made.

- 7.11. The panel was established in August 2018 and consists of an independent chair and expert technical advisor on crime recording practice, along with key stakeholders including senior representatives from the PCC’s office, Victims Support, the Joint Independent Audit Committee, the Lincolnshire Police and Crime Panel, Lincoln University and Rape Crisis. Minutes of the ICRCP meetings are published on the Commissioner’s website along with any relevant data and/or reports on their findings in relation to crime recording.

- 7.12. The National Child Protection Inspection took place in September 2018 with the final report being published in February 2019. The report acknowledged the clear commitment of senior leaders within the force to child protection and safeguarding and improving its services for children. The report also recognised that the force engages well with local authority partners. However, a number of areas requiring attention were highlighted including a lack of effective supervision and appropriate training provision. The report made a number of recommendations requiring immediate attention, and stated that subject to receiving an update and action plan from the force, HMICFRS would revisit within 6 months to assess the implementation of the recommendations.

- 7.13. 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

Date:

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

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 2018/19. 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 2019.

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 2018/19, despite the 5.8% increase in the council tax precept and budgeted £5m use of reserves, 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.

The 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, Victim Lincs staff, 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 (with G4S Policing Services) 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 – the anti-hare coursing operation has had a huge impact on the number of incidents reported in 2018/19. The force has seen numbers reduce from the 1,965 reported incidents two years ago with over 100 dogs seized since the start of the operation;
- Road Safety – Community Speed Watch Scheme is operational in over 27 parishes across the county, with a further 36 parishes pending;
- Sobriety tags - the pilot scheme delivered such good results it has now been rolled out beyond the initial trial areas to include the whole county. So far a total of 107 people have been tagged (34 times in relation to domestic abuse cases) and all but five have ended with successful compliance from the offender;
- Cyber Security – crucial advice and support was offered to businesses on protecting themselves from cyber-attack at a series of workshops and events. The events culminated in a Cyber Safe Conference attended by more than 100 business people and public sector leaders, where experts from across the UK gave advice on how to keep data secure;
- Mini Police - the Mini Police project aimed at year five and six pupils has been extended to more than 100 schools across the county. The project looks to engage pupils with their community through police supervised tasks;
- Rural Rangers – the scheme has been introduced as part of the Lincolnshire Horse Watch initiatives. Horse riders can play an important role in looking out for signs of criminal activity, antisocial behaviour and other issues of concern whilst riding – particularly in otherwise hard to reach areas. The riders will then provide the police and relevant agencies with regular information and updates;

- Heritage Crime round table – organised in response to concerns about an increase in metal theft, specifically lead theft from church roofs. The meeting brought together experts to share best practice on how to prevent this crime;
- Fly tipping round table – the PCC held a special summit to tackle the growing issue of fly tipping in the county – this was attended by all seven district councils, the county council, Lincolnshire Police, the Environment Agency, several drainage boards, the NFU and the County Land and Business Association. Representatives from all agencies, including the Chief Constable signed a pledge to seek ways to work together to tackle the issue;
- Modern Day Slavery – the PCC organised and hosted a conference designed to help local businesses comply with the law but also to work in partnership with the authorities to eradicate the issue of modern day slavery. In addition we secured external funding through the Police Transformation Programme to support the delivery of workshops to schools in the south of the county to raise awareness of the issue;
- Child Sexual exploitation – established a National Child Sexual Abuse and Exploitation Network.

Listening, responding and being accountable:

- Public opinion survey – public consultation survey received 3,449 fully completed surveys, an increase of 543 or 19% increase on the 2,906 achieved in 2017;
- Personal engagement – The PCC has once again made it a priority to travel the county to meet as many individuals, organisations and groups who are dedicated to making their communities better places to live;
- Representing Lincolnshire on the national stage – The PCC has been appointed as the new national PCC lead for Serious Organised Crime and Serious Violence. In this capacity he is able to raise awareness of issues specific to Lincolnshire and influence national policies to the benefit of the people of Lincolnshire;
- Creation of Independent Panel to oversee crime recording – The PCC has established an Independent Crime Recording Confidence Panel to restore and maintain public confidence in the force's work to record crime and to safeguard the victims of crime. The Panel oversees the force's work in improving its procedures following concerns raised by HMICFRS about the integrity of crime recording within Lincolnshire Police;
- Open and Transparent Quality Mark – this year Lincolnshire's OPCC was one of 27 across England and Wales to be awarded the prestigious Open and Transparent Quality Mark by CoPaCC.

Protecting and supporting victims and the vulnerable:

- Victim Support – The PCC has established a provider forum to bring together not only those victim services which we commission, but other victim support providers. This increases professionals' awareness and understanding of other services within Lincolnshire, supports the sharing of best practice and identification of any gaps in services. Intelligence from this forum feeds into the Victims Commissioning Group. In addition the OPCC now commissions the following services:
 - An outreach service to provide emotional and practical support where needs are complex, or victims are vulnerable;
 - Support for victims of sexual violence, including an adult Sexual Assault Referral Centre (SARC) funded in partnership with the NHS, a paediatric SARC, a Children

and Young People's Independent Sexual Violence Advisor (CHISVA), Trust House and Rape Crisis;

- Restorative Justice services;
 - A central portal of information for victims online is currently in development and due for launch later this year. It will provide information about victims' rights, the journey through the criminal justice system, as well as a directory of support services which victims will be able to access directly without having to report the crime to the police;
 - A new Service Delivery Manager has been appointed with the aim of ensuring victims are provided with seamless and integrated services, and ultimately make sure victims are supported to cope and recover.
- Domestic abuse conference – the PCC brought together more than 130 professionals from children's services, charities and policing to attend the Lincolnshire Domestic Abuse Conference. The aim of the event was to ease the sharing of information and knowledge in a bid to improve services for victims in the county;
 - The fight against scams – the Deputy PCC has made huge progress in the fight against frauds and scams in Lincolnshire. The PCC joined the campaign Friends against Scams as one of only 45 SCAMBassadors across the UK. The role of SCAMBassadors is to use their influence to raise the profile of this problem amongst agencies and local residents in a drive to prevent people falling victim. Since then the Deputy PCC has been on a crusade to educate, inform and promote the public and agencies about how to prevent fraud and earlier this year the number of people recruited to help fight scams in Lincolnshire reached the 2,000 milestone. There are now 3 SCAMBassadors, 33 Scam Champions and 2,000 Friends throughout the county;
 - Work in partnership to address growth in fraud – Lincolnshire was one of only two areas chosen to run a pilot scheme to improve collaborative working between organisations on a local level to identify and respond to fraud. The Multi Agency Fraud & Safeguarding Hub (MAFASH) pilot project has been funded by the Home Office and is being delivered by the Joint Fraud Taskforce/National Trading Standards Scams Team. It aims to co-ordinate investigative resources, expertise and intelligence; allow more effective data sharing and improve the quality of care for victims. Lincolnshire was chosen because of the great strides already made in addressing this problem;
 - Establish a system wide response to mental health issues – a meeting between the PCC, health bodies and the force was convened last autumn and all parties agreed to develop a system wide mental health programme. A review of a project, which placed mental health nurses in the police control room, showed the scheme avoided 261 detentions of individuals under Section 136 of the Mental Health Act (1983) and 241 admissions to Accident and Emergency. Following the successful evaluation of the pilot, the PCC and the local lead NHS Clinical Commissioning Group with responsibility for mental health have taken the decision to jointly commission the service for the foreseeable future. In addition the new service will include two rapid response vehicles in which can be dispatched for cases requiring urgent response.

Policing that works:

- Hack the Police – earlier this year the PCC joined forces with Police Rewired, CSCV (Cyber Specials and Cyber Volunteers) and G4S to host an event called Hack the Police – which invited developers, designers, psychologists, researchers and other specialists to brainstorm new ways of combatting online crime. It was the only the third such event

held in the UK and the first outside London and discussed issues such as how to use technology to help front line officers and the design of apps to help the public feel safe;

- Blue Light collaboration – Lincoln’s new joint fire, police and ambulance station on South Park is on track to open in the autumn of 2019, with the first staff expected to occupy the building this summer. The project represents a major investment in the future of Lincolnshire’s emergency services and has attracted £7m of national government funding;
- Body worn video – the PCC supported the introduction of officers’ body worn video cameras and they have enabled the force to record footage of every incident we attend. It has reduced complaints against officers and made offenders think twice before confronting officers reducing the number off-duty through injury and officer time spent investigating complaints;
- Handheld computers – each officer and Police Community Support Officer (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. The new equipment allows officers to file crime and witness statements from the road and saves each officer roughly an hour throughout their 10-hour shifts;
- Command and control – the development of the new command and control system is progressing; the most up-to-date in the UK will enable officers to get instant access to report incidents and will give control room staff the capability to deploy the most appropriately trained and equipped officers to scenes as quickly as possible;
- Mobile Fingerprint Scanners – Lincolnshire is one of the first forces in the country to introduce the scanners and will avoid officers having to take someone to the nearest police station to obtain fingerprints. It can also be used to quickly identify someone experiencing a medical emergency, so contact can be made with their next of kin;
- Improved neighbourhood policing model – the new mobile technology, which supports local officers and PCSOs to be in the community for longer, has allowed the force to develop and employ a new neighbourhood policing model which will allow greater focus on protecting the vulnerable, monitoring potential risks, gathering intelligence and tackling crime;
- Environmental sustainability – new energy saving lighting installed in Lincolnshire Police’s buildings will save £0.16m a year. Work started this year on replacing old fluorescent lighting with energy saving LED lights in 20 locations across the force area. The £0.35m investment is expected to be paid back, as a result of reduced electricity bills, in less than four years;
- ANPR – the investment made in the latest Number Plate Recognition systems will enable officers to trace and arrest offenders as well as ensure that drivers without a license or insurance can be quickly apprehended and taken off our roads providing a vital tool in improving road safety. The new systems are currently being fitted to force vehicles;
- Firearms licensing – the development and introduction of the UK’s first fully digital portal for applications has reduced errors, increased safety, removed duplication of work and further reduced the time taken to process applications whilst improving safety for the public. The system currently processes 200 different applications a month and the force is now processing all grant applications and license renewals within eight weeks, except in exceptional circumstances.

Key Crime Statistics

Lincolnshire continues to maintain its place as one of the safest places to live in the UK with the eighth lowest crime rate per 1,000 people according to the latest report by the Office for National Statistics (out of 43 Forces).

Since last year the Force has made changes to how it records crime following the HMICFRS Crime Data Integrity inspection. This means that the Force now counts separately individual crimes in cases of multiple crimes with a single victim. This means that we are now recording more crimes than in previous years making meaningful previous year comparison difficult.

Whilst Lincolnshire is graded as one of the lowest forces in terms of crime levels, with 48,569 offences recorded in the year ending December 2018, there has been a 20% annual increase in overall crime (excluding fraud). This is a higher increase than was experienced at a national level where crime has risen by 7%.

Sexual offences have increased year on year by 31%, a higher increase than the national average of 10%. The Chief Constable 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 have been high levels 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 6,082 offences recorded representing an increase of 8.6% on last year; this was higher than the national average which saw a decrease of 21%.

The Force recorded decreases on previous years in the areas of theft (2%), burglaries (11%) and vehicle offences (13%).

Further information about Force performance together with a detailed local breakdown is available through the Chief Constable's website at www.lincs.police.uk and the crime mapper website Police.uk

Gender Pay Gap

Overview

The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 came into effect on 31 March 2017, which requires public sector authorities with 250 or more employees to publish statutory calculations every year showing how large the pay gap is between their male and female employees. Lincolnshire Police employs around 1,500 people and is therefore subject to this duty.

What is Gender Pay Reporting?

It is important to understand that pay for both police officers and staff is determined nationally and to recognise that gender pay reporting is not the same as equal pay. Equal pay is ensuring equal pay for equal work; however gender pay reporting compares hourly rates of pay and any bonuses staff may receive by gender, seeking to expose any imbalance.

Based on the results, steps will be taken, where possible, to minimise or readdress any identified inequities going forward.

Our Pay Gap Information

These figures are calculated using the standard methodologies laid out in current legislation:

Published mean and median information				
	Male	Female	Gap	Percentage
Mean hourly rate	£18.72	£16.53	£2.19	11.70%
Median hourly rate	£18.62	£16.55	£2.07	11.12%

Total employees - salary quartile bands				
	Lower	Lower-middle	Upper-middle	Upper
Male proportion	48.99%	67.59%	67.09%	73.62%
Female proportion	51.01%	32.41%	32.91%	26.38%

Published bonus information ¹				
	Male	Female	Gap	Percentage
Mean bonus	£754.40	£653.72	£100.68	13.35%
Median bonus	£432.50	£450.00	-£17.50	-4.05%
Proportion receiving a bonus	13.00%	7.94%	5.06%	

Summary

Lincolnshire Police remains committed to ensuring fairness, inclusivity and the equal treatment of all employees regardless of protected characteristics, and is pleased to have a gender pay gap which is 6.7% lower than the national average of 17.9% ([Office of National Statistics](#)).

The Chief Officer team remains determined to tackle the under-representation of women through all grades and ranks and provide every opportunity for women to progress. Throughout this period the organisation has increased its numbers by 61 females; 23 of those as new constables, 17 PCSOs and promoted over 23 through the ranks. The Force remains committed to ensuring fairness and inclusivity within Lincolnshire Police and acknowledges the many benefits this brings to the organisation.

Financial Performance

Analysis of Revenue and Capital Expenditure

Total operational expenditure for the 2018-19 financial year was £119.886m compared with £115.333m for the previous financial year. Total operational expenditure is less than the 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.

¹ Bonuses are usually paid for 'unpleasant tasks', or for additional work or responsibilities. Chief Officers do not receive bonuses.

2017/18 £000	Total Operational Expenditure	2018/19 £000
196,681	Expenditure as per Financial Statements	193,658
(59,282)	Pensions Accounting	(59,342)
(9,678)	Capital Accounting	(3,244)
(430)	Accumulated Absence	(200)
(107)	Collection Fund	-
(693)	Seconded Officers	(566)
112	Regional Reserves Transfer	(136)
(7,788)	Fees Charges and Other Service Income	(7,855)
(2,143)	Custody Contract	(2,171)
(1,277)	Regional NICHE	-
-	Proceeds of Crime Act Income	(83)
-	Wellbeing Grant	(117)
(62)	Investment Income	(58)
115,333	Total Operational Expenditure	119,886

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

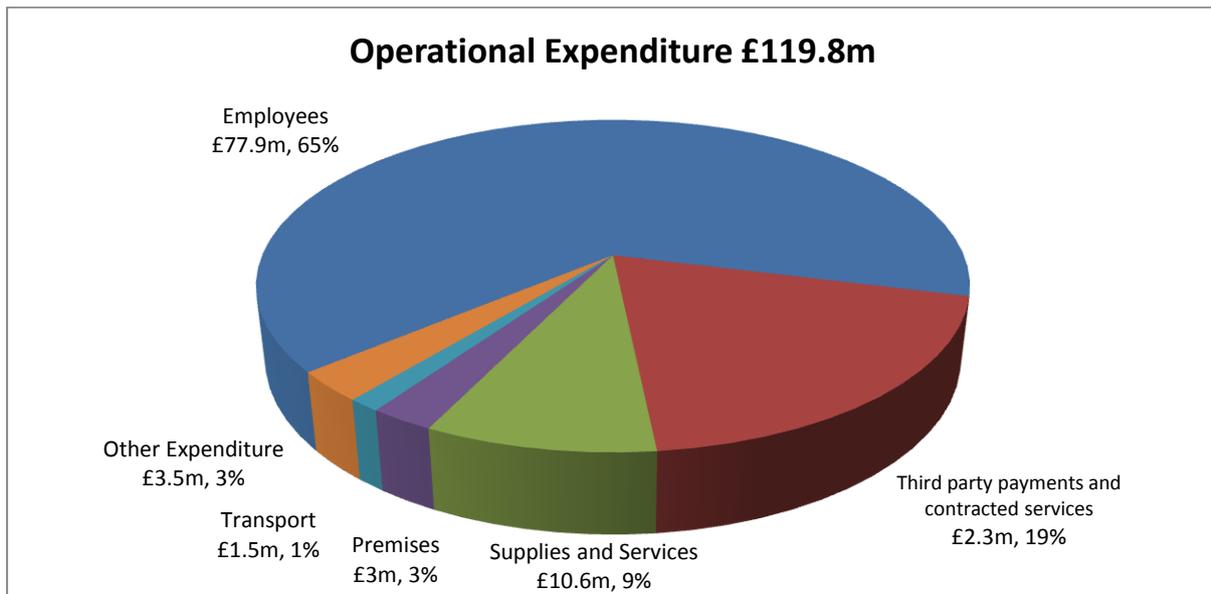
Employee Spend: Spend on police officers, police staff and police community support officers amounted to 65% of total spending.

Supplies and Services: Spend represents 9% of total spending and includes supplier payments for a wide variety of supplies and services used by the PCC/Force on a daily basis.

Third party payments and contracted services: This represents 19% of the total spending and includes the G4S strategic partnership that provides back office and operational support service provision.

Operational running costs: Spend amounts to 7% 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.

2017/18 £m	Operational Expenditure	2018/19 £m	Ratio for year
74.5	Employees	77.9	65%
23.8	Third party payments and contracted services	23.3	19%
9.2	Supplies and Services	10.6	9%
2.9	Premises	3.0	3%
1.8	Transport	1.5	1%
3.1	Other Expenditure	3.5	3%
115.3		119.8	100%



Funding

Total Funding for 2018-19 was £119.886 million compared with £115.333m for 2017-18. Total funding is less than the income shown in the financial statements because it excludes Police Pension Payments grant, recharged income, capital receipts and regional contributions. The table below shows those income items that are excluded from total funding.

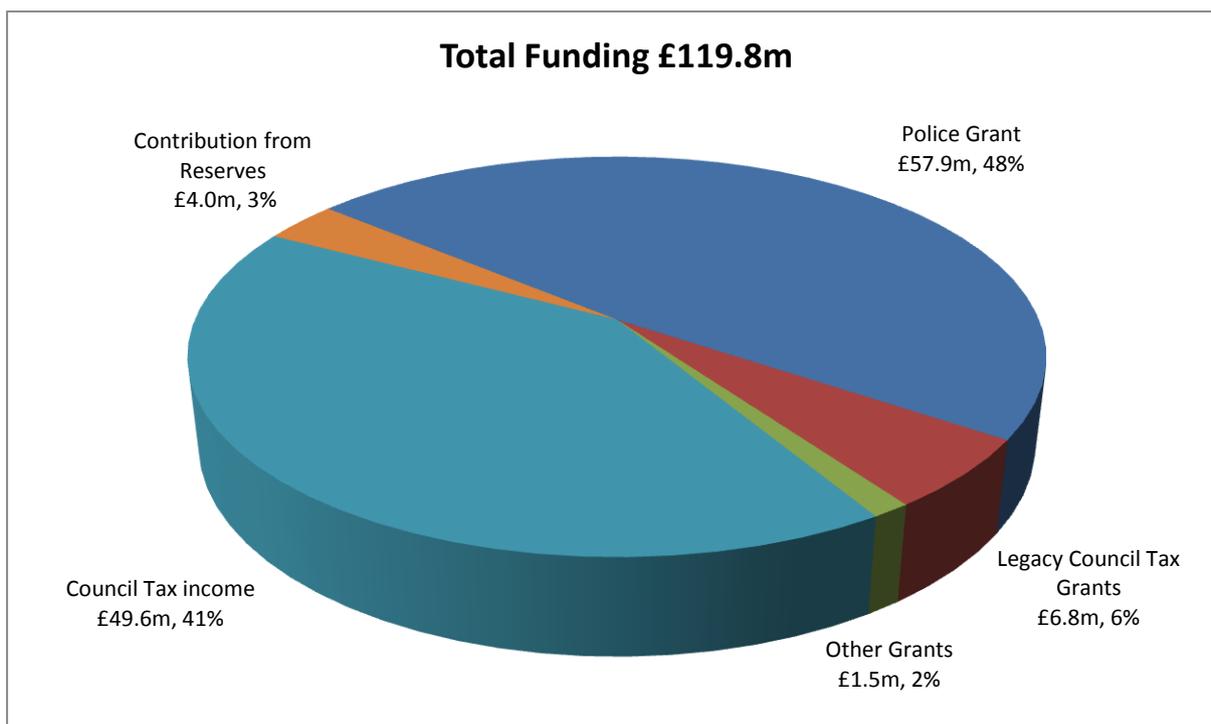
2017/18 £000	Summary Accounts - Income	2018/19 £000
(150,696)	Income as per Financial Statements	(152,229)
20,070	Pension Top-Up Grant	24,597
2,143	Custody Contract	2,171
1,277	Regional NICHE	-
5,452	Recognised Capital Grant and Contributions	819
-	Council Tax Collection Fund	14
88	Gains on the disposal of assets	110
7,788	Fees Charges and Other Service Income	7,855
693	Seconded Officers	566
-	Proceeds of Crime Act	83
-	Wellbeing Grant	117
64	Investment Income	58
(2,212)	Transfers (from) to Reserves	(4,047)
(115,333)	Total Funding	(119,886)

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 – 41% of funding is provided by local council tax payers.

The government grants for 2018/19 remained static meaning that there was a greater burden on local taxpayers with the precept raising an additional £3.2m in year.

2017/18 £m	Total Funding	2018/19 £m	Ratio for year
	Central Funding:		
57.9	Police Grant	57.9	48%
6.8	Legacy Council Tax Grants	6.8	6%
2.0	Other Government Grants	1.5	2%
	Local Funding:		
46.4	Council Tax income	49.6	41%
2.2	Contribution (to) from Reserves	4.0	3%
115.3		119.8	100%

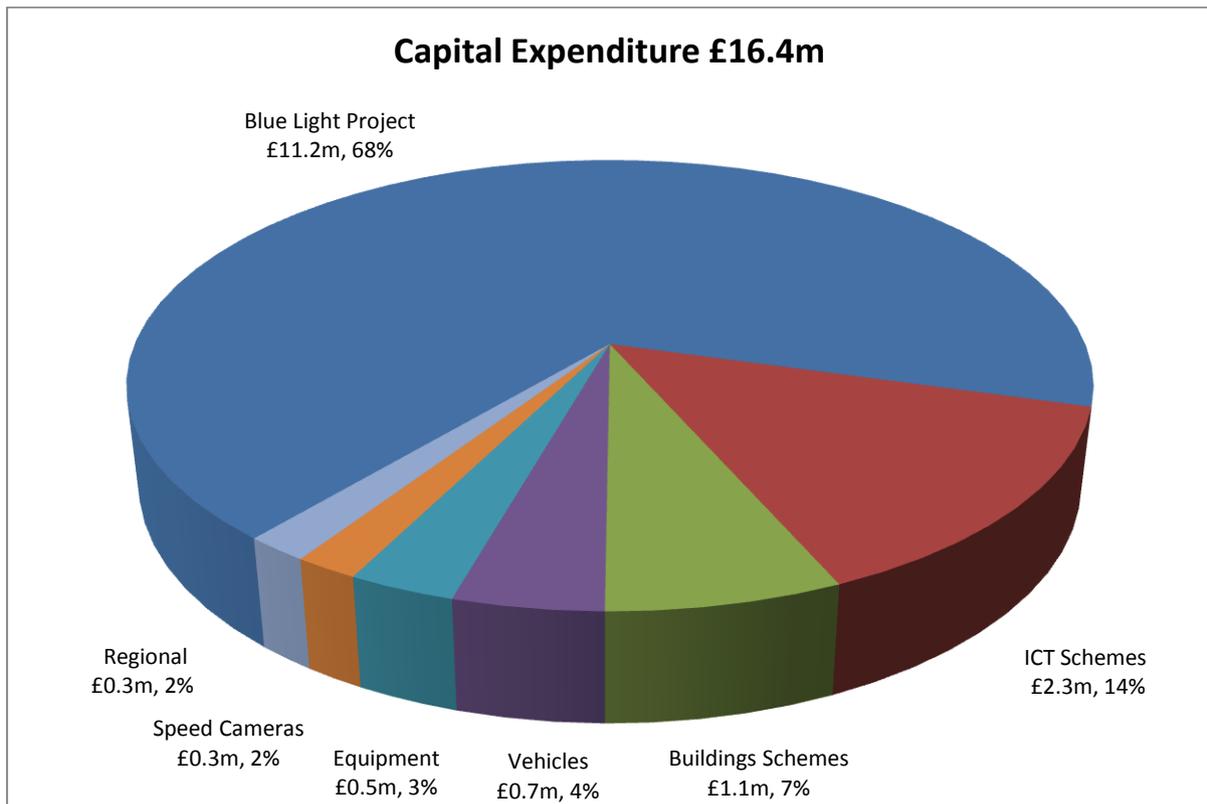


Capital Expenditure

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 2018/19:

2017/18 £m	Capital Expenditure	2018/19 £m	Ratio for year
4.7	Blue Light Project*	11.2	68%
2.4	ICT Schemes	2.3	14%
1.9	Buildings Schemes	1.1	7%
1.7	Vehicles	0.7	4%
0.9	Equipment	0.5	3%
-	Speed Cameras	0.3	2%
0.3	Regional	0.3	2%
11.9		16.4	100%

*Includes £4.2m of partner funding which is excluded from the financial statements



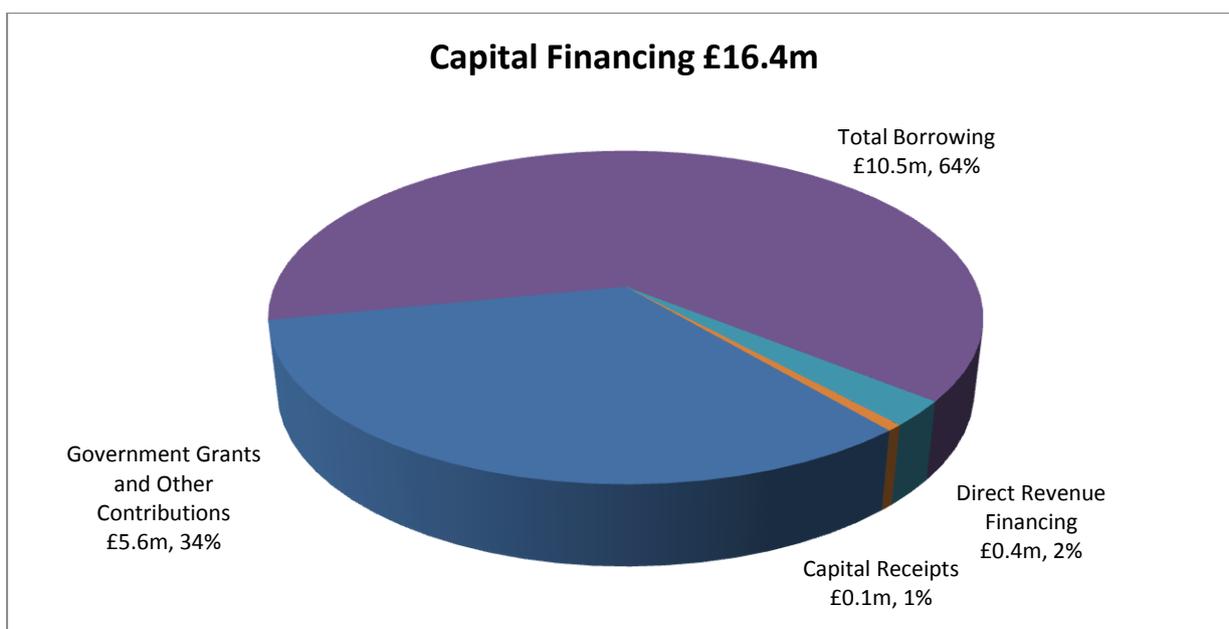
The PCC has approved a capital programme of £11.722m for 2019/20 and includes:

- £2.6m, the final instalment of a major investment in the Blue Light Collaboration Programme. This programme commenced in 2016/17 and has been funded by Home Office Innovation Fund grant, the PCC for Lincolnshire, Lincolnshire County Council and East Midlands Ambulance Service;
- £3.0m investment in a new Command & Control system;
- £1.0m investment in the Force estate;
- £1.95m investment for ICT schemes;
- £1.0m replacement programme for vehicles;
- £1.7m investment in an Airwaves solution for an Emergency Services Mobile Communications Programme (ESMCP).

Capital Financing

The PCC Group's capital programme in 2018/19 was financed through grants, contributions from revenue, capital receipts, internal cash balances and external borrowing. This was the first time in seven years that the PCC has borrowed from external source.

2017/18 £m	Capital Financing		2018/19 £m	Ratio for year
5.5	Government Grants & Other Contributions		5.4	33%
-	Borrowing - External	18.0		
4	Borrowing - Internal	(7.5)		
	Total Borrowing		10.5	64%
2.1	Direct Revenue Financing		0.4	2%
0.3	Capital Receipts		0.1	1%
11.9			16.4	100%



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 2018, the PCC approved a net revenue budget for 2018/19 of £122.8m of which £107.5m was funded from Police Grant and Council Tax receipts.

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:

2018/19	Budget £m	Actual £m	Variance £m
Services			
PCC	32.9	30.8	(2.1)
Chief Constable Delegated Budget	88.7	90.4	1.7
Joint Services	1.2	1.1	(0.1)
Total Service Expenditure	122.8	122.3	(0.5)
Funding			
General Police Grant	57.9	57.9	-
Legacy Council Tax Grants	6.8	6.8	-
Other Government Grants	0.9	1.5	0.6
Council Tax Precept	49.6	49.6	-
Total Funding	115.2	115.8	0.6
Other Income			
Custody Contract	2.3	2.2	(0.1)
Other Income	0.2	0.3	0.1
Total Income	2.5	2.5	0.0
Total Funding and Other Income	117.7	118.3	0.6
Total (Surplus) / Deficit	5.1	4.0	(1.1)
Financed by Reserves			
Net transfer from / (to) Reserves	5.1	4.0	(1.1)
	-	-	-

The original budget showed a planned deficit of £5.1m which would be matched by a contribution of £3.1m from general reserve and £2.0m from earmarked reserves. The final net contribution required from reserves was reduced by £1.8m to £3.3m due to a number of factors including the following underspends resulting from:

- Capital Financing, £0.7m – due to slippage in the Capital Programme and lower than planned borrowing costs;
- Major Incidents, £0.5m – lower than anticipated major incident operations throughout the financial year;
- ICT Monitored and Managed, £0.2m – lower charges from the Home Office for PSN and PNC systems;
- Police Officer Salaries, £0.7m – arising from vacancies in the police officer strength.

Offset by overspends:

- Police Staff Salaries, £0.8m – un-met vacancy factor due to lower staff turnover than in previous years and non-recurrent Operational Support Officer posts (these were compensating for the police officer vacancies by providing support in statement taking, evidence gathering and case file compilation);
- Provision for Police Officer SPOC overtime (Allard claims) £0.6m;
- Local Policing East, £0.3m – overtime and mileage overspends;
- National Contributions and Central Costs, £0.1m – additional legal costs, including provision of £0.080m for the Allard claims legal costs (see above).

Reserves

All reserves are held by the PCC, however a number of these reserves are held to manage operational risks within the Chief Constable's budget.

Earmarked reserves as at 31 March 2019 total £9.2m (including regional reserves) and are held for specific expenditure or contingencies. Movements in Earmarked Reserves are detailed in Note 7.

As at 31 March 2019 the PCC held a General Reserve of £3.2m following £3.1m use to support the revenue budget in 2018/19. There are currently no plans for further use in 2019/20 to support the revenue budget.

The PCC's Financial Strategy at the start of 2018/19 required that reserves be maintained around the minimum point of a target range based on the assessment in respect of residual financial risks.

A review of the Reserve Strategy in April 2019 indicated the range of required reserves at £5.5m - £12m, the minimum point of which is £5.5m. This is set against forecast risk-based reserves as at 1st April 2019 of £5.4m representing 4.3% of the revenue budget; General Reserve £2.5m, Major Incident Reserve £1.9m and Insurance Reserve £1m. As a result, the previous policy has been maintained and the Financial Strategy continues to require risk-based reserves at the minimum of the target range. This approach recognises the financial risk being carried by the PCC and is as 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 2019/20 and beyond

There is a balanced budget for 2019/20 including an 11% precept rise and the introduction of a £3m cost reduction programme across service areas which includes:

- The reduction in the average strength of police officers across the financial year of 54 posts, achieved by slowing down recruitment;
- The reduction to a targeted establishment of PCSOs from 118 to 85 posts;
- The targeted savings on support staff posts – a vacancy factor of 5% and 10% saving targeted.

The Medium Term Financial Plan includes provisional service budgets proposed for 2020/21 to 2022/23. Forecasting remains challenging particularly as future grant allocations remain uncertain. Indications are that the much anticipated Core Grant Distribution Review (funding formula review) is unlikely before 2021/22.

The government's future intention in relation to grant funding allocations and limitations of council tax increases remains unclear. Therefore estimates have been made on prudent assumptions; there remains the risk that the anticipated income will be lower than assumed in the forecast.

On current assumptions substantial budget gaps are forecast from 2019/20 onwards, reaching £6.9m in 2022/23, which equates to 5% of the total budget. This is based on maintaining the resources available for police officers; PCSOs and support staff at their pre 2019/20 levels. The cost reduction programme has been formulated to meet the shortfall; this would impact on the future levels of police officers, PCSOs and support staff which could be funded.

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 2020 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.

Improving productivity and achieving a fairer share of government funding for Lincolnshire remain key to maintaining safe levels of policing into the medium term.

Sound financial control will be pivotal to delivering financial balance beyond 2019/20. Reserves to support the revenue budget will have been depleted by 2023 and, unless additional funding is made available either by increased government grant or from council tax receipts, cost reductions of £7.0m will be required.

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 2018/19.

The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accountancy in the United Kingdom 2018/19; which in turn is underpinned by International Financial Reporting Standards.

These Financial Statements set out the PCC Group income and expenditure for the year and its financial position at 31 March 2019. It comprises core and supplementary statements, together with disclosure notes.

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 Chief Constable 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, Chief Constable 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.

Signed by Julie Flint

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



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

Group Expenditure and Funding Analysis 2018/19

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.

2017/18 - Restated*			Note	Group	2018/19		
Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000			Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
25,375	8,198	33,573		Police and Crime Commissioner	25,657	2,142	27,799
104,859	3,603	108,462		Chief Constable	114,358	(3,500)	110,858
1,095	-	1,095		Joint Services	1,017	-	1,017
131,329	11,801	143,130		Cost of Services	141,032	(1,358)	139,674
821	2,751	3,572	8	Other Operating Expenditure	735	2,077	2,812
1,146	34,686	35,832	9	Financing and Investment Income and Expenditure	1,325	37,359	38,684
(131,204)	(5,345)	(136,549)	10	Taxation and Non-Specific Grant Income	(138,908)	(833)	(139,741)
2,092	43,893	45,985	4	(Surplus) or Deficit on the Provision of Services	4,184	37,245	41,429
5,656				Opening General Fund Balance as at 31 March	5,664		
(2,092)				Increase/(Decrease) in Year before Transfers to Earmarked Reserves	(4,184)		
2,100			7	Net transfers (to)/from Earmarked Reserves	1,752		
5,664				Closing General Fund as at 31 March	3,232		

*See Note 49 for details of restatement regarding a prior period adjustment.

PCC Expenditure and Funding Analysis 2018/19

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.

2017/18 - Restated*				PCC	2018/19		
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
25,375	8,198	33,573		Police and Crime Commissioner	25,657	2,142	27,799
629	-	629		Joint Services	468	-	468
26,004	8,198	34,202		Cost of Services	26,125	2,142	28,267
(7)	2,751	2,744	8	Other Operating Expenditure	(3)	2,077	2,074
1,145	422	1,567	9	Financing and Investment Income and Expenditure	1,324	445	1,769
(131,204)	(5,345)	(136,549)	10	Taxation and Non-Specific Grant Income	(138,908)	(833)	(139,741)
106,154	-	106,154	12	Expenditure - Intra Group financing	115,646	-	115,646
2,092	6,026	8,118	4	(Surplus) or Deficit on the Provision of Services	4,184	3,831	8,015
5,656				Opening General Fund Balance as at 31 March	5,664		
(2,092)				Increase/(Decrease) in Year before Transfers to Earmarked Reserves	(4,184)		
2,100			7	Net transfers (to) / from Earmarked Reserves	1,752		
5,664				Closing General Fund as at 31 March	3,232		

*See Note 49 for details of restatement regarding a prior period adjustment.

Group Comprehensive Income and Expenditure Statement 2018/19

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.

2017/18 - Restated			Note		2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
40,028	(6,455)	33,573		Police and Crime Commissioner	33,248	(5,449)	27,799
115,139	(6,677)	108,462		Chief Constable	117,038	(6,180)	110,858
1,266	(171)	1,095		Joint Services	1,142	(125)	1,017
156,433	(13,303)	143,130		Cost of Services	151,428	(11,754)	139,674
4,353	(781)	3,572	8	Other Operating Expenditure	3,488	(676)	2,812
35,895	(63)	35,832	9	Financing and Investment Income and Expenditure	38,742	(58)	38,684
-	(136,549)	(136,549)	10	Taxation and Non-Specific Grant Income	-	(139,741)	(139,741)
196,681	(150,696)	45,985		(Surplus) or Deficit on the Provision of Services	193,658	(152,229)	41,429
-	(434)	(434)	26	(Surplus) / Deficit on Revaluation of Non-Current Assets	-	(387)	(387)
12,892	-	12,892	28	Actuarial (Gains) or Losses on Pension Assets and Liabilities	58,371	-	58,371
12,892	(434)	12,458		Other Comprehensive Income and Expenditure	58,371	(387)	57,984
209,573	(151,130)	58,443		Total Comprehensive Income and Expenditure	252,029	(152,616)	99,413

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 2018/19 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 in line with the above arrangements. The cost relating to the G4S strategic partnership of £22.3m for 2018/19 (2017/18: £22.5m) is included in the Group Comprehensive Income and Expenditure Statement shown above.

PCC Comprehensive Income and Expenditure Statement 2018/19

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.

2017/18 - Restated				2018/19		
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
40,028	(6,455)	33,573		33,248	(5,449)	27,799
799	(170)	629		593	(125)	468
40,827	(6,625)	34,202		33,841	(5,574)	28,267
2,832	(88)	2,744	8	2,184	(110)	2,074
1,631	(63)	1,567	9	1,828	(58)	1,769
-	(136,549)	(136,549)	10	-	(139,741)	(139,741)
106,154	-	106,154		115,646	-	115,646
151,444	(143,325)	8,118		153,499	(145,483)	8,015
-	(434)	(434)	26	-	(387)	(387)
(1,100)		(1,100)	28	3,011		3,011
(1,100)	(434)	(1,534)		3,011	(387)	2,624
150,344	(143,759)	6,584		156,510	(145,870)	10,639

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 2018/19 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 £22.3m for 2018/19 (2017/18: £22.5m) is shown in the PCC Comprehensive Income and Expenditure Statement shown above.

Group Movement in Reserves Statement 2018/19

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 2017	198	668	13,079	5,656	19,601	(1,325,733)	(1,306,132)
Movement in Reserves during 2017/18 (Surplus) or 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)
Movement in Reserves during 2018/19 (Surplus) or Deficit on the provision of services	-	-	-	(41,429)	(41,429)	-	(41,429)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(57,984)	(57,984)
Total Comprehensive Income and Expenditure	-	-	-	(41,429)	(41,429)	(57,984)	(99,413)
Adjustments between accounting basis and funding basis under regulations (Note 6)	-	(304)	-	37,245	36,941	(36,941)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	-	(304)	-	(4,184)	(4,488)	(94,925)	(99,413)
Net transfers (to)/from Earmarked Reserves (Note 7)	-	-	(1,752)	1,752	-	-	-
Increase/(Decrease) in 2018/19	-	(304)	(1,752)	(2,432)	(4,488)	(94,925)	(99,413)
Balance at 31 March 2019 carried forward	-	292	9,227	3,232	12,750	(1,476,738)	(1,463,988)

PCC Movement in Reserves Statement 2018/19

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
Restated Balance at 31 March 2017 carried forward	198	668	13,079	5,656	19,601	(9,252)	10,348
Restated Movement in Reserves during 2017/18							
(Surplus) or Deficit on the provision of services	-	-	-	(8,118)	(8,118)	-	(8,118)
Other Comprehensive Income and Expenditure	-	-	-	-	-	1,534	1,534
Restated Total Comprehensive Income and Expenditure	-	-	-	(8,118)	(8,118)	1,534	(6,584)
Adjustments between accounting basis and funding basis under regulations (Note 6)	(198)	(72)	-	6,026	5,756	(5,756)	-
Restated Net Increase /(Decrease) before Transfers to Earmarked Reserves	(198)	(72)	-	(2,092)	(2,362)	(4,222)	(6,584)
Net transfers (to)/from Earmarked Reserves (Note 7)	-	-	(2,100)	2,100	-	-	-
Restated Increase/(Decrease) in 2017/18	(198)	(72)	(2,100)	8	(2,362)	(4,222)	(6,584)
Restated Balance at 31 March 2018 carried forward	-	596	10,979	5,664	17,238	(13,473)	3,765
Movement in Reserves during 2018/19							
(Surplus) or Deficit on the provision of services	-	-	-	(8,015)	(8,015)	-	(8,015)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(2,624)	(2,624)
Total Comprehensive Income and Expenditure	-	-	-	(8,015)	(8,015)	(2,624)	(10,639)
Adjustments between accounting basis and funding basis under regulations (Note 6)	-	(304)	-	3,831	3,527	(3,527)	-
Net Increase /(Decrease) before Transfers to Earmarked Reserves	-	(304)	-	(4,184)	(4,488)	(6,151)	(10,639)
Net transfers (to)/from Earmarked Reserves (Note 7)	-	-	(1,752)	1,752	-	-	-
Increase/(Decrease) in 2018/19	-	(304)	(1,752)	(2,432)	(4,488)	(6,151)	(10,639)
Balance at 31 March 2019 carried forward	-	292	9,227	3,232	12,750	(19,625)	(6,875)

Group and PCC Balance Sheet as at 31 March 2019

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 - Restated		31 March 2018 - Restated				31 March 2019	
PCC £000	Group £000	PCC £000	Group £000	Note		PCC £000	Group £000
31,575	31,575	32,159	32,159	13	Property, Plant and Equipment	39,559	39,559
1,179	1,179	-	-	14	Investment Property	-	-
3,920	3,920	3,216	3,216	15	Intangible Assets	2,669	2,669
58	58	-	-	12	Assets Held for Sale	-	-
36,732	36,732	35,375	35,375		Long-Term Assets	42,228	42,228
386	386	362	362	19	Inventories	469	469
21,068	21,068	16,329	16,329	20	Short-Term Debtors	14,757	14,757
6,370	6,370	2,384	2,384	21	Cash and Cash Equivalents	8,131	8,131
27,824	27,824	19,075	19,075		Current Assets	23,357	23,357
(1,012)	(1,012)	(1,002)	(1,002)	45	Short-Term Borrowing	(1,069)	(1,069)
(17,994)	(17,994)	(14,921)	(14,921)	22	Short-Term Creditors	(13,224)	(13,224)
(1,479)	(1,479)	(1,764)	(1,764)	18	Other Short Term Liabilities	(2,298)	(2,298)
(644)	(660)	(1,059)	(1,075)	23	Short-Term Provisions	(1,518)	(1,534)
-	-	-	-	47	Revenue Grants Receipts in Advance (< 1 yr)	(1,796)	(1,796)
(50)	(50)	(30)	(30)		Capital Grants Receipts in Advance (< 1 yr)	-	-
(21,179)	(21,195)	(18,776)	(18,792)		Current Liabilities	(19,905)	(19,921)
(11,301)	(11,301)	(10,563)	(10,563)	45	Long-Term Borrowing	(27,561)	(27,561)
(15,810)	(1,332,138)	(16,055)	(1,384,237)	43	Pension Liabilities	(20,398)	(1,477,372)
(5,918)	(5,918)	(5,291)	(5,291)	18	Other Long-Term Liabilities	(4,596)	(4,596)
-	(136)	-	(142)	23	Long-Term Provisions	-	(123)
(33,029)	(1,349,493)	(31,909)	(1,400,233)		Long-Term Liabilities	(52,555)	(1,509,652)
10,348	(1,306,132)	3,765	(1,364,575)		Net Assets	(6,875)	(1,463,988)
19,600	19,600	17,238	17,238	24	Usable Reserves	12,750	12,750
(9,252)	(1,325,732)	(13,473)	(1,381,813)	25	Unusable Reserves	(19,625)	(1,476,738)
10,348	(1,306,132)	3,765	(1,364,575)		Total Reserves	(6,875)	(1,463,988)

These unaudited accounts were signed on 30 May 2019.

Signed by Julie Flint

Julie Flint CPFA MSc
Chief Finance Officer

Group and PCC Cash Flow Statement 2018/19

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.

2017/18 - Restated				2018/19	
PCC £000	Group £000	Note		PCC £000	Group £000
8,118	45,985		Net (Surplus) or Deficit on the Provision of Services	8,015	41,429
(16,119)	(53,986)	31	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(6,489)	(39,904)
88	88	32	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	110	110
(7,913)	(7,913)		Net Cash Outflows from Operating Activities	1,635	1,635
9,387	9,387	34	Investing Activities	9,180	9,180
2,512	2,512	35	Financing Activities	(16,562)	(16,562)
3,986	3,986		Net (Increase) or Decrease in Cash and Cash Equivalents	(5,747)	(5,747)
6,370	6,370	21	Cash and Cash Equivalents at the Beginning of the Reporting Period	2,384	2,384
2,384	2,384	21	Cash and Cash Equivalents at the End of the Reporting Period	8,131	8,131

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 2018/19 financial year and its position at the year end of 31 March 2019. 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 2018/19, 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.

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 2018/19 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

1.8.1. The PCC's Componentisation Policy

The Code requires that:

- Land and buildings should be accounted for separately;
- Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

1.8.2. Identifying Components

Consideration should be given to the potential impact of different asset lives on depreciation calculations. These will be large value items where asset lives are greatly exaggerated by ignoring the fact that parts of the asset need regular replacement over the life of the main asset.

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.

Component assets will have their own life applied as appropriate and the table below should be used where a valuation has not been provided at the time of capitalisation. The table should also be used to apply useful exiting life for MRP calculations. (N.B. It may not be prudent to charge MRP over the life of an existing building).

Component	Asset Life
Structure	50 years
Roof	35 years
Windows	45 years
Mechanical and Engineering	15 years

1.8.3. Subsequent Capital Expenditure

The process of improving and renovating existing buildings means that some parts of the structure need to be derecognised before capitalisation of the new expenditure can take place. The steps will be:

- Treat the subsequent expenditure as an addition, with the appropriate new asset life value;
- De-recognise the original asset, treat as a loss on disposal;
- Adopt method for appropriate value for de-recognition for part of a component such as part of a roof. May take value of replacement part to be proxy value of old part but will need to discount back to start of asset life;
- Compare the valuation of the asset with its new carrying value for impairment or revaluation.

1.8.4. Revaluation Reserve

Each component will be separately recognised in the revaluation reserve and hence easy to identify for any future asset replacement.

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 is determined at the time of acquisition. (The life may be revalued by valuers, in accordance with the revaluation program). 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 at acquisition is as follows:

Asset category	Asset life*	Comments
Operational buildings	50 yrs	May vary from 25 to 75 years, due to revaluation or other justification to change the life at acquisition. Justification to use a life other than 50 years will be provided for audit purposes. See section 1.8 for component policy and asset useful lives.
Vehicles	5 yrs	This reflects the longer UEL of the assets in the force.
ICT equipment	5 yrs	This covers the operational day to day ICT equipment. Special projects and new Implementations will be covered by specialist and other projects.
Specialist equipment	10 - 15 yrs	This covers all other projects e.g. IT projects and office refurbishment and other assets over £10,000 not covered by the above. Justification of life used to be provided to ensure consistency.

*at acquisition

Depreciation is calculated as the current value of the asset divided by the useful existing life of the asset. Revaluation gains are depreciated along with the historic cost of the asset. The difference between current value depreciation and the depreciation that would have been chargeable based on the historic cost is 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.

New assets that enhance or improve an existing asset will take the remaining life of that asset for depreciation purposes. Where an asset is componentised the component assets will have their own life applied as appropriate. See section 1.8 for componentisation policy.

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 £10k) 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).

1.18.1. 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.

1.18.2. 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 PCC 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 reserves 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 2.4% (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 2.4% (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 Police Pensions Payments grant 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 2019 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) £1,477,372k of which £20,398k 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) £1,477,372k of which £20,398k 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 2019 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%	131.87
1 year increase in member life expectancy	3%	42.31
0.5% in the Salary Increase Rate	1%	12.04
0.5% increase in the Pensions Increase Rate (CPI)	8%	109.37

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%	5.19
1 year increase in member life expectancy	3%	0.82
0.5% in the Salary Increase Rate	0%	0.04
0.5% increase in the Pensions Increase Rate (CPI)	10%	2.79

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 to Defined Benefit Obligation	Approximate monetary amount (£m)
0.5% decrease in the Real Discount Rate	12%	24.71
0.5% in the Salary Increase Rate	2%	3.49
0.5% increase in the Pensions Increase Rate (CPI)	10%	20.81

3.2. Other Areas of Estimation Uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment £39,559k	Valuations are provided at a specific date. Market conditions can change at short notice.	The last year has seen a 23% increase in the PPE figures. Much of this is due to the spend on the Blue Light collaboration project.
Classification of leases £6,894k	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 £472k	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) £2,108k Increase in year of £200k	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

2017/18 - Restated				Note	Group	2018/19			
Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000			Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
6,845	923	430	8,198		Police and Crime Commissioner	1,056	1,776	200	3,032
-	3,603	-	3,603		Chief Constable	-	(4,390)	-	(4,390)
-	-	-	-		Joint Services	-	-	-	-
6,845	4,526	430	11,801		Cost of Services	1,056	(2,614)	200	(1,358)
2,751	-	-	2,751	8	Other Operating Expenditure	2,077	-	-	2,077
-	34,686	-	34,686	9	Financing and Investment Income and Expenditure	-	37,359	-	37,359
(5,452)	-	107	(5,345)	10	Taxation and Non-Specific Grant Income	(819)	-	(14)	(833)
4,144	39,212	537	43,893		Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit	2,314	34,745	186	37,245

2017/18 - Restated				Note	PCC	2018/19			
Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000			Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
6,845	923	430	8,198		Police and Crime Commissioner	1,056	886	200	2,142
-	-	-	-		Joint Services	-	-	-	-
6,845	923	430	8,198		Cost of Services	1,056	886	200	2,142
2,751	-	-	2,751	8	Other Operating Expenditure	2,077	-	-	2,077
-	422	-	422	9	Financing and Investment Income and Expenditure	-	445	-	445
(5,452)	-	107	(5,345)	10	Taxation and Non-Specific Grant Income	(819)	-	(14)	(833)
4,144	1,345	537	6,026		Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit	2,314	1,331	186	3,831

4.1. Adjustments for Capital Purposes

Adjustments for Capital Purposes - this 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:

- For services this represents 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;
- For Financing and Investment Income and Expenditure this is 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:

- For Financing and Investment Income and Expenditure the 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

2017/18 £000	Group Expenditure and Income	2018/19 £000
	Expenditure	
51,835	Police Pay and Allow ances	53,306
21,115	Police Staff Pay and Allow ances	23,028
1,583	Other Employee Expenses	1,551
989	Police Pensions	914
30,826	Pension costs inc IAS19	28,712
2,940	Premises	2,977
1,764	Transport	1,527
9,187	Supplies and Services	10,578
23,755	Third Party Payments	23,336
8,230	Capital Financing	1,176
4,209	Depreciation and amortisation	4,323
2,832	Losses on the disposal of assets	2,184
701	Precepts and levies	639
820	Seconded Officers	665
35,895	Interest and investment expenditure	38,742
196,681	Total expenditure	193,658
	Income	
(11,214)	Fees, charges and other service income	(9,152)
(2,088)	Other Grant Income	(2,601)
(693)	Seconded Officers	(566)
(88)	Gains on the disposal of assets	(110)
(63)	Interest and investment income	(58)
(46,284)	Income from council tax	(49,585)
(90,265)	Government grants and contributions	(90,156)
(150,696)	Total income	(152,228)
45,985	(Surplus) or Deficit on the Provision of Services	41,430

2017/18 Restated £000	PCC Expenditure and Income	2018/19 £000
	Expenditure	
10	Police Pay and Allow ances	(3)
3,824	Police Staff Pay and Allow ances	3,366
41	Other Employee Expenses	33
15	Premises	16
-	Transport	1
1,052	Supplies and Services	2,474
23,446	Third Party Payments	22,456
8,230	Capital Financing	1,176
4,209	Depreciation and amortisation	4,323
2,832	Losses on the disposal of assets	2,184
1,631	Interest and investment expenditure	1,828
106,154	Intra Group financing	115,646
151,444	Total expenditure	153,500
	Income	
(4,537)	Fees, charges and other service income	(3,865)
(2,088)	Other Grant Income	(1,711)
(88)	Gains on the disposal of assets	(110)
(63)	Interest and investment income	(58)
(46,285)	Income from council tax	(49,585)
(90,264)	Government grants and contributions	(90,156)
(143,326)	Total income	(145,485)
8,118	(Surplus) or Deficit on the Provision of Services	8,015

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 PCC has met the conditions that would otherwise require repayment of the monies, but which have 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.

2017/18 Adjustment between Accounting Basis and Funding Basis

2017/18 Group	Usable Reserves			Movement in Usable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £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 - Restated	Usable Reserves			Movement in Usable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £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)	1,345	-	-	(1,345)
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	10,204	-	-	(10,204)
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	6,026	(198)	(72)	(5,756)

2018/19 Adjustment between Accounting Basis and Funding Basis

2018/19 Group	Usable Reserves			Movement in Usable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £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)	34,745	-	-	(34,745)
Council tax (transferred to or from Collection Fund)	(14)	-	-	14
Unused Leave (transferred to the Accumulated Absences Reserve)	200	-	-	(200)
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):	6,668	-	-	(6,668)
Total Adjustments to Revenue Resources	41,599	-	-	(41,599)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(104)	104	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,181)	-	-	4,181
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(373)	-	-	373
Total Adjustments between Revenue and Capital Resources	(4,658)	104	-	4,554
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	-	(104)	-	104
Application of capital grants to finance capital expenditure	304	-	(304)	-
Total Adjustments to Capital Resources	304	(104)	(304)	104
Total Adjustments	37,245	-	(304)	(36,941)

2018/19 PCC	Usable Reserves			Movement in Usable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £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)	1,331	-	-	(1,331)
Council tax (transferred to or from Collection Fund)	(14)	-	-	14
Unused Leave (transferred to the Accumulated Absences Reserve)	200	-	-	(200)
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):	6,668	-	-	(6,668)
Total Adjustments to Revenue Resources	8,185	-	-	(8,185)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(104)	104	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,181)	-	-	4,181
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(373)	-	-	373
Total Adjustments between Revenue and Capital Resources	(4,658)	104	-	4,554
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	-	(104)	-	104
Application of capital grants to finance capital expenditure	304	-	(304)	-
Total Adjustments to Capital Resources	304	(104)	(304)	104
Total Adjustments	3,831	-	(304)	(3,527)

7. Transfers to/from Earmarked Reserves

Group / PCC	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	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Transfer Between Reserves 2018/19 £000	Balance at 31 March 2019 £000
Major Incidents	1,850	-	-	-	1,850	-	-	-	1,850
Insurance	1,000	-	-	-	1,000	-	-	-	1,000
Proceeds of Crime	170	-	58	-	228	(42)	-	-	186
Employee Welfare	57	(5)	-	-	52	-	-	-	52
Budget Flexibility	5,029	(3,868)	685	-	1,847	(1,847)	-	-	-
Development and Partnership Working	837	(68)	274	-	1,044	(90)	178	11	1,144
Niche Data Quality and Regional Transformation	162	-	-	-	162	(162)	-	-	-
Partner Agency Funding	121	-	-	-	121	(15)	-	-	106
Performance and Productivity	1,000	(118)	100	-	982	(38)	-	-	944
Mobile Data	9	(6)	-	-	3	(3)	-	-	-
CATS / Niche Back Office	100	-	-	-	100	-	-	-	100
Body Worn Cameras	76	-	-	-	76	-	-	-	76
Strategic Partnership	321	(321)	-	-	-	-	75	-	75
Internships	40	(28)	-	-	12	(12)	-	-	-
Innovation Funds	35	-	-	-	35	-	-	-	35
Capital Financing Reserve	651	-	145	-	796	(121)	310	15	1,000
Operation Hillstar Staffing	200	(66)	-	-	134	(134)	-	-	-
ASB Case Management	21	(21)	-	-	-	-	-	-	-
Corporate Communications	59	(59)	-	-	-	-	-	-	-
Bank Holiday maternity pay	60	(60)	-	-	-	-	-	-	-
Telephony system scoping	15	-	-	-	15	-	-	(15)	-
FCR Mental Health Nurse	60	(45)	-	-	15	(15)	-	-	-
Regional NICHE	357	(293)	-	-	64	(64)	-	-	-
Crime Prevention SKDC	11	-	-	-	11	-	-	(11)	-
Policing Model Carry Forward	51	(51)	-	-	-	-	-	-	-
Ill Health	225	-	-	-	225	-	150	-	375
Staffing	100	-	-	-	100	-	-	-	100
PCC Regional Staffing	-	-	118	-	118	(118)	-	-	-
Mobile Data Terminals	-	-	68	-	68	(68)	-	-	-
ARV Grant Notts	-	-	257	-	257	-	-	-	257
Niche CofL Reserve	-	-	218	-	218	(218)	-	-	-
Specific Grant for Specialist Ongoing Operations	-	-	874	-	874	-	-	-	874
Domestic Abuse PIF Grant	-	-	-	-	-	-	74	-	74
Police Officer Bank Holiday Overtime	-	-	-	-	-	-	95	-	95
Family Day	-	-	-	-	-	-	10	-	10
Sandi Starfish	-	-	-	-	-	-	3	-	3
EMOPSS Disaggregation Risk	-	-	-	-	-	-	151	-	151
EMSOU Collaboration Risk	-	-	-	-	-	-	60	-	60
West Division Football	-	-	-	-	-	-	15	-	15
Specials ANPR Equipment	-	-	-	-	-	-	12	-	12
Operations Taser Equipment	-	-	-	-	-	-	38	-	38
Forensic Services	-	-	-	-	-	-	100	-	100
Excellence in Police Finance	-	-	-	-	-	-	60	-	60
Subtotal	12,619	(5,009)	2,797	-	10,407	(2,947)	1,331	-	8,792
Regional Reserve	460	-	112	-	572	(136)	-	-	436
Total	13,079	(5,009)	2,909	-	10,979	(3,083)	1,331	-	9,227
Net transfers (to)/from Earmarked Reserves		(2,100)				(1,752)			

Descriptions of the Earmarked Reserves

Earmarked Reserves - Group / PCC Balance at 31 March 2019	£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	186	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	52	Reserved sum to improve the working environment of employees.
Development and Partnership Working	1,144	Reserve to be used for Victims commissioning, force Intranet, governance, and Channel Management.
Partner Agency Funding	106	Reserve for Funding received from NHS (custody transformation) and LCJB.
Performance and Productivity	944	Reserve to fund business change and efficiency projects.
CATS / Niche Back Office	100	Reserve to support the CATS / Niche system record conversion.
Body Worn Cameras	76	Round 2 Innovation final costs.
Strategic Partnership	75	Carry forward of underspend.
Innovation Fund	35	Balance of funding required to fund final part of Innovation R2.
Capital Financing Reserve	1,000	Reserve allocation set aside to fund future capital programme items.
Ill Health	375	Reserve to ensure Force can meet the cost of potential Ill Health retirements.
Staffing	100	To provide for potential base budget shortfalls in the event the vacancy factor isn't met.
ARV Notts	257	Home Office grant held for distribution in 2018/19.
Specific Grant for Specialist Ongoing Operations	874	Grant received in order to fund on going specialist operation.
Domestic Abuse PIF Grant	74	Balance of grant received to be distributed to partners in 2019/20.
Police Officer Bank Holiday Overtime	95	To smooth out the effect of certain years having more bank holidays than others.
Family Day	10	Reserve created to hold funding from additional income generation in 2017/18 towards to cost of the 2019 Family Day.
Sandi Starfish	3	Income received from partners to purchase child wrist bands for summertime safety initiatives.
EMOPSS Disaggregation Risk	151	The breakup of the four Force collaboration holds risks for each Force in terms of potential costs. Reserve held to mitigate this.
EMSOU Collaboration Risk	60	Each Force within the East Midlands region has put aside a reserve to mitigate against potential collaboration risks.
West Division Football	15	Income generated through prosecuting offenders arrested at LCFC matches. Income will be used to offset potential cost increases during 2019/20.
Specials ANPR Equipment	12	An order placed and budget provision was made in 2018/19 but costs will arise in 2019/20.
Operations Taser Equipment	38	An order placed and budget provision was made in 2018/19 but costs will arise in 2019/20.
Forensic Services	100	The financial future of the Forensic services companies is proving challenging and it may be that additional costs will arise.
Excellence in Police Finance	60	To develop and improve financial management within the organisation through the CIPFA Finance Excellence in Policing programme.
Sub-Total	8,792	
Regional Reserve	436	Reserves from surplus of funding relating to regional expenditure.
Total	9,227	

8. Other Operating Expenditure

2017/18			Group	2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,832	(88)	2,744	(Gains) or Losses on the Disposal of Property, Plant and Equipment	2,184	(110)	2,074
701		701	Levies	639		639
820	(693)	127	Seconded Officers	665	(566)	99
4,353	(781)	3,572		3,488	(676)	2,812

2017/18			PCC	2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,832	(88)	2,744	(Gains) or Losses on the Disposal of Property, Plant and Equipment	2,184	(110)	2,074
2,832	(88)	2,744		2,184	(110)	2,074

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

9. Financing and Investment Income and Expenditure

2017/18			Group	2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
490	-	490	Interest Payable on Debt	558		558
719	-	719	Interest Element of Finance Lease (Lessee)	825		825
34,686	-	34,686	Pensions Interest Cost and Expected Return on Pensions Assets	37,359		37,359
-	(63)	(63)	Investment Interest Income		(58)	(58)
35,895	(63)	35,832		38,742	(58)	38,684

2017/18 - Restated			PCC	2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
490	-	490	Interest Payable on Debt	558	-	558
719	-	719	Interest Element of Finance Lease (Lessee)	825	-	825
422	-	422	Pensions Interest Cost and Expected Return on Pensions Assets	445	-	445
-	(63)	(63)	Investment Interest Income		(58)	(58)
1,631	(63)	1,568		1,828	(58)	1,770

10. Taxation and Non-Specific Grant Income

2017/18			Group / PCC	2018/19		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
-	(46,285)	(46,285)	Council Tax Income	-	(49,585)	(49,585)
-	(57,909)	(57,909)	General Government Grants	-	(57,906)	(57,906)
-	(20,070)	(20,070)	Home Office Police Pensions Payments Grant	-	(24,597)	(24,597)
-	(5,775)	(5,775)	Council Tax Support Grant	-	(5,775)	(5,775)
-	(1,059)	(1,059)	Council Tax Freeze Grant	-	(1,059)	(1,059)
-	(5,254)	(5,254)	Recognised Capital Grants and Contributions	-	(777)	(777)
-	(197)	(197)	Regional Grant income	-	(42)	(42)
-	(136,549)	(136,549)		-	(139,741)	(139,741)

11. Grant Income

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

Group / PCC	2017/18 £000	2018/19 £000
Credited to Taxation and Non Specific Grant Income		
Central Government:		
Police Grant	(57,909)	(57,906)
Home Office Pension Grant	(20,070)	(24,597)
Capital Grants and Contributions	(5,254)	(777)
Council Tax Support Grant	(5,775)	(5,775)
Council Tax Freeze Grant	(1,059)	(1,059)
Regional Grant income	(197)	(42)
Total	(90,266)	(90,156)

Group / PCC	2017/18 £000	2018/19 £000
Credited to Services		
Other Grant Income		
Armed Response Vehicle (ARV) Grant	-	(890)
Police Transformation Fund - Domestic Abuse Grant	-	(664)
Wellbeing Grant	-	(117)
Apprenticeship Levy Grant	-	(42)
Mini Police	(100)	(24)
Special Grant	(874)	-
Innovation Blue Light	(250)	-
Other Home Office Grants	(864)	(864)
Total	(2,088)	(2,601)

PCC	2017/18	2018/19
	£000	£000
Credited to Services		
Other Grant Income		
Police Transformation Fund - Domestic Abuse Grant	-	(664)
Wellbeing Grant	-	(117)
Apprenticeship Levy Grant	-	(42)
Mini Police	(100)	(24)
Special Grant	(874)	-
Innovation Blue Light	(250)	-
Other Home Office Grants	(864)	(864)
Total	(2,088)	(1,711)

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

Group / PCC	2017/18	2018/19
	£000	£000
Capital Grants Receipts in Advance <1 year		
Mobile Data	(30)	-
Total	(30)	-

12. 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.

13. Property, Plant and Equipment

Movements and closing balances in 2017/18 Group / PCC	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Held for Sale	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£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

Movements and closing balances in 2018/19 Group / PCC	Land and Buildings £000	Vehicles, Plant, Furniture & £000	Assets Held for Sale £000	Assets Under Construction £000	Total Property, Plant and £000
Cost or Valuation					
Balance at 31 March 2018 carried forward	25,004	30,107	-	1,051	56,162
Additions	850	2,217	-	8,923	11,990
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	(559)	-	-	-	(559)
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,288)	-	-	-	(1,288)
Derecognition - Disposals	-	(978)	-	-	(978)
Derecognition - Leased assets	-	(1,054)	-	(1,048)	(2,102)
Assets reclassified to/from Assets Under Construction	641	272	-	(960)	(47)
Assets reclassified to/from Intangibles	-	(4)	-	-	(4)
Asset additions leased	-	1,054	-	1,048	2,102
At 31 March 2019	24,648	31,614	-	9,014	65,276
Depreciation and Impairment					
Balance at 31 March 2018 carried forward	(34)	(23,969)	-	-	(24,003)
Depreciation written out through the revaluation reserve	947	-	-	-	947
Derecognition - Disposals	-	935	-	-	935
Depreciation charge in year	(914)	(2,682)	-	-	(3,596)
At 31 March 2019	(1)	(25,716)	-	-	(25,717)
Net Book Value:					
At 31 March 2019	24,647	5,898	-	9,014	39,559
At 31 March 2018	24,970	6,138	-	1,051	32,159

13.1. Major Non-Current Assets

Analysis of the numbers of major non-current assets:

Group / PCC	2017/18 (Numbers)	2018/19 (Numbers)
Force Headquarters	1	1
Police Stations	38	38
Sexual Assault Referral Centre	1	1
Major Aerial sites	3	3
Vehicles	471	459
Police dog training establishment	1	1

N.B. Excludes share of regional buildings as these are not on our Fixed Asset Register.

14. Valuation of Non-Current Assets

Non-current assets have been revalued on the basis described in Note 1 and in accordance with the principles of the Accounting Code of Practice. Property, plant and equipment and investment properties were 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 Mr R Smalley, Director of the independent firm of Chartered Surveyors Lambert Smith Hampton as at 1 April 2018, who also carried out a material change review as at 31 March 2019.

15. Intangible Assets

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

Group / PCC	2017/18 £000	2018/19 £000
Balance at start of year:		
Gross carrying amounts	5,750	5,774
Accumulated amortisation	(1,830)	(2,558)
Net carrying amount at start of year	3,920	3,216
Amortisation for the period	(728)	(727)
Additions:		
Purchases	1,302	129
Additions leased		36
Transfer From Assets Under Construction		47
Assets reclassified to/from PPE		4
Reclassified to Finance Leases		
Disposals	(1,278)	(36)
Net carrying amount at end of year	3,216	2,669
Comprising:		
Gross carrying amounts	5,774	5,954
Accumulated amortisation	(2,558)	(3,285)
	3,216	2,669

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 £727k 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 £99k commitment to building projects which commenced during 2018/19 and will be finalised during 2019/20. There are also commitments made to complete to the Command and Control project for £4.0m along with the final year of the Blue Light project. Budget for 2019/20 including partner contribution on Blue Light amounts to £5.1m.

Other smaller projects have been carried forward including the refresh of ICT equipment, Telematics installation and Agile working, 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	2017/18 £000	2018/19 £000
Opening Capital Financing requirement	29,261	31,343
Capital Investment		
Land and Buildings	2,206	850
Plant and Equipment	3,315	2,217
Assets Under Construction	896	8,923
Intangible Assets	1,302	129
G4S Leased Assets	1,420	2,138
Revenue Expenditure Funded from Capital Under Statute	4,197	-
Sources of Finance		
Capital Receipts	(285)	(103)
Government Grants and other Contributions	(5,524)	(1,123)
Direct Revenue Financing	(2,093)	(373)
Minimum Revenue Provision	(1,536)	(1,882)
Revenue Provision	(1,816)	(2,299)
Closing Capital Financing Requirement	31,343	39,820
Explanation of Movements in Year		
Assets acquired under finance leases	1,420	2,138
Increase / (decrease) in underlying need to borrow	662	6,339
Increase/(decrease) in Capital Financing Requirement	2,082	8,477

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	2017/18 £000	2018/19 £000
Land and Buildings	193	190
Vehicles, Plant, Furniture and Equipment	6,211	6,545
	6,404	6,735

Minimum Lease Payments - Group / PCC	2017/18 £000	2018/19 £000
Not later than one year	1,764	2,298
Later than one year and not later than five years	5,291	4,596
Later than five years	-	-
	7,055	6,894

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 £6,735k. 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	2017/18 £000	2018/19 £000
Not later than one year	27	34
Later than one year and not later than five years	47	21
Later than five years	-	-
	74	55

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	2017/18 £000	2018/19 £000
Minimum lease payments	103	64
	103	64

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 - 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	2017/18 £000	2018/19 £000
Not later than one year	141	120
Later than one year and not later than five years	304	259
Later than five years	108	41
	553	420

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 £96k 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	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Balance at Start of Year	291	259	64	67	32	34	1	2	388	362
Purchases	191	266	615	678	120	123	4	2	930	1,069
Recognised as an Expense in the year	(223)	(221)	(612)	(634)	(118)	(106)	(3)	(1)	(956)	(962)
Balance at End of Year	259	304	67	111	34	51	2	3	362	469

20. Debtors

Group / PCC	2017/18 £000	2018/19 £000
Amounts falling due within one year:		
Central Government Bodies	8,548	9,433
Other Local Authorities	5,426	4,544
Other Entities and Individuals	2,355	780
Total Debtors falling due within one year	16,329	14,757

21. Cash and Cash Equivalents

Group / PCC	2017/18 £000	2018/19 £000
Cash Held by the PCC	28	32
Bank Current Accounts	484	79
Insurance Imprest Account	28	42
Confiscated Account	(56)	(192)
Short-term Deposits	1,900	8,170
Total Cash and Cash Equivalents	2,384	8,131

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. Short-Term 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	2017/18 £000	2018/19 £000
Central Government Bodies	(1,889)	(1,986)
Other Local Authorities	(4,998)	(4,981)
Other Entities and Individuals	(8,033)	(6,258)
Total Short-Term Creditors	(14,921)	(13,224)

PCC	2017/18 £000	2018/19 £000
Central Government Bodies	(1,889)	(1,986)
Other Local Authorities	(4,998)	(4,981)
Other Entities and Individuals	(6,126)	(4,150)
Inter Group	(1,908)	(2,108)
Total Short-Term Creditors	(14,921)	(13,224)

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 2019/20.

Short Term Provisions - Group	Balance 31 March 2018	Additional provisions made in 2018/19	Amounts used in 2018/19	Unused amounts reversed in 2018/19	Balance 31 March 2019
Legal Services	(492)	(311)	492	(108)	(419)
Termination Benefits of Employment	(16)	-	-	-	(16)
GMP Stage 2 Reconciliation	-	-	-	-	-
Major Incidents	(318)	-	318	-	-
Forensics	-	-	-	-	-
Demand Analysis	(30)	-	-	-	(30)
Police Dependents Income	(3)	-	3	-	-
SPOC Overtime (Source Handlers)	(50)	(552)	-	-	(602)
Ill Health Reserve	(86)	(170)	87	-	(169)
Source Handlers Legal Costs	-	(80)	-	-	(80)
Stores Provision	-	(16)	-	-	(16)
GMP Pension Reconciliation	-	(11)	-	-	(11)
Fixed Term Contract Liabilities	(80)	(111)	-	-	(191)
Total	(1,075)	(1,251)	900	(108)	(1,534)

Short Term Provisions - PCC	Balance 31 March 2018	Additional provisions made in 2018/19	Amounts used in 2018/19	Unused amounts reversed in 2018/19	Balance 31 March 2019
Legal Services	(492)	(311)	492	(108)	(419)
GMP Stage 2 Reconciliation	-	-	-	-	-
Major Incidents	(318)	-	318	-	-
Forensics	-	-	-	-	-
Demand Analysis	(30)	-	-	-	(30)
Police Dependents Income	(3)	-	3	-	-
SPOC Overtime (Source Handlers)	(50)	(552)	-	-	(602)
Ill Health Reserve	(86)	(170)	87	-	(169)
Source Handlers Legal Costs	-	(80)	-	-	(80)
Stores Provision	-	(16)	-	-	(16)
GMP Pension Reconciliation	-	(11)	-	-	(11)
Fixed Term Contract Liabilities	(80)	(111)	-	-	(191)
Total	(1,059)	(1,251)	900	(108)	(1,518)

All provisions are held by 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 March 2018	Additional provisions made in 2018/19	Amounts used in 2018/19	Unused amounts reversed in 2018/19	Balance 31 March 2019
Termination Benefits of Employment	(142)	-	19	-	(123)
Total	(142)	-	19	-	(123)

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 2018	-	596	10,407	572	10,979	5,629	34	5,664	17,238
Movements during the year									
Surplus / (Deficit) on the provision of services	-	-	-	-	-	(41,293)	(136)	(41,429)	(41,429)
Adjustments between accounting basis and funding basis under regulations	-	(304)	-	-	-	37,245	-	37,245	36,941
Income and Expenditure contribution	-	-	1,331	-	1,331	(1,331)	-	(1,331)	-
Used in the year	-	-	(2,947)	(136)	(3,083)	2,947	136	3,083	-
Total reserve movements 2018/19	-	(304)	(1,616)	(136)	(1,752)	(2,432)	-	(2,432)	(4,488)
Balance as at 31 March 2019	-	292	8,791	436	9,227	3,197	34	3,232	12,750

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 2018	-	596	10,407	572	10,979	5,629	34	5,664	17,238
Movements during the year									
Surplus / (Deficit) on the provision of services	-	-	-	-	-	(7,879)	(136)	(8,015)	(8,015)
Adjustments between accounting basis and funding basis under regulations	-	(304)	-	-	-	3,831	-	3,831	3,527
Income and Expenditure contribution	-	-	1,331	-	1,331	(1,331)	-	(1,331)	-
Used in the year	-	-	(2,947)	(136)	(3,083)	2,947	136	3,083	-
Total reserve movements 2018/19	-	(304)	(1,616)	(136)	(1,752)	(2,432)	-	(2,432)	(4,488)
Balance as at 31 March 2019	-	292	8,791	436	9,227	3,197	34	3,232	12,750

25. Unusable Reserves

Unusable Reserves - Group	2017/18 £000	2018/19 £000
Revaluation Reserve	4,789	5,017
Capital Adjustment Account	(757)	(2,609)
Pensions Reserve	(1,384,395)	(1,477,511)
Collection Fund Adjustment Account	458	472
Accumulated Absences Account	(1,908)	(2,108)
Total Unusable Reserves	(1,381,813)	(1,476,740)

Unusable Reserves - PCC	2017/18 Restated £000	2018/19 £000
Revaluation Reserve	4,789	5,017
Capital Adjustment Account	(757)	(2,609)
Pensions Reserve	(16,056)	(20,398)
Collection Fund Adjustment Account	458	472
Accumulated Absences Account	(1,908)	(2,108)
Total Unusable Reserves	(13,473)	(19,627)

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.

2017/18 £000	Group / PCC	2018/19 £000
4,442	Balance at 1 April	4,789
475	Upward revaluation of Property, Plant and Equipment	2,036
(41)	Downward revaluation of Property Plant and Equipment, and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(1,649)
434	Surplus / (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	387
(87)	Difference between fair value depreciation and historical cost depreciation and adjustment on revaluation reserve	(159)
(87)	Amount written off to the Capital Adjustment Account	(159)
4,789	Balance at 31 March	5,017

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.

2017/18 £000	Group / PCC	2018/19 £000
3,030	Balance at 1 April	(757)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(3,491)	Charges for depreciation and impairment on non-current assets	(3,598)
(3,879)	Revaluation losses on Property, Plant and Equipment	(1,287)
(728)	Amortisation of intangible assets	(725)
(4,197)	Revenue expenditure funded from capital under statute	-
(2,833)	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	(2,181)
-	Other movements debited/credited through CAA	-
(15,128)		(7,791)
87	Amounts written out of the Revaluation Reserve	159
(15,041)	Net written out amount of the cost of non-current assets consumed in the year	(7,632)
	Capital financing applied in the year:	
285	Use of Capital Receipts Reserve to finance new capital expenditure	103
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing:	
2,093	Capital expenditure charged against the general fund	373
5,524	Application of capital grants and contributions to capital financing transferred to the CAA	1,123
7,902		1,599
	Items not debited or credited to the Comprehensive Income and Expenditure Statement:	
3,352	Revenue provision for the repayment of debt	4,181
3,352		4,181
(757)	Balance at 31 March	(2,609)

The Account 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.

2017/18 Restated PCC £000	2017/18 Group £000		2018/19 PCC £000	2018/19 Group £000
(15,811)	(1,332,291)	Balance at 1 April	(16,056)	(1,384,395)
1,100	(12,892)	Actuarial gains or losses on pensions assets and liabilities	(3,011)	(58,371)
(2,430)	(71,766)	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	(2,532)	(72,401)
1,085	29,084	Employers contributions payable to scheme	1,201	32,183
	3,475	Employers contributions payable to schemes - Cash Top-up	-	5,454
	(5)	Other unfunded termination benefits	-	19
(16,056)	(1,384,395)	Balance at 31 March	(20,398)	(1,477,511)

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.

2017/18 £000	Group / PCC	2018/19 £000
565	Balance at 1 April	458
(107)	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	14
458	Balance at 31 March	472
	Represented by:	
2,717	Council tax arrears	2,944
(941)	Impairment for doubtful debts	(1,104)
(1,023)	Council tax overpayments and prepayments	(1,200)
(295)	Creditors, billing authorities	(169)
458	Collection fund surplus / (deficit)	472

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.

2017/18 £000	Group / PCC	2018/19 £000
(1,478)	Balance at 1 April	(1,908)
1,478	Settlement or cancellation of accrual made at the end of the preceding year	1,908
(1,908)	Amounts accrued at the end of the current year	(2,108)
(430)	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	(200)
(1,908)	Balance at 31 March	(2,108)

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

2017/18 - Restated £000		Cash Flow - Non Cash Movements	2018/19 £000	
PCC	Group		PCC	Group
(3,493)	(3,493)	Depreciation of Non-Current Assets	(3,595)	(3,595)
(3,879)	(3,879)	Impairment and Downward Valuations of Non-Current Assets	(1,287)	(1,287)
(728)	(728)	Amortisation of Intangible Assets	(727)	(727)
21	21	Amortisation of Government Grant and Other Contributions	30	30
(93)	(93)	(Increase)/Decrease in Impairment Provisions for Bad Debts	(153)	(153)
1,317	1,317	(Increase)/Decrease in Creditors	4,527	4,527
(4,646)	(4,646)	Increase/(Decrease) in Debtors	(1,420)	(1,420)
(25)	(25)	Increase/(Decrease) in Inventories	107	107
(1,345)	(39,207)	Pension Liability	(1,331)	(34,764)
(2,832)	(2,832)	Carrying Amount of Non-Current Assets Sold and Assets Held for Sale	(2,181)	(2,181)
(416)	(421)	Contributions to Provisions	(459)	(441)
(16,119)	(53,986)	Non Cash Movements	(6,489)	(39,904)

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

2017/18 £000	Group / PCC	2018/19 £000
88	Proceeds from the Sale of Property, Plant and Equipment and Intangible Assets	110
88		110

33. Cash Flow – Operating Activities

2017/18 £000	Group / PCC	2018/19 £000
(63)	Interest received	(58)
1,208	Interest paid	1,383

34. Cash Flow Statement – Investment Activities

2017/18 £000	Group / PCC	2018/19 £000
9,475	Purchase of Property, Plant and Equipment and Intangible Assets	9,290
3,500	Purchase of Short-Term and Long-Term Investments	-
(88)	Proceeds from the Sale of Property, Plant and Equipment and Intangible Assets	(110)
(3,500)	Proceeds from Short-Term and Long-Term Investments	-
9,387	Net Cash Flows from Investing Activities	9,180

35. Cash Flow Statement – Financing Activities

2017/18 £000	Group / PCC	2018/19 £000
-	Cash Receipts of Short and Long-Term Borrowing	(18,000)
-	Revenue Grant Receipts in Advance	(1,796)
1,764	Cash Payments for the Reduction of the Outstanding Liability Relating to a Finance Lease	2,299
748	Repayments of Short and Long-Term Borrowing	935
2,512	Net Cash Flow from Financing Activities	(16,562)

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 (the PCC for Lincolnshire's share is 65%). The financial statements also include the PCC's share of Income £10k and revenue expenditure £102k (the PCC for Lincolnshire's share 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, Protected Persons Unit and Technical Support Unit. The lead body is Leicestershire;
- EMSOU Major Crime. Lead body Leicestershire;
- Forensics. Lead body Derbyshire;
- Occupational Health Unit (OHU). Lead body Leicestershire;
- Emergency Services Network (ESN). Lead body Leicestershire;

- East Midlands Operational Support Services (EMOpSS) including Senior Leadership Team (SLT), Armed Policing Training and Chronicle System Administrator. 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 3 Force collaborations such as EMOpSS, Lincolnshire's share is 25.9% 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 2019

2017/18 £000	Group / PCC	2018/19 £000
1,155	Property, Plant and Equipment	1,368
70	Intangible Assets	54
214	Asset Under Construction	-
1,439	Long Term Assets	1,422
5	Payments In Advance	-
370	Cash and Cash Equivalents	92
615	Short-Term Debtors	579
990	Current Assets	671
(381)	Short-Term Creditors	(214)
(4)	Receipts In Advance	12
(85)	Employee Benefits	(71)
(470)	Current Liabilities	(273)
1,959	Net Assets	1,820
34	General Fund Balance	34
572	Earmarked Reserves	436
606	Usable Reserves	470
1,432	Capital Adjustment Account	1,421
6	Revaluation Reserve	-
(85)	Accumulated Absences Account	(71)
1,353	Unusable Reserves	1,350
1,959	Total Reserves	1,820

Lincolnshire share of Regional Comprehensive Income and Expenditure Statement

2017/18 £000		2018/19 £000
1,113	Police Pay and Allowances	930
2,283	Police Staff Pay and Allowances	2,449
297	Other Employee Expenses	75
67	Premises	76
384	Transport	108
612	Supplies and Services	460
567	Agency and Contracted Services	544
151	Depreciation	142
-	Amortisation	21
(11)	(Surplus) or Deficit on revaluation of non current assets (not covered by accumulated revaluation gains)	152
5,463	Gross Operating Expenditure	4,957
(162)	Other Income	(107)
0	(Gains) or Losses on Revaluation of Non-Current Assets Held for Sale	-
1	(Gains) or Losses on Disposal of Non Current Assets	(2)
5,302	Amount to be met from Partners	4,848
	Financed by:	
(4,701)	Contributions from Partners	(4,132)
(703)	External Grants	(541)
(197)	Capital Grants and Contributions	(42)
(299)	(Surplus) or Deficit on the Provision of Services	133
(6)	(Surplus) or Deficit on Revaluation of Non-Current Assets	6
(6)	Other Comprehensive Income and Expenditure	6
(305)	Total Comprehensive Income and Expenditure	139

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 £949k and expenditure £741k.

38. Audit Committee Allowances and Expenses

The amount paid to members of the Joint Independent Audit Committee equated to £9,374 for the year compared to £5,306 in 2017/18. There was a reduced cost in 2017/18 due to a period having two member vacancies, one being the chair. The chair, a member and one co-opted member were appointed for 2018/19, hence the increased expenditure compared to the prior year. £2,531 of the amount paid to members is charged to the PCC based on the percentage split used for allocating finance joint services costs (27%).

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.

2017/18 details

2017/18 Senior Officers' Remuneration	Notes	Salaries, fees or allowances £	Relocation benefits received in 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 19/6/17. Temp DCC w ef 26/6/17. DCC w ef 7/2/18	92,165	14,579	4,967	-	111,711	21,593	133,304
Deputy Chief Constable	Transferred to another Force 25/6/17	27,636	-	1,502	-	29,138	6,474	35,612
Temporary Assistant Chief Constable	Temp w ef 26/6/17	75,096	-	4,282	-	79,378	16,993	96,371
Temporary Assistant Chief Constable ***	Temp. Went on Secondment 2/7/17	104,830	-	5,605	-	110,435	23,769	134,204
Police Staff of the Chief Constable								
Chief Finance Officer		66,261	-	-	-	66,261	10,800	77,061
Assistant Chief Officer (Resources) 1	Resigned 10/6/17	21,112	-	1,074	-	22,186	3,441	25,627
Assistant Chief Officer (Resources) 2		86,283	-	4,391	-	90,673	13,645	104,319

* 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.

** Relocation benefits receivable in the role for the Temporary Deputy Chief Constable include an amount to settle his personal tax liability specifically relating to his relocation expenses (see ** below).

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

2018/19 details

2018/19 Senior Officers' Remuneration	Notes	Salaries, fees or allowances £	Relocation benefits received in role £	Car benefits receivable in the role £	Other benefits receivable in the role £	Total remuneration excluding pension contributions 2018/19 £	Employer's pension contribution £	Total remuneration including pension contributions 2018/19 £
Police and Crime Commissioner		66,192	-	-	-	66,192	10,789	76,981
Office of the Police and Crime Commissioner								
Chief Executive		102,800	-	1,239	-	104,039	16,440	120,479
Chief Finance Officer		75,727	-	1,239	-	76,966	12,344	89,309
Police officers								
Chief Constable Bill Skelly		156,609	-	-	-	156,609	36,808	193,417
Deputy Chief Constable**		119,517	2,321	6,360	-	128,198	28,197	156,395
Assistant Chief Constable	Started 16/07/2018	71,080	-	4,204	-	75,284	17,204	92,488
Temporary Assistant Chief Constable	Temp w ef 26/6/17	104,613	-	5,605	-	110,218	20,862	131,080
Temporary Assistant Chief Constable *	Temp on Secondment. Finished 22/4/18	7,791	-	343	-	8,133	1,507	9,640
Police Staff of the Chief Constable								
Chief Finance Officer		75,750	-	-	-	75,750	12,246	87,997
Assistant Chief Officer (Resources)		114,291	-	5,605	-	119,896	18,629	138,525

*Fully funded secondment to Derbyshire Police.

** Relocation benefits receivable in the role for the Deputy Chief Constable include an amount to settle his personal tax liability specifically relating to his relocation expenses. These consist of the payment of a temporary rental allowance in accordance with the approval granted by the Home Secretary. The force is currently seeking clarification as to whether the approval extends to the tax liability and will make the appropriate adjustments dependent on the outcome.

39.1. Remuneration Banding

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

Remuneration Range	2017/18 Number of employees	2018/19 Number of employees
£50,000 to £54,999	1	4
£55,000 to £59,999	-	3
£60,000 to £64,999	1	-
£65,000 to £69,999	2	-
£70,000 to £74,999	1	4
£75,000 to £79,999	1	-
£80,000 to £84,999	3	1
£85,000 to £89,999	-	3
£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 and none in 2018/19.

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £000	2018/19 £000
£0,000 to £20,000	-	-	1	-	1	-	5	-
£20,001 to £40,000	-	-	-	-	-	-	-	-
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,000 to £150,000	-	-	-	-	-	-	-	-
Total	-	-	1	-	1	-	5	-

41. Audit Costs

Group	2017/18 £000	2018/19 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	44	35
Total	44	35

PCC	2017/18 £000	2018/19 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	29	23
Total	29	23

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 PCC Group or, to be controlled or influenced by the PCC Group. 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.

Further details of the grants received by the PCC Group are set out in Note 10 Taxation and Non-Specific Income and Note 11 Grant Income.

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 2018/19 is shown in Note 39. All senior officers employed by the PCC Group at the 31 March 2019 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

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 2019 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 2018/19 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 Police Pensions Payments 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				Police Pension Scheme (Group Only)		Comprehensive Income and Expenditure Account			
	2017/18 Restated		2018/19		2017/18	2018/19	2017/18 Restated		2018/19	
	PCC £000	Group £000	PCC £000	Group £000	Group £000	Group £000	PCC £000	Group £000	PCC £000	Group £000
Comprehensive Income and Expenditure Statement										
Cost of Services:										
Current service cost	(1,994)	(6,538)	(2,087)	(6,842)	(30,500)	(28,200)	(1,994)	(37,038)	(2,087)	(35,042)
Past service costs	(13)	(42)	-	-	-	-	(13)	(42)	-	-
Effect of settlements	-	-	-	-	-	-	-	-	-	-
	(2,007)	(6,580)	(2,087)	(6,842)	(30,500)	(28,200)	(2,007)	(37,080)	(2,087)	(35,042)
Other Operating Expenditure:										
Home Office Grant					(20,071)	(24,597)	-	(20,071)	-	(24,597)
Financing and Investment Income and Expenditure:										
Net interest expense	(423)	(1,386)	(445)	(1,459)	(33,300)	(35,900)	(423)	(34,686)	(445)	(37,359)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(2,430)	(7,966)	(2,532)	(8,301)	(83,871)	(88,697)	(2,430)	(91,837)	(2,532)	(96,998)
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)	(113)	(372)	2,438	7,995	-	-	(113)	(372)	2,438	7,995
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-	13,200	94,000	-	13,200	-	94,000
Actuarial gains and losses arising on changes in financial assumptions	1,213	3,976	(5,394)	(17,684)	23,200	(90,700)	1,213	27,176	(5,394)	(108,384)
Other experience	1	4	(56)	(182)	(52,900)	(51,800)	1	(52,896)	(56)	(51,982)
Subtotal Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	1,100	3,608	(3,011)	(9,871)	(16,500)	(48,500)	1,100	(12,892)	(3,011)	(58,371)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(1,329)	(4,358)	(5,542)	(18,172)	(100,371)	(137,197)	(1,329)	(104,729)	(5,542)	(155,369)
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	2,430	7,966	2,532	8,301	63,800	64,100	2,430	71,766	2,532	72,401
Actual Amount charged against the General Fund Balance for pensions in the year:										
Employers contributions payable to scheme	(1,085)	(3,559)	(1,201)	(3,937)	(25,525)	(28,246)	(1,085)	(29,084)	(1,201)	(32,183)
Employers contributions payable to schemes - Cash Top-up					(3,475)	(5,454)	-	(3,475)	-	(5,454)
Retirement benefits payable to pensioners	-	-	-	-	-	-	-	-	-	-
Movement from Comprehensive Income and Expenditure Statement to the General Fund	1,344	4,407	1,331	4,364	34,800	30,400	1,344	39,207	1,331	34,764

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:

LGPS	2017/18 Restated		2018/19	
	PCC £000	Group £000	PCC £000	Group £000
Present value of the defined benefit obligation	54,336	178,151	62,650	205,411
Fair value of scheme assets	(38,329)	(125,670)	(42,352)	(138,859)
Sub-total	16,007	52,481	20,298	66,552
Other movements in the liability (asset)	48	156	98	320
Net liability arising from the defined benefit obligation	16,055	52,637	20,396	66,872

Discretionary Benefits Police Pension Scheme	2017/18 Group £000	2018/19 Group £000
Present value of the defined benefit obligation	1,278,600	1,353,500
Fair value of scheme assets	-	-
Sub-total	1,278,600	1,353,500
Other movements in the liability (asset)	53,000	57,000
Net liability arising from the defined benefit obligation	1,331,600	1,410,500

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

LGPS	2017/18 Restated		2018/19	
	PCC £000	Group £000	PCC £000	Group £000
Opening fair value of scheme assets	37,000	121,312	38,329	125,670
Interest income	967	3,172	1,042	3,415
Remeasurement gain / (loss):				
The return on scheme assets, excluding the amount included in the net interest expense	(113)	(372)	2,438	7,995
Other	-	-	-	-
Effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	1,085	3,559	1,201	3,937
Contributions from employees in the scheme	318	1,043	345	1,131
Benefits paid	(928)	(3,044)	(1,003)	(3,289)
Other	-	-	-	-
31 March	38,329	125,670	42,352	138,859

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

LGPS Liabilities	2017/18 Restated		2018/19	
	PCC £000	Group £000	PCC £000	Group £000
Opening balance at 1 April	52,811	173,150	54,384	178,307
Current service cost	1,994	6,538	2,087	6,842
Interest cost	1,390	4,558	1,487	4,874
Contributions from scheme participants	318	1,043	345	1,131
Re-measurement (gain) / loss:				
Actuarial gains / losses arising from changes in demographic assumptions	-	-	-	-
Actuarial gains / losses arising from changes in financial assumptions	(1,213)	(3,976)	5,394	17,684
Other	(1)	(4)	56	182
Past service cost	13	42	-	-
Losses / (gains) on curtailment	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	(928)	(3,044)	(1,003)	(3,289)
Liabilities extinguished on settlements (w here relevant)	-	-	-	-
31 March	54,384	178,307	62,748	205,731

Unfunded liabilities Police Pension Scheme	2017/18	2018/19
	Group £000	Group £000
Opening balance at 1 April	1,280,300	1,331,600
Current service cost	30,500	28,200
Interest cost	33,300	35,900
Contributions from scheme participants	5,400	5,400
Re-measurement (gain) / loss:		
Actuarial gains / losses arising from changes in demographic assumptions	(13,200)	(94,000)
Actuarial gains / losses arising from changes in financial assumptions	(23,200)	90,700
Other	52,900	51,800
Past service cost	-	-
Losses / (gains) on curtailment	-	-
Liabilities assumed on entity combinations	-	-
Benefits paid	(34,400)	(39,100)
Liabilities extinguished on settlements (w here relevant)	-	-
31 March	1,331,600	1,410,500

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	2017/18 Restated		2018/19	
	PCC £000	Group £000	PCC £000	Group £000
Cash and cash equivalents	469	1,537	403	1,323
Equity instruments				
Consumer	2,816	9,232	4,591	15,051
Manufacturing	2,179	7,145	1,804	5,913
Energy and utilities	1,063	3,484	1,031	3,380
Financial institutions	2,636	8,642	2,540	8,327
Health and care	1,631	5,346	1,901	6,233
Information technology	2,982	9,776	2,799	9,178
Other	-	-	-	-
	13,306	43,625	14,665	48,083
Bonds by sector				
Corporate	-	-	-	-
UK Government	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Property by type				
UK property	3,248	10,650	3,496	11,461
Overseas property	286	938	271	888
	3,534	11,588	3,767	12,349
Private equity	621	2,035	476	1,560
Other investment funds				
Equities	10,635	34,868	11,543	37,846
Bonds	4,531	14,856	5,101	16,725
Hedge funds	-	-	-	-
Commodities	-	-	-	-
Infrastructure	558	1,831	800	2,624
Other	4,676	15,330	5,597	18,350
	20,400	66,885	23,041	75,544
Derivatives	-	-	-	-
Total assets	38,329	125,670	42,352	138,859

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 2018. The results of this valuation have been projected forward to 31 March 2019 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	
	2017/18	2018/19	2017/18	2018/19
Mortality assumptions	Longevity at 65		Longevity at 60	
	Years	Years	Years	Years
Longevity for current pensioners:				
Men	22.1	22.1	29.5	27.3
Women	24.4	24.4	31.5	29.4
Longevity for future pensioners:				
Men	24.1	24.1	30.8	28.4
Women	26.6	26.6	32.8	30.6
Financial assumptions	%	%	%	%
Market derived RPI	3.4	3.5	3.4	3.5
Rate of increase in salaries	2.8	2.9	3.4	3.5
Rate of increase in pensions	2.4	2.5	2.4	2.5
Rate for discounting scheme liabilities	2.7	2.4	2.7	2.4

The Local Government Pension Scheme longevity assumptions are as per the latest full valuation as at 31 March, the Police Pension Scheme longevity assumptions are remodelled annually in the actuarial review.

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

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Present value of liabilities						
Local government pension scheme	(127,503)	(155,899)	(145,804)	(173,150)	(178,307)	(205,731)
Police pension scheme	(1,067,700)	(1,260,900)	(1,100,800)	(1,280,300)	(1,331,600)	(1,410,500)
Fair value of assets in the local government pension scheme	88,239	99,719	102,976	121,312	125,670	138,859
Surplus / (deficit) in the scheme	(1,106,964)	(1,317,080)	(1,143,628)	(1,332,138)	(1,384,237)	(1,477,372)
Local government pension scheme	(39,264)	(56,180)	(42,828)	(51,838)	(52,637)	(66,872)
Police pension scheme	(1,067,700)	(1,260,900)	(1,100,800)	(1,280,300)	(1,331,600)	(1,410,500)
Total surplus / (deficit) in the scheme	(1,106,964)	(1,317,080)	(1,143,628)	(1,332,138)	(1,384,237)	(1,477,372)

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 £1,265k lump sum payment. Estimated employer's contribution for 2019/20 amount to £2.0m 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 Police Pensions Payments 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 2019/20 at 31% of pensionable pay amount to £12.2m.

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

	LGPS			Police Pension Scheme		
	Liability Split as at 31 March 2019	Liability Split as at 31 March 2019	Weighted Average Duration at Previous Formal Valuation	Liability Split as at 31 March 2019	Liability Split as at 31 March 2019	Weighted Average Duration at Previous Formal Valuation
	£000	%	£000	£000	%	£000
Active Members	101,605	49.5%	25.0	511,100	37.8%	26
Deferred Members	53,260	25.9%	26.9	54,100	4.0%	26
Pensioner Members	50,546	24.6%	12.2	788,300	58.2%	12
Total	205,411	100.0%	20.6	1,353,500	100.0%	18.1
Contingent Injuries	-	-	-	25,600	44.9%	26
Injury pension liabilities	320	100%	-	31,400	55.1%	16
Total	205,731	100%		57,000	100.0%	20.6

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 but provisions have been made for those claims where it is likely that the outcome will be in favour of the claimant.

- 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 five other specific matters which currently have the potential to impact the Force:

- 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;
- The Chief Constable of Lincolnshire, (along with other Chief Constables and the Home Office), currently has 90 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 December 2018 the Court of Appeal (McCloud/Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. The Government is seeking permission to appeal this decision. It is envisaged that if this is unsuccessful, the Court will require steps to be taken to compensate employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions have estimated the potential increase in scheme liabilities as a result of the judgment to be approximately 5.4% of national pension scheme liabilities as at March 2018. This estimate is based on one potential remedy and depending on the outcome of the appeal, the remedy calculation and its applicability to the Police Pension Scheme will need to be revisited in the light of further direction from the courts.

The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

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

- A challenge has been brought against the Home Office by the Police Federation which contests the 2% approved pay-award. The initial advice was that a 3% award should be made but this was not taken. Should a further 1% be granted there will be a charge of around £300k. Any change to 2018 Police Officer pay award could potentially also affect the Police Staff pay award. The application to lodge the judicial review has since been accepted. A hearing is likely to be heard in the summer.
- An employment Tribunal ruling in relation to Source Handlers recall to duty overtime and on-call allowance payments due or made between 2009 – 2015 has resulted in a number of court claims against the Force. The Force have to date received 24 claims from serving and retired officers. The Force have examined the individual claims and has assessed and costed them in conjunction with the Regional Legal team to come up with estimated costs. The estimated cost is at present £600k (this includes National Insurance employers contributions). Whilst this estimated figure is as accurate as possible there are test cases on-going nationally which could further alter the compensation levels when the final amount is actually agreed with the individual claimants.
- A recent High Court case in relation to Lloyds Bank gave a ruling whereby all pension schemes must equalise the Guaranteed Minimum Pension between male and female members. The benefits in question are those accrued in pension schemes between 1990 – 1997 where the plan was 'contracted-out' of the state earnings related

pension (SERPS). The pensions concerned much be at least as much as the statutory benefit which they replaced. The court ruled that these pensions should not be different simply due to the sex of the member. Within Public Sector schemes this will require legislation to be changed in order to make any changes to comply with the court ruling. Until any legislation is approved it is difficult to determine exactly what the effects will be on pension costs.

45. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet (within Net Assets which also include elements that do not constitute a financial instrument):

Group / PCC	Non-Current				Current				Total	
	Investments		Debtors		Investments		Debtors		2017/18 £000	2018/19 £000
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000		
Financial Assets										
Amortised Cost	-	-	-	-	2,014	8,157	8,959	4,866	10,973	13,023
Total Financial Assets	-	-	-	-	2,014	8,157	8,959	4,866	10,973	13,023

*Note that financial assets classified as loans and receivables in 2017/18 under IAS39

Group / PCC	Non-Current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors		2017/18 £000	2018/19 £000
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000		
Financial Liabilities										
Amortised Cost	(10,563)	(27,561)	-	-	(1,002)	(1,069)	(11,144)	3,940	(22,709)	(24,690)
Total Financial Liabilities	(10,563)	(27,561)	-	-	(1,002)	(1,069)	(11,144)	3,940	(22,709)	(24,690)

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 (PWL) and Deferred Liabilities. Total PWLB outstanding at 31 March 2019 is £28.6m.

Total Deferred Liabilities outstanding at 31 March 2019 is £52k. 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 2018/19.

Additional borrowing of £18m took place in 2018/19. Repayments of the principal were made totalling £892k and an increase in loan interest accrual of £44k. This increased the PCC's borrowing from £11.5m to £28.6m 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 2018 £000	As at March 31 2019 £000
PWL	2.20 - 8.25	(11,461)	(28,577)
Transferred Debt - Lincolnshire CC	Variable	(104)	(52)
		(11,565)	(28,629)

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	31 March 2018		31 March 2019	
	Surplus or Deficit on the Provision of Services	Other	Surplus or Deficit on the Provision of Services	Other
		Comprehensive Income and Expenditure		Comprehensive Income and Expenditure
	£000	£000	£000	£000
Financial assets measured at amortised cost	63	-	58	-
Total interest revenue	63	-	58	-
Interest expense	(490)	-	(558)	-

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 Hierarchy Measurement	2017/18		2018/19	
		Carrying amount	Fair value	Carrying amount	Fair value
		£000	£000	£000	£000
PWLB	Level 2	11,461	14,036	28,577	38,290
Deferred Liabilities	Level 2	104	104	52	52

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 2019) 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 2019 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	2017/18 £000	2018/19 £000
Current	995	1,245
Up to one month	129	20
Up to six months	75	27
Up to one year	6	12
More than one year	20	28
Total:	1,225	1,332
Other debtors	7,734	3,534
Total:	8,959	4,866

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:

2017/18 Borrowing	PWLB £000	Deferred Liabilities £000	Total £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

2018/19 Borrowing	PWLB £000	Deferred Liabilities £000	Total £000
Less than 1 year	1,017	52	1,069
Between one and two years	822	-	822
Between two and five years	2,402	-	2,402
More than five years	24,337	-	24,337
Total	28,577	52	28,629

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

The PCC does not have any amounts arising from expected credit losses.

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 2018/19. 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 on the fair value of a one percent point movement in average interest rates as at 31 March 2018 and 31 March 2019:

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

2018/19 Sensitivity Analysis	Fair Value 2018/19 £000	Fair Value at 1% Higher £000	Fair Value at 1% Lower £000
PWLB Long Term Fixed Borrowing	38,290	38,284	38,296

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

47. Revenue Grant Received in Advance

The PCC received the following revenue grant in advance:

Group / PCC	2017/18 £000	2018/19 £000
Revenue Grants Receipts in Advance <1 year		
Home Office Special Grant	-	(1,796)
Total	-	(1,796)

48. Accounting Standards Issued but Not Yet Adopted

The following Accounting Standards may be required from 1 January 2020. If these had been adopted for the financial year 2018/19 there would be no known material changes. If further information becomes available that requires changes to 2018/19 these will be restated in the 2019/20 financial statements.

These changes are:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property;
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

49. Prior Period Adjustments

The costs of the G4S Strategic Partnership are included in the PCC's financial statements in line with the management of the contract by the PCC.

Historically, the costs of the Partnership were reported in the Chief Constable's financial statements and the element of the LGPS pension cost that related to the G4S member contributions was included in the Chief Constable's accounts to mirror the reporting arrangements for the contract costs at that time.

The reporting arrangements for the contract changed in 2016/17 and the LGPS pension costs relating to the G4S member contributions should have moved from the Chief Constable's financial statements to the PCC's in line with the contract costs but instead they continued to be reported in the Chief Constable's financial statements.

This error has been corrected in the 2018/19 financial statements and the 2017/18 statements and notes have been restated accordingly. The pension costs are now split between the PCC and the Chief Constable's financial statements to mirror the contract arrangement, with the G4S member's element being charged to the PCC.

The revised split has resulted in an increase to the Deficit on the Provision of Services for the PCC of £1,168k with a corresponding decrease for the Chief Constable. There is no change to the statements for the overall Group position, hence no disclosure has been made in respect of any correction made to each financial statement line affected.

A restated balance sheet for 2016/17 has also been included for the purpose of opening balances.

Police Officer Pensions - Home Office Memorandum Account 2018/19

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

2017/18 £000	Fund account	2018/19 £000
	Contributions Receivable	
	From Employer:	
9,351	Normal	9,697
371	Early Retirements	352
	From Members:	
5,244	Contributions	5,400
303	Individual Transfers in from Other Schemes	212
15,269		15,661
	Benefits Payable	
30,946	Pensions	32,492
4,356	Commutations	7,554
-	Lump Sum Death Benefits	11
	Payments To and On Account of Leavers	
7	Refunds of Contributions	4
8	Individual Transfers Out	66
23	Scheme Pays	131
-	Equivalent Premium	-
35,340		40,258
20,071	Sub-total for the year before transfer from the PCC Group for Lincolnshire of amount equal to the deficit	24,597
(20,071)	Additional funding payable by the PCC Group for Lincolnshire to meet deficit for the year	(24,597)
-	Net Amount payable/(receivable) by the PCC Group for Lincolnshire	-

Disclosure Notes

- 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.
- The fund is administered by XPS on behalf of 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 Police Pensions Payments 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 £5,453,880 is shown in PCC for Lincolnshire accounts as due from the Home Office.

2017/18 £000	Net Asset Statement as at 31 March	2018/19 £000
	Net Current Assets and Liabilities	
2,659	Pension benefits paid in advance	-
(2,659)	Creditors to the PCC for Lincolnshire	-
-	Total	-

2017/18 refers to pension payments made on 30 March 2018 relating to 2018/19.

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.
Balances	The total revenue Reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.
Blue Light Project	Lincoln's new joint fire, police and ambulance station on South Park.
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 Reserves 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.
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.
XPS	XPS Pensions Group, the pension administrators of the Lincolnshire Police Pension Fund.