



**HUMBERSIDE
POLICE & CRIME
COMMISSIONER**



Protecting Communities, Targeting Criminals

THE POLICE AND CRIME COMMISSIONER FOR HUMBERSIDE

FINANCIAL STATEMENTS

2017-2018

CONTENTS

	Page
Narrative Report to the Statement of Accounts	i
Independent Auditor's Report to the Police and Crime Commissioner for Humberside	xx
Statement of Responsibilities for the Statement of Accounts	xxiv
Expenditure and Funding Analysis for the PCC Group	1
Expenditure and Funding Analysis for the PCC	3
Comprehensive Income and Expenditure Statement for the PCC Group	5
Comprehensive Income and Expenditure Statement for the PCC	6
Movement in Reserves Statement for the PCC Group	7
Movement in Reserves Statement for the PCC	8
Balance Sheet for the PCC Group	9
Balance Sheet for the PCC	10
Cash Flow Statement for the PCC Group	11
Statement of Accounting Policies	12
Notes to the Core Financial Statements	24
Police Pension Fund Accounts	71
Glossary of Accounting Terms	75

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS

INTRODUCTION TO THE HUMBERSIDE POLICE FORCE AREA

The Humberside Police Force area is located on the north east coast of England, equidistant from London, Edinburgh and Rotterdam. It covers the local authority areas of the East Riding of Yorkshire, Kingston upon Hull, North East Lincolnshire and North Lincolnshire.

It has a total area of c1300 square miles around the Humber Estuary and has a population of over 900,000. Nearly 90% of the area is rural. Its main settlement and commercial capital is Kingston upon Hull, the 10th largest UK city. Major settlements include the port and local town of Grimsby, the renaissance resorts of Cleethorpes and Bridlington, and the industrial 'garden town' of Scunthorpe. The predominantly rural areas of the East Riding, North Lincolnshire and North East Lincolnshire look to the market towns of Beverley, Brigg, Epworth and Barton and there is a rapidly developing logistics hub to the west, around Goole, the UK's most inland port.

The area maintains its strong maritime heritage and the port infrastructure accounts for more than 15% of the UK overseas trade. It is estimated that one million people a year travel to and from continental Europe by ferry via Hull and a further quarter of a million people travel on domestic and international flights from Humberside Airport.

In 2017, Kingston upon Hull became the UK City of Culture which attracted many people to the City with numerous well attended events taking place during the year.

Keith Hunter is the PCC and Lee Freeman is the Chief Constable. The PCC's Police and Crime Plan was published in March 2017 reflecting his long term vision and aspirations for policing in the Humberside Force area. The Plan also sets out details of his intention to re-invigorate partnership working to assist in addressing crime and community safety issues. It contains three key aims:-

- To deliver increasingly self-sustaining and safe communities;
- To build public confidence in the agencies involved in creating safer communities and
- To provide services to victims and the most vulnerable that meet their needs

TREASURER'S STATEMENT

This is the Statements of Accounts for the PCC for Humberside for 2017/18.

The accounts provide a record of the financial position and performance for the year and incorporate transactions relating to the Force, the PCC and for the PCC Group reflecting the combined position of both organisations.

All the financial transactions incurred during 2017/18 for policing Humberside, along with transactions relating to financial support for the PCC's "and Crime" initiatives and the costs of his Office have been recognised and recorded within these financial statements,

which set out the overall financial position of the PCC and PCC Group for the year ending 31 March 2018.

The PCC Group position represents the consolidated financial statements of the PCC and the subsidiary, the Chief Constable. Where the PCC Group position differs from the PCC position this is made clear in the financial statements and notes.

Separate statutory financial statements have been prepared for the Chief Constable. Annual Governance Statements for the PCC and for Humberside Police for 2017/18 have been published separately and are available on the PCC and Force websites.

PERFORMANCE – FORCE

Although funding for policing has continued to be protected to a degree, significant financial challenges remain. During the run up to the Police Grant settlement for 2018/19, there appeared to be a general acceptance of the pressures that the service is under due to increased demand and the nature and complexity of that demand. The broad performance challenge identified last year of securing and maintaining public confidence whilst working to deliver services that meet the needs of the public with the resources available remains. The PCC has consistently made the point however that the story beneath the headlines is that sustainable improvement is key. It is this that will lead to a brighter future for the Force and an enhanced service for the people of Humberside. His view is that the public should not base their views purely on grading and judgements against arbitrary determined standards and yardsticks. In 2017/18 the PCC and the Chief Constable agreed to increase the pace at which they wanted to see additional police officers recruited in order to seek to address the ongoing challenges locally as quickly as possible. This process will continue in 2018/19.

The HMICFRS fourth PEEL (Police Effectiveness, Efficiency and Legitimacy) Assessment for Humberside Police in 2017 was as follows:-

- Effectiveness – Requires Improvement – no change from 2016
- Efficiency – Requires Improvement – no change from 2016
- Legitimacy – Good – no change from 2016

Her Majesty's Inspector of Constabulary, Matt Parr, commended the improvements that Humberside Police had made and commented that he looks forward to seeing further progress in 2018.

He indicated that he was satisfied with some aspects of Humberside Police performance in keeping people safe and reducing crime, but the Force needs to make improvements in some areas to provide a consistently good service. He referred to the fact that although the Force continues to be assessed as requiring improvement in its effectiveness and efficiency, HMICFRS has found evidence of continued progress. He said that he was encouraged by improvements in the Force's:-

- Ability to identify vulnerability at the first point of contact
- Understanding of the demand it faced, now and in the future and
- Grasp of mental health issues

He pointed out however that the Force need to do more to:-

- Improve the quality of investigations
- Understand the skills and capabilities of its workforce and
- Ensure independent oversight of coercive powers

He added that whilst he was pleased with the Force's commitment to improving child protection and police custody it still has more to do.

Work on the production of a Force Management Statement as part of a new HMICFRS Requirement to inform future integrated PEEL Assessments has been completed.

In terms of crime trends, for the year as a whole, there was an increase of 11.5% in all recorded crime in comparison to 2016/17. Nationally, the increase to January 2018 was 14.7%. Humberside is recording below the Most Similar Group (MSG) average in terms of crimes per 1,000 residents. The Force has recorded exceptional increases in certain areas including, Violence without Injury, which may be related to previous under recording of Harassment and Malicious communication offences, in sexual offences, a 19% increase, and shoplifting, where the overall increase was 20% and there has been a 27% increase in Hate Crime. Violence against the Person has remained stable and there has been a 1% reduction in Burglary. Vehicle Crime has seen a significant reduction with Humberside now 14.5% below the MSG average. In addition there has been a 5.4% reduction in the number of reported Anti-Social Behaviour (ASB) incidents.

The Force has focused on Domestic Abuse and whilst the number of incidents has remained relatively stable, the number of crimes has risen significantly. This is influenced by the increased recording of Violence without Injury offences as discussed above. A survey of Domestic Abuse Satisfaction was made mandatory from April 2016. The figures for March 2017 to February 2018 are detailed below:-

FORCE	Measure	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
Ease of Contact	% Satisfied	90.9%	95.0%	88.9%	94.4%	95.8%	78.3%	86.4%	84.6%	85.0%	96.4%	95.0%	88.9%
Initial Actions	% Satisfied	86.2%	92.6%	88.5%	88.5%	83.3%	85.7%	80.0%	78.6%	88.9%	90.6%	96.3%	82.1%
Investigations	% Satisfied	76.7%	86.7%	71.0%	63.3%	75.9%	76.7%	80.0%	65.5%	69.6%	71.8%	93.3%	80.0%
Follow Up	% Satisfied	63.3%	73.3%	67.7%	46.7%	70.0%	70.0%	70.0%	55.2%	69.6%	56.4%	63.3%	56.7%
Treatment	% Satisfied	90.0%	90.0%	90.0%	86.7%	83.3%	90.0%	93.3%	82.8%	87.0%	87.2%	96.7%	90.0%
Whole Experience	% Satisfied	90.0%	86.7%	80.0%	76.7%	83.3%	83.3%	83.3%	75.9%	78.3%	74.4%	90.0%	83.3%

On call handling, the overall call abandonment rates were 11.2%, made up of 0.7% of 999 calls, 15.9% of 101 Crime calls and 14.8% of 101 Incident calls.

Whilst complaints cases are up by 19% in comparison with 2016/17, there has been a fall in the trend over the year.

An analysis of Force sickness absences for 2017/18 shows that the level of sickness for police officers and police staff are both below the national averages for 2016/17.

PERFORMANCE – OPCC

During 2017/18, the PCC continued to provide financial contributions to support a range of programmes including:-

- Substance Misuse Programmes linked to contracts in each of the four local authority areas
- Support for Community Safety Partnerships (CSPs), incorporating provision for local Crime Reduction and Community Safety grants

In a change from previous years, the PCC agreed to delegate the decision making over the allocation and administration of funding to the CSPs themselves as they are in a better position to identify local issues and interventions. An element of the support from the PCC in each area has been ring-fenced specifically for local crime reduction initiatives from community groups and organisations, along the lines of the Commissioner's Crime Reduction Fund which operated in previous years.

In addition, the PCC allocated funding from the Ministry of Justice in excess of £1m for projects and initiatives including:-

- Initial referral and needs assessment services for victims of crime
- Services for victims of sexual violence
- Services for victims of domestic violence
- Services for victims of child sexual abuse
- Restorative justice services for victims of crime
- Building the capability and capacity of the VCSE sector to deliver victims' services
- Associated costs of commissioning including studies

In 2017/18 the PCC contributed towards a new partnership initiative in respect of Alcohol Abstinence Monitoring with the PCCs for North Yorkshire and Lincolnshire and the Humberside Lincolnshire and North Yorkshire Community Rehabilitation Company.

The Force has continued with projects previously supported directly by the PCC in relation to tagging of offenders and drug testing on arrest.

Financial Performance

Economic Climate

The PCC recommended an increase in the precept for 2017/18 of 1.99%. The Police and Crime Panel (PCP) supported this proposal and, after considering the Panel's comments, the PCC implemented a precept of £183.67 for a Band D property, an increase of £3.59. The precept recommendation was supported by a Medium Term Resource Strategy (MTRS) providing details of the resources available to support the delivery of the PCC's Police and Crime Plan. The MTRS covered the period 2017/18 to 2021/22 and sought to ensure that precept decision was set in the context of medium term financial and staffing

projections. The budget forecasts within the document included revised arrangements for making provision for officers and staff costs and assumed an increase in the numbers of police officers.

The MTRS reflected the Police Grant Settlement for 2017/18 which was based once again on Government predictions of Council Tax income when assessing the resources available for policing. The position articulated in early 2016 that, providing all PCCs increased their precept by the maximum amount possible without requiring a referendum, there would be a flat cash settlement for policing overall compared with 2015/16 was confirmed. Although this was the case, all PCCs received a 1.4% reduction in General grant compared with the previous year as a result of increased top slicing of the monies available to PCCs for national projects and programmes.

At the same time Ministers confirmed that the PCC would receive a grant from the Ministry of Justice (MoJ) of £1.084m in connection with the provision of victims' services. In mid-2017/18 the PCC and the Chief Constable agreed to increase the pace at which police officers were being recruited. This was supported with the use of additional reserves. The original proposal indicated that police officer numbers would increase from 1652 to 1867 by April 2020 but it is now anticipated that this will be achieved by September 2018.

The Current Financial Position

The increased speed of recruitment was reflected in a mid-year financial review in preparation for the 2018/19 budget process. The annual review of the MTRS was carried out in December 2017 and January 2018. The five year rolling programme was updated to cover the period 2018/19 to 2022/23 to set the financial context for resource allocation over that timescale.

The assumptions in respect of external funding were reassessed following the Provisional Police Grant Settlement for 2018/19 announced on 19 December 2017. It took into account increases in the tax base and assumptions of Collection Fund surpluses based on estimates from the four billing authorities in the Humberside Police Force area.

The Provisional Settlement confirmed that all PCCs would receive the same amount of General grant in 2018/19 as in 2017/18. For a number of years, the maximum allowable increase in precept for the majority of PCCs, including the PCC for Humberside, was 2%, with those PCCs whose precepts were in the lowest quartile being allowed to increase by £5. For 2018/19 however, the Minister announced that all PCCs could increase their precepts by up to £12 for a Band D property before requiring a referendum. This followed strong lobbying from the National Police Chiefs' Council (NPCC) and from the Association of Police and Crime Commissioners (APCC) stressing the impact of increasing demands on the service and the need for additional resources. The lobby included requests for more flexibility to allow precept increases. Ministers continued to assume in their forecasts that all PCCs would maximise the amounts that can be raised from the precept thereby increasing the resources for policing overall with the vast bulk of the additional monies being raised locally through Council Tax increases.

In addition, following pressure from the service for Government to provide additional information on grant settlements for more than just the next financial year, in his 2018/19

statement, the Minister for Policing and Fire indicated that the same arrangements would apply in 2019/20, i.e. there would be another opportunity to raise precepts by up to £12. There was a proviso however that this was subject to significant progress being made towards efficiency and productivity targets and greater transparency in relation to reserves. The final details of the Government's requirements have still to be confirmed. On reserves, the PCC has approved a detailed reserves strategy to address the issue as far as Humberside is concerned.

He also confirmed that the long awaited formula review would not now be implemented within the period of the current spending review.

The MTRS incorporates provision for enhanced support for community safety initiatives together with the costs associated with the restructuring of the Office of the Police and Crime Commissioner (OPCC) in order to provide additional resources for community engagement. It also continues to provide for funding victims' services utilising a grant from the MoJ that was confirmed at £1.078m for 2018/19.

Assumptions have been made within the MTRS to take account of the Government's decision to award a pay increase of 1%, plus an additional 1% non-consolidated to police officers in 2017 thus breaking the established public sector pay policy assumption included in the original MTRS. An identical offer has been made to police staff.

The announcement that PCCs will receive the same grant in 2018/19 and that, providing the conditions are met, the £12 referendum limit will also apply in 2019/20 provides more certainty than in previous years has been welcomed but there is a consensus that this will not solve the problems that the service faces. Lack of clarity over the detailed conditions that will have to be met and over the eventual timing and impact of any formula review nevertheless continue to inhibit longer term financial planning. The established public sector pay policy, with settlements limited to 1% per annum, has in the past provided a considerable degree of certainty over a key component of police budgets. The breach in this policy with the award to police officers and the offer to police staff in 2017 adds to the complexity in developing medium term forecasts. The impact of higher pay awards offset a significant proportion of the additional precept income.

Whilst increases in precept provide the PCC with improvements in his permanent income base, in its planning the Government are now consistently assuming that all PCCs will apply the maximum possible increase. In Humberside, as in most PCC areas, the £12 increase for a Band D property is being assumed for 2019/20. However there is an absence of any guidance on the referendum principles beyond that. As inflation is likely to fall back from the current level of around 3% down towards the Bank of England target rate of 2%, it is widely anticipated that the £12 increases will be a temporary measure.

The continued flexibility offered for 2019/20 as outlined above is dependent upon improved productivity and efficiency as well as requiring increased transparency over the level of reserves being held by PCCs. The PCC has approved a detailed reserves strategy to address this as far as Humberside is concerned.

After taking account of the issues raised within the MTRS, the PCC proposed a 6.40%/£11.99 increase in precept in 2018/19 to the Police and Crime Panel. This was supported. He declared that for 2018/19 the Council Tax for policing for a Band D property would be £199.32.

Financial Management

Revenue Outturn

The Precept for a Band D property in 2017/18 was £183.67 and this was based on an original revenue budget of £174.042m funded as follows:-

Budget Allocation	Original Budget 2017/18 £'000	Revised Budget 2017/18 £'000
<u>Net Expenditure</u>		
TOTAL	174,042	177,727
<u>Financed by:-</u>		
Central Government Grant	122,264	122,264
Council Tax Precept	49,106	49,106
Collection Fund Surplus	1,355	1,355
Use of Reserves	1,317	5,002
TOTAL	174,042	177,727

During the year the approved budget was revised, with an increase in the proposed use of reserves, to cover additional costs including those associated with the accelerated recruitment programme.

The main reasons for the variances related to the additional costs of police officer and pay for PCSOs due to recruitment and numbers being higher than originally forecast, overspending on police overtime and events policing offset by an underspend on police staff costs due to vacancy levels being greater than anticipated. There were additional costs of collaboration, principally in relation to the Joint Specialist Operations Unit and Human Resources joint activities, as well as on specialist services and criminal justice. These costs were counterbalanced in part by savings on Information Services, including telephony and support and maintenance contracts.

As indicated above, the PCC continued to support local partnerships during 2017/18 and the Victims' Service grant from the MoJ, including a small additional allocation received late in the year. The grant was fully expended.

The management accounts indicated a final spend of £178.324m which was higher than the Net Cost of services of £175.104m chargeable to the General Fund as reported in the statutory financial statements Expenditure and Funding Analysis. The difference principally relates to debt charges and reserve movements included in the management accounts which are required to be eliminated from the Net Cost of Services under the CIPFA Code.

A Capital Programme was approved at the same time as the original budget. This was revised as part of the development of the 2018/19 – 2022/23 MTRS to £16.681m with a final outturn of £15.176m, a projected underspend of £1.505.m.

The main reasons for the variation is in relation to vehicles and equipment and this is due principally to delays in the implementation of body worn video and associated equipment. All of the assets and the majority of the liabilities remained with the PCC during 2017/18 and the PCC has and will continue to make all of the decisions on capital expenditure capital funding and borrowing.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the PCC at 31 March 2018. The net assets of the PCC (assets less liabilities) are matched by the reserves. Reserves are categorised as either, useable reserves, those reserves that the PCC may use to provide services or to fund capital expenditure or repay debt, and unusable reserves which cannot be used to support service delivery.

	At 31 March 2017 £'000	At 31 March 2018 £'000
Long Term Assets	72,947	87,095
Net Current Assets/Liabilities	(463)	(7,601)
Long Term Liabilities	(2,127,538)	(2,155,789)
NET ASSETS	(2,055,054)	(2,076,172)
Represented by:		
Useable Reserves	34,808	28,909
Unusable reserves	(2,089,862)	(2,105,081)
TOTAL	(2,055,054)	(2,076,172)

Service Delivery

Force

The Force like the service as a whole has faced another challenging year. In Humberside, 2017/18 has seen the recruitment of a new Chief Officer team. Interim arrangements were put in place following the Assistant Chief Officer (Human Resources) and the Assistant Chief Officer (Support) leaving the organisation and a new Chief Officer (Resources) was appointed at the end of April 2018.

A number of significant changes followed including a revision to the Force Governance arrangements and the formulation of a "Plan on a Page". This links to the Police and Crime Plan to demonstrate how the policing element of it will be delivered, ensuring that every person in the Force contributes and understands what the role of the team is and their own role as individuals is in service delivery.

The One Force model introduced in 2015/16 was discontinued with the establishment of two territorial commands covering the North and the South Banks of the Humber. These commands are coterminous with the boundaries of the East Riding of Yorkshire Council

and Kingston upon Hull City Council and those of the North East and North Lincolnshire Councils.

Considerable effort has been invested into the development of robust workforce plans to underpin the engagement of a significant number of additional police officers, building on the work that commenced in 2016/17. The Chief Constable has supported these arrangements with the production of a “target operating model” defining the members of staff to be allocated to each command and department. This has focused on police officer numbers and PSCOs with further work being undertaken in connection with a similar operating model for police staff.

Towards the end of the year work commenced to re-organise the Corporate Development Branch within the Force to increase the capacity for corporate planning with a focus on improving efficiency and continuous improvement. Work has progressed to assess and analyse demand for services and the skills and ability of existing and new staff to address the challenges ahead. A further round of shift changes will be introduced later in 2018 to provide an improved match between demand and resources.

During the year work commenced on the new custody facility at Birchin Way in Grimsby with the facility due to be handed over for occupation at the start of the new calendar year. A decision has also been made to implement body worn video in the Force and this is progressing. This is in addition to the existing investment in new technology in new crime recording and contact management systems.

OPCC

The OPCC was reorganised during 2017/18 to reflect the changing nature of work with local partners and revised arrangements with the Force. This saw the creation of a Community Engagement Team to enable the PCC to have staff dedicated to each of the CSP areas and also to increase capacity in relation to commissioning and work with the Criminal Justice Board. Members of OPCC’s Performance and Assurance Team, part of the Corporate Support Team, transferred back to the employment of the Chief Constable in January 2018.

Collaboration

Yorkshire and the Humber

The Force continues to actively participate in the long established partnerships with the other three Yorkshire and the Humber forces on issues such as serious and organised crime, underwater search and forensics. There are also ongoing discussions with the other three North East Forces, Cleveland, Durham and Northumbria on wider collaboration on potential areas where all could benefit from working together.

Humberside/South Yorkshire

As described last year, the presumption that work should increasingly be done jointly with the South Yorkshire PCC and Force was revisited due to changes in personnel at PCC and Chief Officer level. The commitment to carry on with existing functions continued in 2017/18. The single IT platform was maintained and has been enhanced with the development and implementation of joint multi-functional systems such as the crime

recording, CONNECT, and contact management, SMARTContact, in addition to continued utilisation of the Enterprise Resource Planning (ERP) system.

Shared back office functions in relation to Information Technology, Human Resources and Legal Services continued to operate during 2017/18, however, the Joint Special Operations Unit (JSOU) implemented in 2016/17 was disbanded and has reverted back in Force to a single Humberside service from the start of the financial year.

Humberside Fire and Rescue Service/Humberside Fire Authority

There has been increasing collaboration with the Humberside Fire and Rescue Service and the Humberside Fire Authority during the year with the PCC becoming a member of the Authority but without voting rights at the present time.

The Force has continued to build upon the successful collaboration that involved the formation of Emergency Services Fleet Management (Humberside) Ltd. based at Melton on the outskirts of Hull, in relation to the fleet management and maintenance of police and fire vehicles. The partnership working has been extended with the Force now undertaking the Estates function for the Fire and Rescue Service with effect from 1 April 2018.

At the start of 2017, the seven members of the Fire Authority's Governance, Audit and Scrutiny Committee agreed to act, in their individual capacities, as the Joint Independent Audit Committee (JIAC) for the PCC and the Chief Constable. The JIAC has met on five occasions during the financial year.

North Eastern Region

Humberside is engaged in the North East Transformation Innovation and Collaboration (NETIC) arrangements involving the seven forces in the North East. The forces are looking for opportunities to collaborate on a range of areas that link to national proposals, such as intelligence, firearms, cybercrime, IT and data convergence. This aims to deliver practical products for the region to improve the delivery of policing.

7. Reserves and Balances

The Commissioner has used the established practice of medium term financial and resource planning through the MTRS to ensure that budgets are sustainable over the medium term i.e. that expenditure can be contained within realistic assumptions of Government funding and realistic precept increases. The MTRS identifies gaps between the quality and costs of the services to be provided to local communities and the actual and predicted level of resources available so that spending plans can be shown to be affordable. Options available for bridging funding gaps, including the use of reserves are risk assessed. The PCC has used this approach consistently and continued to do so when the precept proposals for 2017/18 and 2018/19 were developed.

The PCC Group has continued to maintain a level of reserves and balances that is reasonable and proportionate given the risks involved over the next five years. The reserves are a mix of earmarked reserves, including a Performance Improvement Reserve (PIR), including a Technology and Capability Fund and a Partnership Reserve in addition to a Risk Management Reserve and General Reserve. The resources set aside in the PIR, Technology and Capability Reserve are designed to assist in managing budget reductions, supporting

business change and providing flexibility in responding to requests for investment, particularly in new technology.

The Partnership Reserve is designed to support the PCC’s aspirations in stimulating local partnership working. The Risk Management Reserve acts as a fall back to meet potential liabilities and insurance risks with the General Reserve being maintained at 3% of the net revenue budget to meet any emergency or unforeseen costs. The General Reserve would need to be utilised in the event that contributions would have to be made in respect of any incidents for which the PCC and Chief Constable may have to seek Special Grant from the Home Office.

At the end of the financial year the balances on the PCC Group’s usable reserves were:

Reserve	As at 31 March 2017 £'000	As at 31 March 2018 £'000
Performance Improvement Reserve(PIR)	24,806	19,811
Partnership Reserve	2,500	2,082
Risk Management Reserve	1,800	1,800
General Reserve	5,220	5,220
TOTAL	34,326	28,913

Treasury Management

Cashflow

As in previous years as a result of the low interest rate environment, cash balances have continued to be used to temporarily fund capital spending. Using these resources in lieu of taking external borrowing has been cost effective way of financing this expenditure. At 31 March 2018 the value of external loans from the PWLB totalled £41.281m. The underlying need to borrow, the Capital Financing Requirement (CFR) was £70.680m at that date. The PCC therefore continues to have the capacity to drawn down additional loans as and when the need arises whilst keeping within agreed prudential limits.

The PCC held investments of £3.8m at 31 March 2018

An updated Treasury Management Strategy Statement (TMSS), including details of Prudential and Treasury Management Indicators for the year designed to ensure that spending plans are affordable, was approved in March 2017. The PCC has received the required reports on treasury management activity as the year progressed following scrutiny by the JIAC.

The OPCC has continued to provide the treasury management function to the South Yorkshire PCC.

Pension Liabilities

The PCC Group and the PCC's accounts once again reflect actuarial valuations of assets and liabilities in accordance with International Accounting Standard (IAS) 19, in respect of both Police Pensions for police officers and for police staff in the Local Government Pensions Scheme. The valuations for police officers are provided by the Government Actuaries' Department (GAD). The liabilities in connection with police officer pensions will be met by the Home Office.

Police staff are members of the East Riding of Yorkshire Council's Pension Fund and information is provided in respect of their pension liabilities by Hymans Robertson, the East Riding's Fund Actuaries. These liabilities will be paid as they fall due. The Pension Fund is revalued every three years. The latest valuation was carried out in March 2016 and revised contribution rates set to recover the deficit position were applied with effect from 1 April 2017.

The impact on the PCC Group of pension liabilities continues to generate the level of negative net worth shown in the PCC Group balance sheet at £2,076m; an improvement/deterioration of £21m. The net worth excluding these pension liabilities would be £42m.

Sustainability

The Humberside and South Yorkshire Police Forces and OPCCs have a longstanding commitment to the sustainability agenda. As they are significant local and regional employers their actions have a large impact on local communities and the people who work for us and with us.

Working together, both Forces have developed a number of strategic commitments with the PCCs and Chief Constables signing up to a joint Sustainability Statement and agreed shared aims and common approaches, allowing ideas, knowledge and resources to be shared.

The Sustainability Strategy 2016-2020 recognised the corporate responsibility and the need to embed sustainability within all levels of the organisations by embracing the following principles of sustainability:-

- Minimising the impact on the environment and continually improving
- Meeting environmental and legal targets as a minimum
- Maximising our positive impact on society
- Setting relevant, measurable sustainability objectives and targets and reporting regularly
- Encouraging employees to integrate sustainability considerations in to all they do
- Educating, training and motivating employees to work in a sustainable and responsible manner
- Seeking out good practice in other organisations and sharing success

The PCCs and Chief Constables believe that success depends on everyone playing their part and that the necessary organisational and cultures exist to ensure targets will be reached to achieve a real difference.

Humberside Police is one of the leads within the NPCC looking at sustainability and have been working to produce a charter that all forces will adopt. This work is being extended to involve fire and rescue services.

People

The Chief Constable has direction and control of all police officers who are officers of the Crown and employs all PCSOs and the vast majority of police staff, with the PCC retaining the employment contracts of a small number of support staff.

A detailed review of the workforce was carried out by Human Resources and Finance staff in July 2017, with the aim of developing processes to provide clarity over the resources available at Force level and the deployable strength at any one time.

A target operating model for 2018 has been created based on a police officer establishment of 1867 FTEs by September 2018. Following the approval of the precept for 2018/19 the number of police officers is set to increase further to between 1900 and 1925.

Police officer strength at 31 March 2018 was 1782 FTEs. 2017/18 has seen four intakes ranging from 40 to 60 officers during the year. The Force also revised and reinvigorated its transferee campaign during 2017/18 and successfully increased the number of transferees transferring into Humberside.

Recruitment in these numbers has impacted on the Force in a number of areas including; the HR Shared Service team managing the increased number of recruitment campaigns; Occupational Health for medical assessments; the force vetting unit; estates, to provide training facilities at the Courtland Road site in Hull; learning and development; uniform stores and Is for uniform and technology equipment such as radios; student officer tutoring and the provision of student officer support unit.

The force PCSO strength at 31st March 2018 was 254 Turnover for PCSO's has been close to the average for 2017/18 with a slight change expected in 2018/19 due to the number of PCSO's in the recruitment process to become Police Officers. The PCSO establishment was temporarily inflated by 30 FTE to 258 for a three year period using one off funding to increase both early intervention and also for the City of Culture year for Hull. This temporary funding comes to an end in 2019/20. The Force has plans in place to reduce the PCSO workforce through natural turnover.

Police Staff Strength at 31st March 2018 was 1114. In addition to this the Force has the collaborative services of HR and IS with South Yorkshire Police and contributes financially to these services but does not employ the workforce. Conversely, the Force has a Legal Services collaboration with South Yorkshire Police and an Estates service with Humberside Fire and Rescue which Humberside Police host the employment for.

Many of the corporate support services in Force were reviewed in 2017/18 including, Corporate Communications, legal Services, Finance and Business Support, Professional Standards and Corporate Development Branch. The Force will embark upon a different style of reviews in 2018/19 with a more sophisticated approach to business change and business process reengineering driven by a refreshed performance management framework to deliver the plan on a page.

The workforce data for 2017/18 indicates a slow and steady increase of all reported under-represented groups. The proportion of males and females in the total workforce has almost achieved 50% with female police officer percentage achieving an all-time high for the force in this year of 33.6%. The proportion of BAME police officers and staff has also seen a small increase in this year. Whilst this position is positive, the force is striving to

improve this further and has invested in positive action in order to create a workforce that is reflective of the community of Humberside to better serving the community and creating a culturally richer environment for police officers and staff in force.

Gender pay gap legislation was introduced in April 2017 which required all employers of 250 staff or more to publish data in relation to the gender pay gap for all workers in scope as at a snapshot date of the 31st March 2017. These results were published by the deadline of 30th March 2018. This exercise that will be repeated in future years.

The Humberside Police's total gender pay gap together with those for Police Officers and Police Staff are shown below:-

Gender Pay Gap	Total Workforce	Police Officers	Police Staff
Mean Gender Pay Gap	13.71%	4.13%	7.87%
Median Gender Pay Gap	21.75%	0%	3.78%

The Workforce Gender Split at 31 March 2017 was:-

Gender	Total Workforce	Police Officers	Police Staff
Male	1689	1133	556
Female	1415	527	888

Principal Risks and Uncertainties

Humberside like all forces is facing a series of challenges. The principal issue relates to funding which, notwithstanding the additional information provided in 2018/19 for 2019/20, continues to be uncertain for long term financial planning. The position is exacerbated with the additional demands on policing.

Locally the Force is implementing a range of IT systems which brings additional risks, particularly at a time when there are delays in the implementation of national programmes. Given the significant uplift in the numbers of police officers within the Humberside workforce and succession planning will require careful management set against the changing financial picture and the Police Entry and Qualifications Framework (PEQF).

Explanation of Accounting Statements

The financial statements have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. This follows International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate to local authority accounts as determined by HM Treasury.

The financial statements 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 (PRSRA);
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2013;
- The Corporate Governance Framework.

The Corporate Governance Framework includes:-

- A Statement of corporate governance – statutory framework and local policy;
- A Code of corporate governance – setting out how the good governance core principles will be implemented;
- A Scheme of corporate governance – defines the parameters within which the corporations sole will conduct their business;
- Separate policy and procedures for each corporation sole, with protocols where they operate jointly.

The basic position remains that the Commissioner is responsible for the finances of the whole PCC Group and controlled the assets, the majority of liabilities and reserves. The PCC received all income and funding and made all payments for the PCC Group from the PCC Police Fund.

In turn, the Chief Constable continued to have the duty to fulfil prescribed functions under the PRSRA within the annual budget (set by the Police and Crime Commissioner in consultation with the Chief Constable) in line with the approved Corporate Governance Framework. This Framework sets out how the two “corporations sole” will discharge their respective responsibilities.

THE FINANCIAL STATEMENTS

The consolidated financial statements comprise of:-

- Statement of Responsibilities for the Statement of Accounts
 - o *This sets out details of the responsibilities of the Police and Crime Commissioner and those of the Chief Financial Officer in relation to the statement of Accounts.*
- Expenditure and Funding Analysis
 - o *These show how expenditure is used and funded from resources by the PCC Group and PCC and how expenditure is allocated for decision making purposes between the operating functions.*
- Comprehensive Income and Expenditure Statements
 - o *These statements report the accounting cost of providing services in accordance with generally acceptable accounting practices, rather than the amount to be funded by taxation.*
- Movement in Reserves Statements
 - o *These statements show the movement in the year in the different reserves held by the PCC Group and the PCC. These reserves are analysed between those that can be used to support local expenditure or to reduce taxation and other reserves which cannot be used in this way.*
- Balance Sheets
 - o *These show the value of the assets and liabilities recognised by the PCC Group and the PCC as at 31 March 2018. The net assets of the PCC Group*

and the PCC are matched by its reserves. The Balance Sheets include long term liabilities associated with defined benefit pension schemes for employees.

- Cashflow Statement
 - o *The Cash Flow Statement shows the changes in cash and cash equivalents of the PCC Group and the PCC during the year.*
- Statement of Accounting Policies
 - o *This sets out details of the accounting policies adopted in compiling the Statement of Accounts.*
- Police Pension Fund Accounts
 - o *These set out the position of the Police Pension Fund Accounts at 31 March 2018.*

The notes to the accounting records provide more detail about the accounting policies and individual transactions.

Further Information

You can also find more information about the finances of the PCC and the Force on the respective websites www.humberside-pcc.gov.uk and www.humberside.police.uk

Acknowledgement

I would like to express my appreciation to colleagues within the Finance Team from the Office of the PCC who, together with Force Finance staff, have been principally responsible for compiling these financial statements. I would also like to thank the Assistant Chief Officer (Resources) and operational managers within the Force for their assistance. This has been another very challenging year with the level of change that both the OPCC and the Force has gone through coupled with the added burden of having to complete the accounts earlier than in previous years.

John Bates
Chief Finance Officer



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

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

Other information published with the financial statements

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

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

Chief Finance Officer's responsibilities

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

Auditor's responsibilities

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

reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Conclusion

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

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether the Police and Crime Commissioner for Humberside had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner for Humberside put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

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

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

We have nothing to report in these respects.

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

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

CERTIFICATE OF COMPLETION OF THE AUDIT

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

Rashpal Khangura
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

28 September 2018

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers (the Chief Finance Officer) has the responsibility for the administration of those affairs.
- To manage its affairs to ensure economic, efficient and effective use of resources and to safeguard its assets.
- To approve the Statement of Accounts.

I approve this Statement of Accounts.

Date: 27 September 2018

Keith Hunter
Police and Crime Commissioner for Humberside

Chief Finance Officer's Responsibilities

The Chief Finance Officer of the PCC is responsible for the preparation of the PCC's statement of accounts which, in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (the 'Code of Practice'), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) is required to present fairly the financial position of the PCC and the PCC Group at the accounting date, and its income and expenditure for the year ended 31 March 2018.

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Chief Finance Officer has also:

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

I certify that the attached Statement of Accounts present a true and fair view of the position of the PCC and the PCC Group as at 31 March 2018 and its income and expenditure for the year.

Date: 27 September 2018

John Bates
Chief Finance Officer



EXPENDITURE AND FUNDING ANALYSIS FOR THE PCC GROUP

The statements below show how annual expenditure is used and funded from resources (government grants and council tax) by the PCC Group in comparison with those resources consumed or earned by the PCC Group in accordance with generally accepted accounting practices. They also show how this expenditure is allocated for decision making purposes between the PCC Group's operating functions. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Year ended 31 March 2018

	Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between Funding and Accounting Basis (Note 1) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Communities Command	60,320	15,920	76,240
Enabling Services	35,807	3,179	38,986
Command Hub	19,721	4,828	24,549
Specialist Command	13,725	4,695	18,420
Joint Special Operations Uniformed	10,473	1,355	11,828
Protecting Vulnerable People	11,303	2,713	14,016
Criminal Justice	8,174	1,577	9,751
Regional Collaboration	6,448	138	6,586
Force Command	1,984	310	2,294
Non- Command Functions	3,000	0	3,000
Police & Crime Commissioner	4,149	(83)	4,066
Net cost of services	175,104	34,632	209,736
Other income and expenditure	(169,691)	18,549	(151,142)
(Surplus) or deficit	5,413	53,181	58,594
General Fund Balance at 31 March 2017	34,326		
Add Surplus on General Fund Balance in Year	(5,413)		
General Fund Balance at 31 March 2018	28,913		

Year ended 31 March 2017

	Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between Funding and Accounting Basis (Note 1) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Communities Command	56,375	5,020	61,395
Enabling Services	32,725	976	33,701
Command Hub	17,367	1,592	18,959
Specialist Command	13,862	1,318	15,180
Joint Special Operations Uniformed	12,373	858	13,231
Protecting Vulnerable People	11,449	919	12,368
Criminal Justice	8,116	786	8,902
Regional Collaboration	6,328	69	6,397
Force Command	1,517	101	1,618
Non- Command Functions	3,441	78	3,519
Police & Crime Commissioner	4,200	96	4,296
Net cost of services	167,753	11,813	179,566
Other income and expenditure	(168,661)	19,640	(149,021)
(Surplus) or deficit	(908)	31,453	30,545
General Fund Balance at 31 March 2016	33,418		
Add Surplus on General Fund Balance in Year	908		
General Fund Balance at 31 March 2017	34,326		

EXPENDITURE AND FUNDING ANALYSIS STATEMENT FOR THE PCC

The statements below show how annual expenditure is used and funded from resources (government grants and council tax) by the PCC in comparison with those resources consumed or earned by the PCC in accordance with generally accepted accounting practices. They also show how this expenditure is allocated for decision making purposes between the PCC's operating functions. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Expenditure and Funding Analysis PCC

Year ended 31 March 2018

	Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between Funding and Accounting Basis (Note 1) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Communities Command	(5,179)	-	(5,179)
Enabling Services	(4,834)	-	(4,834)
Command Hub	(539)	-	(539)
Specialist Command	(2,705)	-	(2,705)
Joint Special Operations Uniformed	(536)	-	(536)
Protecting Vulnerable People	(44)	-	(44)
Criminal Justice	(577)	-	(577)
Regional Collaboration	(676)	-	(676)
Force Command	(163)	-	(163)
Non- Command Functions	0	-	0
Police & Crime Commissioner	4,149	(83)	4,066
Intra -group funding	221,035	5,424	226,459
Net cost of services	209,931	5,341	215,272
Other income and expenditure	(204,518)	(2,139)	(206,657)
Surplus or deficit	5,413	3,202	8,615
General Fund Balance at 31 March 2017	34,326		
Add Surplus on General Fund Balance in Year	(5,413)		
General Fund Balance at 31 March 2018	28,913		

Year ended 31 March 2017

	Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between Funding and Accounting Basis (Note 1) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Communities Command	(1,151)	-	(1,151)
Enabling Services	(2,146)	-	(2,146)
Command Hub	(393)	-	(393)
Specialist Command	(3,003)	-	(3,003)
Joint Special Operations Uniformed	(688)	-	(688)
Protecting Vulnerable People	(42)	-	(42)
Criminal Justice	(4,621)	-	(4,621)
Regional Collaboration	(930)	-	(930)
Force Command	-	-	-
Non- Command Functions	(1,265)	-	(1,265)
Police & Crime Commissioner	4,200	96	4,296
Intra -group funding	215,125	3,870	218,995
Net cost of services	205,086	3,966	209,052
Other income and expenditure	(205,994)	(3,480)	(209,474)
Surplus or deficit	(908)	486	(422)
General Fund Balance at 31 March 2016	33,418		
Add Surplus on General Fund Balance in Year	908		
General Fund Balance at 31 March 2017	34,326		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE PCC GROUP

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

2016-17

Year ended 31 March 2018

£'000		£'000	£'000	£'000
Net	Note	Expenditure	Income	Net
61,395	Communities Command	81,419	(5,179)	76,240
33,701	Enabling Services	43,820	(4,834)	38,986
18,959	Command Hub	25,089	(539)	24,549
15,180	Specialist Command	21,125	(2,705)	18,420
13,231	Joint Special Operations Uniformed	12,364	(536)	11,828
12,368	Protecting Vulnerable People	14,060	(44)	14,016
8,902	Criminal Justice	10,328	(577)	9,751
6,397	Regional Collaboration	7,261	(676)	6,586
1,618	Force Command	2,457	(163)	2,294
3,519	Non- Command Functions	3,000	-	3,000
4,296	Police & Crime Commissioner	5,234	(1,168)	4,066
179,566	Cost of Services - Continuing Operations	226,157	(16,422)	209,735
255	Other Operating Expenditure	457	-	457
61,418	Financing and Investment Income and Expenditure	56,568	(57)	56,511
<u>(210,694)</u>	Taxation and Non-Specific Grant Income		(208,110)	(208,110)
30,545	(Surplus) or Deficit on Provision of Services			58,594
(699)	(Surplus) or Deficit on Revaluation of Non Current Assets & Capital Adjustment			(4,832)
351,303	Remeasurements of the net defined benefit liability	44		(32,642)
350,604	Other Comprehensive Income and Expenditure (Surplus)/Deficit			(37,474)
381,149	Total Comprehensive Income and Expenditure (Surplus)/Deficit			21,120

As required by the 2016/17 CIPFA Code, Cost of Services are now reported by operating function in line with how the PCC Group is managed rather than as specified under SeRCOP.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE PCC

This statement shows the accounting cost in the year for the PCC of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. PCCs raise 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. Resources of the PCC consumed at the request of the Chief Constable during the year are shown for comparative purposes. The consolidated accounting cost and funding for the PCC Group for the year is shown on the preceding page.

2016-17	Year ended 31 March 2018			PCC	Chief Constable
£'000		£'000	£'000	£'000	£'000
Net	Note	Expenditure	Income	Net	Expenditure
(1,151) Communities Command		-	(5,179)	(5,179)	81,419
(2,146) Enabling Services		-	(4,834)	(4,834)	43,820
(393) Command Hub		-	(539)	(539)	25,089
(3,003) Specialist Command		-	(2,705)	(2,705)	21,125
(688) Joint Special Operations Uniformed		-	(536)	(536)	12,364
(42) Protecting Vulnerable People		-	(44)	(44)	14,060
(4,621) Criminal Justice		-	(577)	(577)	10,328
(930) Regional Collaboration		-	(676)	(676)	7,261
-) Force Command		-	(163)	(163)	2,457
(1,265) Non- Command Functions		-	0	0	3,000
4,296 Police & Crime Commissioner		5,234	(1,168)	4,066	-
(9,943) Cost of Services - Continuing Operations		5,234	(16,422)	(11,188)	220,922
218,995 Intra-group funding	3	226,458		226,458	(226,458)
209,052 Net Cost of Policing Services	3	231,692	(16,422)	215,270	(5,536)
255 Other Operating Expenditure	6	457	-	457	
965 Financing and Investment Income and Expenditure	7	1,055	(57)	998	
(210,694) Taxation and Non-Specific Grant Income	8	-	(208,110)	(208,110)	
(422) (Surplus) or Deficit on Provision of Services				8,615	
(699) (Surplus) or Deficit on Revaluation of Non Current Assets				(4,832)	
359 Remeasurements of the net defined benefit liability	44			(195)	
(340) Other Comprehensive Income and Expenditure (Surplus)/Deficit				(5,028)	
(762) Total Comprehensive Income and Expenditure (Surplus)/Deficit				3,587	

As required by the 2016/17 CIPFA Code, Cost of Services are now reported by operating function in line with how the PCC is managed rather than as specified under SeRCOP.

MOVEMENT IN RESERVES STATEMENT FOR THE PCC GROUP

This statement shows the movement in the year on the different reserves held by the PCC Group, analysed into 'usable reserves' (i.e. those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable reserves'. It shows how the movements in year of the PCC Group's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase / Decrease in Year line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund Balance £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2017	34,326	482	34,808	(2,089,862)	(2,055,054)
Adjustments for IFRS £000s					
Total Comprehensive Income & Expenditure	(58,594)	-	(58,594)	37,473	(21,121)
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 1)	53,181	(486)	52,695	(52,695)	-
Increase / Decrease in Year	(5,413)	(486)	(5,899)	(15,221)	(21,120)
Balance at 31 March 2018	28,913	-	4	28,909	(2,105,083)

	General Fund Balance £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2016	33,418	-	33,418	(1,707,323)	(1,673,905)
Adjustments for IFRS £000s					
Total Comprehensive Income & Expenditure	(30,545)	-	(30,545)	(350,604)	(381,149)
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 1)	31,453	482	31,935	(31,935)	-
Increase / Decrease in Year	908	482	1,390	(382,539)	(381,149)
Balance at 31 March 2017	34,326	482	34,808	(2,089,862)	(2,055,054)

MOVEMENT IN RESERVES STATEMENT FOR THE PCC

This statement shows the movement in the year on the different reserves held by the PCC, analysed into 'usable reserves' (i.e. those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable reserves'. It shows how the movements in year of the PCC's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase / Decrease in Year line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund Balance £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2017	34,326	482	34,808	12,595	47,403
Adjustments for IFRS £000s					
Total Comprehensive Income & Expenditure	(8,615)	-	(8,615)	2,471	(6,144)
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 1)	3,202	(486)	2,716	(163)	2,553
Increase / Decrease in Year	(5,413)	(486)	(5,899)	2,307	(3,591)
Balance at 31 March 2018	28,913	(4)	28,909	14,904	43,813

	General Fund Balance £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2016	33,418	-	33,418	13,223	46,641
Adjustments for IFRS £000s					
Total Comprehensive Income & Expenditure	422	-	422	340	762
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 1)	486	482	968	(968)	-
Increase / Decrease in Year	908	482	1,390	(628)	762
Balance at 31 March 2017	34,326	482	34,808	12,595	47,403

BALANCE SHEET FOR THE PCC GROUP

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the PCC Group. The net assets of the PCC Group (assets less liabilities) are matched by the reserves held by the PCC Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the PCC Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are 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-Mar-17		Note	31-Mar-18
£'000			£'000
71,546	Property, Plant & Equipment	19	78,651
-	Assets under Construction	19	6,964
981	Intangible Assets	20	1,119
420	Long Term Debtors	23	360
72,947	Long Term Assets		87,095
200	Assets Held for Sale	19	300
171	Inventories	24	155
19	Short Term Investments		6
18,375	Short Term Debtors	25 & 26	18,432
3,166	Cash and Cash Equivalents	47	1,992
21,931	Current Assets		20,885
226	Bank Overdraft		174
19,520	Short Term Creditors	27 & 28	20,499
2,426	Short Term Borrowing	29	7,404
222	Provisions	30	409
22,394	Current Liabilities		28,486
26,781	Long Term Borrowing	31	37,877
2,100,757	Other Long Term Liabilities	39	2,117,789
2,127,538	Long Term Liabilities		2,155,666
<u>(2,055,054)</u>	Net Assets/ (Liabilities)		<u>(2,076,172)</u>
34,808	Usable Reserves	32	28,909
(2,089,862)	Unusable Reserves	33	(2,105,081)
<u>(2,055,054)</u>	Total Reserves		<u>(2,076,172)</u>

BALANCE SHEET FOR THE PCC

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the PCC. The net assets of the PCC (assets less liabilities) are matched by the reserves held by the PCC. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the PCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are 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-Mar-17		Note	31-Mar-18
£'000			£'000
71,546	Property, Plant & Equipment	19	78,651
-	Assets under Construction	19	6,964
981	Intangible Assets	20	1,119
420	Long Term Debtors	23	360
72,947	Long Term Assets		87,095
200	Assets Held for Sale	19	300
171	Inventories	24	155
19	Short Term Investments		6
18,364	Short Term Debtors	25 & 26	18,395
3,166	Cash and Cash Equivalents	47	1,992
21,920	Current Assets		20,848
226	Bank Overdraft		174
16,110	Short Term Creditors	27 & 28	16,596
2,426	Short Term Borrowing	29	7,404
222	Provisions	30	409
18,984	Current Liabilities		24,583
26,781	Long Term Borrowing	31	37,877
1,699	Other Long Term Liabilities	39	1,668
28,480	Long Term Liabilities		39,545
47,403	Net Assets/ (Liabilities)		43,815
34,808	Usable Reserves	32	28,909
12,595	Unusable Reserves	33	14,906
47,403	Total Reserves		43,815

CASH FLOW STATEMENT FOR THE PCC AND THE PCC GROUP

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

31-Mar-17		31-Mar-18
£'000	Note	£'000
30,545 Net (Surplus) or Deficit on the Provision of Services		58,594
Adjustments to Net Surplus or Deficit on the Provision of (31,282) Services for Non Cash Movements	46	(52,324)
Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and		
511 Financing Activities		49
(226) Net Cash Flows from Operating Activities		<u>6,319</u>
3,786 Investing Activities	49	10,929
2,740 Financing Activities	50	(16,074)
<u>6,300</u> Net (Increase) or Decrease in Cash and Cash Equivalents		<u>1,174</u>
Cash and Cash Equivalents at the Beginning of the		
9,466 Reporting Period		<u>3,166</u>
Cash and Cash Equivalents at the End of the Reporting		
<u>3,166</u> Period	47	<u>1,992</u>

STATEMENT OF ACCOUNTING POLICIES FOR THE PCC AND THE PCC GROUP

1. Accounting Policies

The Financial Statements must meet the accounting requirements of the CIPFA Code of Practice on Local Authority Accounting which has been agreed with HM Treasury. Consequently, the financial statements have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2017/18. The accounting policies contained in the CIPFA Code of Practice follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to Local Authority accounts, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the CIPFA Code of Practice on Local Authority Accounts permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the PCC Group/PCC for the purpose of presenting fairly the position of the PCC Group/PCC has been selected. The particular policies adopted are described below. They have been applied consistently in dealing with items considered material in relation to the financial statements.

1.1 Group accounts

The Financial Statements included here represent the accounts for the PCC and the PCC Group. The term "PCC Group" is used to indicate individual transactions and policies of the PCC and the Chief Constable. The identification of the PCC as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities of the PCC under the Police Reform and Social Responsibility Act 2011. The Chief Constable is a subsidiary organisation of the PCC.

The transactions and balances of the PCC and the Chief Constable have been consolidated into the PCC Group financial statements using the line-by-line method.

1.2 Accounting convention

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories. Where appropriate financial assets and liabilities have been impaired or discounted to bring them to current value.

1.3 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are transferred from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.4 Going Concern

After making enquires, the PCC has formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the PCC and PCC Group or its successors has access to adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. The liabilities for pensions are unrealised liabilities at the balance sheet date and will fall due as employees retire over their working lives.

1.5 Critical Judgements In Applying Accounting Policies

In the application of the PCC Group's accounting policies, management is required to make judgements about complex transactions involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a degree of uncertainty about future levels of central government funding and the impact of budget cuts to be achieved. However, the PCC Group has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the PCC Group might be impaired as a result of a need to close facilities or reduce levels of service provision.

1.5.1 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the PCC Group about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the PCC and PCC Group's Balance Sheet as at 31 March 2017 for which there is significant risks of material adjustment in the forthcoming financial year are as follows:

Short Term Employee Benefits (See paragraph 1.8 and note 33)

In calculating the accrual for the above, the uncertainty is that the number of days annual leave, or the rate used to cost the accrual are incorrect. A 10% movement in the number of days would see a £342k increase/decrease in the accrual.

Property, Plant and Equipment – (See paragraph 1.10 and note 19)

Depreciation

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If in the current economic climate the PCC Group was unable to sustain its current spending on repairs and maintenance, the useful lives assigned to assets would be brought into doubt. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls.

Componentisation Thresholds (See paragraph 1.10 Accounting Policies)
If in applying the policy in paragraph 1.10, an incorrect judgement is made regarding the threshold, this would result in a possible misstatement of asset depreciation and asset assumed useful life.

Pensions Liability and Reserve – (See paragraph 1.8 and note 39)

Estimates for pensions liabilities are determined and sourced through pensions actuaries, who apply a number of assumptions on future inflation, mortality rates etc. If estimates/assumptions used are too conservative, the estimated pensions liability will be understated, and overstated if too high.

Allocation of Expenditure between the PCC and the Chief Constable– (See note 3)

A judgement has been made of the expenditure allocated between the PCC and the Chief Constable to reflect the financial resources of the PCC consumed at the request of the Chief Constable. The basis adopted for this allocation was determined by the PCC Group in accordance with the standard set of activities for each corporate body identified in CIPFA's SeRCOP.

1.6 Revenue

Revenue in respect of services provided is recognised when performance occurs, and is measured at the fair value of the consideration receivable.

Where income is received for a specific activity that is to be delivered in the following year that income is deferred.

Goods are sold on an incidental basis. Income is recognised at the point the sale transaction occurs.

1.7 Agency income

Council Tax / Precept income is collected on behalf of the PCC Group by the four unitary authorities within the Force Area (East Riding of Yorkshire Council, Kingston Upon Hull City Council, North East Lincolnshire Council and North Lincolnshire Council); this income is collected under an agency arrangement with the PCC Group including an appropriate share of taxpayer transactions within the financial statements.

1.8 Employee Benefits

Short-term employee benefits

Employee benefits are those due to be settled within 12 months of the year-end. These benefits are recognised as an expense in the year in which the employee renders service to the PCC Group. 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 benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the PCC Group to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These costs are charged as an expense in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the PCC Group is demonstrably committed to the termination of the employment of an individual or group of employees or making an offer to encourage voluntary redundancy.

Retirement benefit costs

The PCC Group participates in three pension schemes for Police Officers and one for Police staff. All of the schemes provide members with defined benefits related to pay and service.

Police Officers

The 1987, 2006 and 2015 Police Pension Schemes are contributory occupational pension schemes. Officers pay contributions from their pensionable pay based on salary bandings. The contribution rates are set nationally by the Home Office. The PCC Group accounts for Police Pensions through the Police Pension Fund Accounts. The cost to the PCC Group is via an employers' contribution and a charge for Officers who retire on ill health. Any balance on the Pension Fund Accounts is received from or paid to Central Government.

Injury awards are not part of the Police Pension Fund and are paid out of the PCC Group's budget.

Police Staff

The PCC is an admitted body to the East Riding Pension Fund, which is administered by the East Riding of Yorkshire Council. Police staff are eligible to join the Local Government Pension Scheme which has varying contribution rates based on members' salaries. The PCC makes employers' contributions as required into the East Riding Pension Fund.

The PCC Group/ PCC have fully adopted IAS 19 Employee Benefits. The financial statements reflect the commitment to make up any shortfall in attributable net assets in the Pension Fund. The overall pension liability is included in the Balance Sheet of the PCC Group and service costs are reflected in the Comprehensive Income and Expenditure Statements.

1.9 Expenses

Expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

Whilst all expenditure is paid for by the PCC, including the remuneration of police officers and staff, the actual recognition in the respective PCC and Chief Constable's financial statements is based on economic benefit.

1.10 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administration purposes;
- it is probable that service potential will be provided to the PCC Group;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has a cost of at least £10,000

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets if they have a cost of over 25% of the whole asset, and they are depreciated over their own useful economic lives.

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at current value.

Land and buildings used by the PCC Group are stated in the Balance Sheet at their revalued amounts, being their current value at the date of valuation less any subsequent accumulated depreciation and impairment losses. Revaluations have previously been performed on a five year rolling programme with those with a value in excess of £1m being reviewed every year. A revaluation of all of the PCC Group's properties has been undertaken during this financial year. Current value are determined as follows:-

- Land and non-specialised buildings – market value for existing use
- Specialised buildings with no market based evidence – depreciated replacement cost as an estimate of current value
- Vehicles, plant and equipment – historic cost less accumulated depreciation (as a proxy for current replacement cost)

Properties in the course of construction are carried at cost, less any impairment loss. Cost includes professional fees and borrowing costs directly attributable to the construction of qualifying assets. Assets are revalued and depreciation commences when they are brought into use. An increase arising on revaluation is taken to the Revaluation Reserve except when it reverses an impairment previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A decrease on revaluation is recognised as an impairment charged to the Revaluation Reserve to the extent that there is a balance on the reserve for the asset, and, thereafter, to expenditure. Gains and losses recognised in the Revaluation Reserve are reported as other comprehensive income in the Comprehensive Income and Expenditure Statements.

Disposals

Capital receipts over £10,000 from the sale of non-current assets are held in the Capital Receipts Unapplied account until such time as they are used to finance other capital expenditure or to repay debt. Individual receipts of less than £10,000 are shown as income within the Comprehensive Income and Expenditure Statements. Gains and losses on the disposal of non-current assets are recognised in the Comprehensive Income and Expenditure Statements.

1.11 Intangible Assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the PCC Group's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits or service potential will be provided to the PCC Group; where the cost of the asset can be measured reliably, and where the cost is at least £10,000.

Intangible assets acquired separately are initially recognised at current value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible assets can be recognised, the expenditure is recognised in the period in which it is incurred. Following initial recognition, intangible assets are carried at current value by reference to an active market, or where no active market exists, at amortised replacement cost (modern equivalent assets basis). Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.12 Depreciation, amortisation and impairments

Freehold land, properties under construction and vehicles in the process of preparation for operational use are not depreciated. Otherwise, depreciation and amortisation are charged to Cost of Services in the Comprehensive Income and Expenditure Statements to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, on a straight line basis. Depreciation and amortisation are not taken on additions to the capital base for the year. The estimated useful life of an asset is the period over which the PCC Group expects to obtain economic benefits or service potential from the asset. This is specific to the PCC Group and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. The approximate average useful lives (depreciation periods) are included below:

- | | |
|-----------------------------|----------------|
| • Buildings | 25 to 60 years |
| • Small/medium size vehicle | 1 to 5 years |
| • Large vehicle | 6 to 8 years |
| • Boat | 10 years |
| • Equipment | 5 years |
| • Intangibles | 5 years |

At each reporting period end, the PCC Group checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the Revaluation Reserve to the extent that there is a balance on the Reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the Revaluation Reserve.

The PCC Group is not required to raise Council Tax to cover depreciation, impairment or amortisation. However it is required to make an annual provision from its revenue budget to contribute towards the reduction in its overall borrowing requirement, the minimum revenue provision (MRP). This is equal to 4% of the adjusted capital financial requirement at 31 March 2008. The PCC Group has adopted, from 1 April 2008 the Asset Life Method to provide for MRP, for any capital expenditure funded from borrowing. MRP is not provided for assets in the course of construction.

1.13 Government Grants

All grants and contributions will only be credited to the Comprehensive Income and Expenditure Statements, when all the grant conditions for the discharge of its specific use have been met. Grants where the conditions have not been satisfied are carried in the Balance Sheet as Grants Receipts in Advance. When the conditions have been satisfied, the grant or contribution will be credited to the Comprehensive Income and Expenditure Statements, either to cost of services or taxation and non-specific grant income. Assets purchased from Government grants are valued, depreciated and impaired as described for purchased assets.

1.14 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses. The profit or loss arising on the disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Comprehensive Income and Expenditure Statements. On disposal, the balance for the asset on the Revaluation Reserve is transferred to the Capital Adjustment Account.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

1.15 Leases

Leases are classified as finance leases when substantially all of the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The PCC Group as a lessee

Operating lease payments are recognised as an expense on straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

The PCC Group has no assets held under finance leases.

1.16 Inventories

Inventories are valued at the lower of cost and net realisable value using the average cost method. This is considered to be a reasonable approximation to current value.

1.17 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 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 and that form an integral part of the PCC Group and the PCC's cash management.

1.18 Provisions

Provisions are recognised when the PCC Group has a present legal or constructive obligation as a result of a past event, it is probable that the PCC Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. In establishing a provision a charge is made as an expense to the Comprehensive Income and Expenditure Statements in the year that the PCC Group/PCC becomes aware of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. The provision stays on the Balance Sheet, and when payments are made, the charge is made against the provision. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

1.19 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the PCC Group, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of payment is remote.

A contingent asset is a possible asset that arises from past events and existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the PCC Group. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.20 Reserves

The PCC Group and the PCC set 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 a reserve is incurred, it is charged to the Comprehensive Income and Expenditure Statements in that year to score against the Surplus or Deficit on the account. 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.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the PCC Group. Details of these reserves are provided in the relevant note to the financial statements.

1.21 Financial Instruments

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'Financial Instrument' covers both Financial Assets and Financial Liabilities and includes both the most straightforward Financial Assets and Liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

1.21 (i) Financial assets

Financial assets are classified into two types:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, or failing that by reference to similar arm's length transactions between knowledgeable and willing parties.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the initial fair value of the financial asset.

At the end of the reporting period the PCC Group assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment, as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in expenditure and the carrying amount of the asset reduced directly.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for Sale Assets

The PCC Group does not have or plan to have this category of financial assets.

1.21 (ii) Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the PCC Group becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

The fair value of financial liabilities is disclosed in the notes to the financial statements.

1.22 Jointly Controlled Operations

The PCC Group engages in jointly controlled operations by collaborative working with other parties to deliver a number of specific services on a regional basis.

The PCC Group accounts in its financial statements for the assets it controls, the liabilities it incurs, the expenses that it incurs and the income it earns in relation to these arrangements.

1.23 Accounting standards that have been issued but have not yet been adopted

The standards and amendment to standards have been issued but not yet adopted:-

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts and Customers
- Amendment to IAS 12: Income Taxes: Recognition of Deferred Tax Assets and Unrealised Losses
- Amendment to IAS 7: Statement of Cashflows: Disclosure Initiative

None of the above amendments are expected to have any material impact on future financial statements of the PCC Group.

1.24 Accounting standards issued that have been adopted early

There are no accounting standards issued that have been adopted early.

1.25 Exceptional items

Exceptional items shall be included in the costs of the service to which they relate and noted accordingly.

1.26 Prior period adjustments

Unless otherwise sanctioned by the CIPFA Code of Practice on Local Authority Accounting, material prior period adjustments shall result in restatement of prior year figures and disclosure of the effect.

1.27 Events after the balance sheet date

Material events after the balance sheet date, both favourable and unfavourable, that occur between the end of the reporting period and the date when Statement of Accounts is authorised for issue shall be disclosed as a note to the financial statements and the financial statements amended as required. Other events after the balance sheet date will be disclosed in a note with an estimate of the likely effect.

Two types of event can be identified as:

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

Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts 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.

1.28 Group accounts

Each reporting period the PCC Group will review its interests and influence on all types of entities including, but not limited to, other PCCs and similar statutory bodies, common good trust funds, charities, companies, joint committees and other joint arrangements. If appropriate, such other entities will be included in the group accounts prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

1.29 Value Added Tax (VAT)

Most of the activities of the PCC Group are outside the scope of VAT and, in general, output tax does not apply. Input tax on purchases is largely recoverable from Her Majesty's Revenue and Customs. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of property, plant and equipment. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS – ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

PCC Group

Year ended 31 March 2018

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note i) £'000	Net Change for the Pensions Adjustments (Note ii) £'000	Other Differences (Note iii) £'000	Total Adjustments £'000
Communities Command	2,487	13,188	245	15,920
Enabling Services	477	2,682	20	3,179
Command Hub	810	3,960	58	4,828
Specialist Command	482	4,162	51	4,695
Joint Special Operations Uniformed	262	1,057	36	1,355
Protecting Vulnerable People	359	2,312	42	2,713
Criminal Justice	279	1,290	8	1,577
Regional Collaboration	28	107	3	138
Force Command	7	301	2	310
Non- Command Functions	-	-	-	-
Police and Crime Commissioner	32	(118)	3	(83)
Net Cost of Services	5,223	28,941	468	34,632
Other income and expenditure from the Funding Analysis	(2,806)	20,733	622	18,549
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	2,417	49,674	1,090	53,181

PCC

Year ended 31 March 2018

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note i)	Net Change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£'000	£'000	£'000	£'000
Police and Crime Commissioner	32	(118)	3	(83)
Intra -group funding	5,191	236	(3)	5,424
Net Cost of Services	5,223	118	-	5,341
Other income and expenditure from the Funding Analysis	(2,806)	45	622	(2,139)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	2,417	163	622	3,202

PCC Group

Year ended 31 March 2017

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note i) £'000	Net Change for the Pensions Adjustments (Note ii) £'000	Other Differences (Note iii) £'000	Total Adjustments £'000
Communities Command	1,760	3,486	(226)	5,020
Enabling Services	357	642	(23)	976
Command Hub	606	1,048	(62)	1,592
Specialist Command	426	950	(58)	1,318
Joint Special Operations Uniformed	216	680	(38)	858
Protecting Vulnerable People	289	681	(51)	919
Criminal Justice	327	490	(31)	786
Regional Collaboration	15	58	(4)	69
Force Command	9	98	(6)	101
Non- Command Functions	-	78	-	78
Police and Crime Commissioner	30	69	(3)	96
Net Cost of Services	4,035	8,280	(502)	11,813
Other income and expenditure from the Funding Analysis	(3,815)	23,166	289	19,640
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	220	31,446	(213)	31,453

PCC

Year ended 31 March 2017

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note i)	Net Change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£'000	£'000	£'000	£'000
Police and Crime Commissioner	30	69	(3)	96
Intra -group funding	4,005	(138)	3	3,870
Net Cost of Services	<u>4,035</u>	<u>(69)</u>	<u>-</u>	<u>3,966</u>
Other income and expenditure from the Funding Analysis	(3,815)	46	289	(3,480)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	<u>220</u>	<u>(23)</u>	<u>289</u>	<u>486</u>

Note i – Adjustments for Capital Purposes

This adds in depreciation and impairments in the service line and for:

- Other Operating Expenditure – adjusts for losses on sale of 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 income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and Non-Specific Grant Income – Capital grants are adjusted for income not chargeable under generally accepted accounting practices.

Note ii – Net change for the Pensions Adjustments

This is the net change for the removal of pension contributions and the inclusion of Police Pension Top Up Grant and IAS19 Employee Benefits related expenditure and income:

- For service lines, this represents the removal of employer pension contributions as allowed by statute and the replacement with current service costs and past service costs.

- Financing and Investment Income and Expenditure – the net interest on the defined benefit liabilities is charged to the Comprehensive Income and Expenditure Statement.
- Taxation and Non-Specific Grant Income – The Police Pension Top Up Grant is credited to the Comprehensive Income and Expenditure Statement.

Note iii – Other Differences

These represent other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For service lines, this represents the movement in the timing difference on employee benefits for accumulated absences.
- Taxation and Non-Specific Grant Income – adjustment is made for the movement in the timing difference on the Council Tax Collection Fund.

2. PCC FUNDING FOR FINANCIAL RESOURCES CONSUMED BY THE CHIEF CONSTABLE

As the Chief Constable has no resources with which to fulfil devolved responsibilities to provide a policing service, the expenditure is funded by the PCC.

These transactions are reflected in the intra-group accounts of both entities.

The tables below show the movement through the intra-group accounts within the respective Balance Sheets during 2017-18 and 2016-17 and show that there are no outstanding intra-group balances at the year end date, other than resulting from year end accounting adjustments in respect of payroll balances, as the PCC paid for all the financial resources consumed at the request of the Chief Constable and an intra-group adjustment was made to offset the Chief Constable's consumption of resources.

The funding covers the day to day expenses on an accruals basis as well as charges for operational assets consumed in the year. The funding does not cover IAS19 pension charges and charges for compensated absences as these charges (in the Chief Constable's Comprehensive Income and Expenditure Statement) are reversed in the Chief Constable's Movement in Reserves Statement and charged to the Chief Constable's unusable Pensions Reserve and Accumulated Absences Adjustment Account.

The Comprehensive Income and Expenditure Statements for the PCC and the PCC Group are also similar at "summary level". This is because the Net Cost of Policing sub-total within the PCC CIES includes not only the cost of administering the PCC itself, but also payment for PCC resources consumed at the request of the Chief Constable. The decision to account for this expenditure within the PCC Net Cost of Policing Services is in accordance with the SeRCOP definition of total cost of services. In contrast, in the Chief Constable's CIES the Net Cost of Policing is nil, apart from the year end adjustments for pensions actuarial adjustments and accumulated absences, as the Resources consumed at the request of the Chief Constable are completely offset by the intra-group adjustment.

	PCC £'000	Chief Constable £'000	PCC Group £'000
Intra - Group movements 2017- 2018:			
Opening balance as at 1 April 2017	(3,996)	3,996	-
PCC resources consumed at the request of the Chief Constable	220,924	(220,924)	-
PCC intra - group adjustment (resource funding)	(220,924)	220,924	-
	<u>(3,996)</u>	<u>3,996</u>	<u>-</u>
Year end adjustments:			
Accumulated absences movement	(468)	468	-
Pensions actuarial adjustments	6,002	(6,002)	-
PCC intra - group adjustment	(5,534)	5,534	-
Payroll creditors and debtors movement	433	(433)	-
Closing balance as at 31 March 2018	<u>(3,564)</u>	<u>3,564</u>	<u>-</u>

Intra - Group movements 2016- 2017:

Opening balance as at 1 April 2016	(3,724)	3,724	-
PCC resources consumed at the request of the Chief Constable	189,510	(189,510)	-
PCC intra - group adjustment (resource funding)	(189,510)	189,510	-
	<u>(3,724)</u>	<u>3,724</u>	<u>-</u>
Year end adjustments:			
Accumulated absences movement	502	(502)	-
Pensions actuarial adjustments	28,984	(28,984)	-
PCC intra - group adjustment	(29,486)	29,486	-
Payroll creditors and debtors movement	(272)	272	-
Closing balance as at 31 March 2017	<u>(3,996)</u>	<u>3,996</u>	<u>-</u>

3. SUMMARY SPENDING DETAILS

The statements below show the cost of providing services for the PCC Group for 2016-2017 and 2015-2016. The costs have been split between the Chief Constable and the PCC to separately identify the resources consumed at the request of the Chief Constable from those costs exclusively incurred by the PCC. Costs exclusively incurred by the PCC include the day to day costs of administering the Office of the PCC and supporting the PCC, as well as working directly with local communities and the public. All grants and income are paid directly to the PCC.

The operating income and expenditure for the PCC and PCC Group is presented in a subjective analysis format. It differs from the objective analysis format of income and expenditure on the face of the Comprehensive Income and Expenditure Statements. Both formats are used by management to aid decisions about resource allocation in internal management reports.

		PCC 2017-18 £'000	Chief Constable 2017-18 £'000	PCC Group 2017-18 £'000
Expenditure				
Employees				
128,234	Pay and Other Employment Costs	1,123	143,226	144,349
22,620	Police Pensions Current Service Cost	-	35,820	35,820
<u>150,854</u>		<u>1,123</u>	<u>179,046</u>	<u>180,169</u>
Running Expenses				
6,795	Premises	-	6,063	6,063
4,350	Transport	21	3,445	3,466
28,399	Supplies and Services	4,059	24,739	28,798
380	Agency Services	-	735	735
35	Special Constables	-	2	2
4,035	Capital Charges & Impairment of Assets	32	5,191	5,223
77	Non Distributable Cost	-	1,702	1,702
<u>44,071</u>		<u>4,112</u>	<u>41,878</u>	<u>45,990</u>
<u>194,925</u>	Total Expenditure	<u>5,235</u>	<u>220,923</u>	<u>226,158</u>
<u>(15,359)</u>	Income	<u>(16,422)</u>	<u>-</u>	<u>(16,422)</u>
	Intra - Group adjustments *	226,458	(226,458)	-
<u>179,566</u>	Net Cost of Policing Services	<u>215,270</u>	<u>(5,535)</u>	<u>209,735</u>

* PCC payment for PCC financial resources consumed at the request of the Chief Constable and year end adjustments as shown in note 2.

	PCC 2016-17 £'000	Chief Constable 2016-17 £'000	PCC Group 2016-17 £'000
Expenditure			
Employees			
Pay and Other Employment Costs	1,201	127,033	128,234
Police Pensions Current Service Cost	-	22,620	22,620
	<u>1,201</u>	<u>149,653</u>	<u>150,854</u>
Running Expenses			
Premises	-	6,795	6,795
Transport	23	4,327	4,350
Supplies and Services	4,192	24,207	28,399
Agency Services	-	380	380
Special Constables	-	35	35
Capital Charges & Impairment of Assets	-	4,035	4,035
Non Distributable Cost	-	77	77
	<u>4,215</u>	<u>39,857</u>	<u>44,071</u>
Total Expenditure	<u>5,417</u>	<u>189,510</u>	<u>194,925</u>
Income	<u>(15,359)</u>	<u>-</u>	<u>(15,359)</u>
	<u>(9,943)</u>	<u>189,510</u>	<u>179,566</u>
Intra - Group adjustments *	218,514	(218,514)	-
Net Cost of Policing Services	<u>208,572</u>	<u>(29,005)</u>	<u>179,566</u>

* PCC payment for PCC financial resources consumed at the request of the Chief Constable and year end adjustments as shown in note 2.

4. PENSIONS INCOME & EXPENDITURE ACCOUNT

The cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Statements with the inclusion of the amount reflecting the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge that is required to be made against Council Tax is based on the cash payable in the year. The real cost of retirement benefits is deducted in the Statement of Movement in the General Fund Balance, and replaced with actual pensions paid/contributions.

The following transactions have been made in the Comprehensive Income and Expenditure Statements and Statements of Movement in the General Fund Balance during the year:

PCC Group	Local Government Pension Scheme		Police Pension Schemes	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Net Cost of Service				
Current Service Cost (Gross)	13,422	7,405	35,820	22,620
Non Distributed Costs	352	77	1,350	-
	<u>13,774</u>	<u>7,482</u>	<u>37,170</u>	<u>22,620</u>
Net Operating Expenditure				
Interest Cost	7,458	8,745	53,730	58,680
Interest Income	(5,630)	(6,926)	-	-
	<u>1,828</u>	<u>1,819</u>	<u>53,730</u>	<u>58,680</u>
Net Charge to the Comprehensive Income and Expenditure Statement	<u>15,602</u>	<u>9,301</u>	<u>90,900</u>	<u>81,300</u>
Statement of Movement in the General Fund Balance				
Reversal of Net Charges made for Retirement Benefits in Accordance with IAS 19	<u>(15,602)</u>	<u>(9,301)</u>	<u>(90,900)</u>	<u>(81,300)</u>
Actual amount charged against the General Fund Balance for Pensions in the Year:				
Employer's Contributions Payable to Scheme	<u>6,678</u>	<u>6,849</u>	<u>13,790</u>	<u>12,295</u>
Retirement Benefits Payable to Pensioners (Gross)	<u>-</u>	<u>-</u>	<u>759</u>	<u>755</u>

PCC**Local Government
Pension Scheme**

31 March 2018 £'000	31 March 2017 £'000
---------------------------	---------------------------

**Comprehensive Income and Expenditure
Statement**

Net Cost of Service		
Current Service Cost (Gross)	330	188
Non Distributed Costs	-	-
	<u>330</u>	<u>188</u>
Net Operating Expenditure		
Interest Cost	183	222
Interest Income	(138)	(176)
	<u>45</u>	<u>46</u>
Net Charge to the Comprehensive Income and Expenditure Statement	<u>375</u>	<u>235</u>

**Statement of Movement in the General Fund
Balance**

Reversal of Net Charges made for Retirement Benefits in Accordance with IAS 19	<u>(375)</u>	<u>(235)</u>
---	--------------	--------------

**Actual amount charged against the General Fund
Balance for Pensions in the Year:**

Employer's Contributions Payable to Scheme	<u>164</u>	<u>174</u>
--	------------	------------

5. OPERATING LEASES

The PCC Group has a number of operating leases of buildings (see the glossary of accounting terms for definitions of lease types).

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

2016-17 £' 000		2017-18 £' 000
366	Not later than one year	354
480	Later than one year and not later than five years	531
<u>846</u>		<u>885</u>

The expenditure charged to the Comprehensive Income and Expenditure Statements during the year in relation to these leases was:

2016-17 £' 000	Minimum lease payments - Buildings	2017-18 £' 000	Term left on lease
72	Lairgate, Beverley	72	0 year
35	Winn House, Beverley	35	3 years
30	Vehicle Shop, George Street, Hull	0	0 year
55	Humberside Airport, Kirmington	0	0 year
50	Layerthorpe Road, Hull	35	0 Year
23	Freedom Centre, Preston Road, Hull	23	1 years
168	Bridgeview Units, Hessle	168	1 years
27	Other	22	
<u>460</u>		<u>355</u>	

6. OTHER OPERATING EXPENDITURE

(Gain) / Loss on the Sale of Non-Current Assets:

2016-17 £'000		2017-18 £'000		
		Net Book Value	Receipt	Total
(381)	Land and Buildings	382	(421)	(39)
<u>(381)</u>	Gain from the Sale of Non Current Assets	<u>382</u>	<u>(421)</u>	<u>(39)</u>
617	Vehicles Plant and Equipment	594	(170)	424
19	Intangible Assets	72	-	72
<u>636</u>	Loss on the Sale of Non Current Assets Sold	<u>666</u>	<u>(170)</u>	<u>496</u>
<u>255</u>	(Gain) / Loss on the Sale of Non Current Assets	<u>1,048</u>	<u>(591)</u>	<u>457</u>

Income from the sale of non- current assets with a value of less than the de minimis limit of £10k is not classed as a capital receipt, and is excluded from the calculation of gains and losses on the Disposal of Non- Current Assets but is included as revenue n the Comprehensive Income and Expenditure Statement.

7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

PCC Group

2016-17 £'000		2017-18 £'000
1,029	Interest payable and similar charges	1,010
60,499	Pensions interest cost net of interest on pension assets	55,558
(104)	Interest receivable	(57)
(6)	Impairment of financial assets	-
<u>61,418</u>		<u>56,511</u>

8. TAXATION AND NON SPECIFIC GRANT INCOME

2016-17		2017-18
£'000		£'000
48,175	Council Tax Income	49,840
123,855	General Government Grants	122,264
37,333	Police Pensions Top Up Grant receivable	34,825
1,331	Capital Grants	1,180
210,694		208,110

The Police Pensions Top Up Grant has been accounted for in accordance with the CIPFA Code of Practice Guidance Notes (i.e. CIPFA's interpretation of its Code of Practice on Local Authority Accounting).

9. OFFICE OF THE POLICE AND CRIME COMMISSIONER

The expenditure of the Office of the Police and Crime Commissioner is shown below.

2016-17		2017-18
£'000		£'000
6	Members Allowances	13
1,195	Support Staff	1,225
23	Transport	21
297	Supplies and Services	283
19	NPCC	19
3,714	Third Party Payments	3,755
(28)	Fees & Charges and Other Income	(34)
(1,092)	Specific Grants	(1,134)
4,134		4,149

Third Party Payments comprise contributions made by the Commissioner in respect of community safety initiatives.

10. OFFICERS' EMOLUMENTS

The number of employees whose remuneration, excluding employer's pension contributions was £50,000 or more in bands of £5,000 was:

2016-17		2017-18		
No.s	Remuneration band £	Police Officers No.s	Support Staff No.s	Total No.s
128	50,000 - 54,999	157	6	163
87	55,000 - 59,999	94	-	94
22	60,000 - 64,999	23	1	24
10	65,000 - 69,999	13	3	16
8	70,000 - 74,999	6	-	6
8	75,000 - 79,999	7	3	10
3	80,000 - 84,999	7	1	8
7	85,000 - 89,999	3	1	4
-	90,000 - 94,999	2	1	3
2	95,000 - 99,999	1	1	2
-	100,000 - 104,999	1	-	1
-	105,000 - 109,999	-	-	-
-	110,000 - 114,999	-	-	-
1	115,000 - 119,999	-	-	-
-	120,000 - 124,999	-	-	-
1	125,000 - 129,999	-	-	-
1	130,000 - 134,999	-	-	-
1	135,000 - 139,999	-	-	-
-	140,000 - 144,999	1	-	1
-	145,000 - 149,999	-	-	-
-	150,000 - 154,999	-	-	-
-	155,000 - 159,999	-	-	-
1	160,000 - 164,999	-	-	-
280		315	17	332

The Officers disclosed separately in Note 11 are included in the bands above.

A number of employees work in shared services with other regional forces. Disclosure of such employees is made in the accounts of the force that holds the employment contract of those individuals.

The numbers of employee compulsory and voluntary exit packages agreed with total cost per band and total cost of the redundancies are set out below:

2017-18

Exit package cost band £	No.of compulsory redundancies	No.of other agreed departures	Total No.of exit packages by cost band	Total cost of exit packages in each band £'000
0 -20,000	4	5	9	93
20,001 - 40,000	1	3	4	134
40,001 - 60,000	2	1	3	135
60,001 - 80,000	-	1	1	68
80,001 - 100,000	-	1	1	87
100,001 - 120,000	-	-	-	-
120,001 - 140,000	1	-	1	132
140,001 - 160,000	-	-	-	-
160,001 - 180,000	-	-	-	-
180,001 - 200,000	-	-	-	-
200,001 - 220,000	-	-	-	-
220,001 - 240,000	-	-	-	-
240,001 - 260,000	-	1	1	248
260,001 - 280,000	-	1	1	274
	<u>8</u>	<u>13</u>	<u>21</u>	<u>1,171</u>

2016-17

Exit package cost band £	No.of compulsory redundancies	No.of other agreed departures	Total No.of exit packages by cost band	Total cost of exit packages in each band £'000
0 -20,000	3	-	3	11
	<u>3</u>	<u>-</u>	<u>3</u>	<u>11</u>

11. SENIOR OFFICERS & RELEVANT POLICE OFFICERS EMOLUMENTS

Senior Officers and Relevant Police Officers whose salary is less than £150,000 but equal to or more than £50,000 per year:

Post Holder	Note	2017- 2018						Total Remuneration including Pension Contributions £'000
		Salary (Including Fees & Allowances)	Benefits in Kind	Other Emoluments	Compensatory Grant	Total Remuneration excluding Pension Contributions	Pension Contributions	
		£'000	£'000	£'000	£'000	£'000	£'000	
Chief Constable								
Chief Constable	1	33	1	-	3	37	8	44
Chief Constable	2	142	3	2	-	147	33	181
Deputy Chief Constable	3	56	5	4	-	65	14	78
Deputy Chief Constable	4	54	5	-	-	59	13	72
Assistant Chief Constable Operations	5	96	6	-	-	102	22	125
Assistant Chief Constable Communities		91	-	13	-	104	21	125
Assistant Chief Constable Operations	6	49	4	-	-	54	11	64
Assistant Chief Officer Human Resources	7	26	-	78	-	105	202	307
Assistant Chief Officer Support	8	66	-	53	-	119	206	326
		615	24	150	3	791	530	1,322
PCC								
Police and Crime Commissioner		75	-	-	-	75	14	89
Chief Executive		80	-	-	-	80	15	94
Deputy Chief Executive & Treasurer		67	-	-	-	67	12	79
		222	-	0	-	222	41	262
PCC Group		837	24	150	3	1,013	571	1,584

Note:

Chief Constable left the Force on 12 May 2017

Chief Constable appointed 26 June 2017

Deputy Chief Constable to 3 Sept 2017

Deputy Chief Constable appointed 23 Oct 2017

Assistant Chief Constable Operations to 13 Feb 2018

Assistant Chief Constable Operations started 23 Oct 2017

Assistant Chief Officer Human Resources left the Force on 12 June 2017

Assistant Chief Officer support left the Force on 30 Sept 2017

Post Holder	Note	2016- 2017						Total	Total
		Salary	Benefits in	Other	Compensatory	Total	Pension	Total	
		(Including Fees & Allowances)	Kind	Emoluments	Grant	Remuneration excluding Pension Contributions	Contributions	Remuneration including Pension Contributions	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Chief Constable									
Chief Constable	1	147	13	-	2	162	35	197	
Deputy Chief Constable		119	10	3	-	132	29	161	
Assistant Chief Constable Operations	2	25	-	-	-	25	4	29	
Assistant Chief Constable Operations	3	88	11	-	-	99	21	120	
Assistant Chief Constable Communities		108	9	-	-	117	25	142	
Assistant Chief Officer Human Resources	4	120	2	14	-	136	26	162	
Assistant Chief Officer Support		110	4	15	-	129	24	153	
		717	49	32	2	800	164	964	
PCC									
Police and Crime Commissioner	5	8	-	-	-	8	2	10	
Police and Crime Commissioner	6	67	-	-	-	67	14	81	
Deputy Police and Crime Commissioner	7	5	-	-	-	5	1	6	
Chief Executive	8	51	-	5	-	56	11	67	
Chief Executive	9	31	-	-	-	31	7	38	
Deputy Chief Executive & Treasurer		66	-	-	-	66	-	66	
		228	-	5	-	233	35	268	
PCC Group		945	49	37	2	1,033	199	1,232	

Note:

- 1 Chief Constable left the Force on 12 May 2017
- 2 Assistant Chief Constable Operations to 1 June 2016
- 3 Assistant Chief Constable Operations from 16 May 2016
- 4 Assistant Chief Officer Human Resources left the Force on 12 June 2017
- 5 Police and Crime Commissioner to 11 May 2016
- 6 Police and Crime Commissioner from 12 May 2016
- 7 Deputy Police and Crime Commissioner to 11 May 2016
- 8 Chief Executive to 15 November 2016
- 9 Chief Executive from 7 November 2016

A shared service agreement exists in connection with the provision of services in respect of Human Resources and, under this arrangement, 50% other total pay and other costs of the Assistant Chief Officer (Human Resources) are met by from the OPCC for South Yorkshire.

No bonuses or compensation for loss of office were paid to Senior Officers during 2017/18 or 2016/17.

12. RELATED PARTY TRANSACTIONS

In accordance with the reporting requirements of IAS 24, the Group is required to disclose details of material transactions with related parties, that is bodies or individuals that have the potential to influence the Group or to be controlled or influenced by the Group.

There are direct relationships between the PCC and a number of central and local government organisations, the main ones being the Home Office (Police Grant), the Ministry of Justice (Grant) and the four Unitary Authorities (Council Tax/ Precepts). These are disclosed elsewhere in the financial statements.

The PCC has direct control over the Group's finances and is responsible for setting priorities through the Police and Crime Plan. The Chief Constable retains operational independence and operates within the budget set by the PCC, to deliver the Force aims and objectives set out in the Police and Crime Plan. Section 28 of the Police Reform and Social Responsibility Act 2011 requires that local authorities covered by the police area must establish a Police and Crime Panel (PCP) for that area. The PCP scrutinises the decisions of the PCC, reviews the Police and Crime Plan and has a right of veto over the precept.

There are also direct relationships between the PCC and other PCCs within the Yorkshire and Humberside region in respect of Regional Collaboration arrangements. Details are disclosed in note 17 to the financial statements.

Two Senior Officers of Humberside Police are also Directors of Emergency Services Fleet Management (Humberside) Ltd – Chief Superintendent Lauren Poultney and Assistant Chief Officer Support Philip Goatley. Emergency Services Fleet Management (Humberside) Ltd is a joint operation that provides vehicle maintenance services to Humberside Police and Humberside Fire Authority. The company supplied services with a value of £1,968,441 (£1,976,731 in 2016/17) to Humberside Police during 2017/18. The PCC Group leases part of its Melton workshop facility to the company for which a rent of £198,799 was charged (£198,799 2016/17). Details of Humberside Police's share of income, expenditure, assets and liabilities of this joint operation are disclosed in note 17 to the financial statements.

A survey of the Police and Crime Commissioner for Humberside, Senior Staff within the OPCC, the Chief Constable/Senior Officers of Humberside Police and parties related to them was undertaken in preparing these financial statements. Except as disclosed above, no material related party transactions were identified.

13. ADDITIONAL GRANTS

Additional grants were received from numerous bodies, and are included as part of total income. Details of those that are £10k and above are shown below:

	2017-18
	£
DSP Port Security (Home Office)	1,132,090
Victims Service and Restorative Justice (Ministry of Justice)	1,120,595
DSP Port Security Armed Response (Home Office)	769,846
Prison Intelligence Officer (Home Office)	155,680
Security Grant	70,253
Capabilities and Communications Development Project	61,482
Regional Information Coordination	51,191
Ending Gang Violence and Exploitation	10,000
Prevent	44,627
	<u><u>3,415,764</u></u>
	2016-17
	£
DSP Port Security (Home Office)	1,425,295
Victim Services and Restorative Justice (Ministry of Justice)	1,091,981
DSP Port Security Armed Response (Home Office)	794,103
Prison Intelligence Officer (Home Office)	147,512
Communications Capabilities Development Project (Home Office)	59,996
Operation Northman (Home Office)	54,281
Operation Dragonroot (Home Office)	38,021
Windfarm Funding (Driffield Farmwatch)	13,200
	<u><u>3,624,389</u></u>

14. PRECEPT/COUNCIL TAX

2017-18

Band	A	B	C	D	E	F	G	H
Rate £	124.89	145.70	166.52	187.33	228.96	270.59	312.22	374.66

2016-17

Band	A	B	C	D	E	F	G	H
Rate £	122.45	142.85	163.26	183.67	224.49	265.30	306.12	367.34

The Council Tax collected for each of the Local Authorities for the financial year is:

2016-17 £'000		2017-18 £'000
20,848	East Riding of Yorkshire Council	21,643
10,904	Kingston Upon Hull City Council	11,167
7,740	North East Lincolnshire Council	7,967
8,683	North Lincolnshire Council	9,064
48,176		49,840

15. EXTERNAL AUDIT FEES

The external audit fees payable to KPMG LLP for 2017-18 is £48.8k (2016-17 £48.8k) for the PCC Group, of which £33.8k (2016-17 £33.8k) is in respect of the PCC and £15k for the Chief Constable. (2016-17 £15k).

16. GENERAL GOVERNMENT GRANTS

Analysis of General Government Grants	2016-17 £'000	2017-18 £'000
Police Revenue Grant (Home Office)	113,814	112,223
Council Tax Support Grants (Home Office)	8,341	8,341
Council Tax Freeze Grants (Home Office)	1,700	1,700
Total General Government Grants	123,855	122,264

17. REGIONAL COLLABORATION

Regional Collaboration Board (RCB)

The Regional Collaboration Programme was developed to bring opportunities to participating Forces across many policing activities whilst retaining local Police Forces, local identity and local accountability.

A Regional Collaboration Board (RCB) has governance of the arrangements. This Board comprises the four PCCs within the Yorkshire and Humberside Region together with their respective Chief Constables and Chief Executives. The arrangements are subject to agreement under Section 22A of the Police Act 1996 (as amended).

Regional Collaboration is funded from contributions made by the four participating PCCs and the level of contribution from each PCC is dependent upon an assessment of the benefit to be derived from each specific project or initiative.

Lead Force collaboration arrangements

A Lead Force model has been adopted for each functional area of regional collaboration, with the RCB having governance over all the arrangements.

The PCC for Humberside has Lead Force responsibility within the regional programme for property matters and marine services. Premises leased for the regional programme are detailed in Note 5 to the financial statements.

Memorandum accounts for marine services for the year ended 31 March 2018 are as follows:

2016-17 £'000		2017-18	
		£'000	£'000
	<u>Expenditure</u>		
600	Staff Costs	547	
43	Property Related Expenses	43	
18	Supplies and Services	9	
58	Transport Related Expenses	64	
15	Capital charges	0	
<u>734</u>			663
	<u>Income</u>		
722	Contributions (see below)	698	
5	Other income	29	
<u>727</u>			<u>727</u>
<u>7</u>	Deficit/(Surplus) in year		<u>(64)</u>
	<u>Contributions</u>		
213	West Yorkshire	205	
130	South Yorkshire	126	
36	North Yorkshire	36	
343	Humberside	331	
<u>722</u>			<u>698</u>

The PCC for Humberside has made contributions during the year ended 31 March 2018 to other Lead Forces as follows:

Lead Force Table for Regional Collaboration

Lead Force	Functional area	Contributions made	
		2016-17 £'000	2017-18 £'000
OPCC for South Yorkshire	Procurement and Stores	374	555
	Firearms	25	37
OPCC for West Yorkshire	Serious and Organised Crime	1306	2675
	Scientific Support	4,300	12,625

Other Regional Collaboration arrangements

The PCC for Humberside collaborates in a two force partnership with the OPCC for South Yorkshire (OPCCSY) on the provision of Human Resources and Training, Information Services and Joint Special Operations Uniformed (JSOU). The JSOU commenced with effect from 1st April 2016. The costs of each of these collaborations are shared based on the total size of the respective force budgets assessed using a measure of net revenue expenditure. The summary position for each of these joint operations is outlined below:

2017-18	JSOU	Human Resources & Training	Information Services
	£'000	£'000	£'000
<u>Expenditure</u>			
Staff Costs	8,937	11,184	6,821
Property Related Expenses	105	8	4
Supplies and Services	340	341	4,886
Transport Related Expenses	264	482	181
Third Party Costs	2	4	-
	<u>9,648</u>	<u>12,019</u>	<u>11,892</u>
<u>Income</u>			
Contributions (see below)	9,405	11,991	11,893
Other Income	243	28	(1)
	<u>9,648</u>	<u>12,019</u>	<u>11,892</u>
Deficit/(Surplus) in year	<u>-</u>	<u>-</u>	<u>0</u>
<u>Contributions</u>			
Humberside Police	3,907	4,920	5,137
South Yorkshire	5,498	7,071	6,755
	<u>9,405</u>	<u>11,991</u>	<u>11,892</u>
2016-17	JSOU	Human Resources & Training	Information Services
	£'000	£'000	£'000
<u>Expenditure</u>			
Staff Costs	21,765	10,446	5,307
Property Related Expenses	264	4	5
Supplies and Services	519	447	4,092
Transport Related Expenses	570	378	201
Third Party Costs	(2)	4	-
	<u>23,116</u>	<u>11,279</u>	<u>9,605</u>
<u>Income</u>			
Contributions (see below)	22,551	11,220	9,604
Other Income	565	59	1
	<u>23,116</u>	<u>11,279</u>	<u>9,605</u>
Deficit/(Surplus) in year	<u>-</u>	<u>-</u>	<u>-</u>
<u>Contributions</u>			
Humberside Police	9,275	4,615	4,137
South Yorkshire	13,276	6,605	5,467
	<u>22,551</u>	<u>11,220</u>	<u>9,604</u>

Humberside Police and Humberside Fire Authority collaborate on a joint operation in respect of their emergency vehicle maintenance requirements, which are delivered by Emergency Services Fleet Management (Humberside) Ltd, a company limited by guarantee which was established for that purpose. Humberside Police retain joint control of this company with Humberside Fire Authority. The amounts included in the PCC Group financial statements in respect of this joint operation are as follows:

2016-17 50% share £'000		2017-18 50% share £'000
	Comprehensive Income and Expenditure Statement	
(10)	Income	(0)
682	Pay and employment costs	642
100	Premises	100
598	Transport	626
70	Supplies and Services	77
27	Capital charges	22
1,467	Net Cost	1,467
	Balance Sheet	
183	Property, Plant & Equipment	161
53	Inventories	42
52	Short Term Debtors	18
162	Cash and Cash Equivalents	380
(95)	Short Term Creditors	(167)
355	Net Assets	434

18. PUBLICITY

In accordance with section 5(1) of the Local Government Act 1986, the PCC has to disclose certain categories of publicity/advertising expenditure.

2016-17 £'000		2017-18 £'000
11	Recruitment Advertising	3
9	Publicity	45
20		48

19. PROPERTY, PLANT & EQUIPMENT

	Land & Buildings	Vehicles, Plant & Equipment	Assets under Construction	Surplus Assets for Disposal	TOTAL
	£'000	£'000	£'000	£'000	£'000
Gross Book Value					
As at 1st April 2017	57,762	28,236	-	200	86,198
Assets reclassified as non-operational	(485)	-	-	485	-
Additions & Enhancements	1,510	6,218	6,964	-	14,692
Disposals	-	(3,734)	-	(385)	(4,119)
Revaluations	3,522	-	-	-	3,522
As at 31st March 2018	62,309	30,720	6,964	300	100,293
Depreciation					
To 31st March 2017	479	13,973	-	-	14,452
In Year	2,058	2,890	-	-	4,949
On Assets Revalued	(1,882)	-	-	-	(1,882)
On Assets Sold	(3)	(3,140)	-	-	(3,143)
As at 31st March 2018	653	13,724	-	-	14,377
Net Book Value					
As at 31st March 2018	61,656	16,996	6,964	300	85,916
Net Book Value					
As at 31st March 2017	57,283	14,262	-	200	71,745

	Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets for Disposal	TOTAL
	£'000	£'000	£'000	£'000
Gross Book Value				
As at 1st April 2016	57,139	32,866	1,200	91,205
Additions & Enhancements	1,226	3,140	-	4,366
Disposals	-	(7,864)	(1,000)	(8,864)
Revaluations	(603)	94	-	(509)
As at 31st March 2017	57,762	28,236	200	86,198
Depreciation				
To 31st March 2016	323	18,679	-	19,002
In Year	1,253	2,893	-	4,146
On Assets Revalued	(1,097)	(406)	-	(1,503)
On Assets Sold	-	(7,193)	-	(7,193)
As at 31st March 2017	479	13,973	-	14,452
Net Book Value				
As at 31st March 2017	57,283	14,263	200	71,746
Net Book Value				
As at 31st March 2016	56,816	14,187	1,200	72,203

Statement of Physical Assets

<u>31 March</u> <u>2017</u>		<u>31 March</u> <u>2018</u>
51	Police Stations	50
596	Vehicles	621
-	Helicopter	-

20. INTANGIBLE ASSETS

	£'000		£'000
Gross Book Value		Gross Book Value	
As at 1st April 2017	1,487	As at 1st April 2016	1,204
Additions & Enhancements	485	Additions & Enhancements	567
Disposals	(236)	Disposals	(284)
As at 31st March 2018	<u><u>1,735</u></u>	As at 31st March 2018	<u><u>1,487</u></u>
Amortisation		Amortisation	
To 31st March 2017	506	To 31st March 2017	587
In Year	274	In Year	184
On Disposals	(164)	On Disposals	(265)
As at 31st March 2018	<u><u>616</u></u>	As at 31st March 2017	<u><u>506</u></u>
Net Book Value		Net Book Value	
As at 31st March 2018	<u><u>1,119</u></u>	As at 31st March 2017	<u><u>981</u></u>
Net Book Value		Net Book Value	
As at 31st March 2017	<u><u>981</u></u>	As at 31st March 2017	<u><u>617</u></u>

The Intangible Assets relate to computer software capitalised.

21. PROPERTY VALUATIONS

In previous years the PCC Group has carried asset valuations on the basis of a five year rolling programme with properties with a value of more than £1m being revalued every year. For 2017/18 all of the PCC Group's land and buildings have been revalued. The basis for valuation is set out in the Statement of Accounting Policies. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. All valuations have been carried out by external valuers.

Summary by effective date of latest valuation

	Land and Buildings £'000	Surplus Assets for Disposal £'000
Valued at current value as at: 31 March 2018	62,687	300
Total Gross Book Value	<u>62,687</u>	<u>300</u>

Plant and Equipment is carried at current value in the gross book value of Vehicles, Plant and Equipment.

Fair Value disclosures for surplus assets for disposal

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Fair value of surplus land and buildings as at 31 March 2018	-	300	-

There were no transfers between Levels 1, 2 or 3 during the year.

Valuation techniques used to determine fair values for surplus assets:

Quoted prices in active markets for identical assets (Level 1)

There are no surplus assets categorised at Level 1 in the fair value hierarchy.

Other significant observable inputs (Level 2)

The fair value shown above is based on quoted prices for similar land and buildings in active markets. Market conditions are such that similar assets are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant unobservable inputs (Level 3)

There are no surplus assets categorised at Level 3 in the fair value hierarchy.

Valuation process for surplus assets:

The fair value of surplus assets is measured annually as at 31 March by external valuers. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. There have been no changes in valuation techniques used during the year.

22. SUMMARY OF CAPITAL EXPENDITURE AND SOURCES OF FINANCE

The note below shows the movement in the Capital Financing Requirement due to capital expenditure for 2017-18, and the source of finance used.

The Capital Financing Requirement is an indicator that authorities have to include within the suite of Prudential Indicators relating to capital finance in Local Authorities.

It is a measure of the PCC Group's underlying need to borrow for capital purpose. The PCC Group has decided to part fund capital by using prudential borrowing, this is reflected in the Capital Financing Requirement balance at the end of the financial year.

2016-17		2017-18
£'000		£'000
59,933	Opening Capital Financing Requirement	59,362
	<u>Capital Investment</u>	
4,366	Property, Plant and Equipment	14,693
567	Intangible Assets	484
	<u>Sources of finance</u>	
52	Revenue funding of Capital	(100)
(2,688)	Revenue Provision	(1,987)
(1,331)	Capital Grant	(1,180)
(1,435)	Capital Receipts	(590)
<u>59,362</u>	Closing Capital Financing Requirement	<u>70,680</u>
	<u>Explanation of Movements in Year</u>	
(573)	Increase/(Decrease) in underlying need to borrow	11,319
<u>(573)</u>	Increase/ (Decrease) in Capital Financing Requirement	<u>11,319</u>

23. LONG TERM DEBTORS

2016-17		2017-18
£'000		£'000
420	Other Local Authorities	360
<u>420</u>		<u>360</u>

24. INVENTORIES

2016-17		2017-18
£'000		£'000
118	Fuel	113
53	Vehicle maintenance	42
<u>171</u>		<u>155</u>

25. PREPAYMENTS AND DEBTORS/ACCRUALS

2016-17 £'000		2017-18 £'000
12,336	Government Departments	9,360
4,707	Other Police and Local Authorities	6,968
1,332	Other	2,104
<u>18,375</u>		<u>18,432</u>

PCC

2016-17 £'000		2017-18 £'000
12,336	Government Departments	9,360
4,707	Other Police and Local Authorities	6,968
1,321	Other	2,066
<u>18,364</u>		<u>18,395</u>

26. SHORT TERM DEBTORS

PCC

2016-17 £'000		2017-18 £'000
17593.7	Debtors & Accruals	17,911
273.324	Prepayments Other Police	33
497	Prepayments Other	450
<u>18,364</u>		<u>18,395</u>

2016-17 £'000		2017-18 £'000
17,605	Debtors & Accruals	17,949
273	Prepayments Other Police	33
497	Prepayments Other	450
<u>18,375</u>		<u>18,432</u>

27. INCOME IN ADVANCE AND CREDITORS/ACCRUALS

2016-17 £'000		2017-18 £'000
3,725	Government Departments	4,076
8,346	Other Police and Local Authorities	5,971
7,449	Other	10,452
<u>19,521</u>		<u>20,499</u>

PCC

2016-17 £'000		2017-18 £'000
454	Government Departments	2,837
12,342	Other Police and Local Authorities	9,534
3,314	Other	4,225
<u>16,110</u>		<u>16,596</u>

28. SHORT TERM CREDITORS

PCC Group

2016-17 £'000		2017-18 £'000
326	Income in Advance	772
19,194	Creditors & Accruals	19,727
<u>19,520</u>		<u>20,499</u>

PCC

2016-17 £'000		2017-18 £'000
326	Income in Advance	772
15,784	Creditors & Accruals	15,824
<u>16,110</u>		<u>16,596</u>

29. SHORT TERM BORROWING

This relates to borrowing due for maturing within 12 months.

	Balance at 1st April 2017	Movement 2017-18	Balance at 31st March 2018
	£'000	£'000	£'000
PWLB & Other borrowing	2,426	4,978	7,404

30. PROVISIONS

The PCC and the PCC Group has provided funds for the following:

	Balance at 1st April 2017	Contributions To/From the Provision	Expenditure Met from the Provision	Balance at 31st March 2018
	£'000	£'000	£'000	£'000
Compensatory Grant	22	8	-	30
Legal claims	200	-	-	200
Redundancy	-	179	-	179
	<u>222</u>	<u>187</u>	<u>-</u>	<u>409</u>

Compensatory Grant is a payment to police officers that reimburses them for the amount of income tax paid on rent allowance received in the previous financial year. It is paid early in the following financial year.

The legal claims are anticipated payments to be made in respect of the loss of Protected Pension Age.

The Redundancy provision is the amount of the redundancy costs and pension strain costs expected to be paid during the following financial year.

31. LONG TERM BORROWING

This relates to borrowing that will need to be repaid after more than one year.

	Balance at 1st April 2017	Loans Repaid	New Loans	Transferred to Short Term Borrowing	Balance at 31st March 2018
	£'000	£'000	£'000	£'000	£'000
Public Works Loan Board	26,781	-	14,500	(3,404)	37,877

Debt at 31st March 2017 £'000		Debt at 31st March 2018 £'000
3,404	1 - 2 years	3,411
10,114	2 - 5 years	9,969
10,731	5 - 10 years	11,647
532	10 - 15 years	8,850
2,000	> 15 yrs	4,000
<u>26,781</u>		<u>37,877</u>

32. USABLE RESERVES

The PCC and PCC Group has four revenue reserves and one capital reserve:

Performance Improvement Reserve

This Reserve has been provided specifically to support initiatives that are aimed at securing improvements and will “pump prime” and meet the initial cost of investment in services.

Partnership Reserve

This Reserve was created to allow the PCC/ PCC Group to continue schemes that were previously funded by partner agencies and to support partnership work.

Risk Management Reserve

This Reserve will allow the Chief Constable and the PCC to assist in meeting the cost of items highlighted through the Chief Constable’s and the PCC’s risk management processes.

General Reserve

This Reserve is currently being maintained at 3% of the net revenue budget and is designed to cushion the PCC/ PCC Group against unforeseen expenditure pressures.

Capital Grants Unapplied Reserve

This Reserve reflects Capital Grants received that have yet to be used to fund Capital Expenditure.

The movements on the usable reserves are:

2017-18	Opening Balance £'000	Transfers to/ (from) Reserves £'000	Closing Balance £'000
Revenue Reserves			
Performance Improvement Reserve	24,806	- 4,995	19,811
Partnership Reserve	2,500	- 418	2,082
Risk Management Reserve	1,800	-	1,800
General Reserve	5,220	-	5,220
General Fund Balance	<u>34,326</u>	<u>- 5,413</u>	<u>28,913</u>
Capital Reserve			
Capital Unapplied Reserve	482	- 486	4
Total Usable Reserves	<u>34,808</u>	<u>(5,899)</u>	<u>28,908</u>

2016-17	Opening Balance £'000	Transfers to/ (from) Reserves £'000	Closing Balance £'000
Revenue Reserves			
Performance Improvement Reserve	25,939	(1,133)	24,806
Partnership Reserve	483	2,017	2,500
Risk Management Reserve	1,800	-	1,800
General Reserve	5,196	24	5,220
General Fund Balance	33,418	908	34,326
Capital Reserve			
Capital Grants Unapplied Reserve	-	482	482
Total Usable Reserves	33,418	1,390	34,808

33. UNUSABLE RESERVES

PCC Group

2016-17 £'000	2017-18 £'000
(2,100,757) Pensions Reserve	(2,117,789)
3,387 Capital Adjustment Account	3,104
9,498 Revaluation Reserve	12,683
1,432 Collection Fund Adjustment Account	810
(3,422) Accumulated Absences Adjustment Account	(3,890)
(2,089,862)	(2,105,082)

PCC

2016-17 £'000	2017-18 £'000
(1,699) Pensions Reserve	(1,668)
3,388 Capital Adjustment Account	3,104
9,497 Revaluation Reserve	12,683
1,433 Collection Fund Adjustment Account	810
(23) Accumulated Absences Adjustment Account	(25)
12,594	14,906

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

PCC Group Pensions Reserve

2016-17 £'000	2017-18 £'000
(1,718,008) Opening Balance	(2,100,757)
(351,303) Actuarial Gains or (losses) on the pensions assets and liabilities	32,642
Reversal of items relating to retirement benefits debited /credited to the Surplus or Deficit on the Provision of Services in the CIES	(106,502)
(90,601)	(106,502)
59,155 Employers pensions contributions and direct payments to pensioners	56,828
<u>(2,100,757) Closing Balance</u>	<u>(2,117,789)</u>

PCC Pensions Reserve

2016-17 £'000	2017-18 £'000
(2,061) Opening Balance	(1,363)
944 Actuarial Gains or (losses) on the pensions assets and liabilities	195
Reversal of items relating to retirement benefits debited /credited to the Surplus or Deficit on the Provision of Services in the CIES	(374)
(323)	(374)
77 Employers pensions contributions and direct payments to pensioners	(156)
<u>(1,363) Closing Balance</u>	<u>(1,698)</u>

Capital Adjustment Account

The Capital Adjustment Account is credited with amounts set aside by the PCC/ PCC Group to finance expenditure on non-current assets and absorbs the timing differences that might arise as a result of setting aside of resources being out of line with accounting charges for depreciation and impairment losses.

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

Capital Adjustment Account

2016-17 £'000	2017-18 £'000
4,196 Opening Balance	3,387
52 Direct revenue financing	100
2,688 Minimum revenue provision	1,987
295 Revaluation reserve write down	2,219
1,428 Receipts on disposal of non current assets	591
(1,872) Carrying value of disposed assets	(1,051)
(4,330) Annual depreciation and impairment	(5,223)
82 Historical cost depreciation adjustment	0
848 Application of Government grants to finance capital expenditure	1,093
<u>3,387 Closing Balance</u>	<u>3,104</u>

Revaluation Reserve

The Revaluation Reserve contains the gains made by the PCC/ PCC Group arising from increases in the value of its Property, Plant and Equipment. A transfer can be made from the Revaluation Reserve to the Capital Adjustment Account to reflect the amount of additional depreciation that has been charged due to increases in value. The balance is also reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, or when assets with accumulated gains are disposed of and the gains are realised. The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007, the date the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve

2016-17 £'000		2017-18 £'000
8,692	Opening Balance	9,498
699	Revaluation of non current assets	3,185
189	Amounts written out relating to sold assets	0
(82)	Historical cost depreciation adjustment	0
<u>9,498</u>	Closing Balance	<u>12,683</u>

Collection Fund Adjustment Account

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

2016-17 £'000		2017-18 £'000
1,721	Opening Balance	1,432
	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with	
(289)	statutory requirements	(622)
<u>1,432</u>	Closing Balance	<u>810</u>

Accumulated Absences Adjustment Account

The Accumulated Absences Adjustment 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 Funding Balance is neutralised by transfers to or from the Account.

PCC Group Accumulated Absences Adjustment Account

2016-17 £'000		2017-18 £'000
<u>(3,924)</u>	Opening Balance	<u>(3,422)</u>
	Settlement or cancellation of accrual made at the end of the	
3,924	preceding year	3,422
<u>(3,422)</u>	Amounts accrued at the end of the current year	<u>(3,890)</u>
	Amount by which officer remuneration charged to the CIES on an	
	accruals basis is different from remuneration chargeable in the year	
502	in accordance with statutory requirements	(468)
<u>(3,422)</u>	Closing Balance	<u>(3,890)</u>

PCC Accumulated Absences Adjustment Account

2016-17 £'000		2017-18 £'000
<u>(23)</u>	Opening Balance	<u>(23)</u>
	Settlement or cancellation of accrual made at the end of the	
23	preceding year	23
<u>(23)</u>	Amounts accrued at the end of the current year	<u>(25)</u>
	Amount by which officer remuneration charged to the CIES on an	
	accruals basis is different from remuneration chargeable in the year	
-	in accordance with statutory requirements	-
<u>(23)</u>	Closing Balance	<u>(25)</u>

34. POLICE PROPERTY ACT FUND

2016-17 £'000		2017-18 £'000
37	Opening Balance	86
<u>79</u>	Income (in Year)	<u>103</u>
116		189
<u>30</u>	Less Expenditure	<u>87</u>
<u>86</u>		<u>102</u>

35. CONTINGENT LIABILITIES

A number of potential civil and other claims could be brought against the PCC Group. The total estimated liability is £1,812k (2016-17 £690k). The timing of these claims is very unpredictable and is likely to be over a number of years.

The Chief Constable of Humberside, along with other Chief Constables and the Home Office, currently has 42 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in 2016/17 these claims were heard in the Employment Tribunal.

In 2017/18 the Judiciary and Firefighter claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the judgement. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact.

Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability at the Balance Sheet date.

Regional Working – Employment of Staff

The Regional Collaboration Board has agreed to the adoption of a lead force model to provide managers and staff/officers engaged in Regional Working with consistent Human Resources policy and practices. Under these arrangements police staff will be employed by the lead force on a permanent, substantive basis and Police officers will be seconded.

The PCC for Humberside has agreed to indemnify other PCCs for its share of any costs in the event of any employment tribunal or civil court claims related to regional employment. This indemnity is unlimited. At this time, it is not possible to predict the value or timing of any obligations falling due as a result of this indemnity and so no provision has been made.

Emergency Services Fleet Management (Humberside) Ltd - Pension liability

Emergency Services Fleet Management (Humberside) Ltd is a joint operation of Humberside Police and Humberside Fire Authority to provide vehicle maintenance services to both organisations. Should this arrangement cease (and the company be dissolved) any accrued pension liabilities will be payable equally by Humberside Police and Humberside Fire Authority. There are no current indications or plans to cease this joint operation.

36. PROCEEDS OF CRIME ACT 2002

The PCC holds funds relating to the above Act which have been seized from 3rd parties, as suspected proceeds of crime. At 31 March 2018 the balance of funds seized is £431k (2016-17 £566k). These funds are excluded from the PCC's and PCC Group's Balance Sheet in line with the standard treatment of trust funds. Following the receipt of monies, the Home Office makes the necessary arrangements for the distribution of the agreed shares of the final proceeds to be paid to forces and partners.

37. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

The value of significant capital commitments at 31 March 2018 totalled £8.7M, being £7.6M for buildings, £803k for computers and communications equipment and £250k for vehicles.

38. SPONSORSHIP

Lifestyle

Lifestyle is an initiative, established as part of the crime reduction strategy of Humberside Police. The initiative, which has been in operation since 1989, has been adopted by South Yorkshire and West Mercia Police, and police departments in America and South Africa have also showed significant interest. The aims of Lifestyle are:

- To encourage active citizenship, social responsibility and community spirit.
- To encourage team spirit.
- To reduce criminality by young persons and the fear of crime associated with antisocial behaviour.
- To encourage positive contact between Humberside Police, young people and other bodies and agencies.

The process involves teams of young people running projects that not only benefit the local community but benefit the young people themselves, giving them a focus and challenge during the summer holidays.

Humberside Police supports the administration of Lifestyle. Sponsorship from the public and private sectors pays for the marketing for Lifestyle and covers the cost of prizes for the winning teams. The income and expenditure relating to the initiative is accounted for by the PCC.

Lifestyle Income and Expenditure Statement

2016-17 £'000		2017-18	
		£'000	£'000
	Income		
53	Sponsorship	47	
53	Total Sponsorship monies received		47
	Expenditure		
57	Holidays and prizes	48	
14	Advertising & Promotions	15	
19	Award/Launch Ceremonies	27	
90	Total Expenditure for the year		90
(37)	Balance of Income over Expenditure		(43)

Lifestyle Rock Challenge

Lifestyle Rock Challenge is a performing arts competition aimed at secondary schools, encouraging students to lead a healthy lifestyle and be their best without the need for tobacco, alcohol or other drugs to achieve a natural high through performance. Lifestyle Rock Challenge is classed as a sister project to Lifestyle.

Humberside Police annually raise sponsorship to bring the event to the Humberside region as part of our commitment to educating young people. Income and Expenditure relating to the competition is accounted for by the PCC.

Lifestyle Rock Challenge Income and Expenditure Statement

2016-17 £'000		2017-18	
		£'000	£'000
	<u>Income</u>		
12	Sponsorship	37	
<u>12</u>	Total Sponsorship monies received		37
	<u>Expenditure</u>		
72	Events Organisation	73	
<u>72</u>	Total Expenditure for the year		73
<u>(60)</u>	Balance of Income over Expenditure		<u>(36)</u>

Lifestyle Night Challenge

Lifestyle Night Challenge Income and Expenditure Statement

	2017-18	
	£'000	£'000
<u>Income</u>		
Sponsorship	-	
Total Sponsorship monies received		-
<u>Expenditure</u>		
Events Organisation	3	
Advertising & Promotions	0	
Award/Launch Ceremonies	0	
Total Expenditure for the year		3
Balance of Income over Expenditure		<u>(3)</u>

Police Cadet Scheme

Police Cadet Scheme Income and Expenditure Statement

	2017-18	
	£'000	£'000
Income		
Sponsorship	10	
Total Sponsorship monies received	<u>10</u>	10
Expenditure		
Advertising & Promotions	2	
Award/Launch Ceremonies	2	
Total Expenditure for the year	<u>3</u>	3
Balance of Income over Expenditure	<u>7</u>	7

39. ASSETS AND LIABILITIES IN RELATION TO RETIREMENT BENEFITS

The underlying assets and liabilities for retirement benefits of the PCC and PCC Group at 31 March 2018 and 31 March 2017 are as follows:

	Local Government Pension Scheme		Police Pension Schemes		Totals	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Estimated Liabilities in the Scheme	£'000 (293,685)	£'000 (281,045)	£'000 (2,049,962)	£'000 (2,033,932)	£'000 (2,343,647)	£'000 (2,314,977)
Estimated Assets in the Scheme	225,858	214,220	-	-	225,858	214,220
Net Asset/(Liability)	<u>(67,827)</u>	<u>(66,825)</u>	<u>(2,049,962)</u>	<u>(2,033,932)</u>	<u>(2,117,789)</u>	<u>(2,100,757)</u>

	31 March 2018	31 March 2017
	£'000	£'000
Allocation of Net Asset/(Liability)		
PCC	(1,668)	(1,699)
Chief Constable	(2,116,121)	(2,099,058)
	<u>(2,117,789)</u>	<u>(2,100,757)</u>

The liabilities show the PCC's and PCC Group's long term commitments to pay retirement benefits. The total liability of £2,118m has a substantial impact on the net worth of the PCC and PCC Group as recorded in the balance sheet, resulting in a negative overall balance of £2,076m. It must be noted however that the deficit on the Local Government Pension Scheme will be made good by increased contributions assessed by the scheme actuary every three years. Finance is only required to be raised to cover Police Pensions when pensions are actually paid.

The last actuarial review was carried out on the Local Government Pension Scheme as at 31 March 2016. The next actuarial review takes place as at 31 March 2019.

40. RECONCILIATION OF PRESENT VALUE OF SCHEME LIABILITIES

	Unfunded Liabilities: Police Pension Schemes		Funded Liabilities: Local Government Pension Scheme	
	2017-18	2016-17	2017-18	2016-17
	£'000	£'000	£'000	£'000
1st April	(2,033,932)	(1,667,758)	(281,045)	(240,411)
Current service cost	(35,820)	(22,620)	(13,422)	(7,405)
Past service costs (including curtailments)	(1,350)	-	(352)	(77)
Effect of settlements	-	-	-	-
Interest cost	(53,730)	(58,680)	(7,458)	(8,745)
Contributions by scheme participants	(8,220)	(8,140)	(2,165)	(2,033)
Benefits paid	58,370	60,446	3,844	4,118
Remeasurements:				
Gains and losses from changes in assumptions	9,180	(344,000)	6,939	(48,515)
Experience gains and losses	15,540	6,820	(26)	22,023
31st March	<u>(2,049,962)</u>	<u>(2,033,932)</u>	<u>(293,685)</u>	<u>(281,045)</u>

The expected contributions to the ERYC fund for 2018/19 are £6.4m and £15.2m for the Police Pension Fund.

41. RECONCILIATION OF PRESENT VALUE OF SCHEME ASSETS

	Local Government Pension Scheme	
	2017-18	2016-17
	£'000	£'000
1st April	214,220	190,161
Interest income on Plan assets	5,630	6,926
Employer contributions	6,678	6,849
Contributions by scheme participants	2,165	2,033
Benefits paid	(3,844)	(4,118)
Effect of settlements	-	-
Remeasurements:		
Return on assets excluding net interest	1,009	12,369
31st March	<u>225,858</u>	<u>214,220</u>

42. BASIS FOR ESTIMATING ASSETS AND LIABILITIES

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The Police Schemes have been assessed by GAD (The Government Actuaries Department) and the Local Authority Scheme, which is administered by the East Riding of Yorkshire Council, has been assessed by Hymans Robertson, actuaries.

The main assumptions used in their calculations have been:

	Local Government Pension Scheme		Police Pension Schemes	
	2017-18 %	2016-17 %	2017-18 %	2016-17 %
Rate of Inflation	2.40	2.40	2.30	2.35
Rate of Increases in Salaries				
Long term	2.60	2.60	4.30	4.35
Short term	N/A	N/A	1.00	1.00
Rate of Increase for Pensions	2.40	2.40	2.30	2.35
Rate for Discounting Scheme	2.70	2.60	2.55	2.65
Liabilities				
CARE Revaluation			3.55	3.6
Take up option to convert annual pension into retirement grant:				
Pre April 2008 service	60	60		
Post April 2008 service	80	80		

The sensitivity of scheme liabilities to changes in the main assumptions are:

Percentage increase in scheme liabilities and monetary values:

2017-18	Local Government Pension Scheme		Police Pension Schemes	
	%	£'000	%	£'000
Change in assumption:				
0.5% increase in salaries increase rate	2.0	6,840	1.0	23,000
0.5% increase in pensions increase rate	10.0	29,046	8.0	160,000
0.5% decrease in discounting of liabilities rate	12.0	36,444	10.0	202,000
1 year increase in member life expectancy rate	3.0	9,111	2.5	51,000

Percentage increase in scheme liabilities and monetary values:

2016-17	Local Government Pension Scheme		Police Pension Schemes	
	%	£'000	%	£'000
Change in assumption:				
0.5% increase in salaries increase rate	2.0	6,865	1.1	21,900
0.5% increase in pensions increase rate	10.0	26,785	9.1	184,300
0.5% decrease in discounting of liabilities rate	12.0	34,241	9.5	194,000
1 year increase in member life expectancy rate	3.0	8,560	2.6	53,800

Opposite changes in assumptions would produce equal and opposite changes in scheme liabilities. Doubling the changes in assumptions would produce approximately double the change in scheme liabilities.

The weighted average duration of the scheme liabilities are:

	Local Government Pension Scheme	Police Pension Schemes
	Years	Years
2017-18	21.6	19.0
2016-17	21.6	21.0

The Police Pension Schemes have no assets to cover the liabilities incurred.

Assets in the East Riding of Yorkshire Council Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the assets held by the fund:

	2017-18		2016-17	
Asset quoted prices:	%	£'000	%	£'000
Equity securities	33.9	76,537	36.8	78,842
Debt securities	13.2	29,799	10.5	22,562
Private equity	4.5	10,093	4.7	10,013
Real estate	11.3	25,553	11.7	25,061
Investment funds	34.3	77,488	33.4	71,483
Cash and cash equivalents	2.8	6,387	2.9	6,259
Total		225,858		214,220
In active markets	79.6	179,764	79.0	169,335
Not in active markets	20.4	46,094	21.0	44,885
Total		225,858		214,220

43. ASSUMED MORTALITY RATES

Mortality rates are projected using published tables. Future mortality improvements are in line with the 2014-based UK principal population projections.

Police Pension Fund

Police Pension Fund

2017-18

Current Pensioners			Future Pensioners		
Exact Age	Expectation of life (in years) for existing pensioners		Exact Age	Expectation of life (in years) for existing pensioners	
	Males	Females		Males	Females
65	22.6	24.2	65	24.5	26.1

2016-17

Current Pensioners			Future Pensioners		
Exact Age	Expectation of life (in years) for existing pensioners		Exact Age	Expectation of life (in years) for existing pensioners	
	Males	Females		Males	Females
65	23.2	25.2	65	25.2	27.3

East Riding of Yorkshire Pension Fund

2017-18

Current Pensioners			Future Pensioners		
Exact Age	Expectation of life (in years) for existing pensioners		Exact Age	Expectation of life (in years) for existing pensioners	
	Males	Females		Males	Females
65	21.7	24.2	65	23.7	26.4

2016-17

Current Pensioners			Future Pensioners		
Exact Age	Expectation of life (in years) for existing pensioners		Exact Age	Expectation of life (in years) for existing pensioners	
	Males	Females		Males	Females
65	21.7	24.2	65	23.7	26.4

44. REMEASUREMENTS OF THE NET DEFINED BENEFIT LIABILITY

The IAS19 remeasurement movements on the Pensions Reserve can be analysed into the following remeasurement categories, measured as absolute amounts and as percentages of assets or liabilities at 31 March:

Local Government Pension Scheme

	2013-14		2014-15		2015-16		2016-17		2017-18	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Return on assets, excluding net interest	6,491	4.07	11,300	6.11	(3,975)	-2.09	12,369	5.77	1,009	0.47
Difference between actuarial assumptions about liabilities and actual experience	(6,019)	(2.86)	1,301	0.49	2,060	0.86	22,023	7.84	(26)	(0.01)
Changes in the demographic and financial assumptions used to estimate liabilities	6,057	2.87	(38,803)	(14.60)	36,721	15.27	(48,515)	(17.26)	6,939	2.47
Total IAS19 remeasurements	<u>6,529</u>	3.10	<u>(26,202)</u>	(9.86)	<u>34,806</u>	14.48	<u>(14,123)</u>	(5.03)	<u>7,922</u>	2.93

Police Pension Schemes

	2013-14		2014-15		2015-16		2016-17		2017-18	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between actuarial assumptions about liabilities and actual experience	35,940	2.24	33,780	1.81	74,590	4.54	6,820	0.34	15,540	0.76
Changes in the demographic and financial assumptions used to estimate liabilities	49,790	3.10	(213,500)	(11.47)	189,180	11.49	(344,000)	(16.91)	9,180	0.45
Total IAS19 remeasurements	<u>85,730</u>	5.32	<u>(179,720)</u>	(9.64)	<u>263,770</u>	16.02	<u>(337,180)</u>	(16.58)	<u>24,720</u>	1.23

	2013-14	2014-15	2015-16	2016-17	2017-18
	£'000	£'000	£'000	£'000	£'000
Total IAS19 remeasurements	<u>92,259</u>	<u>(205,922)</u>	<u>298,576</u>	<u>(351,303)</u>	<u>32,642</u>

Allocation of IAS19 remeasurements:

	2017-18
	£'000
PCC	195
Chief Constable	32,447
Total IAS19 remeasurements	<u>32,642</u>

45. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue on 27 September 2018. The PCC Group has reviewed events occurring between 31 March and 27 September 2018, and has not identified any events that are adjusting events in respect of conditions existing at the Balance Sheet date.

46. CASH FLOW STATEMENT – ADJUSTMENTS FOR NON CASH MOVEMENTS

2016-17		2017-18
£'000		£'000
	Notional Pension Costs (in excess of) / less than	
(31,446)	actual pensions paid	(49,674)
(4,035)	Depreciation and Impairments	(5,143)
4,199	Other non cash movements	2,493
<u>(31,282)</u>		<u>(52,324)</u>

47. CASH FLOW STATEMENT – CASH AND CASH EQUIVALENTS

2016-17		2017-18
£'000		£'000
118	Bank imprest and current accounts	24
<u>3,048</u>	Short term deposits with banks and building societies	<u>1,968</u>
<u>3,166</u>		<u>1,992</u>

48. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows from operating activities include the following items:

2016-17		2017-18
£'000		£'000
(109)	Interest received	(54)
1,033	Interest paid	613

49. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2016-17		2017-18
£'000		£'000
5,990	Purchase of Property, Plant and Equipment	12,228
567	Purchase of Intangible Assets	485
(1,331)	Capital Grants received	(1,180)
(1,435)	Proceeds from sale of Property, Plant and Equipment	(591)
(5)	Proceeds from Investments	(13)
<u>3,786</u>	Net cash flows from investing activities	<u>10,929</u>

50. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2016-17		2017-18
£'000		£'000
2,740	PWLB Borrowing/repayments	(16,074)
-	Repayment of Finance Lease liabilities	-
<u>2,740</u>	Net cash flows from financing activities	<u>(16,074)</u>

51. FINANCIAL INSTRUMENTS

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'Financial Instrument' covers both Financial Assets and Financial Liabilities and includes both the most straight forward Financial Assets and Liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Examples of the categories of Financial Instruments, Assets and Liabilities are identified below:

Assets

Bank deposits
Trade receivables
Loans receivables
Other receivables and advances
Investments

Liabilities

Trade payables and other payables
Borrowings (PWLB)

Trade creditors and debtors included as financial instruments are less than the creditors and debtors included in the Balance Sheet as those that are not contractual or are not due to be settled in cash or by another financial instrument are excluded.

The carrying and fair value amounts of financial liabilities and assets held by the PCC Group on the Balance Sheet are:

Financial Liabilities

	31-Mar-17		31-Mar-18	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Trade Creditors	11,453	11,453	6,932	6,932
Cash Overdrawn	226	226	174	174
PWLB Loans	29,207	33,508	41,281	45,851
Other Loans			4,000	4,000
Total	40,886	45,187	52,387	56,957

The fair value is greater than the carrying amount because the PCC Group's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the markets at the balance sheet date. The fair value measurement for loans payable has been provided by the PWLB based on their premature repayment rates. Other Loans represents short term borrowing held at fair value.

Financial Assets

	31-Mar-17		31-Mar-18	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Trade Debtors	14,787	14,821	15,071	15,105
Deposits with Banks and Financial Institutions	3,185	3,185	1,998	1,998
Total	17,972	18,006	17,069	17,103

Financial Liabilities

These relate to loans from the PWLB, which are included in the Balance Sheet as outstanding principal (carrying value) and accrued interest, shown separately within current liabilities. Trade creditors and other payables are shown at the invoiced amounts.

Financial Assets

Temporary investments that have fixed or determinable payments, but are not quoted in an active market, and trade debtors and receivables based on the invoiced/billed amounts.

The nature and the type of Financial Instruments held by the PCC/PCC Group are not significant in relation to the overall financial position of the PCC/PCC Group.

Reclassification / De-recognition

The PCC/PCC Group has not reclassified any Financial Instruments during the year as to how they are measured, i.e. at amortised cost rather than fair value and no financial assets have been transferred during the year, in such a way that part or all do not qualify for recognition. No early repayment has been undertaken.

Collateral

The PCC/PCC Group has not pledged any financial assets as collateral for liabilities during the year and holds no collateral as security.

Impairment, Income and Expenses

Impairments, income and expenses recognised in the Comprehensive Income and Expenditure Statement, in relation to financial instruments are made up as follows:

Effect of Financial Instruments on the Comprehensive Income and Expenditure Statement

Charges and income to the Comprehensive Income and Expenditure Statement in relation to Financial Instruments are made up as follows:

	Financial Liabilities	Financial Assets	
	PWLB Loans £'000	Deposits with Banks and Financial Institutions £'000	Total £'000
Interest Expense	1,010		1,010
Impairment		(13)	(13)
Interest Income		(58)	(58)
Net Affect for the Year	1,010	(71)	939

The PCC's and PCC Group's activities expose it to a variety of financial risks:

- **Credit Risk**
The possibility that other parties might fail to pay amounts due to the PCC Group
- **Liquidity Risk**
The possibility that the PCC Group might not have funds available to meet its commitments to make payments
- **Market Risk**
The possibility that financial loss might arise for the PCC Group as a result of changes in such measures as interest rates and stock market movements

The PCC Group's overall Risk Management Policy in relation to financial instruments is embedded within the Treasury Management Strategy Statement. The Policy has been prepared to include the requirements of the CIPFA Code of Practice in Treasury Management. In relation to specific risk categories set out above, the PCC Group's position is as follows:

- **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the PCC Group's customers.

The PCC Group regards the prime objective of its Treasury Management activities to be the security of the principal sums it invests.

Deposits are made in accordance with the treasury management practices and associated schedules approved as part of the treasury management policy statement.

Customers of the PCC Group are assessed, taking into account their latest financial standing and credit for customers is not generally allowed.

The Debtors at 31 March 2018, includes £14.9m that relates to Central and Local Government organisations, and as such is not classed as a credit risk. The profile of the remaining debtors which are monitored on a regular basis is set out below:

	2016-17 £'000		2017-18 £'000
Up to Three Months	382	Up to Three Months	415
More than Three Months	33	More than Three Months	-
	<u>415</u>		<u>415</u>

- **Liquidity Risk**

As at 31 March 2018 the PCC Group had balances on revenue reserves of £28.909m and deposits with banks and financial institutions of £3.8m. The PCC Group also has access to borrowing from the Public Works Loan Board (PWLB). There is therefore no significant risk that the PCC Group would be unable to meet its financial commitments.

As part of the Treasury Management Strategy Statement the PCC Group considers the maturity analysis of borrowings at the beginning of the financial year in order to manage the profile of debt repayable. The position at 31 March 2018 is as follows:

	2016-17 Actual at 31-Mar-17 £'000	2017-18 Actual at 31-Mar-18 £'000
One Year	2,426	3,404
Between One and Two Years	3,404	3,411
Between Two and Five Years	10,114	9,969
Between Five and Ten Years	10,731	11,647
Between Ten and Fifteen Years	532	8,850
More than Fifteen Years	2,000	4,000
	<u>29,207</u>	<u>41,281</u>

- **Market Risk**

The PCC Group is not exposed to specific risk in terms of interest movements as both borrowings and investments are at fixed rates. The PCC Group manages its exposure to fluctuations in interest rates with a view to containing its costs within approved budgets within the arrangements set out in its Treasury Management Strategy Statement.

Fluctuations in market interest rates are a factor that is considered when formulating the PCC Group's Medium Term Resource Strategy (MTRS) which provides a framework for investment and borrowing decisions.

- Price Risk

The PCC Group does not invest in equity shares and so has no exposure to risk arising from movements in the prices of shares.

- Foreign Exchange Risk

The PCC Group has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

- Unrecognised Gains or losses relating to Financial Instruments

The PCC Group has no financial assets with unrecognised gains or losses at the balance sheet date.

POLICE PENSION FUND ACCOUNTS

The Code of Practice on Local Authority Accounting sets out the accounting treatment for the Police Pension Fund Accounts in the financial year 2017-18.

The Chief Constable is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. All payments and receipts are made to and from the Police and Crime Commissioner for Humberside's ("PCC") Police Fund. These Police Pension Fund Accounts do not form part of the Chief Constable's or PCC Group Financial Statements.

TRANSACTIONS RELATING TO 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 make the payments that need to be disclosed at the time that employees earn their future entitlement.

The PCC Group participates in the following pension schemes:

- The Police Pension Schemes for police officers – three schemes are provided for police officers, the 1987 Scheme with officers' contributions for 2017-18 in a range of 14.25 to 15.05% (2016-17 14.25 to 15.05%), the 2006 scheme has officers' contributions in a range 11.00 to 12.75% (2016-17 11.00 to 12.75%) and the 2015 scheme which has officers' contributions in a range of 12.44 to 13.78% (2016-17 12.44 to 13.78%). All schemes are unfunded schemes, i.e. no investment assets are built up to meet the pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.
- The Local Government Pension Scheme for police staff, administered by the East Riding of Yorkshire Council – this is a funded scheme, i.e. the PCC and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The accounting and funding arrangements for Police Pensions are detailed below:

POLICE PENSION FUND ACCOUNTS

2016-17 £'000		2017-18 £'000
	CONTRIBUTIONS RECEIVABLE	
	Police & Crime Commissioner ("PCC"):	
(12,297)	- contributions at 21.3% (2015-16 21.3%) of pensionable pay	(12,560)
(388)	- early retirements - Ill Health	(1,032)
(7,941)	Officers' contributions	(8,042)
(20,626)		(21,634)
	TRANSFERS IN	
(303)	Transfers in from other Pension Schemes	(1,342)
	BENEFITS PAYABLE	
45,566	- pensions	47,355
14,164	- commutations and lump sum retirement benefits	11,736
100	- lump sum death benefits	111
		59,202
	PAYMENTS TO AND ON ACCOUNT OF LEAVERS	
4	- refunds of contributions	20
-	- transfers out to other Pension Schemes	-
102	- transfers out to other Police Forces: 1974 arrangements	289
		309
39,007	NET AMOUNT PAYABLE FOR THE YEAR BEFORE TRANSFER FROM THE PCC	36,535
(37,333)	ADDITIONAL FUNDING PAYABLE BY THE PCC TO MEET THE DEFICIT (FUNDED BY THE HOME OFFICE)	(34,825)
(1,674)	ADDITIONAL FUNDING PAYABLE BY THE PCC TO MEET THE DEFICIT (NOT FUNDED BY THE HOME OFFICE)	(1,710)
-	NET AMOUNT PAYABLE/RECEIVABLE FOR THE YEAR	-

NET ASSETS STATEMENT

2016-17 £'000		2017-18 £'000
	Current Assets	
168	Police Fund Debtor	75
	Current Liabilities	
(168)	Unpaid Pensions Due	(75)
-		-

NOTES TO THE POLICE PENSION FUND ACCOUNTS

The Police Pension Fund Account was established during 2006-07 with legal status being given by the Police Pension Fund Regulations 2007 (SI 2007 no. 1932).

The Police Officer Pension Schemes make up the account:

- 1987 Police Pension Scheme, contribution rates 14.25 to 15.05%
- 2006 Police Pension Scheme, contribution rates 11.00 to 12.75%
- 2015 Police Pension Scheme, contribution rates 12.44 to 13.78%

PCCs are obliged to include the Pension Fund Account in their Statement of Accounts in accordance with regulation 7(1)(d) of the Accounts and Audit Regulations 2003. The Fund is administered and managed by the Humberside Police Finance Section.

The fund is charged with all pensions expenditure in accordance with Home Office guidance, with income being employee contributions, employer contributions, which for 2017-18 was 21.3% of pensionable pay (2016-17 21.3%).

Other income items within the fund are transfer payments from other pension schemes and a capital charge that is twice the average pensionable pay of officers that retire on ill health.

The Home Office provide a pension "top up" grant to fund differences on the fund account, 80% is received up front for the relevant financial year, with the balance provided on submission of the PCC's financial statements.

There has been an adjustment of 2.9% to the cash flow to the Police Pension Fund due to the reduction in the employer contribution rate from 24.2% to 21.3% being reflected in a reduction in HM Treasury pensions top up funding of £1.710k (2016-17 £1,674k).

There are no investment assets, the fund is balanced to nil at the yearend by either a contribution from the Police Fund, or if a surplus balance on the fund, a transfer to the Police Fund.

The fund does not account for benefits payable in the future (IAS 19 Employee Benefits), which is a divergence from the accounting policy for the Police Fund Account as stated in the statement of accounting policies. Details of the long term pension obligations and the cost of pensions can be found in the PCC Group's financial statements.

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department.

The responsibility for future pension benefits still lies with the PCC Group, through the Police Fund Account. The responsibility for amounts due to/from the Fund Account and the Home Office is shown within the Police Fund, not the Pensions Fund.

As previously stated the Chief Constable is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. All payments and receipts are made to and from the PCCs Police Fund. As such, the Chief Constable and the PCC are the only related parties to the Fund and all the transactions shown in the Police Pension Fund Accounts have been processed through the PCC.

GLOSSARY OF ACCOUNTING TERMS

The PCC and PCC Group has adopted the International Financial Reporting Standards ("IFRS") based Code of Practice on Local Authority Accounting as its standard basis of accounting.

Definitions of accounting terms used are given below:

Term	Definition
Accounting period	The period of time covered by the financial statements, normally a period of twelve months.
Accruals basis	Under the accruals concept, expenses are recognised when incurred, not when the cash is actually paid out, and revenue is recognised when it is earned, not when the cash is actually received.
Agency cost	Services which are performed by or for another authority or public body, where the agent is reimbursed for the cost of the work done.
Amortisation	The term used for depreciation of intangible assets such as the annual charge in respect of computer licenses the PCC/ PCC Group has purchased.
Asset	An item owned or leased by the PCC/ PCC Group, which has a value, for example, land and buildings, vehicles, equipment, cash.
Assets held for sale	Assets are held for sale if their value will be recovered through a sale transaction rather than through continuing use.
Balance Sheet	This represents a summary of all the assets and liabilities of the PCC/ PCC Group.
Capital expenditure	Expenditure on new assets or on the enhancement of existing assets so as to prolong their useful life or enhance value.
Capital Financing Account	This account represents amounts set aside from revenue or capital receipts to finance expenditure on property, plant and equipment or for the repayment of external loans and certain other capital financing transactions.
Capital Financing Requirement (CFR)	The Capital Financing Requirement is a measure of the extent to which the PCC/ PCC Group needs to borrow to support capital expenditure. It does not necessarily relate to the actual amount of borrowing at any point in time.
Capital receipts	Proceeds from the sale of property, plant and equipment.
Carry overs	These are underspends at the end of the financial year, which are carried forward into the next financial year to support that year's expenditure plans.
Cash and cash equivalents	Cash includes cash held in bank accounts and cash in hand. Cash equivalents are assets that can be readily converted into cash such as deposits and certain short term investments.

CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the main professional accountancy body relating to the public sector.
Collection Fund	Precept Income is collected on behalf of the PCC by the four billing Authorities (East Riding of Yorkshire Council; Kingston upon Hull City Council; North East Lincolnshire Council and North Lincolnshire Council). The precept income is then paid to the PCC as Precept Income.
Contingent asset or liability	An asset or liability that is not recognised in the financial statements due to the level of uncertainty surrounding it but is disclosed as it is possible that it may result in a future inflow or outflow of resources.
Creditors	Amounts owed by the PCC/ PCC Group for goods received or services rendered but not yet paid for at the end of the financial year.
Current asset or liability	An asset or liability that the PCC/ PCC Group expect to hold or discharge for a period of less than one year from the Balance Sheet date.
Debtors	Sums of money due to the PCC/ PCC Group for work done or services supplied but not received at the end of the financial year.
Deferred liabilities	Liabilities which by arrangement are payable beyond the next year at some points in the future or paid off by an annual sum over a period of time.
Depreciation	The accounting charge representing the use of property, plant and equipment assets which spreads the cost or value of the asset over its useful life.
Employee benefits	All forms of consideration given to employees for services rendered. These are salaries and wages, social security costs (national insurance), superannuation contributions, paid sick leave, paid annual and long service leave and termination payments.
Financial instruments	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
Financial Regulations	A written code of procedures approved by the PCC to provide a framework for the proper financial management of the PCC/ PCC Group.
Going concern basis	The underlying assumption used in producing the financial statements that the PCC/ PCC Group will continue to operate for at least 12 months from the Balance Sheet date.
Impairment	The fall in the value of an asset.
Income Received in Advance	Income received that should be classed as a benefit in the next financial year.
Intangible assets	Capital expenditure which does not create a tangible asset.
Inventories	Stocks held by the PCC/ PCC Group such as uniforms, fuel etc.

Leases	A method of financing expenditure over a period of time. There are two types of lease: <ul style="list-style-type: none"> ▪ Finance lease, where the risks of ownership are transferred to the lessee and where the assets are recorded in the PCC's/ PCC Group's Balance Sheet at a current valuation. ▪ Operating lease, where the risks of ownership stay with the leasing company and the annual rental charges are made via the Comprehensive Income and Expenditure Statement.
Liability	An amount owing to a third party such as a loan or unpaid invoice from a supplier.
Local Authority Accounting Panel (LAAP) bulletin	Latest update from CIPFA detailing amendments and guidance to changes in Local Authority Accounting Practice.
Minimum Revenue Provision (MRP)	The Minimum Revenue Provision is the amount required by statute that the PCC/ PCC Group must fund to cover the redemption of external debt, including any supported or unsupported borrowing used to fund capital; the MRP amount being equal to the capital expenditure funded by the borrowing over the expected life of the assets.
Medium Term Resource Strategy (MTRS)	The MTRS covers a 5 year period and describes the financial direction of the Chief Constable and the PCC capturing known and estimated funding, financial pressures, staffing resources and development needs as well as seeking to identify financial risks. It is an indication of the likely direction of financial planning over the next year.
Net assets	Total assets less total liabilities.
Non-current asset or liability	An asset or liability that the PCC/ PCC Group expects to hold or discharge for a period of more than one year from the Balance Sheet date.
Non Distributed Cost	This is where overheads are not charged or apportioned to activities within the SeRCOP service expenditure analysis.
Police Property Act Fund	This relates to amounts of cash and belongings taken in by the PCC where no obvious owner has been ascertained in line with the Police Property Act 1897.
Precept	A levy which the PCC makes through the Council Tax to pay for services.
Prepayment	Where an amount of expenditure is paid in the current financial year, but the goods or services are a benefit in the next/following year.
Proceeds Of Crime Act 2002	This relates to cash seized which is believed to be the result of criminal activities.
Provision	An amount set aside to provide for a liability which is likely to be incurred but the exact amount and the date on which it will arise are uncertain.

Prudential Borrowing	This is the borrowing as part of funding of capital expenditure, where no actual loan is taken out to match the element of expenditure incurred. The affect is shown through the Capital Financing Requirement and is the amount to be funded when all other funding types i.e. capital grant, revenue, capital receipts etc. have been used.
Remeasurements of the Net Defined Benefit Liability	For a defined benefit pension scheme, the changes that arise because : <ul style="list-style-type: none"> ▪ events have not coincided with actuarial assumptions made for the last valuation (experience gains and losses) or ▪ The actuarial assumptions have changed.
Reserves	General reserves are accumulated balances available to support revenue or capital spending and meet unforeseen events. Earmarked reserves are amounts set aside for an agreed purpose in one financial year and carried forward to meet expenditure in future years.
Revenue expenditure	Spending on day to day items, including salaries, premises costs and supplies and services.
SeRCOP	The Service Reporting Code of Practice for Local Authorities (SeRCOP) establishes proper practices with regard to consistent financial reporting for services. All local authorities are expected to comply with its requirements.
The Code	The Code of Practice published by CIPFA, relating to Local Authority Accounting in the United Kingdom and is issued each year.
Unrealised gains and losses	Unrealised gains and losses are those which have been recognised by the PCC/ PCC Group in its financial statements but are only potential gains as they have yet to be realised, such as rises and falls in the value of land and buildings due to changes in the property market. The gain or loss only becomes realised when the property is sold.

Acronyms and Abbreviations

ACPO	Association of Chief Police Officers
APACE	Association of Police and Crime Chief Executives
ASB	Anti-Social Behaviour
CCRF	Commissioners Crime Reduction Fund
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CJS	Criminal Justice System
CPS	Crown Prosecution Service
CSE	Child Sexual Exploitation
CSP	Community Safety Partnership
CSR	Comprehensive Spending Review
DCLG	Department of Communities and Local Government
GAD	Government Actuaries Department
HMICFRS	Her Majesty's Inspector of Constabulary
HP	Humberside Police
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IPCC	Independent Police Complaints Commission
IPOC	Independent Office of Police Complaints
JAC	Joint Independent Audit Committee
JSOU	Joint Special Operations Uniformed
LAAP	Local Authority Accounting Panel
LCJB	Local Criminal Justice Board
MHCLG	Ministry of Housing and Local Government
MRP	Minimum Revenue Provision
MTRS	Medium Term Resource Strategy
NPCC	National Police Chiefs Council
NPT	Neighbourhood Policing Teams
ONS	Office for National Statistics
OPCC	Office of the Police and Crime Commissioner
OPCCNY	OPCC for North Yorkshire/ North Yorkshire Police
OPCCSY	OPCC for South Yorkshire/ South Yorkshire Police
OPCCWY	OPCC for West Yorkshire/ West Yorkshire Police
OPPB	Operational Policing Programme Board
PaCCTS	Police and Crime Commissioners Treasurers' Society
PCC	Police and Crime Commissioner
PCP	Police and Crime Panel
PDR	Performance Development Review
PEQF	Police Entry and Qualifications Framework
PRSRA	Police Reform and Social Responsibility Act
PSC	Police Staff Council
PWLB	Public Works Loans Board
RCB	Regional Collaboration Board
SeRCOP	Service Reporting Code of Practice for Local Authorities
SOLACE	Society of Local Authority Chief Executives

