



Northamptonshire Police and Crime Commissioner - Group Statement of Accounts for the year 2017/18

<u>Table of Contents</u>	<u>Page</u>
Foreword by the Police and Crime Commissioner – Mr S Mold	4
Narrative Report 2017/18	5
Chief Finance Officer’s Foreword and Financial Summary	18
Annual Governance Statement for Group Statement of Accounts 2017/18.....	35
East Midlands Police Collaboration AGS	48
Statement of Responsibilities for the Statement of Accounts.....	49
Group- Expenditure and Funding Analysis	50
Group - Movement in Reserves Statement	51
Group- Comprehensive Income and Expenditure Statement	52
Group - Balance Sheet.....	53
Group - Cash Flow Statement	54
Notes to the Accounts	55-119
Glossary of Terms	119
Audit Opinion.....	122
Police and Crime Commissioner (PCC) Accounts.....	Annex A

Foreword by the Police and Crime Commissioner – Mr S Mold

The Statement of Accounts is produced annually to give local taxpayers, employees and other interested parties clear information about Northamptonshire Police finances. The narrative report is designed to provide an explanation of the financial position and to assist in the interpretation of the financial statements. It contains information about the activities of the Office of the Police and Crime Commissioner and the main influences on the financial statements to provide a link between the Police activities; Police and Crime Plan; future challenges and how these impact on its financial resources.

These accounts reflect the financial performance of the Office of The Police and Crime Commissioner for Northamptonshire (OPCC) and are in accordance with the Police Reform and Social Responsibility Act 2011. I am responsible for Policing across Northamptonshire, commissioning services from the police and other agencies, working collaboratively to improve outcomes for local people and communities and ensuring value for money.

My narrative report is structured as follows:

1. The Role of the Police and Crime Commissioner (PCC)
2. Funding of Northamptonshire Police
3. Police and Crime Plan 2017-21
4. Budget 2017/18
5. Strategic Overview and Collaboration
6. Key Deliverables and Outcomes
7. 2017/18 Performance Review
8. Budget 2018/19
9. Looking Ahead

1. THE ROLE OF THE POLICE AND CRIME COMMISSIONER (PCC)

The role of the Police and Crime Commissioner is to represent the public. The legal responsibilities of the Commissioner are enshrined in legislation and the functions are set out in the Police Reform and Social responsibility Act 2011 (and acts amended by that act).

This sets out the high level responsibilities of the PCC and that of the Chief Constable. In addition, the Financial Management Code of Practice for the Police (England) builds on the Policing Protocol and describes the working financial relationship between both parties. The main roles of the PCC are:

- Set the strategic direction for Policing through the Police and Crime Plan
- Be responsible for the totality of the policing in the County of Northamptonshire
- Have a strategic duty and electoral mandate to ensure an efficient and effective police service and to hold the Police Force to account on behalf of the public
- Have a statutory responsibility for the Police Fund (section 21 of the Police Reform and Social Responsibility Act 2011)
- Hold the Chief Constable to account
- To hire or remove the Chief Constable
- Lead support services for victims and witnesses of crime
- Decide how a budget is allocated between the Force and the OPCC (the 2017/18 total budget envelope amounted to £123.125m)
- Improve community safety and help evolve the criminal justice system, and
- Contribute to Police resourcing debate in national forum and international responses to threats

Policing is being delivered in an environment of continuing austerity and ever decreasing financial support from Central Government. I will continue to work with partners in the public sector and beyond to deliver the best policing service for Northamptonshire and this includes working closely with the Chief Constable to deliver real and lasting change. The law requires that I hold the Chief Constable to account for the performance of the Force and retain the ability to challenge where necessary to deliver real and lasting change.

2. FUNDING OF NORTHAMPTONSHIRE POLICE

Funding of Police Service is from two distinct areas; these are;

Central Government (Funding and Legislative changes)

The Government sets the national policing priorities; passes new laws and allocates central funding to each Police and Crime Commissioner, through the Core Settlement (otherwise known as the Police Grant) as well as the ex-DCLG funding.

Local Government

The remainder of the Police annual funding settlement is met by precept, which is included as part of the police precept charged against the rates. Local Authorities are then required to hand these funds to the designated Policing body, i.e. the PCC. The receipting Authorities for Northants Police are:

Council Tax Base Tax Base	Band D Properties		Band D Properties		% change
	2016/17 Tax Base Number of Properties	Precept £	2017/18 Tax Base Number of Properties	Precept £	
Corby	17,892.00	3,667,144	18,336.00	3,832,957	2.48
Daventry	28,838.02	5,910,641	29,857.91	6,241,498	3.53
East Northamptonshire	30,084.00	6,166,017	30,871.00	6,453,274	2.62
Kettering	30,450.00	6,241,032	31,234.00	6,529,155	2.57
Northampton	64,357.94	13,190,803	65,709.00	13,735,809	2.10
South Northamptonshire	33,849.70	6,937,835	34,474.00	7,206,445	1.84
Wellingborough	23,480.00	4,812,461	23,849.00	4,985,395	1.57
Total	228,951.66	46,925,933	234,330.91	48,984,533	

2.1 National Perspective

One of my key roles is to lobby central Government on behalf of the public in Northamptonshire. There are a number of areas that I am currently seeking further debate with the Home Office and other government departments. During 2017/18, I continued to lobby for both a fairer funding settlement from the funding formula review and the opportunity to set a precept level above the 2% referendum limit to mitigate the significant medium term financial shortfall facing Northamptonshire Police. Whilst the funding formula review is unlikely to take place before the next Comprehensive Spending Review, in the 2018/19 funding settlement, Police and Crime Commissioners (PCCs) were given the flexibility to increase precept by up to £12 per annum (£1 per month) to help mitigate these pressures. Furthermore, the settlement also gave PCCs potential to levy a precept increase of up to £12 per annum in 2019/20.

We also take the lead nationally following the new government initiative for greater joint working between Emergency Services. This change in the law means there is greater opportunity for our Fire and Rescue Services and our Police Force to work much more closely together to keep communities safe.

Central Government

The Home Secretary produces the Strategic Policing Requirement, which outlines the resources and capabilities that are required for Northamptonshire to support any national efforts to prevent and deter threats to National Security.

I have a statutory duty to have regard to this and will continue to ensure that Northamptonshire contributes to the national agenda with appropriate levels of resourcing whenever required. This includes lobbying the Government (in particular the

Home Office and Ministry of Justice) for change that will make a difference to the safety of residents in Northamptonshire.

I personally represent PCCs and Northamptonshire on the Board of a number of key national workstreams and projects to help drive forward change and improvements and work with colleagues in the Association of Police and Crime Commissioners (APCC) to ensure that a collective voice is heard.

Legislative Changes - Blue Light Integration

The Police and Crime Bill received Royal assent on the 31st of January 2017. This bill will enhance local accountability of the Fire and Rescue Services by enabling PCC's to take over the governance from the existing Fire Rescue Authorities; where a local case is made.

In Northamptonshire we are pioneers in developing potential blue light integration and in 2017/18 I submitted a business case to take advantage of the opportunities this Act presents. The business case put forward the case for change of governance, but to keep Police and Fire as separate organisations. The benefits include:

- Greater accountability to the public as a result of single elected Commissioner
- Greater transparency in the funding of Fire and Rescue precept
- Single strategic vision in keeping 'Northamptonshire safer'
- Potential for even more efficiencies in operational activities in-particular potential rationalisation of the Estates portfolio
- Greater clarity on the source of funding via the use of specific grant that will come direct to the Service as opposed to currently paid via the County Council (which can be used to fund any of their functions)

Public consultation to the proposed business case was positive and was approved by the Minister in Spring 2018.

Blue light integration will allow for a more streamlined decision making process, thus enabling further progress on delivering a more efficient and effective service to the public.

Additional Funding Sources

As part of the broader central government engagement I intend to seek and influence decisions over the use of the Government's Transformation Fund through the Police Reform and Transformation Board so that people in Northamptonshire benefit from funding at every opportunity.

2.2 Local Perspective

The General Public

The public ultimately hold policing to account. At national level this is through voting for individual MPs and ultimately through general elections. At local level ratepayers vote for

the Police and Crime Commissioner in each 'policing' geographical area as well as paying rates for the police element of the council tax rates.

During the period October to December 2017, the PCC undertook consultation on the level of the precept to gain the views of local residents. This consultation was led by the Institute of Public Safety, Crime and Justice and included the views of 1,222 local residents. Whilst results across local authority boundaries and demographics varied slightly, all groups were overwhelmingly supportive of an increase in excess of 19 pence per week (5%).

3. POLICE AND CRIME PLAN 2017-2021

One of the duties of the Police and Crime Commissioner is to produce and publish a Police and Crime Plan for the Force Area. Fundamentally this is a plan for the residents of Northamptonshire to make the County safer. The Police and Crime Plan was published in February 2017, and will be effective until 2021. My commitment is to deliver better policing, support to victims and continuing to strive to deliver a safer Northamptonshire. I will ensure that the public feel safe and thrive in Northamptonshire with fewer people involved in the Criminal Justice system whether as a victim or as an offender by:

- Keeping children and young people safe
- Community partnership
- Protecting people from harm
- Putting victims at the heart of justice

4. BUDGET 2017/18

The PCC is the recipient of all funding, including the police grant from the government and funding raised by the Council Tax precept, related to policing and crime reduction. How this money is allocated is a matter for the PCC, except in relation to a small number of specific grants, such as those for counter-terrorism, in consultation with the Chief Constable; who may provide professional advice and recommendations.

Shortly after being elected, I set out my commitment to ensuring the Office of Police and Crime Commissioner is as efficient as possible and that we have the maximum amount of money available to go directly towards making Northamptonshire safer.

The budget set at the beginning of the year was £123.1m and was allocated as follows

- Total Force Revenue Budget £115.6m
- OPCC Revenue Budget £3.9m
- Capital Financing £1.7m
- Contribution to Earmarked Reserves £1.9m

The net 2017/18 budget underspend relating to Force was £0.272m. There was a subsequent transfer of £0.032m to reserves for insurance purposes, adjusting the final outturn to £0.240m. These funds have been allocated to the General Fund in the first instances and may be reallocated to Earmarked Reserves through the Commissioners strategy in 2018/19. The OPCC outturn was £0.238m underspend. These funds have been transferred to OPCC Initiatives Reserve and will be used for carry forward requests in 2018/19.

5. STRATEGIC OVERVIEW AND COLLABORATION

5.1 Estates

During the tenure of the first Police and Crime Commissioner he made a decision to sell the current Police Headquarters at Wootton Hall; with the contract being executed prior to my appointment. When I entered office, Northamptonshire Police were without a designated headquarters or wider estates strategy, something Her Majesty's Inspector of Constabulary highlighted as being a threat to the future efficiency and effectiveness of the Force. I prioritized the work to formally revise the original contract terms of the sale of part of Wootton Hall in a move that codifies the joint Northamptonshire Police and Fire Headquarters to remain on the current site, for which contracts have been exchanged and completion will take place in the near future. This provides both clarity and stability for both Police and Fire staff and an opportunity to develop the site, which further maximises the collaboration opportunities between both parties.

The Police 'estate' has suffered from years of under-investment and I'm delighted that despite the difficult nature of this situation, work on the Northern Area Accommodation has completed and an Estates Strategy has been developed together with the Force to provide investment in the estate and support the delivery of the demand-led Service Delivery Model, implemented in the Autumn of 2017. The Estates Strategy is available on the PCC website.

5.2 Regional and National Collaboration

The Home Office has actively encouraged collaborative working between Police Forces and Fire Authorities. For over 10 years Forces and Police Authorities and PCC's within the East Midlands Region (Northamptonshire, Derbyshire, Leicestershire, Lincolnshire and Nottinghamshire) have collaborated on a wide range of activities both formally and informally.

Driving the collaboration agenda are 5 guiding principles:

- i. that local policing remains local
- ii. any collaboration helps deliver a more efficient and/or effective policing for Northamptonshire
- iii. all areas of business are considered
- iv. decisions not to participate in a particular collaboration are reviewed regularly, as circumstance may change
- v. any cost and/or benefits are shared between participating Forces

As the collaborative approach has matured, we have been able to develop a mix of collaborative activities that sees two, three, four or all five Forces taking part. Some of these arrangements include:

- East Midlands Criminal Justice Service

This is a collaboration in relation to post charge case and file building and other aspects of criminal justice system support.

- East Midlands Operational Support Services

In 2017/18, this collaboration took place across four East Midland Forces and related to firearms roads, policing, dogs and other specialist tactical services. A review of the collaboration took place during the year by the four forces and, as a result the collaboration has been restructured for 2018/19 and will provide for three East Midlands Forces.

- East Midlands Specialist Operation Unit

This collaboration includes homicide investigation, major crime and serious and organised criminality and groups.

- EMCHRS (East Midlands Centralised HR Services)

This is a collaboration that relates to Human Resources (HR) and learning and development.

- MFSS (Multi Force Shared Service)

This transaction Shared Service for Finance and HR.

5.3 Police and Fire Collaboration

The Policing and Crime Act 2017 provided new legislation to:

- Place a statutory duty on the three emergency services to collaborate.
- Enable Police and Crime Commissioners (PCCs) to be represented on the Fire Authority.
- Enable PCCs to make a local case to take on governance of the fire and rescue service as the fire authority.
- Further enable the PCC to make a local case for fire and rescue and police to become a single organisation under a single chief officer.

In the spring and summer of 2017, I consulted on a business case which considered all four options, including the preferred option to take on governance. The consultation ran for eight weeks from the 20th June to 1st August 2017 where 1,212 people took part from a range of demographics both internally within the police and fire services and from within the wider community. Overall, 60.8% of respondents to the consultation were supportive of the PCC taking on the governance of the Fire and Rescue Service within Northamptonshire.

The business case was submitted to the Home Office in the summer of 2017 and was approved in April 2018 with an implementation date of Autumn 2018.

Collaboration can deliver real efficiencies and I am committed to ongoing consideration of further collaborations, whether within East Midlands or elsewhere, with the proviso that any future arrangements would provide benefits for the people of Northamptonshire and only if such arrangements increase effectiveness; make processes more efficient and/or provide savings to be reinvested in other areas requiring investing.

The OPCC, the Fire Service and Northamptonshire County Council are working hard together to implement the change by the Autumn of 2018 to become the Police, Fire and Crime Commissioner.

I will continue to look at opportunities to save costs in the County by collaborating with others to provide an effective and efficient Police Service. However, all collaboration

agreements will be kept under review to ensure efficiencies are maintained, thus ensuring local policing remains local.

6. KEY DELIVERABLES AND OUTCOMES

Digital Transformation

Digital technology is an area in which both the OPCC and the Force will work closely to review and where applicable improve how the organisation uses digital technology. It is vital that we maintain focus as threats of online or cyber-crime are increasingly evolving in complexity and ever changing threats.

We have been able to identify key areas on which we can build technological transformation in our use of IT and how innovative and proven technological solutions can improve performance of the Force and the wider local criminal justice system and this is supported by the ICT Strategy developed by the Force in March 2018.

Crime and Disorder Grants

As the PCC I have the authority to make crime and disorder grants to 'organisations' that deliver against the set objectives as documented in my Police and Crime Plan. During 2017/18, I continued with the approach through the Community Foundation to grant-making to ensure that groups and organisations are able to easily apply and have access to funds to support their work. This new approach is to provide grants through the *Northamptonshire Community Foundation*. More information can be found on the Northampton Community Foundation Website (<http://www.ncf.uk.com>).

Early intervention

One of the cornerstones of the Police and Crime Plan is responding to the needs of individuals, children and families at the earliest opportunity to reduce harm and risk. The likelihood that people will become victims or perpetrators of crime will reduce through early intervention and is an essential tool in terms of the police working closely with partners across the County to share information and identify the right support for people at the right time. In January 2018, as part of the 2018/19 budget, I have set aside £0.6m funding in my OPCC managed budgets and ring fenced the sum of £1.5m from reserves to drive forward developments and initiatives in this important area.

Victims Voice

In October 2014, the PCC assumed the statutory responsibilities for commissioning support for Victims and Witnesses of Crime. It is vital that every victim and witness to crime is provided with the support they need to recover and thrive. I am determined that the services we offer are seamless and can meet the different needs of communities across our County.

During 2017/18, I took the decision not to recommission the adult element of the previous Victims services but to instead create a wholly owned company limited by guarantee to deliver the service. The reasons for this decision included:

- A desire to have greater control over the service

- To increase the flexibility to respond to changing patterns of crime than are afforded by a traditional contract
- To provide a more sustainable, long term model for the service without the cyclical nature of contracts
- The ability over time to bring external funding in through developing commercial products and services

The new company started to deliver services in 2017/18.

7. 2017/18 PERFORMANCE REVIEW

There are a number of external checks and balances that are in operation to ensure that Northamptonshire Police comply with legislative requirements; best practice and efficiency reviews can be summarised under the following headings:

Her Majesty's Inspector of Constabularies (HMICFRS)

Each year the HMICFRS assesses each Police Force in England and Wales on their effectiveness efficiency and legitimacy (known as the PEEL assessments) with a judgement as outstanding, good, requires improvement or inadequate based on inspectors' findings, analysis and the Inspectors' professional judgement across the year.

The latest report was produced following an inspection in September 2017 and rated Northamptonshire as requiring improvement in the areas of preventing crime and tackling anti-social behaviour, investigating crime and reducing reoffending, protecting vulnerable people and tackling serious and organised crime.

Whilst acknowledging the progress recognised by HMICFRS in their report, I have advised the Chief Constable that I expect to see operational issues resolved swiftly to enable hard working staff and officers to keep Northamptonshire safe. I will continue to ensure that this is the case and will personally oversee the force's work on this on behalf of the public.

The rating is not at a level of performance I accept and I will continue to liaise closely with the Chief Constable to ensure that improvements are being made.

The Accountability Board

The accountability for performance and service delivery is undertaken through the Accountability Board. Members of the board are the Commissioner (the Chair), the Chief Executive, the Chief Constable and other Chief Officers. There is a formal agenda which will have a schedule of assurance in the form of standard agenda items. These will be discussed and agreed with the Force at an agenda setting meeting.

- The records of the Accountability Board are published on the OPCC website.
- Focus on areas of concern in performance and service delivery at a strategic level.
- Discussions between the Force and the OPCC in respect of the strategic budget setting and medium term financial planning.
- Strategic consideration of key identified corporate level risks and scrutiny activity.

Independent Custody Visitor Scheme

The Northamptonshire Police and Crime Commission has a statutory duty to operate an effective *Independent Custody Visiting Scheme*. This scheme allows for volunteers to visit detainees in custody to check on their welfare. It offers mutual protection to detainees and police officers by providing independent scrutiny of the treatment of detainees and the conditions they are being kept in.

There are 18 ICVs in Northamptonshire and 7 new ICVs were recruited to the scheme during the last performance year. The custody facilities at the Weekly Woods Custody Centre in Kettering and the Criminal Justice Centre in Northampton are each visited at least once a week, where ICVs speak with detainees being held there. Between 1st April 2017 and 31st March 2018, the following took place:

- 98 custody visits took place and of the 767 detainees being held in custody during these visits:
- 400 detainees were seen and spoken to, and 252 were not available to receive a visit (in interview, asleep, intoxicated, seeing the doctor or their solicitor)
- 42 refused a visit when offered.

Annual Victims Experience Report

This is an independent study published by the Institute for Public Safety Crime and Justice (IPSCJ).

This report was commissioned by the OPCC and was compiled by the University of Northampton. It is based on surveys conducted during the period of October 2017 to March 2018, across a broad demographic of 1175 victims of crime covering burglary, vehicle crime violence, anti- social behaviour (ASB), hate crime and domestic abuse. The latest report documented that:

- 68% of victims remain satisfied with the overall service provided (a fall of 6% on 16/17)
- Victims of vehicle crime reported the lowest level of satisfaction at 58% (a reduction of 12% on the same period in 16/17)
- 'Ease of contact' and 'treatment by officers and staff' remains quite high with 84% being satisfied in both of these aspects.
- Being properly kept informed of progress was a particular issue for 'victims' with 48% expressing satisfaction (a drop from 67% in the previous reporting period)
- Domestic Abuse victims had very high levels of satisfaction, 96% for ease of contact, 90% for action taken, 97% for treatment and 95% for overall service. Like other incident types, satisfaction was lowest for being kept informed of progress at 68% which is still relatively high compared to the other victim groups

I commissioned this report to ensure that we are listening to victims of crime and adapting as necessary in order to deliver the help and support people need from their police and victim support services. I will continue to work with the Chief Constable Simon Edens and his team to make sure we are listening to people's concerns so that we continue to make progress in these areas.

The Public Perceptions Report

This is another independent report, which was commissioned by the OPCC and was published by the University of Northampton's Institute for Public safety, Crime and Justice. The survey is reported on a quarterly basis. At the beginning of Q3 2017/18 (October) there was a shift in the surveying methodology; an online survey was introduced to supplement the telephone survey. As such the changes in results for this quarter's report should be treated with caution. In the period April to December 2017, 2087 surveys were achieved with residents of Northamptonshire. The main findings for this period were:

- 39.2% of residents agree that the police and local council are dealing with anti-social behaviour and crime issues which is lower than in 16/17 (54.7%)
- 88.2% perceive that the police treat people with respect (compared to 93.1% in 16/17). Reductions were identified in the proportion of residents that perceive the police to be reliable, treat people with respect, are fair, deal with minor crimes and local concerns in the first three quarters of 2017/18 compared to 2016/17.
- The proportion of residents that said that they were concerned about their home being burgled, having their car stolen, having things stolen from their car and being physically attacked was higher in the first three quarters of 2017/18 compared to 2016/17.
- There was a statistically significant higher level of concern about all anti-social behaviour problems apart from 'abandoned/ burnt-out cars' in the first three quarters of 2017/18 compared to 2016/17.

Review of Complaints against the Force

In accordance with the Independent Police Complaints Commission (IPCC) guidelines, the Force Professional Standards Department (PSD) is the appropriate authority in the first instances to assess any complaints made against Northamptonshire Police.

Some of the more serious complaints are referred to the IPCC to handle and investigate, but many are retained and handled by the PSD. In addition, the Police and Crime Commissioner's statutory role to scrutinise the Force and its performance, the OPCC regularly attends Dip sample meetings with that department, where cases are selected, at random, by the Commission and then carefully assessed and scrutinised to ensure any complaints handled by the department, are done so in accordance with the guidelines set down by the IPCC.

8. BUDGET 2018/19

The budget for 2018/19 for the OPCC has been set at £5.227m, which reflects the additional commissioning responsibility moved from the Force for custody healthcare of over £1m and the new responsibilities for complaints which will be moving to the PCC during the year.

The OPCC budget reflects the direct spend of the PCC across a range of areas of service delivery for local communities. This includes investment in a wide range of areas of front-line service delivery, including:

- victim and witness support services
- drug treatment
- local crime prevention initiatives
- restorative practice
- the youth offending team and the young peoples' partnership
- road safety
- anti-social behaviour
- public protection and the management of dangerous offenders and child safeguarding

The budget also covers public engagement activity for the Force and the Commissioner, alongside a small Commission team focused on financial and resource management; policy; change management; and service improvement, such as leading the improvements in victim services.

The revenue budgets directly managed by the Commission in 2018/19 are:

- The Office of the Police and Crime Commissioner
- Commissioning
- Early Intervention
- Research and Public Involvement
- Delivery and Accountability
- Complaints
- Police and Crime Plan Delivery Fund

The agreed revenue budget for the OPCC for 2018/19 is £5.227m (excluding capital financing charges and contribution to earmarked reserves) and the breakdown, together with projected budget estimates for the following 4 years is as follows:

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
OPCC Office	1,677	1,677	1,677	1,677	1,677
OPCC Commissioning, Public Involvement, Intervention, Complaints & Delivery	3,300	3,690	3,990	3,990	4,290
OPCC Police and Crime Plan Delivery Fund	250	250	250	250	250
OPCC Managed Budgets	5,227	5,617	5,917	5,917	6,217

In 2017/18 I supported the Chief Constable with an additional £2.0m of funding towards delivery of the new Service Delivery model (for 46 new frontline posts) which became operational in Autumn 2017. In 2018/19 I provided further funding in the base budget to support additional capacity and resilience in key operational areas. To do this I set aside the sum of £1.250m to provide additional capacity for the following specific priorities:

- Serious & Organised Crime
- Rape & Serious Sexual Offences
- Domestic Abuse
- Police/Fire Interoperability
- Missing Persons
- Public Confidence

In addition, I set funding aside from reserves to support:

- Road Safety
- Early Intervention & Prevention
- Police Officer recruitment

In both years, I have been able to support the financial requests made by the Chief Constable, however, I have made it clear that I expect this investment, made on the back of our efficiencies, to pay real dividends in improvements to frontline policing and force performance.

9. LOOKING AHEAD

Policing is, by its very nature, a complex and ever-evolving undertaking and whilst my Police and Crime Plan sets out the strategic priorities for the next four years, I am cognisant of the fact that demands may change over time. This is why all Police and

Crime Commissioners are required to keep the Police and Crime Plan under review to ensure the strategic priorities we set keep pace with the ever-changing world of criminal behaviour. In Autumn 2018 the current Chief Constable Simon Edens will retire and I am in the process of recruiting a new Chief Constable to take Northamptonshire to the next level.

The Police and Crime Plan is also essentially a change document and I want the Force to own and deliver the plan, whilst continually improving and enhancing the service they provide to all of our residents. There is no question that when a Police response is needed, one will be provided. However, as the Police and Crime Commissioner for Northamptonshire, I feel it is vital that the priorities of local residents are reflected in the priorities I set for the Force and that they receive the service they expect and deserve.

In 2017/18, I supported the Force with additional investment to address the gaps in performance identified by HMICFRS in the 2015 and 2016 inspections. However, the new model had not been implemented by the time the 2017 HMICFRS PEEL assessment for Northamptonshire was undertaken. Whilst HMICFRS advised that:

- *"The Force has made considerable efforts to respond to previous HMICFRS recommendations, but some of the changes have yet to result in tangible improvements in the service to the public."*
- *"Now that the building blocks for more effective policing have been put in place, the Force recognises that it needs to sustain its efforts in order to further improve the quality of services it provides to the public."*

The report, which has been produced following an inspection in September 2017 rated Northamptonshire as requiring improvement in the areas of preventing crime and tackling anti-social behaviour, investigating crime and reducing reoffending, protecting vulnerable people and tackling serious and organised crime.

We will continue to have conversations with Government ministers to lobby them with regard to a fairer funding settlement for Northamptonshire Police. These discussions are ongoing and I have spelt out to them the challenges facing Northamptonshire Police and the need for a new funding settlement to recognise the pressures we face in dealing with large urban/rural areas.

The 2018/19 police settlement has increased precept flexibility for both the current and 2019/20 financial years and this will assist in addressing funding shortfalls in the short term. However, there will continue to be financial shortfalls in the medium term and work is in hand to make sure that our key priority services are maintained to the highest standards possible with the available funding. We will continue to be robust in driving out all possible savings and ensure that, as far as practicably possible, our staff are delivering the right service at the right time.

Chief Finance Officer's Foreword and Financial Summary

The purpose of this narrative report is to offer a guide on the most important matters reported in the accounts as well as providing information about the strategic direction of the Force.

This includes information on the budget preparation process, final accounts, performance information, medium term financial plans and other contextual information such as workforce numbers and strategic risks. The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It therefore aims to provide information to help the reader.

The accounts are prepared on a going concern basis, assuming that the Police and Crime Commissioner will continue in operation for the foreseeable future. Additionally, the accounts have been prepared in accordance with the Accounts and Audit Regulations 2015, the Code of Practice on Local Authority Accounting 2017/18 and the Service Reporting Code of Practice 2017/18.

The objectives of the Statement of Accounts are to provide useful information to a wide range of users about the financial position, financial performance and cash flows of the Police and Crime Commissioner. The information provided also allows for an assessment of the Commissioner's performance in terms of stewardship and the management of the resources entrusted to him. The accounts are, therefore, necessarily detailed and technical and explanatory notes are included. This foreword is divided into the following main areas:

1. Legislative background
2. Relationship between the Police and Crime Commissioner and Chief Constable
3. What is included in the Statement of Accounts
4. Changes to the statements for 2017/18
5. Budget Settlement 2017/18
6. Budget Settlement 2018/19
7. Review of Revenue Budget 2017/18
8. Cashflow
9. Analysis of Borrowing
10. Capital
11. Statement on Provisions
12. Pensions
13. Material Assets acquired and Liabilities incurred
14. Material and unusual charges
15. People
16. Exceptional Item
17. Medium Term Financial Plan
18. Impact of the current economic climate
19. Summary and Conclusion

1. Legislative Background

The Police Reform and Social Responsibility Act 2011 established the Police and Crime Commissioner and the Chief Constable as separate legal entities. The legal transfer of operational policing to the Chief Constable, who also became the employer of police staff members, was completed on 1 April 2014.

The PCC is elected by the public every 4 years to secure and maintain an efficient and effective Police Force and to hold the Chief Constable to account for the exercise of his function and those persons under his direct control. The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing service in the Northamptonshire Police Area.

This set of accounts focuses on those discrete activities which the PCC is directly responsible for, such as the commissioning services for victims and witnesses of crime; for community safety as well as the "PCC Group" which includes all aspects of operational policing under the direction and control of the Chief Constable.

The Chief Constable has produced a separate set of accounts which explains how the resources provided by the PCC have been used to deliver operational policing Services.

2. Relationship between the Police and Crime Commissioner and the Chief Constable

Each has specific roles and responsibilities under legislation; these are:

The Police and Crime Commissioner:

- Appoints the Chief Constable and may suspend him or require him to resign or retire
- Must maintain the Police Force and ensure that it is efficient and effective
- Must issue a Police and Crime Plan
- Must hold the Chief Constable to account for his actions and those of his officers and staff
- Receives all income from grants, precept and charges

The Chief Constable:

- Holds office as a servant of the crown and is not an employee
- Has direction and control over police officers and is the employer of police staff
- Is operationally independent
- Must have regard to the Commissioner's Police and Crime Plan
- Holds no property, rights or liabilities
- May not borrow money

3. What is included in the Statement of Accounts?

The accounts are prepared using International Financial Reporting Standards (IFRS). Although these are the same standards that a large company would use in preparing its financial statements, some adjustments to costs are made by the Commissioner where they are not a charge to local taxpayers.

This document contains two sets of accounts; the Police and Crime Commissioner Single Entity accounts and the Police and Crime Commissioner Group accounts, which incorporate the accounts produced by the Chief Constable and other group entities.

Single Entity Statements and Group Statements

These comprise of the following:

3.1. Annual Governance Statement

This statement explains how the Police and Crime Commissioner complied with his Code of Corporate Governance. Preparation and publication of the Statement fulfils his statutory requirement under the Accounts and Audit Regulations 2011 to conduct a review at least once in each financial year of the effectiveness of his system of internal control and to include a statement reporting on the review with his Statement of Accounts.

3.2 Expenditure Funding Analysis (EFA)

The analysis reconciles the amounts reported internally in line with the General Fund and the amounts reported in the Comprehensive Income and Expenditure Statement.

3.3 Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the Police and Crime Commissioner. It shows how the deficit / (surplus) for the year in the Comprehensive Income and Expenditure Statement is adjusted by the costs that are not a charge to local taxpayers.

3.4 Comprehensive Income and Expenditure Statement (CIES)

This statement shows the income and expenditure accounting cost in the year of providing services under IFRS.

3.5 Balance Sheet (BS)

The balance sheet shows the Police and Crime Commissioner's assets, liabilities, and reserve balances at the financial year end date.

3.6 Cash Flow Statement

This statement shows the reason for changes in in cash balances during the year and the balance held by the Police and Crime Commissioner at the end of the financial year.

3.7 Notes to the Financial Statement

These include information required by the Code and additional material items of interest to assist the reader's understanding of the reported figures.

3.7.1 Events after the reporting period and authorised for issue date

This summarises any major events that happened between the year end and the authorised for issue date. Events coming to light after the authorised for issue date will not be included in the financial statements.

3.7.2 Police Pension Fund Account

The Police Pensions scheme is unfunded and holds no assets. The purpose of this account is to demonstrate the cash-based transactions taking place over the year and to identify the arrangements needed to balance the account.

3.7.3 Accounting Policies

These outline the principles used for how we account and prepare our financial statements. The nature of this document also means that some technical words are unavoidable.

3.7.4 Glossary of financial terms

The nature of this document means that technical words are unavoidable. The glossary is intended to simplify and explain such words.

4. Changes to the statements for 2017/18

There are no changes to the Financial Statements, however, because of the significance of early changes, it is appropriate to note that:

Narrative Statement

Whilst the narrative disclosure was a new element within the 2015/16 statement of accounts, within this financial year this statement has been expanded to provide the 'reader' with additional information regarding the strategic objectives of the group as well as changes to the funding and the challenges that face policing as well as the potential additional collaborative arrangements.

Transfer of Assets from CC to OPCC

Under agreement, on 1st April 2016 the PCC took ownership through absorption of the items previously recognised as Chief Constable's operational assets. In previous financial years within the Force accounts held vehicles; equipment and IT Equipment and as such were recorded in the Balance sheet. In 2016/17 it was deemed that all such assets should be allocated to the PCC and as a result these were 'transferred' to the OPCC's Balance Sheet. As a result in 2016/17 there was an adjustment for this transfer of £16.364m (the carrying value and unusable reserves of the assets) between the CC and PCC, creating a gain and loss, which is neutralised at group level.

5. Budget Settlement 2017/18

The PCC is the recipient of all funding, including the police grant from the government and funding raised by the Council Tax precept, related to policing and crime reduction. How this money is allocated is a matter for the PCC, except in relation to a small number of specific grants, such as those for counter-terrorism, in consultation with the Chief Constable; who may provide professional advice and recommendations.

The budget set at the beginning of the year was £123.1m and was allocated as follows:

- Total Force Revenue Budget £115.6m
- OPCC Revenue Budget £3.9m
- Capital Financing £1.7m
- Contribution to Earmarked Reserves £1.9m

During the year a number of virements took place between the budgets managed by the OPCC and the Force in areas such as Witness Care Unit and Chief Officer Insurances.

Therefore, the revised budget position for the year and the allocation of the £123.1m was as follows:

- Total Force Revenue Budget £115.5m
- OPCC Revenue Budget £4.0m
- Capital Financing £1.7m
- Contribution to Earmarked Reserves £1.9m

6. Budget Settlement 2018/19

Public Consultation Police Funding and Strategic objectives

The Institute for Public Safety, Crime & Justice conduct a public perceptions survey about Northamptonshire residents experiences of crime, anti-social behaviour and policing on behalf of the Northamptonshire Police and Crime Commission and Northamptonshire Police. This survey is conducted in two ways: residents can complete the survey online or they are contacted randomly by the Institute by telephone and asked to complete the survey.

As part of this survey, in the period October to December 2017, 1,222 residents were asked the question 'The average household pays £4.02 a week towards policing within their council tax. In light of this, which one of the following statements best represents your views?':

- I don't pay council tax
- I would be prepared to pay an increase of up to 8 pence a week which would give Northamptonshire Police around an extra £800,000 towards making Northamptonshire safer
- I would be prepared to pay an increase of up to 19 pence a week which would give Northamptonshire Police around an extra £2 million towards making Northamptonshire Safer (Due to government capping rules a public vote would need to take place costing up to an additional £650,000)
- I would be prepared to pay an increase of up to 38 pence a week which would give Northamptonshire Police around an extra £4 million towards making Northamptonshire Safer (Due to government capping rules a public vote would need to take place costing up to an additional £650,000)
- I would be prepared to an increase of up to 57 pence a week which would give Northamptonshire Police around an extra £6 million towards making Northamptonshire Safer (Due to government capping rules a public vote would need to take place costing up to an additional £650,000)
- I don't know
- I would not be prepared to pay any more for policing than I do now
- Prefer not to say'

11% (139) of respondents did not respond or selected 'prefer not to say', 4% (44) said that they do not pay council tax and 9% (112) said that they did not know whether they would be prepared to pay more council tax for policing or not.

Of those that stated whether they would be prepared to pay more, 83% (771) said that they would. Nearly a third stated that they would be prepared to pay 57 pence a week more (31%), however, the next highest proportion of residents were those that said that they would be prepared to pay 8 pence a week more (22%).

The survey results indicate that based on the sample population the majority of ratepayers would be prepared to pay over 5% within the Police precept to fund and as a result such assumptions have been built into the Medium Term Financial Plan.

The 2018/19 Police Settlement gave greater flexibility for a PCC to increase the level of precept up to £12 per annum (£1 per month) for both 2018/19 and 2019/20, if certain criteria are met. This potential increase equated to 5.74% and based on the results of the consultation and the challenges facing the Police in the short and medium term, the PCC increased the precept to this level and set a Band D council tax of £221.04 for 2018/19.

The 2018/19 revenue budget was approved in February 2018 and the PCC had £127.1m available. These resources were allocated as per the table below:

Budget 2018/19	Amount £000
Force	118,665
OPCC Managed budgets*	5,227
Capital Financing	2,799
Reserves	417
TOTAL	127,108

* The budget for £1m for custody healthcare allocated to the OPCC to take forward the commissioning.

7. Review of Revenue Budget 2017/18

a) Funding

The government provided the majority of the money required to fund the Police and Crime Commissioner's expenditure. The remainder is paid by local taxpayers through the Precept (Police portion of Council tax). The budget is set in February each year in the context of the 5 year Strategic Financial Plan. The 2017/18 budget was approved in February 2017 by the Police and Crime Commissioner.

b) Financial Management

Rigorous budgetary control arrangements are in place together with a devolved system of budgetary control, which ensured resources were allocated to priorities as required. Monthly control reports on budgetary performance for the group are considered.

The table below shows the outturn position for the financial year:

	BUDGET 2017/18	OUTTURN 2017/18	VARIANCE
	£000	£000	£000
Police Pay	50,895	50,955	60
PCSO (Police Community Support Officer) Pay	3,195	3,023	(172)
SDM (Service Delivery Model)	1,004	611	(393)
Police Pensions	11,261	11,285	24
Crime, Protection, Intelligence & Local Policing	8,028	7,992	(36)
Operations	10,556	10,380	(176)
Transformation Programme	1,259	1,724	465
Business Support Departments	18,860	18,327	(533)
Collaboration & Regional	7,756	8,179	423
Other Non-Devolved	2,685	2,751	66
TOTAL FORCE	115,499	115,227	(272)
Capital Financing	1,702	1,702	0
OPCC	4,047	4,047	0
TOTAL EXPENDITURE	121,248	120,976	(272)
RESERVES	1,877	1,877	0
Other Reserves	0	32	32
TOTAL	123,125	122,885	(240)

Comments on the variations for individual services are given below:

Police Pay – overspend of £0.06m

The part-year unbudgeted impact of the Police Officer 1% bonus announced as part of the 2017 Pay Award of £0.3m has been included. This took the Force from a projected underspend to a net £60k overspend position. Unbudgeted leavers in early 2017/18 and a reduction in FTE towards late 2017 created an in year underspend, with establishment being met by March 2018.

PCSO Pay – underspend of (£0.172m)

The PCSO pay underspent by £0.172m which is due to a higher number of leavers than expected, resulting in an adjustment to recruitment in later months.

Service Delivery Model (SDM) – underspend of (£0.393m)

The SDM underspend is a result of delays in recruitment and the finalisation of the plan through 2017/18.

Police Pensions – overspend of £0.024m

An overspend of £86k was caused by the costs of the new pension provider contract and Guaranteed Minimum Pension (GMP) reconciliation work but this was offset in part by a £62k pensions underspend.

Operational Commands (Crime and Operations) – underspend of (£0.212m)

Operational Command has two main budget elements:

Crime and Local Policing

This area of the budget was £0.036m underspent against a budget of £8.028m, which represents a 0.45% variance.

Operational Support

This area of the budget was £0.176m underspent against a budget of £10.556m, which represents a minor 1.67% variance and is mainly due to Police Officer overtime.

Transformation Programme – overspend of £0.465m

The £465k overspend was due to unbudgeted posts and revenue costs within the Transformation Programme, SDM and Niche programmes. The appropriate costs and savings were considered within the 2018/19 MTFP following a business case to clarify the ongoing 'business as usual' cost of these projects.

Business Support Departments – underspend of (£0.533m)

The underspend is due to vacant staff roles awaiting recruitment and the planned reduction in maintenance expenditure on buildings in light of the development of the overarching Estates Strategy.

Collaboration and Regional – overspend of £0.423m

The net £423k overspend is mainly caused by EMOpSS (£298k) and Emergency Services Network (£142k) offset by other small regional variances.

Other Non-Devolved (OND) Budgets – overspend of £0.066m

The OND budgets were overspent by £0.066m as a result of a requirement of £0.107m to increase bad and doubtful debts, partly offset by an underspend in national levies and legal expenses.

OPCC – Budget – Nil after a £0.238m contribution to reserves

The OPCC 2017/18 revenue budget was set at £3.909m. There were subsequent virements during the year between the Force and OPCC resulting in a revised budget of £4.047m, broken down as follows:

Service Area	Total Budget £000	Expenditure Funded from Reserves £000	Transfer to/(from) Reserves £000	Year End Actual £000	Year End Variance £000
PCC Office Budget	1,766			1,646	(120)
Police and Crime Institute	295			220	(75)
Public Involvement	100			85	(15)
Early Intervention	752			724	(28)
Commissioning	1,134	111	(111)	1,134	-
PCC Initiatives & 2016/17 Carry Forwards	-	129	(129)	-	-
Agile Estates	-	167	(167)	-	-
	4,047	407	(407)	3,809	(238)

The outturn position was £3.809m; a net underspend of £0.238m which was transferred to reserves for carry forwards into 2018/19. The main variances were as follows:

PCC Office budget was a net underspend of £0.120m

Description	Total Budget £000	Expenditure £000	YE Variance £000
Salaries	1,323	1,190	(133)
Redundancy & Pension	0	92	92
Recruitment	0	24	24
Accounts/Finance Consultants	100	7	(93)
Training Conferences and Seminars	20	10	(10)
Internal & External Audit Costs	100	83	(17)
Subscriptions	55	58	3
Legal Costs	15	73	58
Consultants (Non-finance) Fees	30	24	(6)
Professional Fees	25	14	(11)
Staff Travel and Hotels	31	20	(11)
Other	67	47	(20)
Partnership Projects	0	4	4
	1,766	1,646	(120)

The material variances on the OPCC budgets are summarised below:

PCC Office Budget - Salaries, Redundancy & Pension & Recruitment – Underspend (£17k)

Salaries were underspent due to PCC staff members departing and the time spent recruiting to vacant posts, offset by redundancy, pension and recruitment costs.

PCC Office Budget - Accounts/Finance Consultants and Others (net) – Underspend (£103k)

The budget was based on two finance consultants, one of whom left during the year and a second consultant who was working on implementation of the Fusion project, met 50% by the Force and 50% from Nottinghamshire.

Small underspendings of £10k (net) arose from other office budgets. These equated to £68k in total and were offset by £58k in legal costs from the land arrangements for the headquarters site.

Police and Crime Institute – Underspend (£75k)

The budget was based on a contribution to the institute for services. Savings arose where an OPCC employee left during the year to take up a role in the Institute.

Public Involvement – Underspend (£15k)

A small underspend arose during the year.

Early Intervention – Underspend (£28k)

During the year, £0.5m was transferred to reserves to support the 2018/19 budget proposals for Early Intervention.

Commissioning, PCC Initiatives and 2016/17 carry forwards – no variance

The 2016/17 carry forwards, agile estates costs and expenditure on Victims Voice set-up costs were met from the PCC initiative reserve during the year.

Carry Forwards 2017/18 - £248.8k

On the 29th April 2018, the PCC reviewed all OPCC carry forward requests to be met in 2018/19 and agreed to the sum of £248.8K. As this sum is in excess of the total underspend £0.238m transferred to reserves, the balance will be met from reserves.

General Fund Balances and Earmarked Reserves

General Fund balance is forecast to be £3.760m at 31st March 2018 (balance as at 31 March 2017 was £3.520m) representing 2.93% of the proposed net revenue budget 2018/19 (£127.108m).

In line with the police grant settlement for 2018/19, the PCC's Reserves Strategy was considered at the Police and Crime Panel on the 1st February 2018, is available on the PCC website and will be updated annually after the statement of accounts are published in June of each year.

The Reserves Strategy gives a guideline level of General Reserves of 3% with a minimum level of 2.5%. The current level of 2.93% is just below the guideline level but is above the minimum level.

However, it is considered that this level of general fund balance is justified in the context of the climate of financial austerity, and the need to balance the availability of resources for frontline services together with ensuring a prudent level of general reserves are maintained.

The level of all cash backed Reserves at 31st March 2017 totaled £10.335m, increasing to £10.957m (£11.654m including regional reserves) at 31st March 2018, as set out in the reserves tables at the end of this narrative statement.

8. Cashflow

Total cash and cash equivalents at 31 March 2018 is £5.136m including share of Joint Venture and Associates cash balances (in 2017/18 £12.859m.) The main factors that will affect cash in the future are:

- Acquisitions and disposals relating to the capital programme
- The value of reserve balances grants and contributions unapplied.

9. Analysis of Borrowing

The Police and Crime Commissioner's power to borrow is set out in Part 1 of the Local Government Act 2003, together with a duty to determine and keep under review how much borrowing is affordable. Controls on borrowing are contained within the CIPFA Prudential Code for Capital Finance in Local Authorities and, under the provisions of the 2003 Act, the Police and Crime Commissioner must have regard to the Code when carrying out his duties under the Act.

The key objectives of the Prudential Code are to ensure, within a clear framework, that capital investment plans are affordable, prudent and sustainable. A key prudential indicator is the operational boundary for external debt, which limits the amount of long-term debt outstanding. The limit is set at £25m for 2017/18 and has not been breached.

Borrowing is managed to ensure a reasonable spread of maturity and to minimise interest payable. At 31st March 2018 the level of PWLB debt outstanding was £1.3m (no change from 2016/17). The breakdown to maturity is shown below:

Debt - Year to Maturity	£000
Less Than One Year	0
Between One and Two Years	0
Between Two and Five Years	0
More Than five years	1,300
Total	1,300

As a consequence of the decision not to proceed with the sale of Police Headquarters at Wootton Hall, it was decided that it would be financially prudent to finance capital through the use of internal resources namely via Earmarked Reserves, details of which can be found within the earmarked reserves and General Fund balances within the reserves tables.

10. Capital

In addition to revenue expenditure, money is spent on assets such as buildings, computers and vehicles, which will be used by or on behalf of the Police and Crime Commissioner in the long term. Capital expenditure can be financed from:

- Unsupported (or prudential) borrowing, which does not attract government support. The Police and Crime Commissioner decides how much to borrow based on what is affordable, prudent and sustainable within the meaning of the Prudential Code
- Capital grants
- Usable capital receipts arising from the sale of surplus assets
- Amounts set aside from the revenue account

The approved Capital Programme totaled £85.300m with estimated payments in 2017/18 of £17.638m. The reported outturn for 2017/18 was £12.247m with the slippage of expenditure falling in later years.

There are four approved schemes within the capital programme which have decreased in overall cost. These are summarised as follows:

Name of Scheme	Approved Budget £000	Actual Spend £000	Slippage £000	Reason
Digital Recording	112	0	(112)	No longer required in this form.
Payroll	177	0	(177)	No longer required.
Organisational Development	61	0	(61)	No longer required.
Tri Force	294	0	(294)	No longer required as a capital programme.
Total	644	0	(644)	

However, there were ten capital schemes which had slippage above £0.1m; they were:

Name of Scheme	Approved Budget £000	Actual Spend £000	Slippage £000	Reason
Niche	505	103	(402)	Lower than anticipated final project costs, with resources returning to 'Business as Usual' within the revenue budget.
Agile Working	1,372	237	(1,135)	Expenditure slowed as a new business case and budget is anticipated within 2018/19.
IT Replacement Equipment	959	99	(860)	Changed planning resulting from the regional Tri Force IT collaboration.
IT Infrastructure Hardware Replacement	613	69	(544)	Delays in Network and Server implementation.
Essential Services Network (ESN)	249	5	(244)	National delays in program delivery
Tri Force Regional IT	1,793	1,592	(201)	Overarching changes in the timing of regional plans.
New Estates Strategy	1,523	723	(800)	Delays as a result of the changes to the estates strategy.
Property Enhancements	250	103	(147)	As above.
Vehicles and Safer Roads Team Vehicles	1,411	1,083	(328)	Delays in the purchasing of replacement vehicles.
TOTAL INCREASE	8,675	4,014	(4,661)	

The remaining 15 schemes had a total of (£0.086m) of slippage resulting from minor delays in the programmes.

Funding	Revised Programme £000
Capital Grants	424
Innovation Funding and other specific Home Office grants (£25k)	439
Useable Capital Receipts	0
Revenue Funded	1,941
Capital Reserve	1,897
Prudential Borrowing	0
External Funding	0
Internal Borrowing	7,546
TOTALS	12,247

11. Statement of Provisions

Provisions are made where an event has taken place that gives the Police and Crime Commissioner a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. These accounts include number provisions. Further details are included in the notes to the Group Financial Statements.

Provision	2016/17 £000	2017/18 £000
Short Term		
Insurance Provision	938	1,362
Dilapidations Provision	355	0
Other	67	0
Long Term		
Insurance Provision	0	0
Dilapidations Provision	615	310
Other	0	0
Total	1,975	1,672

12. Pensions

The Police and Crime Commissioner's staff, Police Staff and Police Officers are offered retirement benefits as part of their terms and conditions of employment. Although these benefits will not actually be payable until employees retire, International Accounting Standard (IAS) 19 requires that the commitment to make future payments is disclosed at the time that employees and officers earn their future entitlement.

The Police and Crime Commissioner and Chief Constable participate in two pension schemes:

- The Police Pension Scheme for police officers – this is an unfunded defined benefit final salary scheme administered by the Chief Constable on behalf of the Police and Crime Commissioner. There are no investment assets built up to meet the pensions’ liabilities and cash has to be generated from employee and employer contributions to meet actual pension payments as they fall due. Under the Police Pensions Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts payable, the Police and Crime Commissioner must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Police and Crime Commissioner, who then must repay the amount to central government. From 2015 member benefits will be accrued based on a retirement age of 60.
- The Local Government Pension Scheme offered to all staff employed by the Police and Crime Commissioner and Chief Constable, is administered locally by Northamptonshire County Council. This is a funded defined benefit final salary scheme and both employers and employees pay contributions calculated at a level intended to balance the pensions’ liabilities with investment assets.

Within the Local Government Pension scheme two records are maintained; one for the staff employed by the Police and Crime Commissioner and one for the staff employed by the Chief Constable. The requirements of IAS19 have a significant adverse impact on the net cost of services although, as the adjustments are reversed out in the Movement in Reserves Statement, not at the level of local taxation. There is also a significant adverse impact on the balance sheet which shows the estimated value of the Police and Crime Commissioner’s pension commitments should they be called now.

The value of net pension liabilities in the Group Balance Sheet is £1,341.513m, (2016/17 £1,311.157m) comprising £1,263.230m for Police Officers and £78.283m for Police Staff.

13. Material assets acquired and liabilities incurred

A summary of capital expenditure for the year is described in the capital section of this report. No material liabilities have been incurred during the year.

14. Material and unusual charges

The accounts conform to proper practice and contain full and frank disclosures of all material sums. The increase in the group pension’s liability of £30.356m has had a material impact on the accounts.

Although this amount is substantial, it is a notional debit and as such does not represent cash payments to be made by the Police and Crime Commissioner or Chief Constable or a charge on the General Fund.

In accordance with CIPFA’s Code of Practice, following the revaluation of property, an impairment to the newly built Northern Accommodation Hub of £12.794m has been charged to the Surplus and Deficit on Provision of Services and through to the Capital Adjustment Account, as there was no existing Revaluation Reserve to offset the charge. This charge does not impact Council Tax charges.

This impairment represents the reduction in valuation and is in large a result of the difference between the replacement cost and the costing basis used for the valuation of property in accordance with the Royal Institute of Chartered Surveyors (RICS) and the Code of Practice. This newly built site therefore varied to the RICS valuation by the £12.794m.

15. People

At 31st March 2018 Northamptonshire Police Force and the OPCC Budgeted establishment was 2,070 FTE. The analysis is shown in the table below:

Category of employee	2016/17	2017/18
Police Officers	1,220	1,209
PCSO	86	81*
Police Staff	677	761
PCC Staff	23	19
Total	2,006	2,070

* The movement in PCSO establishment is mainly due to changes to partnership-funded posts. As at 1st April, the OPCC was commissioning new contracts for PCSOs from existing and new partner organisations. Budgeted establishment was therefore 81 FTE excluding any PCSOs due to be wholly funded by partners.

The new Chief Finance Officer (and S151 officer) to the PCC commenced in the role in November 2017 and the new Force Head of Finance commenced in May 2018. All other statutory, Director and Chief Officer roles in both the OPCC and the force remained unchanged from 2016/17. However, following the Chief Constable's decision to retire in Autumn 2018, recruitment for a new Chief Constable for Northamptonshire is currently underway.

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, which came into effect on 1 April 2017, the spend is as follows:

- The number of employees who were relevant union officials during the relevant period was **three**
- How many employees who were relevant union officials during the relevant period spent of their working hours on facility time
 - a. 0%; - **None**
 - b. 1 – 50%; - **None**
 - c. 51-99% - **One**
 - d. 100% - **Two**
- Percentage of the total pay bill spent on facility time was **0.33%**
- Time spent on paid trade union activities as a percentage of total paid facility time hours was 100%

16. Exceptional Item

For 2016/17, there was an exceptional item within the Expenditure and Funding Analysis (EFA) and Comprehensive and Expenditure Statement (CIES) for the OCC & OPCC accounts of £16.364m. This relates entirely to the loss and gain from the transfer of

assets between the Corporate Soles, through absorption. This ultimately is a net nil transaction at Group level.

17. Medium Term Financial Plan

The PCC's medium term financial plan (MTFP) reflects the impact of the government's budget statement in Autumn 2017.

The Provisional Police Finance Settlement was announced in a written ministerial statement by the Minister for Policing and Fire, the Rt Hon Nick Hurd MP on 19th December 2017. Full details of the settlement can be found on the Home Office pages of the gov.uk website.

The MTFP for 2018-23 has been developed on the principles previously established:

- To make the best use of available resources
- To maximise income and funding
- To target expenditure and investments to priorities and value for money opportunities
- To exploit fixed assets to deliver maximum value
- To optimise delivery costs
- To provide sufficient financial reserves in the context of unprecedented uncertainty, transformation and change

Medium Term Plan	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
FUNDING					
Police Grant	73,052	73,052	73,052	73,052	73,052
Precept & CTS	52,957	56,941	59,229	61,641	64,151
Estimated CT Surplus	1,099	750	750	750	750
	127,108	130,743	133,031	135,443	137,953
EXPENDITURE					
Delegated to the Force	117,915	118,665	121,263	125,282	127,852
Additional net pressures		3,217	4,019	2,571	1,929
Additional investment	1,250				
Agreed Savings to be identified	(500)	(619)			
	118,665	121,263	125,282	127,853	129,781
Capital Financing	2,799	3,992	4,781	3,992	4,596
Managed by the OPCC					
OPCC Office Budget	1,677	1,677	1,677	1,677	1,677
Commissioning, Public Involvement, Intervention, Complaints & Delivery	3,300	3,690	3,990	3,990	4,290
Police and Crime Plan Delivery Fund	250	250	250	250	250
	5,227	5,617	5,917	5,917	6,217
Contribution to/from reserves	417	(129)	-	-	-
TOTAL	127,108	130,743	133,031	135,443	137,953
Shortfall	-	-	2,949	2,319	2,641

The revenue budget for 2018/19 of £127,108k required a rise in the precept of 5.74% as permitted by government to support the budget. As can be seen in the table above, even with a similar rise assumed for 2019/20 and 2% thereafter, there is continued pressure on the amount of police grant that is forecast to be received over the period of the MTFP. Additionally, the increase in demand and different types of crime continue to develop, making further investment in these areas likely in the coming years.

18. Impact of the current economic climate

Since the start of austerity measures to 2017/18, and the government spending review, budget reductions have in the main been delivered. However, the scale of the financial challenge, rising crime levels and the changing nature of crime has created a need for the continued development of a new model for policing. The Service Delivery Model became operational in 2017/18 and delivered a new Policing Service for Northamptonshire.

Throughout 2018/19 the Force will be conducting a zero-based budgeting project to align priorities to demand and operational need and to identify ways to balance the longer term budget. A key enabler to support the delivery of the new model for policing will be Information Technology, and improvements in financial management information systems will further support delivery of better and more cost effective policing into the future.

19. Summary and Conclusion

The PCC and Chief Constable continue to demonstrate a strong track record of effective financial management and delivering outturn within the approved budget. The budgeting process continues to develop with rigorous challenge from both the Chief Constable and the PCC.

Since 2010/11 cash savings of over £37m have been delivered and the latest medium term plan 2017/18 to 2022/23 identifies further cash savings which need to be found of £2.6m.

The decision to remain within Wootton Hall and build on the existing facilities for both the Police and Fire staff, together with the implementation of the Service Delivery Model, has not only provided clarity and stability but also has provided the basis for the development of an Estates Strategy which gives the opportunity to develop the site that is fit for the 21st century.

The financial outlook remains challenging and there is a significant amount of economic uncertainty as a result of the Brexit referendum and the commencement of exit negotiations. However, we are confident that the PCC, Chief Constable and their respective leadership teams will continue to deliver strong and effective financial management in order to maintain an appropriate level of funding for essential operational services in Northamptonshire.

Helen King
Chief Finance Officer

Stephen Mold
Northamptonshire Police and Crime
Commissioner

Date:

Date:

Annual Governance Statement for Group Statement of Accounts 2017/18

BACKGROUND AND FRAMEWORK

In the financial year 2017/18, the implications of the Police Reform and Social Responsibility Act 2011 continued for the two corporations' sole of the Office of the Police and Crime Commissioner (OPCC) and the Office of the Chief Constable (OCC). The focus has been to develop the governance arrangements and strategies in place and to drive forward performance improvements and change in the area of Fire Governance and services to Victims.

The organisational powers and arrangements in place within the police service, relating to governance, are unique and any governance framework needs to take this into account. This is clearly recognised in the Chartered Institute of Public Finance and Accounting (CIPFA) document - *"Delivering good governance – Guidance notes for policing bodies in England and Wales, 2016"*.

In 2007, CIPFA developed with the Society of Local Authority Chief Executives (Solace) a framework – *"Delivering good governance in local government"*. This was subsequently reviewed in 2015 and an updated edition was published in April 2016. This review and subsequent updated version takes into account significant changes in legislation and arrangements since the 2007 edition, including The Police Reform and Social Responsibility Act 2011.

This framework recognises that no two organisations are the same and as such allows an organisation to test its governance structures against a set of principles which are:

- **Principle A:** Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law:
- **Principle B:** Ensuring openness and comprehensive stakeholder engagement.
- **Principle C:** Defining outcomes in terms of sustainable, economic, social and environmental outcomes.
- **Principle D:** Determining the interventions necessary to optimise the achievement of intended outcomes.
- **Principle E:** Developing Capacity and Capability.
- **Principle F:** Managing Risks and Monitoring Performance
- **Principle G:** Implementing good practices in transparency, reporting and accountability.

WHAT IS GOVERNANCE

Governance as defined in the 2016 framework is:

"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and delivered."

Good governance is not only about rules, policies and procedures but should also incorporate a spirit of good governance as an integral part of the culture of the organisation, its values and the expected behaviours.

Senior leaders have a significant responsibility not only to ensure that good governance arrangements are properly codified and documented but also that the proper culture

exists so that the concept of good governance, including transparency and openness, is effectively conveyed throughout their organisation.

This statement explains how the Police and Crime Commissioner (PCC) has complied with the CIPFA/SOLACE framework and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of an Annual Governance Statement.

THE ANNUAL GOVERNANCE STATEMENT

It is a requirement on each public body to prepare an annual governance statement. This is intended to provide an assessment of how effectively it has complied with its own governance arrangements and the principles set out in the framework.

This governance statement provides a high level overview. It comments on the effectiveness of governance arrangements over 2017/18 and makes proposals to improve processes, or mitigate issues or risks identified.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Corporate Governance Framework comprises the systems and processes, and culture and values, by which the OPCC is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the OPCC to monitor that the achievement of its strategic objectives have led to the delivery of appropriate, value for money services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the PCC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Work on updating the Corporate Governance Framework took place together with Leicestershire and Nottinghamshire (OPCC's and OCC's) during 2016/17 and 2017/18. The final version incorporates consistent delegations and controls across the three Forces and OPCCs, was approved by the Northamptonshire PCC and Chief Constable (CC) in 2017/18 and implemented with effect from 1 April 2018. A near final draft was shared with the Joint Independent Audit Committee (JIAC) at their meeting in December 2017 and final copies shared in April 2018.

THE GOVERNANCE FRAMEWORK

Both the PCC and CC continued to seek that appropriate management and reporting arrangements were in place to enable them to satisfy themselves that the approach to corporate governance was both adequate and effective in practice. These arrangements included:

- A revised Corporate Governance Framework developed during the year in conjunction with Leicestershire and Nottinghamshire OPCC's and OCC's.
- A revised Decision Record methodology implemented.

- A revised Accountability Board Process where the PCC holds the CC to account for policing in Northamptonshire and minutes are publicly available on the PCC's website.
- A Risk Management Strategy, reviewed quarterly by the PCC and OPCC Directors.
- An Annual Governance Statement produced by both the OPCC and the CC.
- A Regional Annual Governance Statement for East Midlands Serious and Organised Crime (EMSOU) activities.
- An effective Joint Independent Audit Committee (JIAC).
- Ensuring that there is an effective Internal Audit function.
- Attendance by the chair, CFO and JIAC member at a Regional Audit Committee workshop.
- Attendance by the JIAC Chair and/or members at key meetings, for example, the Change Board and the Force Assurance Board to gain understanding and assurance.

The system of internal control is based on a system of financial, contractual, management and administrative controls and is reviewed by both internal and external audit. In addition to the arrangements above, the system includes:

- A Police and Crime Plan, developed in 2016/17 and remaining current for 2017/18.
- Updates to every Police and Crime Panel meeting on the OPCC Delivery Plan.
- A developing Performance Management Framework, focused on achieving the objectives set out in the Plan.
- The Force holds a regular Performance Implementation Group (PIG) at which the Director of Delivery represents the OPCC.
- Budgeting systems that seek to align resources with priorities and the new operational Service Delivery Model implemented in 2017.
- Regular financial reporting for both the OPCC and the CC, both of which have been developed during the year and development will continue in 2018/19.
- Effective risk management strategies, registers and action plans.
- A Commissioning Framework to support the priorities for PCC Commissioning.
- Engagement in Value for Money benchmarking such as is conducted by HMICFRS.
- Input into the new Force Management Statement being prepared by the Force.
- Development of the new joint Governance Framework approved in 2017/18 and implemented on the 1 April 2018.
- Approval by the Home Secretary of the Fire Governance Business Case to evidence the case to transfer Fire Governance to the PCC.
- Development of the Voice Grant and Service Level Agreements and work undertaken towards the Voice Governance Framework.
- To supplement the JIAC meetings, workshops are held during the year to focus on key areas of risk or internal control and supplement the lead member approach undertaken for key meetings such as the Force Assurance and Change Boards.

COMPLIANCE WITH THE SEVEN PRINCIPLES SET OUT IN THE CIPFA/SOLACE FRAMEWORK

PRINCIPLE A: BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES AND RESPECTING THE RULE OF LAW

The Corporate Governance Framework which provides guidance on expected behaviours to ensure integrity and builds on the clear statements made by the PCC and the Chief Executive in relation to openness, transparency and standards of ethical behaviour. This includes an agreement to adhere to the College of Policing (CoP) Code of Ethics as the basis for how the OPCC and staff behave. The Force internal ethics committee is in place and values have been included as an overarching element of the Police and Crime Plan.

The Force Professional Standards Department (PSD) investigate all instances of Fraud, Corruption and Whistleblowing. The Chief Financial officers (Section 151) for both the PCC and the CC and the Monitoring Officer have specific responsibility in legislation for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements and for reporting any such instances to the PCC, CC, JIAC or Police and Crime Panel.

For 2017/18, related party disclosures have been undertaken for all key staff in the OPCC, CC and JIAC members and this information is disclosed within the Statement of Accounts. Additionally, the PCC and all members of OPCC staff complete a declaration of business interests.

All posts in the OPCC have defined role and job descriptions and the CEO has developed a performance appraisal process to support these, which will be implemented in 2018/19. HR policies and procedures are currently being finalised by a senior staff member in the OPCC and an update on these was provided to the March 2018 JIAC. These are scheduled for implementation in the summer of 2018.

Recommendation 1 – To review the current published code of conduct against the CoP code of ethics to ensure consistency of approach in OPCC. This review has been completed. The Joint Corporate Governance Framework, and OPCC Gifts and Hospitality and Business Interests policies have been reviewed and updated and Equality and Diversity will be considered as part of the review and update of HR policies. This review will continue to be undertaken annually.

Recommendation 2 – Complete the review of the Corporate Governance Framework. This has been completed and the new framework was implemented on the 1 April 2018.

Recommendation 3 - Complete the formal review of existing HR policies, practices and procedures and consider recommendations made. This remains ongoing and is scheduled for completion by the summer of 2018.

Recommendation 4 – Undertake a review of commissioning and contracts to ensure the values of the OPCC are included in how these services are procured and delivered. This has been completed and is now built in to business as usual.

PRINCIPLE B: ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

The Commissioner's purpose is set out in statute. The vision for Northamptonshire policing¹ is set out in the Police and Crime Plan 2017 – 2021 which sets out the strategic direction of the PCC's activities. It is underpinned by a delivery plan and the PCC provides an update at each Police and Crime Panel meeting.

The OPCC website provides information on the activities of the Office and the PCC. It is used to publish a wide range of policy and information, making this easily accessible to the public. These include a register of requests received under the Freedom of Information Act 2000, minutes of accountability board meetings and staff grades and salary bands.

All agendas, papers and meetings of the JIAC are open to the public and papers are available on the PCC website. The minutes of the Accountability Board are also published to transparently demonstrate the PCC holding the Chief Constable to account in line with his statutory role.

Papers, reports and decisions made by the PCC are published on the website, together with consultation and details of future public events and public surveys.

The OPCC undertakes regular council taxpayer, customer and victim survey activities, ensuring that these can be used to inform council tax levels, service delivery by the Force and services which the PCC has commissioned. During 2017/18, the PCC launched a "Time to Talk" consultation which was focussed on getting a better understanding of the experience of people with mental illness, and better inform the delivery of services. This consultation has now closed and the results are being collated.

Recommendation 5 – Complete OPCC communications strategy and forward plan for community and stakeholder engagement to better inform and deliver strategic outcomes. Due to changes in staffing, this recommendation remains ongoing for completion in 2018/19.

PRINCIPLE C: DEFINING OUTCOMES IN TERMS OF SUSTAINABLE, ECONOMIC, SOCIAL AND ENVIRONMENTAL OUTCOMES

The widespread public and internal consultation that took place in relation to the Police and Crime Plan has secured support for the outcomes required by the PCC. The Plan was informed by the strategic policing requirement and used to direct the resources of the PCC and the CC through the revenue and capital budgets and commissioning framework. It informs where resources are most needed and targets investment to priority areas.

The PCC has in place a treasury management strategy (which includes a minimum revenue provision policy statement), which, together with the reserves strategy, revenue budget and capital programme are considered by the PCC in proposing and setting his level of precept.

Grants for financial support are administered independently, via a community foundation, with resources being allocated in line with the anticipated delivery against the objectives of the Police and Crime Plan.

¹ "We want to create a system that people can have trust and confidence in; where victims feel that they have the help and support they need from Northamptonshire Police"

The Force and PCC support a number of collaborative arrangements, in the East Midlands, cross-region and nationally, aimed at better delivering positive outcomes. A number of these relate to the national Strategic Policing Requirement. The PCC has a statutory responsibility to consider the national requirement and collaborative working enables him to respond in an efficient and cost effective manner. In 2017/18, the PCCs appointed a Regional Governance Team to continue to drive and develop collaboration forwards.

The East Midlands PCCs and CCs established an Efficiency Board, which will review each regional collaboration in terms of economy, efficiency and effectiveness and also to ensure that they meet the needs of local people and Commissioners.

Recommendation 6 – Complete full performance framework for defined outcomes in the Police and Crime Plan. A workshop was undertaken in 2017/18 and work is in progress with the Force to develop this further. This recommendation remains ongoing.

Recommendation 7 – Consider review of regional collaboration appropriateness and optimisation. Internal Audit have done a lot of work to review the overall governance arrangements, which can be developed to see if the collaborations meet the identified needs and provide VFM. This has been completed. The Regional Governance Team will continue to drive and develop regional collaborations (with three or more forces included) moving forwards.

Recommendation 8 – In conjunction with the Force develop an annual financial timetable to aid the planning, delivery and transparency of financial decisions and forecasts/modelling. With the changes to staffing in the OPCC and Force during the year, this recommendation remains ongoing and will be completed in 2018/19.

Recommendation 9 – Evaluate the performance and outcomes from the Community Foundation community granting mechanism. This has been completed and is now built into business as usual for all commissioning activities.

Recommendation 10 – Recommendations and subsequently agreed actions from the JIAC annual report taken forwards along with annual report being presented to the Police and Crime Panel. This has been partially completed - the annual report of the JIAC was considered at the Police and Crime panel in September 2017 for the first time. The remaining actions are ongoing and will be considered and addressed by the JIAC and the chair in the 2018/19 JIAC annual report.

PRINCIPLE D: DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF INTENDED OUTCOMES

The PCC has, in conjunction with the CC, prepared a Medium Term Financial Plan (MTFP) as part of an informed and detailed consultation process. The MTFP includes clear and robust assumptions and was considered by the JIAC in December 2017 and the Police and Crime Panel in January 2018. As part of the 2018/19 budget, the CC identified a number of priority areas for investment amounting to £1.25m. In March 2017/18 the CC presented business cases to the PCC to meet these priorities, all of which were approved.

New areas of business are considered at the Force Change Board (attended by representatives of the OPCC) and business cases support all proposals before consideration, advice by statutory officers and appropriate sign off.

Significant decisions are documented on a Decision Record and published on the OPCC website.

The 2016/17 Annual Governance Statement highlighted the lack of strategic planning in terms of the Estates Strategy. During 2017/18, the Chief Executive worked closely with the Force to identify and fully consult on the operational estate needed to deliver the new operational service delivery model (SDM). This strategy was published in April 2018.

Both the Force and the OPCC have been using Multi-Force Shared Services (MFSS) for the delivery of financial and human resource transactions. In December 2017, it was recognised that the upgrade programme and the quality and governance of the service needed to be addressed, costs had increased and the service was underperforming. The PCC and partners recognised this, have appointed an Interim Chief Executive and are taking tangible steps to address and improve both service delivery, accountability and transparency as this remains an area of concern.

The PCC recognises the requirement for effective infrastructure to be in place to support the operational delivery of his strategic objectives and has received an ICT Strategy from the Force which is anticipated will enable more effective and efficient operational outcomes.

A variety of consultation methods are undertaken so that the Commissioner can understand the needs of service users and consider if the delivery of services or indeed the objectives need to change.

Recommendation 11 – Complete performance monitoring and reporting framework with IPSCJ. This recommendation remains ongoing.

Recommendation 12 – Complete the operational needs driven Estates Strategy, which will then inform the development of the capital programme. This recommendation has been completed, the Estates Strategy has been published and an Internal Audit has been undertaken in this area.

PRINCIPLE E: DEVELOPING CAPACITY AND CAPABILITY

The OPCC were subject to a number of vacancies during 2017/18 which included the roles of Chief (S151) and Deputy Chief Finance Officers. The S151 was covered by the Force S151 officer from April to when the newly appointed Chief Finance Officer commenced in November 2018. Similarly, the Head of Finance Force role was vacant, but a temporary resource supported the delivery in this important area, together with additional resource for MFSS arrangements. These areas were highlighted as capacity issues for the final accounts in 2015/16, however, additional temporary resources and the CIPFA online tool to assist with the compilation of the Statement of accounts mitigated this in 2016/17. Permanent appointments will mitigate this risk further.

Further key vacancies and maternity leave in the OPCC impacted on the capacity and resilience in the office but by May 2018, all but one of these roles had been recruited to, and additional temporary resource provided to support the transfer of Fire governance arrangements.

In March 2018, the Chief Constable announced his intention to retire in October 2018 and work is underway to recruit to this vital role which will lead the Force and take forward operational and performance development and improvements.

The development of HR policies and the performance appraisal process outlined earlier will continue to develop staff capacity and skills to deliver the Police and Crime Plan.

In January 2017, the PCC took the decision not to recommission the adult element of the previous Victims services (Victims Voice) but to instead create a wholly owned company limited by guarantee to deliver the service. The reasons for this decision included:

- A desire to have greater control over the service
- To increase the flexibility to respond to changing patterns of crime than are afforded by a traditional contract
- To provide a more sustainable, long term model for the service without the cyclical nature of contracts
- The ability over time to bring external funding in through developing commercial products and services

The new company started to deliver services in 2017/18.

PRINCIPLE F: MANAGING RISK AND MONITORING PERFORMANCE

During 2017/18, the PCC and his office continued to demonstrate his commitment to transparency, sharing information and briefings with the Force, the Police and Crime Panel and the JIAC. The PCC meets regularly with the CC, the Chair and Vice Chair of the Panel and holds regular briefings for councillors and attends numerous engagement events.

Performance forms a significant part of the Accountability Board and a representative of the OPCC attends the regular Performance Implementation Group meetings to discuss performance at a more operational level and identify the issues and challenges. Whilst Northamptonshire has mirrored the national trend where crime levels have increased, the PCC has highlighted areas of Force performance which are a concern, such as call and response times, public confidence and satisfaction levels.

The PCC and CC have a joint risk management policy and manage and record risks in the same manner, through the same system. Risks are reviewed regularly and considered at JIAC meetings.

During 2017/18, Mazars continued as internal auditors for the Region. Regular review and planning meetings took place with Leicestershire and Nottinghamshire and wider Chief Finance Officer (CFO) and Finance Director (FD) meetings to update on progress and review and plan regional collaboration and local audits.

Mazars attended each JIAC meeting to routinely report and give assurance on the adequacy and effectiveness of internal control. In addition, they contribute to the JIAC forward plan and agenda setting to inform and highlight national and regional themes, considerations and practices.

Recommendation 13 – Train OPCC staff in risk awareness and management. The PCC and Directors review risks quarterly, the PCC has agreed to co-fund a new Risk Management System where training will be delivered as part of that system, therefore, this recommendation remains ongoing.

Recommendation 14 – Use the risk register, Delivery Plan, audit recommendations within internal planning processes. This has been completed and is now built into business as usual.

Recommendation 15 – Develop, present and continually monitor progress of the OPCC action log. This has been completed and is built in to business as usual. The OPCC actions have been included within the overall internal audit action log which enables all Force and OPCC actions to be considered at each JIAC meeting.

PRINCIPLE G: IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING AND ACCOUNTABILITY

There are detailed delivery plans that support the achievement of the Police and Crime Plan objectives. Processes are in place to hold to account OPCC staff internally for delivery. There are nominated leads for all areas and performance is reported initially to the Chief Executive.

External governance is managed through a revised system of assurance that relies on appropriate attendance at meetings and forums by OPCC staff to fully understand activities and associated risks. There is a robust, formal Accountability meeting regularly between the PCC and CC and this is supported by regular informal meetings between them.

The Commissioner provides regular updates to the Police and Crime Panel as well as to elected Members, officials and members of the local community. The PCC has a structured programme of public engagement every Friday across the County that supports this.

In 2017/18, Comparing Police and Crime Commissioners (CoPaCC, the independent organisation set up to monitor policing governance in England and Wales) awarded the Transparency Quality Mark to the Northamptonshire PCC for the way in which he provides public access to information about the PCC and OPCC.

REVIEW OF EFFECTIVENESS

The OPCC and OCC have a responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal control. The review of effectiveness is informed by the work of the JIAC and the senior managers within the OPCC and OCC who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The OPCC and OCC continued to invest in an Internal Audit programme in 2017/18 which continued to give assurance under the arrangements for two corporation soles.

The 2017/18 Internal Audit Plan was discussed at the JIAC on the 6 March 2017 and was prepared following discussion and consideration of the Risk Register, Assurance requirements and informed by regional themes. These ensured specific audits on:

- Audit Committee Effectiveness
- Seized Property
- Victims Code of Practice
- Fleet Management
- Core Financial Systems
- Procurement Follow Up
- Data Quality

- Financial Planning
- Estates Management
- Counter-Fraud Review

Additionally, following scrutiny and concerns raised by the JIAC, an additional audit has been scheduled in 2018/19 into historic estates procurement arrangements.

The collaboration internal audit plan for 2017/18 was the final year using the consistent methodology for regional activities and the following areas were covered:

- EMCHRS Learning and Development
- EMSOU Forensic Services
- EMCHRS Occupational Health
- Criminal Justice (EMCJS)
- Proceeds of Crime Act

The Internal Audit Annual Report for 2017/18 has been produced and will be reported to and considered by the JIAC at their next meeting in July 2018.

The Internal Audit Opinion for the Police and Crime Commissioner reflected that at the time of the audit opinion, the Estates Strategy had not been issued as follows:

"Our overall opinion is that generally adequate and effective control and governance processes were in place to manage the achievement of the organisation's objectives. We have, however, identified weaknesses in respect of estates management that require addressing."

The Chief Constable received a similar Internal Audit opinion, with the weakness of seized property that requires addressing, as opposed to estates.

The report further advised *"through our delivery of the Internal Audit Plan, our review of the JIAC's effectiveness and attendance at JIAC meetings, we are satisfied that the governance framework for the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police has been effective for the year ended 31 March 2018."*

Locally, six audits received satisfactory assurances, whilst two (estates and seized property) received limited assurances and these will be revisited in 2018/19. Regionally, two audits received significant assurances and two satisfactory assurances.

There were four JIAC meetings held during the year, which were supplemented by workshops. At each meeting the JIAC review the future workplan. During the year, the JIAC completed an Audit Committee effectiveness self-assessment review, reviewed their terms of reference and produced an annual report. It is intended that an annual report will be produced for 2017/18.

In addition to standard items on the agenda covering Statement of Accounts, Risk Management, Internal and External Audit Plans and updates on recommendations, during the year, the JIAC received a number of updates or sought extra assurance on areas of specific risk or concern, such as:

- the Estates strategy and the cost of the previous strategy
- the Multi Force Shared Services (MFSS) upgrade, timescales and issues
- the Capital Programme
- Force and OPCC Budget Monitoring
- the 2018/19 budget and the Medium Term Financial Plan

- Treasury Management Strategies for 2017/18 and 2018/19
- the Corporate Governance Framework
- the change of external auditors in 2018/19, and
- the PCC's Accountability Framework

The Chair and one member were offered and accepted a second term in their roles. The PCC and CC are recruiting for two new members in 2018 to ensure consistency and continuity as two existing members approach the end of their second term within the next 18 months. Looking forwards, the JIAC and the PCC will consider what arrangements are required for the Fire governance transfer.

The second round of self-assessment reviews have been completed by regional collaboration teams and will be independently reviewed by Mazars, the Regional Internal Auditors to provide a consistent and objective review and to assist in informing the 2018/19 Regional Collaboration Internal Audits.

HMICFRS PEEL INSPECTION

As part of their annual inspections of police effectiveness, efficiency and legitimacy (PEEL), HMICFRS assessed how effective the force is at keeping people safe and reducing crime. This inspection assessed the force as requiring improvement in a number of areas. This is an area of concern and further details can be found in the Annual Governance Statement in the accounts of the Chief Constable.

SIGNIFICANT GOVERNANCE ISSUES

There were no formal reports issued by the S151 or Monitoring Officer during the year, outcomes of Monitoring Officer Investigations, objections from local electors or ombudsman referrals.

The Independent auditor's report to the members of Police and Crime Commissioner for Northamptonshire was received on the 29 September 2017.

The report highlighted that there was nothing to report in respect of their opinion on the financial statements.

In respect of the Conclusion on Police and Crime Commissioner for Northamptonshire's arrangements for securing economy, efficiency and effectiveness in its use of resources the following was received:

"Basis for qualified conclusion

On May 2016, the Police and Crime Commissioner approved a decision to sell Wootton Hall, the Force's Headquarters. The decision was taken on the day before his term of office finished. Our review of this decision identified significant weaknesses in the governance arrangements for informed decision making by the Police and Crime Commissioner in that:

- *the decision to sell the Force's Headquarters was not supported by a business case that included detailed financial costings and analysis;*
- *the replacement Force's Headquarters had not been fully costed;*
- *No analysis had been undertaken to determine if the sale price met the 'best value' statutory requirements for the disposal of the Force's assets.*

The newly elected Police and Crime Commissioner immediately initiated a review of the decision. This review identified that the financial implications (both capital and revenue) had not been fully or accurately considered. The review further identified that if the decision had been followed through this could have resulted in a significant financial loss. On 19 January 2017, the Police and Crime Commissioner approved the decision to reverse the proposed sale of Wootton Hall.

Qualified Conclusion

On the basis of our work, having regard to the guidance issued by the C&G in November 2016, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Northamptonshire Police and Crime Commissioner put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017."

During 2017/18, within his update reports, the PCC updated the Police and Crime Panel on the progress of the decision and accompanying arrangements and the Decision Record will be finalised and published on their completion.

Whilst the 2018/19 financial settlement has enabled a balanced budget for 2018/19 and 2019/20, there are additional pressures, the impact of Brexit on funding is unknown, the next Comprehensive Spending Review is awaited and financial shortfalls are evident in the medium term. The PCC will continue to actively seek a fairer funding settlement for Northamptonshire and support the Force in investing in ICT to facilitate the delivery of the efficiencies required.

ACTIONS

The 2015/16 OPCC AGS actions have either been completed or were built into the 2016/17 recommended actions which have been updated within this statement. Of these, nine have been completed and six remain ongoing for completion in 2018/19 as highlighted earlier within this statement. Furthermore, the following risks and actions have been identified for 2017/18:

1. To ensure the effective transfer of Fire Governance to the PCC.
2. To work with colleagues to ensure acceptable management and delivery of the MFSS upgrade and arrangements.
3. To ensure the effective delivery of Victim Services through the Voice arrangements, ensuring effective governance arrangements are in place and to facilitate effective transfer of further victims' services to Voice as appropriate.
4. To ensure the effective implementation of the Policing and Crime Act 2017 responsibilities are delivered in respect of Complaints.
5. To scrutinise and challenge the action plans and processes which are in place or required to deliver the improvements identified and required in the recent HMIC reports.
6. To ensure the Force has in place suitable financial monitoring arrangements and robust savings plans in place to meet the pressures identified and enable balanced budgets in 2018/19 and future years

CONCLUSION

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

Helen King
Chief Finance Officer
Section 151

Date:

Martin Scoble
Chief Executive Officer

Date:

Stephen Mold
Northamptonshire Police and
Crime Commissioner

Date:



**ANNUAL GOVERNANCE STATEMENT
FOR REGIONAL COLLABORATION 2017/18**

I confirm that the relevant controls and procedures are in place to manage the following issues within Regional Collaboration for the East Midlands:

1. The monitoring processes by which performance against operational, financial and other strategic plans are considered and key issues identified and tasked.

DCC (East Midlands) monitors performance. This is reported to the East Midlands Police & Crime Commissioners and Chief Constables' (EMPCC/CC) Board on a quarterly basis.

2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Compliance is monitored by management review and supported by specialist professional advice where appropriate. Where areas for improvement are identified these are subject

Signed

Chris Haward
Deputy Chief Constable (East Midlands)

Date 30/04/18

Statement of Responsibilities for the Statement of Accounts

The PCC's Responsibilities

The PCC is responsible for holding the Chief Constable to account to ensure financial management of the Police service is adequate and effective and that a sound system of internal control is in place including arrangements for risk management. The OPCC must make arrangements for the proper administration of its financial affairs and to ensure that one of its officers, namely the CFO, has the responsibility for that administration.

The PCC also has a specific responsibility to sign the Statement of Accounts following review by the Joint Independent Audit Committee meetings.

The CFO's Responsibilities

The CFO to the PCC is responsible for the preparation of the OPCC's Group Accounts in line with statutory best practice set out in the CIPFA/LASAAC Code of Practice on Local OPCC Accounting in Great Britain ("The Code") and the Accounts and Audit Regulations 2005.

The accounts are required to present fairly the financial position of the OPCC at the accounting date and its income and expenditure for the year ended 31 March 2018.

In preparing this Statement of Accounts, the Section 151 Officer:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Role of the Chief Constable

The Chief Constable, assisted and advised by his Chief Finance Officer, is responsible for day-to-day financial management of the Force and for ensuring that the Force stays within its approved revenue and capital budgets, in accordance with the financial framework agreed by the Police and Crime Commissioner.

Northamptonshire Police Financial Services staff under the supervision of, and with the assistance of the PCC's Office, carries out the preparation of the accounts and liaises with the external auditors, KPMG LLP, during the audit process.

Chief Finance Officer (OPCC and CC) Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the OPCC and Northamptonshire Police Force as at 31 March 2018 and the income and expenditure for the year ended 31 March 2018.

Helen King
Chief Finance Officer
Section 151

Date:

Stephen Mold
Northamptonshire Police and
Crime Commissioner

Date:

Group- Expenditure and Funding Analysis

2016/17			2017/18		
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
51,501		51,501	51,475	646	52,121
3,125		3,125	3,023		3,023
10,272	(7,540)	2,732	5,795		5,795
16,379	1,151	17,530	18,618		18,618
740		740	563		563
19,062		19,062	24,777	89	24,866
7,894		7,894	8,219	23	8,242
3,161	9,144	12,305	8,448	14,958	23,406
985		985	780		780
113,119	2,755	115,874	121,698	15,716	137,414
159	(159)		104	(104)	
(106,828)	21,670	(85,158)	(123,121)	35,149	(87,972)
6,450	24,266	30,716	(1,319)	50,761	49,442
(16,785)			(10,335)		
884			(354)		
5,566			(965)		
(10,335)			(11,654)		

Group - Movement in Reserves Statement

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

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2017	(3,520)	(6,815)	(10,335)	1,255,097	1,244,762
Movement in reserves during 2017/18					
Surplus or deficit on the provision of services	49,442		49,442		49,442
Other Comprehensive Income / Expenditure			0	(7,948)	(7,948)
Total Comprehensive Income and Expenditure	49,442	0	49,442	(7,948)	41,494
Adjustments between accounting basis and funding basis under regulations	(50,761)		(50,761)	50,761	0
Net Increase or Decrease before Transfers to Earmarked Reserves	(1,319)	0	(1,319)	42,813	41,494
Transfers to / from Earmarked Reserves	1,079	(1,079)	0	0	0
Increase or Decrease in 2017/18	(240)	(1,079)	(1,319)	42,813	41,494
Balance at 31 March 2018	(3,760)	(7,894)	(11,654)	1,297,910	1,286,256

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2016	(4,404)	(12,381)	(16,785)	1,021,092	1,004,307
Movement in reserves during 2016/17					
Surplus or deficit on the provision of services	30,716		30,716		30,716
Other Comprehensive Income / Expenditure				209,739	209,739
Total Comprehensive Income and Expenditure	30,716	0	30,716	209,739	240,455
Adjustments between accounting basis and funding basis under regulations	(24,266)		(24,266)	24,266	0
Net Increase or Decrease before Transfers to Earmarked Reserves	6,450	0	6,450	234,005	240,455
Transfers to / from Earmarked Reserves	(5,566)	5,566	0		0
Increase or Decrease in 2016/17	884	5,566	6,450	234,005	240,455
Balance at 31 March 2017	(3,520)	(6,815)	(10,335)	1,255,097	1,244,762

Group- Comprehensive Income and Expenditure Statement

This account summarises the resources that have been generated and consumed in providing services and managing the Group during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Joint Associated Non-Entity (Joint Venture) accounting entries are consolidated in the Comprehensive Income and Expenditure service headings. Note 40 to the accounts gives a separate breakdown of these entries.

2016/17				2017/18		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
52,262	(761)	51,501	Police Pay	53,125	(1,004)	52,121
3,377	(252)	3,125	PCSO Pay	3,252	(229)	3,023
19,791	(17,059)	2,732	Police Pensions	22,071	(16,276)	5,795
10,950	(1,347)	9,603	Crime & Local Policing	11,542	(1,274)	10,268
12,082	(4,155)	7,927	Operational Support	11,591	(3,241)	8,350
742	(2)	740	Specials, Cadets & Volunteers	564	(1)	563
17,798	(553)	17,245	Business Support Exp	19,589	(988)	18,601
1,865	(48)	1,817	Other Non-Devolved Budgets	6,529	(264)	6,265
17,796	(9,902)	7,894	Collaboration & Regional	18,268	(10,026)	8,242
11,067	(106)	10,961	Police and Crime Commissioner	22,316	0	22,316
2,188	(844)	1,344	Commissioning	2,150	(1,060)	1,090
985		985	Non Distributed Costs	780	0	780
150,903	(35,029)	115,874	Cost of Services	171,777	(34,363)	137,414
			Intra-Group Funding Transfer			
1,101	(46)	1,055	Other Operating Expenditure (Note 7)	1,388	(78)	1,310
37,270	(20)	37,250	Financing and Investment Income and Expenditure	34,765	(29)	34,736
	(123,463)	(123,463)	Taxation and Non Specific Grant Income	0	(124,018)	(124,018)
			Exceptional Item*			
189,274	(158,558)	30,716	(Surplus) or deficit on Provision of Services	207,930	(158,488)	49,442
		(676)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(3,430)
		210,415	Re-measurement of the net defined benefit liability / asset			(4,518)
		209,739	Other Comprehensive Income and Expenditure			(7,948)
		240,455	Total Comprehensive Income and Expenditure			41,494

Group - Balance Sheet

This account shows the overall financial position of the Group at 31 March 2018. It therefore differs from the other financial accounts shown in this statement in that it deals with the position of the OPCC at the end of the 2017/18 financial year instead of dealing with day-to-day transactions within that financial year.

31 March 2017		31 March 2018	
	£000		£000
58,186	Property, Plant and Equipment (Note 18)	52,479	
4,266	Intangible Assets (Note 23)	2,983	
11	Long Term Investments	11	
62,463	Long Term Assets	55,473	
2,000	Short-term Investments	0	
66	Assets Held for Sale (Note 20)	2,900	
463	Inventories (Note 27)	431	
11,027	Short Term Debtors (Note 26)	11,612	
12,859	Cash and Cash Equivalents (Note 33)	5,136	
26,415	Current Assets	20,079	
(19,208)	Short-Term Creditors (Note 29)	(17,323)	
(1,360)	Provisions (Note 28)	(1,362)	
(20,568)	Current Liabilities	(18,685)	
0	Long-Term Creditors	0	
(615)	Long Term Provisions (Note 28)	(310)	
(1,300)	Long Term Borrowing (Note 39)	(1,300)	
(1,311,157)	Other Long-Term Liabilities (Note 37)	(1,341,513)	
(1,313,072)	Long Term Liabilities	(1,343,123)	
(1,244,762)	Net Assets	(1,286,256)	
(10,335)	Usable Reserves	(11,654)	
1,255,097	Unusable Reserves (Note 17)	1,297,910	
1,244,762	Total Reserves	1,286,256	

Group - Cash Flow Statement

This statement shows a summary of the cash flowing in and out of the Group arising from transactions with third parties for revenue and capital purposes. Cash is defined for this statement as cash in hand and deposits repayable on demand.

2016/17		2017/18
£000		£000
30,716	Net (surplus) or deficit on the provision of services	49,442
(47,324)	Adjustment to surplus or deficit on the provision of services for noncash movements	(55,519)
1,545	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	1,084
(15,063)	Net cash flows from operating activities	(4,993)
8,881	Net cash flows from investing activities	12,716
(6,182)	Net (increase) or decrease in cash and cash equivalents	7,723
6,677	Cash and cash equivalents at the beginning of the reporting period	12,859
12,859	Cash and cash equivalents at the end of the reporting period	5,136

Note 1 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 42, the OPCC has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Influences on-going concern status, such as future levels of funding for central government departments
- Possible impairment of investments
- Whether other entities with which the OPCC has a relationship are subsidiaries, associates or jointly controlled entities
- The potential outcome of legal claims by or against the OPCC
- The condition of the local and national housing/industrial building market
- The economic standing of significant debtors and creditors

Note 2 - 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 OPCC 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 OPCC's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property	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. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase £0.149m for every year that useful lives had to be reduced.
Vehicles, Plant and Equipment and Intangible Assets	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. The nature of the authority is that for example some equipment, e.g. vehicles can be driven in extreme conditions, which could result in increased impairments or reduced useful economic lives, however, historically this has not been the case.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for vehicles would increase by £0.234m for every year that useful lives had to be reduced.

Joint Venture	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. The nature of the authority is that the Joint Venture's helicopter can be used driven in extreme conditions, which could result in increased impairments or reduced useful economic lives, however, historically this has not been the case.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Provisions	The Authority requested an external expert assess its liability at the end of the 2017/18 Financial Year and has made a provision of £0.424m for the settlement of insurance claims, based on the number of known claims. As none of these claims have yet been settled the extent of the liability is still unknown.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.043m to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. During 2017/18, the Authority's actuaries advised that the net pension's liability had increased by £30.36m as a result of estimates being corrected. If laws and regulations surrounding the management of the Police Pension scheme were to change, the maximum additional liability the Force could face would be £1341.5m, being the total pension liability.
Arrears	At 31 March 2018, the OPCC had a balance of sundry debtors for £1.020m. A review of balances suggested that a bad debts provision of £0.031m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.201m to set aside as an allowance.
Investments	At 31 March 2018, the OPCC held a balance of investments of £4.497m, before IFRS accounting adjustments for cash & cash equivalents. - A review of these investments showed they were all banking institutes were either Within the top 30 most secure (rating completed by Building Society's Association, ranked by group assets), or - Other financial investment bodies are reviewed for credit worthiness via a stability assessment, based on short and long term market forecasts provided by the three main credit rating agencies. However, in the current economic climate other financial institutes have previously failed.	If one of these institutes were to fail, the maximum liability the OPCC could face would £3m for an internally managed fund.

Note 3 - Events After the Balance Sheet Date

On the 11 April 2018, the Home Secretary approved Northamptonshire PCC's proposal to take on responsibility for Northamptonshire Fire and Rescue Service, advising that a transfer of governance would be in the interests of economy, efficiency and effectiveness. Work is underway between Northamptonshire County Council, the PCC and the Home Office to develop the necessary statutory instrument to give effect to the proposal, which, subject to discussions and parliamentary considerations is anticipated, will take effect by early autumn 2018.

Any further events taking place after the draft Statement of Accounts were provided to our external auditors on 31 May 2018, are not financially reflected within the Financial Statements.

Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 4 - Officers' Remuneration

Employee Remuneration

In accordance with the Code of Practice and LAAP Bulletin 85 from April 2010, the number of employees whose remuneration was paid in year, excluding pension contributions, exceeded £50,000 or more in the year, were as follows:

2016/17		2017/18	2017/18	2017/18
Total	Earnings Band	Officers	Police Staff	Total Employees
40	50,000 to 54,999	44	7	51
8	55,000 to 59,999	14	4	18
7	60,000 to 64,999	1	1	2
5	65,000 to 69,999	5	1	6
5	70,000 to 74,999	2	6	8
1	75,000 to 79,999	1		1
1	80,000 to 84,999	2		2
	85,000 to 89,999	1	2	3
1	95,000 to 99,999			
	110,000 to 114,999	1		1
1	115,000 to 119,999			
1	150,000 to 154,999	1		1
70		72	21	93

The disclosure above includes senior officers and requires the outlining of total taxable pay, including personal Additional Voluntary Contributions, whereas the Senior Officers table overleaf outlines the entire remunerations by post. Therefore, the two tables are not completely comparable which will result in differing bandings if the two are compared.

Senior Officers of the organisation whose remunerations, excluding pension contributions, exceeded £50,000 requiring disclosure by post or name were:

2017/18

Post Holder Information	Start Date	Leaving date	Salary £	Expense Allowances(1) £	Loss of office (2) £	Other(3) £	Total Excluding Pension £	Employers Contribution £	Total Including Pension £
Police and Crime Commissioner									
Stephen Mold - Police and Crime Commissioner	12/05/2016		70,000	7,112			77,112	12,600	89,712
Office of the Police and Crime Commissioner									
Director for Resources	01/11/2016	06/04/2017	1,266	10	46,736		48,012	177	48,189
Chief Executive	15/11/2016		85,879	3,396			89,275	15,458	104,733
Strategic Resource Officer	01/11/2016	06/04/2017	3,104		31,286		34,390	144	34,534
Director For Delivery - 1	01/09/2016		72,717	1,429			74,146	13,089	87,235
Director of Technology and Digital Transformation	22/11/2016		72,717				72,717	13,089	85,806
Director for Delivery - 2	21/11/2016		72,717	507			73,224		73,224
Chief Finance Officer	09/11/2017		32,312	698			33,010	5,816	38,826
Director for Early Intervention	07/11/2016		72,717	4,778			77,495	13,089	90,584
Voice Ltd									
Chief Executive	01/08/2017		39,420	18			39,438	8,756	48,194
Chief Constable									
Simon Edens - Chief Constable	27/07/2015		152,352	955			153,307		153,307
Deputy Chief Constable 1	19/03/2015	01/06/2017	22,591	47		890	23,528	4,608	28,136
Deputy Chief Constable 2	15/05/2017		95,100	533		2,657	98,290	23,200	121,490
Assistant Chief constable	31/07/2015	14/05/2017	17,090	137		531	17,758	8,472	26,230
Assistant Chief constable 2	15/05/2017		85,647	190		5,820	91,657	20,892	112,549
ACO Finance and Resources*	14/01/2016								
Director of HR Tri Force Collaboration	14/01/2016		89,498	7,877		2,941	100,316	16,110	116,426

(1) Expenses Allowances include taxable and non-taxable expenses

(2) This was paid to members of the Commissioner's staff to settle the contractual and statutory entitlements arising from the ending of the individual's employment.

(3) Other include Rent Allowance, Housing Allowance, Car Allowance, ACPO Med Allowance

* The ACO Finance and Resources post is shared between Northamptonshire (24.63%), Leicestershire (35.53%) and Nottinghamshire (39.84%). From 1st April 2018 this post will be shared between Northamptonshire (50%) and Leicestershire (50%). As the individual is employed by Leicestershire, the total salary costs associated with this post is not included within the table above.

Note: In 2016/17 Employers Pension Contribution was not disclosed.

2016/17

Post Holder Information	Start Date	Leaving date	Salary	Expense Allowances	Other	Total Excluding Pension
			£	£	£	£
Police and Crime Commissioner						
Adam Simmonds - Police and Crime Commissioner	22/11/2012	11/05/2016	7,903			7,903
Stephen Mold - Police and Crime Commissioner	12/05/2016		62,097	2,176		64,273
Office of the Police and Crime Commissioner						
Acting Chief Executive*	12/10/2015	31/10/2016	43,856	811		44,667
Director for Resources*	01/11/2016		24,567	386		24,953
Chief Executive	15/11/2016		31,661	1,115		32,776
Acting Director for Resources**	12/10/2015	31/10/2016	32,795	940		33,735
Strategic Resource Officer**	01/11/2016		19,976	158		20,134
Assistant Chief Executive (Visibility)	22/11/2012	31/08/2016	31,656	149		31,805
Acting Director for Delivery***	12/10/2015	31/08/2016	29,999	226		30,225
Director For Delivery - 1***	01/09/2016		42,418	171		42,589
Director of Technology and Digital Transformation	22/11/2016		38,378			38,378
Director for Delivery - 2	21/11/2016		26,259	28		26,287
Director for Early Intervention	07/11/2016		29,087	928		30,015
Chief Constable						
Simon Edens - Chief Constable	27/07/2015		151,472	357		151,829
Deputy Chief Constable 1	19/03/2015		113,769	50	8,877	122,696
Assistant Chief Constable	31/07/2015		97,161	249	3,188	100,598
ACO Finance and Resources ****	14/01/2016					
Director of HR Tri Force Collaboration	14/01/2016					

* The post holder is the same person

** The post holder is the same person

*** The post holder is the same person

**** The ACO Finance and Resources and Director of HR Tri Force Collaboration posts are shared between Northamptonshire (24.63%), Leicestershire (35.53%) and Nottinghamshire (39.84%). As both individuals are employed by Leicestershire, the total salary costs associated with these posts are not included within the table above.

Note 5A - Note to the Expenditure and Funding Analysis

2017/18	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Police Pay			646	646
Business Support Exp		13	76	89
Collaboration & Regional PCC	14,930	159	23	23
			10	15,099
Net Cost of Services	14,930	172	755	15,857
Joint Venture and Associates	(104)			(104)
Other Income and Expenditure	(840)	35,680	168	35,008
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	13,986	35,852	923	50,761

2016/17	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Police Pensions		(8,360)	820	(7,540)
Business Support Exp		1,563	(412)	1,151
PCC	8,146	985	13	9,144
Net Cost of Services	8,146	(5,812)	421	2,755
Other Income and Expenditure	(15,774)	37,207	78	21,511
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	(7,628)	31,395	499	24,266

The differences between statutory charges and adjustments within the Expenditure and Funding Analysis (EFA) statement are the transfers to and from reserves in accordance with the EFA statement.

Note 5B - Segmental Analysis of Income and Expenditure

2017/18	Revenues from External Customers £000	Interest Revenue £000	Interest Expense £000	Depreciation and Amortisation £000
Police Pensions	(16,276)			
Operations	(422)			
Specials, Cadets & Volunteers				
Business Support & Other Non Devolved Exp	(7,731)	(29)	63	
Collaboration & Regional	(8,919)			
PCC	(1,093)			6,889
Total	(34,441)	(29)	63	6,889

2016/17	Revenues from External Customers £000	Interest Revenue £000	Interest Expense £000	Depreciation and Amortisation £000
Police Pay	(761)			
PCSO Pay	(252)			
Police Pensions	(17,059)			
Operations	(5,780)			
Specials, Cadets & Volunteers	(2)			
Business Support & Other Non Devolved Exp	(698)	(20)	63	
Collaboration & Regional	(9,396)			
PCC	(950)			8,327
Total	(34,898)	(20)	63	8,327

Note 5C - Expenditure and Income Analysed by Nature

2016/17	2017/18
£000 Nature of Expenditure or Income	£000
(3,909) Fees, charges and other service income	(3,696)
(159) Surplus or deficit on associates and joint ventures	(91)
(20) Interest and investment income	(29)
(72,103) Income from local taxation	(49,882)
(69,350) Government grants and contributions	(73,053)
(6,136) Other income	(23,675)
143,354 Employee pay and pension benefits (IAS19)	150,372
29,644 Other service expenses	41,156
8,327 Depreciation, amortisation and impairment	6,889
63 Interest payments	63
919 Precepts and levies	1,190
86 Gain or loss on disposal of non-current assets	198
30,716 Surplus or Deficit for Year	49,442

Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations

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

2017/18

	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
- Pension cost (transferred to (or from) the Pensions Reserve)	(34,874)	34,874
- Financial Instruments (transferred to the Financial Instruments Adjustments Account)		
- Council tax and NDR (transfers to or from the Collection Fund)	(191)	191
- Holiday pay (transferred to the Accumulated Absences reserve)	(804)	804
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(19,236)	19,236
Total Adjustments to Revenue Resources	(55,105)	55,105
- Adjustments between Revenue and Capital Resources		
- Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	239	(239)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,086	(4,086)
Total Adjustments between Revenue and Capital Resources	4,325	(4,325)
- Other adjustments	19	(19)
Total Adjustments	(50,761)	50,761

2016/17

	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:		
- Pension cost (transferred to (or from) the Pensions Reserve)	(31,393)	31,393
- Council tax and NDR (transfers to or from the Collection Fund)	(78)	78
- Holiday pay (transferred to the Accumulated Absences reserve)	(373)	373
- Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(6,979)	6,979
Total Adjustments to Revenue Resources	(38,823)	38,823
- Adjustments between Revenue and Capital Resources		
- Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	235	(235)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	14,286	(14,286)
Total Adjustments between Revenue and Capital Resources	14,521	(14,521)
- Other adjustments	36	(36)
Total Adjustments	(24,266)	24,266

Note 7 - Other Operating Expenditure

Other Operating Expenditure includes levies; gains or losses on the disposal of non-current assets in the CIES for 2017/18.

2016/17		2017/18
£000		£000
919	Levies	1,190
182	Gains/losses on the Disposal of Non-Current Assets	198
(46)	Other	(78)
1,055	Total Other Operating Expenditure	1,310

Note 8 - Financing and Investment Income and Expenditure

The CIES includes financing and investment income and expenditure including interest payable and similar charges: pensions' interest costs and expected return on pension assets, interest income, income, expenditure, changes in the fair values of investment properties, and other income.

2016/17		2017/18
£000		£000
63	Interest payable and similar charges	63
37,207	Net interest on the net defined benefit liability (asset)	34,702
(20)	Interest receivable and similar income	(29)
37,250	Total	34,736

Note 9 - Taxation and Non-Specific Grant Income

The CIES includes income comprising of council tax income, NNDR, non-ring fenced government grants and all capital grants.

2016/17		2017/18
£000		£000
(47,923)	Council tax income	(49,882)
(24,180)	Non-domestic rates income and expenditure	
(49,815)	Non-ringfenced government grants*	(73,052)
(1,545)	Capital grants and contributions	(1,084)
	Other tax or non-specific grant income / expenditure	
(123,463)	Total	(124,018)

* The Police main grant and other non-ringfenced governments grants have been consolidated and presented as one core police grant under Non-ringfenced government grants in 2017/18.

Note 10 - Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement or within Notes 5-9, such as the disposals of Fixed Assets and Investments or reversals of provisions, the nature of these material amounts are set out below:

2016/17		2017/18
£000		£000
938	Insurance Provision	1,362
355	Legal Provision	
67	Redundancy	
	Property Dilapidations (Short Term)	
615	Property Dilapidations (Long Term)	310
	Building Impairment	12,794
1,975	Total	14,466

Note 11 - Trading Operations

The Group does not have any trading operations. All commercial activities have been outsourced.

Note 12 - Members' Allowances

During 2017/18 a total of £0.014m was paid in Allowances and Reimbursements for OPCC members (2016/17 £0.013m).

2016/17		2017/18
Group Description		Group
£000		£000
	13 Allowances and Re-imbursements	14
	Other Expenses (including travel)	
13 Total		14

Note 13 - External Audit Costs

During the year the group incurred direct external audit fees for KPMG LLP. The audit Fee of £45k in both 16/17 and 17/18 related to the statutory audit work for Statement of Accounts, which is a statutory requirement. In 2017/18 the group paid an additional £2.5k for external audit fees relating to 2016/17 audit and a further £1k for a mandatory National Fraud Initiative (NFI), which was paid to the Audit Commission. Therefore the total charge for external audit fees was £48.5k, with £47.5k being payable to KPMG LLP.

2016/17		2017/18	
	£000		£000
45	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	45	
45	Total	45	

Note 14 - Grant Income

The OPCC credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

31 March 2017 Group		31 March 2018 Group
£000		£000
(43,171)	Revenue Support Grant	(66,408)
(6,644)	Council Tax Burden Grant	(6,644)
	Non Ring Fenced Government Grants	
(1,151)	Capital Grants and Contributions	(645)
	Agile Innovation Fund Capital Grant	
(394)	Other Capital Grants and Contributions	
(51,360)	Total	(73,697)

Credited to Services

31 March 2017 Group		31 March 2018 Group
£000		£000
0	Drug Intervention Programme	
12	Loan Charges Grant	
(17,059)	Pension Top Up Grant	(16,276)
(28)	Department of Health	
(844)	Ministry of Justice	(848)
(40)	Police Transformation Grant	(439)
(46)	Sales of Goods and Services	
(284)	Proceeds of Crime	(141)
(18,289)	Total	(17,704)

Note 15 - Related Parties

IPSAS 20 Related Party Disclosures, based on IAS 24, requires the OPCC and Police Force to disclose material transactions and outstanding balances with related parties – bodies or individual's that have the potential to control or influence the OPCC or to be controlled or influenced by the OPCC.

Central Government has effective control over the general operations of the OPCC. It is responsible for providing the statutory framework within which the OPCC operates, and provides the majority of funding in the form of general or specific grants. Details of government grants are set out in Note 14 to the Core Financial Statements.

The OPCC has direct control over the OPCC's financial and operating policies. Chief Officers might also be in a position to influence significantly the policies of the OPCC.

During the year, the PCC set up a company "Victims Voice" to deliver support services to victims (these services were previously provided by Victim Support). In 2017/18, the PCC provided 100% of the funding to Victims Voice which equated to a grant in the year of £0.450m (part of the Ministry of Justice Grant received by the PCC) and for which the £0.163m underspend was returned to the PCC at year end in line with the grant agreement.

The PCC is the chair of the Victims Voice Board which is comprised of the Victims Voice Chief Executive and a member of the Police and Crime Institute.

During the set up phase between June and October 2017, the Director of Delivery also served on the Board, in addition he has advised Victims Voice in a professional capacity during the year. Advice during the year was also provided to Victims Voice by mainly the Chief Finance Officer, Finance Advisor and the Head of Commissioning and Criminal Justice. Advice was also provided from specialist staff in the force from areas such as ICT and estates.

As the OPCC staff have direct control over Victim's Voice and provide advice, as such they may have the opportunity to significantly influence the policies of Victims Voice. Measures are in place to mitigate this influence and with a grant agreement and a service level agreement in place, together with the development of a corporate governance framework and the requirements of the Ministry of Justice Grant conditions.

Key members of staff in the OPCC and Chief Officers are required, at the end of each year, to declare whether they, or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the OPCC during the financial year. For 2017/18 this has included Joint Independent Audit Committee members (JIAC), for which two returns have been received.

Both the OPCC and the Police Service maintain a register of business interests, and has a Business Interest Policy which sets out the criteria for deciding whether the Business Interest is compatible with the individual's role within the organisation.

During 2017/18, the following related party transactions are reported within the OPCC:

The PCC contributed the sum of £0.100m to the Community Foundation, an organisation which awards grants to local organisations. Two members of the OPCC are part of the decision making process for the awards to ensure alignment with the Police and Crime Plan objectives.

The PCC contributed £0.220m to the Institute for Public Safety Crime and Justice (IPSCJ) for commissioned services (e.g. the annual budget perception and victim perception surveys) and the part year salary of a member of OPCC staff. From October 2017, the member of staff left the OPCC to become a permanent employee of the IPSCJ and also became a member of the Victims Voice Board.

During the year, the Director of Early Intervention was a Trustee for Groundwork for which the OPCC provided funding of £0.067m prior to their appointment. In December 2017 the Director of Early Intervention was appointed as a Board member for Northamptonshire Emergency Cadets for which the OPCC had provided funding in 2016/17 of £0.100m.

During the year, the Director of Delivery represented the OPCC on the Crimestoppers Board and the OPCC contributed the sum of £0.018m directly and the Community Foundation awarded a grant of £0.005m

Note 16 - Transfers to/from Earmarked Reserves

This note sets out the Group amounts set aside from the General Fund and earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet the General Fund requirements in 2017/18.

The adequacy of reserves is assessed as part of the annual budget process where the strategic, operational and financial risks facing the OPCC are considered. The Reserves Policy is published annually in the Budget Report where the rationale for each Reserve is clearly stated.

As at the 1 April 2018, the General Fund balance stood at £3.760m.

	Balance at 1 April 2016	Transfers in 2016/17	Transfers out 2016/17	Balance at 31 March 2017	Transfers in 2017/18	Transfers out 2017/18	Balance at 31 March 2018
Initiatives Fund	(2,941)	(910)	2,717	(1,134)	(838)		(1,972)
Insurance	(83)	(919)		(1,002)	(80)		(1,082)
Invest to Save	0	(977)		(977)			(977)
Pensions	(1,280)	(6)		(1,286)			(1,286)
Safer Roads	(1,194)	(112)		(1,306)	(162)		(1,468)
Capital	(3,010)	(10,270)	12,754	(526)	(4,360)	4,886	0
Regional	(674)		90	(584)	(195)		(779)
CC Carry Forwards	(2,053)	(387)	2,440	0	(167)		(167)
Employee Benefits	(1,146)		1,146	0			0
Victims	0			0	(163)		(163)
Total General Fund	(12,381)	(13,581)	19,147	(6,815)	(5,965)	4,886	(7,894)
General	(4,404)	(1,532)	2,416	(3,520)	(240)		(3,760)
	(16,785)	(15,113)	21,563	(10,335)	(6,205)	4,886	(11,654)

On 31 March 2018, the total Earmarked Reserves and General Fund balance stood at £11.654m (£10.335m in 2016/17). These were made up as follows:

Initiatives Fund Reserve £1.972m

The opening balance was £1.134m. During the year there was an additional £0.838m contribution to meet the Commissioner's objectives in future financial years.

General Fund balance £3.760m

After taking account of transfers to and from reserves and the required provisions, the OPCC generated a surplus of £0.240m that was transferred into the General Fund Balance.

Insurance Reserve balance £1.082m

The Insurance Earmarked Reserve is designed to meet potential future claims. An increase to the insurance reserve of £0.080m is designed to meet potential future claims. The adequacy of this will be reviewed on a regular basis to ensure compliance with Insurance advice.

Invest to Save Earmarked Reserve balance £0.977m

This is an earmarked reserve and it has been set up to fund specific agreed schemes that will deliver long term efficiency savings for the Force.

Pensions Reserve balance £1.286m

The pensions reserve is maintained for those liabilities relating to Police Officers pension payments that still fall to be met by the OPCC. These include one-off lump sum payments due when an officer retires on ill health and payments of injury awards. It was deemed that this reserve was adequate, however this reserve will be continually reviewed to ensure that it still fit for purpose and will be adjusted as circumstances change.

Safer Roads Reserve balance £1.468m

The opening balance was £1.306m and there was an in year revenue contribution amounting to £0.162m. This balance is specifically assigned to Safer Roads and in-particular speed awareness training is the funding generator and both the training and support staff are funded from this source. This reserve has a significant balance. However, there are potential calls on this reserve. Firstly, if training income is significantly reduced there will have to be a revenue adjustment to account for potential revenue staffing shortfall.

Capital Reserve balance £0m

The reserve was set up to fund the future capital spending to ensure the OPCC can continue to fund its capital programme at the planned levels, the current balance was fully utilised in year.

Regional Reserve balance £0.779m

The reserve comprises of £0.697m from the Joint Venture accounts and £0.082m carry forward from other regional underspends.

CC Carry forwards £0.167m

The reserve comprises 2017/18 underspends earmarked to fund carry forward initiatives in 2018/19.

Victims Reserve balance £0.163m

This is a new earmarked reserve and it has been set up to fund services to improve Victim outcome.

Note 17 - Unusable Reserves

31 March 2017		31 March 2018
£000		£000
(13,412)	Revaluation Reserve	(16,405)
(43,141)	Capital Adjustment Account	(28,686)
1,311,157	Pension Reserve	1,341,513
(1,586)	Collection Fund Adjustment Account	(1,395)
2,079	Accumulated Absences Account	2,883
1,255,097	Total	1,297,910

Revaluation Reserve

31 March 2017		31 March 2018
£000		£000
(13,236)	Balance 1 April	(13,412)
(1,932)	Upward revaluation of assets	(3,430)
1,256	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	
(676)	Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	(3,430)
500	Difference between fair value depreciation and historical cost depreciation	437
500	Amount written off to the Capital Adjustment Account	437
	Other movements to the Surplus or Deficit on Provision of Services	
	Other movements to Other Comprehensive Income and Expenditure	
(13,412)	Balance 31 March	(16,405)

The Revaluation Reserve contains the gains made by the OPCC arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are realised

Capital Adjustment Account

31 March 2017 £000		31 March 2018 £000	
(35,062)	Balance 1 April	(43,141)	
4,888	Charges for depreciation and impairment of non-current assets	4,153	
	Revaluation losses on non-current assets	12,794	
3,453	Amortisation of intangible assets	2,910	
	Revenue expenditure funded from capital under statute		
182	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	463	
8,523	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	20,320	
(500)	Adjusting Amounts written out of the Revaluation Reserve	(437)	
8,023	Net written out amount of the cost of non-current assets consumed in the year	19,883	
(1,545)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,084)	
(235)	Statutory provision for the financing of capital investment charged against the General Fund	(239)	
(14,286)	Capital expenditure charged against the General Fund	(4,086)	
(16,066)	Capital financing applied in year:	(5,409)	
(36)	Other movements	(19)	
(43,141)	Balance 31 March	(28,686)	

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

The 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.

Note 5 & 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve, which is directly transferred between the two reserves.

Pension Reserve

31 March 2017 £000		31 March 2018 £000
1,069,349	Balance 1 April	1,311,157
210,415	Re-measurements of the net defined benefit (liability)/asset	(4,518)
61,061	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	67,034
(29,668)	Employer's pensions contributions and direct payments to pensioners payable in the year	(32,160)
1,311,157	Balance 31 March	1,341,513

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 OPCC 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 OPCC makes employer's contributions to pension funds or eventually pay any pensions for which it is 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 OPCC 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.

Collection Fund Adjustment Account

31 March 2017 £000		31 March 2018 £000
(1,664)	Balance 1 April	(1,586)
78	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	191
(1,586)	Balance 31 March	(1,395)

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.

Accumulated Absences Account

31 March 2017		31 March 2018
£000		£000
1,705	Balance 1 April	2,079
(1,705)	Settlement or cancellation of accrual made at the end of the preceding year	(2,079)
2,079	Amounts accrued at the end of the current year	2,883
2,079	Balance 31 March	2,883

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

Note 18 - Property, Plant and Equipment

Movements to 31 March 2018	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
Cost or Valuation				
at 1 April 2017	39,469	15,443	15,644	70,556
Additions	7,075	3,425	589	11,089
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,429			3,429
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(12,794)			(12,794)
Derecognition – disposals	(180)	(6,503)		(6,683)
Reclassifications and transfers	15,322	271	(15,593)	0
Reclassifications to Assets Held for Sale	(2,900)			(2,900)
at 31 March 2018	49,421	12,636	640	62,697
Accumulated Depreciation and Impairment				
at 1 April 2017	(1,366)	(11,004)	0	(12,370)
Depreciation charge	(1,746)	(2,703)		(4,449)
Depreciation written out to the Revaluation Reserve	296			296
Derecognition – disposals		6,305		6,305
at 31 March 2018	(2,816)	(7,402)	0	(10,218)
Net Book Value				
at 31 March 2018	46,605	5,234	640	52,479
at 31 March 2017	38,103	4,439	15,644	58,186

Movements to 31 March 2017

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
at 1 April 2016	37,020	18,071	5,183	60,274
Re-classification on transfer	1,392	(3,514)	(104)	(2,226)
Revised 1 April 2016	38,412	14,557	5,079	58,048
Additions	431	1,437	12,484	14,352
Revaluation increases/(decreases) recognised in the Revaluation Reserve	676			676
Derecognition – disposals	(50)	(1,857)		(1,907)
Reclassifications and transfers	0	1,306	(1,919)	(613)
at 31 March 2017	39,469	15,443	15,644	70,556
Accumulated Depreciation and Impairment				
at 1 April 2016	(269)	(11,035)	(128)	(11,432)
Re-classification on transfer	(83)	2,181	128	2,226
Revised 1 April 2016	(352)	(8,854)		(9,206)
Depreciation charge	(1,014)	(3,874)		(4,888)
Derecognition – disposals		1,724		1,724
at 31 March 2017	(1,366)	(11,004)	0	(12,370)
Net Book Value				
at 31 March 2017	38,103	4,439	15,644	58,186
at 31 March 2016	38,060	5,703	5,079	48,842

The figures contained within this note are represented by the OPCC assets, Joint Venture assets & the assets held for sale.

The OPCC's final capital expenditure figure in Note 24 to the Accounts, of £12.247m, was made up of intangible assets in Note 23 & the Joint Venture expenditure.

Note 19 - Impairment Losses

For the Financial period of 2017/18 there was an impairment of £12.794m charged to the Surplus and Deficit on the Provision of Service. This charge related to the revaluation of the newly constructed Northern Accommodation Hub. This represents the difference between the construction value and the financial valuation in accordance with the Code of Practice.

Note 20 - Assets Held for Sale

The OPCC during 2017/18, holds 1 asset that is classified as Assets Held for Sale, this is Mereway Operational Building.

Current	Non-current		Current	Non-current
31 March 2017	31 March 2017		31 March 2018	31 March 2018
£000	£000		£000	£000
66		Balance outstanding at start of year	66	
		Assets disposed in Year	(66)	
		Assets newly classified as held for sale:		
		- Property Plant and Equipment	2,900	
66	0	Balance Outstanding year end	2,900	0

Note 21 - Investment Properties

The OPCC does not hold any investment property interests that could be classified and accounted for as investment properties, therefore, no adjustments or disclosures are required.

Note 22 - Leases

The OPCC holds premises and some equipment on an operating lease basis, made payments of £283k for the year and was committed to making the following lease payments.

2017/18	Future Years Committed Expenditure			
	£000s	£000s	£000s	£000s
	Land	Buildings	Equipt.	Total
Leases expiring in 2018/19	17	23	17	57
Leases expiring between 2019/20 and 2022/23	57	78		135
Leases expiring 2023/24 and after	39	52		91
Total	113	153	17	283

As at the end of 31st March 2017 and 2018, the group had no Finance Leases.

	Future Years Committed Expenditure			
	£000s	£000s	£000s	£000s
	Land	Buildings	Equipt.	Total
Leases expiring in 2019/20	8	11		19
Leases expiring between 2020/21 and 2023/24	57	78		135
Leases expiring 2024/25 and after	39	52		91
Total	104	141	0	245

Note 23 - Intangible Assets

The Group accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period in which the software is expected to be of use to the Group.

The carrying amount of intangible assets is amortised on a straight-line basis over three years or where appropriate over the asset life, such as the Multi Force Shared Service (MFSS) which is six and a half years. Amortisation of £2.911m was charged to revenue in 2017/18.

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

31 March 2017			31 March 2018	
Internally Generated Assets	Total		Internally Generated Assets	Total
£000	£000		£000	£000
Balance at start of year:				
9,612	9,612	Gross carrying amounts	11,270	11,270
(4,000)	(4,000)	Accumulated amortisation	(7,004)	(7,004)
5,612	5,612	Net carrying amount at start of year	4,266	4,266
Additions:				
1,494	1,494	Internal development	1,628	1,628
0	0	Purchases	0	0
(449)	(449)	Other disposals	(1,605)	(1,605)
613	613	Reclassifications and transfers	0	0
0	0	Other adjustments	0	0
(3,453)	(3,453)	Amortisation for the period	(2,911)	(2,911)
449	449	Amortisation written off on disposal	1,605	1,605
4,266	4,266	Net carrying amount at end of year	2,983	2,983
Comprising:				
11,270	11,270	Gross carrying amounts	11,293	11,293
(7,004)	(7,004)	Accumulated amortisation	(8,310)	(8,310)
4,266	4,266	Total	2,983	2,983

* Due to the nature of some of the key operational equipment within Intangible Assets, all lines above the (Surplus)/Deficit on the Provision of Services line from Local to National Policing include elements of Amortisation of Intangible Assets.

Note 24 - Capital Expenditure and Capital Financing

The capital financing requirement measures the OPCC's need to borrow for a capital purpose. The following statement shows the effect of the OPCC's capital investment decisions in 2017/18 upon the capital financing requirement. The capital financing requirement reduced by £0.239m, this was due to the OPCC providing for a repayment of borrowing through revenue. There was no further borrowing to finance capital expenditure during the year.

Capital Expenditure and Capital Financing

31 March 2017		31 March 2018	
£000		£000	
6,204	Opening Capital Financing Requirement	5,985	
	Capital Investment:		
14,352	Property Plant and Equipment	11,089	
1,495	Intangible Assets	1,628	
0	Assets Held for Sale	0	
0	Revenue Expenditure Funded from Capital Under Statute	0	
0	Other Capital Expenditure	0	
15,847	Total Capital Spending	12,717	
	Sources of Finance:		
0	Capital receipts	0	
(1,545)	Government Grants and other contributions	(1,084)	
	Sums set aside from revenue:		
(14,286)	- Direct revenue contributions	(4,086)	
(235)	- Minimum revenue provision	(239)	
(16,066)	Total Sources of Finance	(5,409)	
5,985	Closing Capital Financing Requirement	13,293	

Note 25 - Construction Contracts

At 31 March 2018 the OPCC had no construction contracts in progress.

Note 26 - Debtors

These amounts represent sums falling due within one year to the OPCC from various sources, together with bad debt provision and prepayments.

31 March 2017		31 March 2018	
	£000		£000
1,356	Central Government Bodies	4,552	
5,343	Other Local Authorities	4,141	
130	NHS Bodies	83	
81	Public Corporations and Trading Funds		
4,117	Other Entities and Individuals	2,836	
11,027	Total Debtors	11,612	

Note 27 - Inventories

The following stocks were held as available for issue as at 31 March 2018:

	Vehicle Fuel		Vehicle Parts and Operational Equipment		Uniforms		Total	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Balance outstanding at start of year	107	108	75	50	291	305	473	463
Purchases	108	73	50	71	305	287	463	431
Recognised as an expense in the year	(107)	(108)	(75)	(50)	(291)	(305)	(473)	(463)
Balance Outstanding at Year End	108	73	50	71	305	287	463	431

Note 28 - Provisions

An independent evaluation of the Insurance Provision as at 31 March 2018 has identified a requirement of £1.362m for future year's potential claims, an increase of £0.424m.

The Group created a new £0.067m provision within 2016/17 for the costs associated with the termination of senior officer employment contracts, which was utilised within 2017/18

Current Provisions

2017/18	Insurance Provision	Property Dilapidations	Loss of Office	Legal	Total
	£000	£000	£000	£000	£000
Opening Balance	(938)		(67)	(355)	(1,360)
Increase in provision during year	(424)				(424)
Utilised during year			67	355	422
Closing Balance	(1,362)	0	0	0	(1,362)

2016/17	Insurance Provision	Property Dilapidations	Loss of Office	Legal	Total
	£000	£000	£000	£000	£000
Opening Balance	(855)	(300)			(1,155)
Increase in provision during year	(938)		(67)	(355)	(1,360)
Utilised during year	855	300			1,155
Closing Balance	(938)	0	(67)	(355)	(1,360)

Long Term Provisions

2017/18

	Property Dilapidations £000	Total £000
Opening Balance	(615)	(615)
Increase in provision during year		0
Utilised during year	305	305
Closing Balance	(310)	(310)

2016/17

	Property Dilapidations £000	Total £000
Opening Balance		0
Increase in provision during year	(615)	(615)
Utilised during year		0
Closing Balance	(615)	(615)

The Insurance provision provides financial resources for Motor, Property, Public and Employers Liability claims. Costs outside of the known and expected provision will be met by the Force's legal revenue budget or reserves. The main assumptions and methodologies are:

This report uses the Chain Ladder actuarial method for forecasting ultimate mature loss levels from the last available data point for a given risk and year. The Chain Ladder method has been applied to the progression of incurred losses, plotted at annual intervals. The full stated methodology is the Chain Ladder method which assumes that the development profile of historic mature underwriting (policy) years will be repeated as the more immature years' run-off. However, in applying the development factors, any anomalies are first excluded before calculating average development factors. If the assumptions underlying the Chain Ladder method are not borne out then the future development of claims will differ from the predictions in this report, but we believe this forecasting method is robust, evidenced by the fact that it is used extensively by insurance companies.

The recommended fund injection for future losses is based on the projected ultimate claims under the Chain Ladder Method with a margin added for prudence.

Note 29 - Creditors

These amounts represent sums owed by the Group to various sources, together with receipts in advance.

31 March 2017		31 March 2018
£000		£000
(1,912)	Central Government Bodies	(2,501)
(2,088)	Other Local Authorities	(2,625)
(114)	NHS Bodies	(1)
(15,094)	Other Entities and Individuals	(12,196)
(19,208)	Total Creditors	(17,323)

Note 30 - Capitalisation of Borrowing Costs

The OPCC did not borrow any new money to finance the capital programme and therefore has not capitalised any borrowing.

Note 31 - Contingent Liabilities

Our insurance consultants, Gallacher Heath, suggested the OPCC do not have any Contingent Liabilities for 2017/18 as 2016/17.

The Police and Crime Commissioner of Northamptonshire, along with other OPCC, Forces and the Home Office, continue to have 25 claims (with potential for further cases coming forwards) 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. The Tribunal is unlikely to consider the substance of the claims until later in 2018. Legal advice continues to suggest that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2017/18 Accounting Statements.

Note 32 - Contingent Assets

The OPCC have no contingent assets for 2017/18.

Note 33 - Cash and Cash Equivalents

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

31 March 2017		31 March 2018
£000		£000
12,859	Cash and Bank balances	5,136
12,859	Total Cash and Cash Equivalents	5,136

Note 34 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

The cash flows for operating activities include the following items:

31 March 2017		31 March 2018
£000		£000
(20)	Interest received	(29)
63	Interest paid	63
43	Total	34

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2017		31 March 2018
£000		£000
(4,888)	Depreciation	(4,153)
	Impairment and downward valuations	(12,794)
(3,453)	Amortisation	(2,910)
(3,383)	(Increase)/decrease in creditors	1,663
(3,192)	Increase/(decrease) in debtors	585
(12)	Increase/(decrease) in inventories	(31)
(31,393)	Movement in pension liability	(34,874)
(182)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(265)
(821)	Other non-cash movements charged to the surplus or deficit on provision of services	(2,740)
(47,324)	Total	(55,519)

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

31 March 2017		31 March 2018
£000		£000
1,545	Any other items for which the cash effects are investing or financing cash flows	1,084
1,545	Total	1,084

Note 35 - Cash Flow from Investing Activities

The cash flows for investing activities include the following items:

31 March 2017		31 March 2018
£000		£000
16,079	Purchase of property, plant and equipment, investment property and intangible assets	12,714
(7,025)	Purchase of short-term and long-term investments	
(173)	Other receipts from investing activities	2
8,881	Net cash flows from investing activities	12,716

Note 36 - Termination Benefits

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total cost of Exit Packages in each Band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £000	2017/18 £000
£0 - £20,000	7	6	1		8	6	59	34
£20,001 - £40,000	3	1			3	1	79	31
£40,001 - £60,000		1				1		47
Total	10	8	1	0	11	8	138	112

Note 37 - Pension Schemes Accounted for as Defined Contribution Schemes

Pensions

There was a transfer of pension liability between the PCC and Voice during 2017/18 amounting to £76k, which is outlined within the Joint Operations and Associates note.

a) Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the OPCC offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the OPCC has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Group participates in pension schemes for both Police Staff and Police Officers, as follows:

- The Local Government Pension Scheme for police staff; this is administered by Northamptonshire County Council. This is a funded scheme, meaning that the OPCC, CC and Voice employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The Actuary to the fund is Hymans Robertson LLP. These schemes are all pooled under one LGPS pension group.
- The Police Pension Scheme for police officers, which includes four pension schemes; the Police Pension Scheme (PPS), the New Police Pension Scheme (NPPS) and Police Pension Scheme 2015 (PPS). Both schemes are unfunded and administered by Equiniti on behalf of the OPCC, meaning that there are no investment assets built-up to meet the pension's liabilities, and cash has to be generated to meet actual pension's payments as they eventually fall due. Both are defined benefit schemes (lump sum payments and periodic pension). New funding arrangements commenced on 1 April 2006 that required a police pension fund account to be created. This account is credited with employer contributions, and any shortfall over retirements benefits paid is met by a contribution by the OPCC. However, the OPCC's contribution is met by Home Office Pensions Top Up Grant. If there is a surplus it is paid to the OPCC in the first instance before being recouped by the Home Office. The level of pension contribution rates are set nationally by the Home Office, following a review by the Government Actuary's Department (GAD).

(b) Transactions Relating to Retirement Benefits

Under IAS 19 the cost of retirement benefits is recognised in the Income and Expenditure Account when employees earn them, rather than when the benefits are actually paid as pensions. However, the charge that is required to be made against the precept is based on the cash payable in the year, by reversing the real cost of retirement benefits out of the Statement of Movement in the General Fund Balance.

Pensions liabilities and future considerations

The current service costs contained in the table, below, are within the following values contained within the Comprehensive Income and Expenditure Statement.

- Local Government Pension Scheme, within Police Staff Pay and Allowances.
- Police Pension Scheme, within Police Officer Pay and Allowances

Group Pensions Revenue Items

	<u>Local Government Pension Scheme</u>		<u>Police Pension Scheme</u>		<u>TOTAL</u>	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
<u>Comprehensive Income and Expenditure</u>	£000	£000	£000	£000	£000	£000
Net Cost of Services						
Current service cost	(5,336)	(9,209)	(17,530)	(22,340)	(22,866)	(31,549)
Unfunded Benefits	(5)	(3)			(5)	(3)
Past service cost			(980)	(780)	(980)	(780)
Net Operating Expenditure						
Interest Costs**	(6,448)	(5,782)	(35,700)	(32,670)	(42,148)	(38,452)
Expected return on employers assets**	4,326	3,747	0	0	4,326	3,747
Net Charge to the Income and Expenditure Account	(7,463)	(11,247)	(54,210)	(55,790)	(61,673)	(67,037)
<u>Movement In Reserves</u>						
Movement on Pensions Reserve	(11,153)	(18,391)	53,600	55,790	42,447	37,399
(Reversal of net charges made for retirement benefits in accordance with IAS 19)						
<u>Actual amount charged against Council Tax (General Fund Balance) for pensions</u>						
Employers contributions to the Scheme	3,773	4,097	10,980	10,828	14,753	14,925
Additional contributions to the Police Pensions Fund Account				17,232		17,232

** The net of interest costs and return on assets reconciles to the amount included within financing and investment income and expenditure on the face of the CIES

In addition to the recognised gains and losses included in the CIES, actuarial gain of £4.518m (loss of £210.42m in 2016/17) were included within other Comprehensive Income & Expenditure.

The estimated 2018/19 pension scheme contributions for the Police Pension Scheme are £10.8m and £4.0m for the Local Government Pension Scheme.

In accordance with the Code of Practice and the Police Service Expenditure Analysis the items within the table above are credited / debited to the CIES in the following ways:

Current Service Costs & Employers contributions to the scheme and additional contributions to the Police Pensions Fund Account are all apportioned across the Local Policing to National Policing headings by officer numbers; and

Past Service Costs are wholly included within the heading Non-Distributed Costs; Interest Costs and Expected Return on Employers Assets are included within Financing & Investment Income & Expenditure.

Defined Benefit Pension Schemes

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of the Present Value of the Schemes Liabilities

Group	Funded Liabilities Local Govt. Scheme		Unfunded Liabilities Police Pension Scheme	
	31-Mar-17 £'000	31-Mar-18 £'000	31-Mar-17 £'000	31-Mar-18 £'000
Opening Defined Benefit Obligation - 1 April	(182,691)	(218,893)	(1,009,510)	(1,235,400)
Current Service Cost (Grossed up for employee contributions)	(5,336)	(9,209)	(17,530)	(22,340)
Interest Cost	(6,448)	(5,782)	(35,700)	(32,670)
Contributions by Scheme Participants	(1,431)	(1,447)	(5,730)	(5,470)
Actuarial (Gains)/ Losses	(26,570)	5,340	(198,180)	(100)
Past Service (Costs)/ Gains	0	0	(370)	(780)
(Losses)/ Gains on Curtailments	(5)	0	0	0
Transfers in			(200)	(160)
Estimated Unfunded Benefits Paid	5	3	0	0
Estimated Benefits Paid	3,583	3,602	31,820	33,690
Closing Defined Benefit Obligation 31st March	(218,893)	(226,386)	(1,235,400)	(1,263,230)

Reconciliation of the Fair Value of the Schemes Assets

Pension Asset – Local Government Pension Scheme Only

	31 March 2017 £000	31 March 2018 £000
Pensions Asset 1 April	122,854	143,136
Expected Return on Assets	4,326	3,747
Contributions by Members	1,431	1,447
Employers Contributions (Incl Injuries) - excluding Top-Up Grant	3,773	4,097
Contributions in Respect of Unfunded Benefits	5	3
Actuarial Gains/ (Losses)	14,335	(722)
Estimated Unfunded Benefits paid	(5)	(3)
Estimated Benefits Paid	(3,583)	(3,602)
Fair Value of Pensions Asset 31 March	143,136	148,103

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The estimated return on scheme assets in the year was £3.747m (£4.326m in 2016/17).

The OPCC's total pension liability of £1,341.513m, reconciles to the Unusable Reserves within the Balance Sheet of £1,297.911m, by adding back the figures within the Movement in Reserves Statement of the Capital Adjustment Account, the Collection Fund Adjustment Account, the Revaluation Reserve, to the Unusable Reserves total and then subtracting the Employee Benefit Reserve (Note 17)

The OPCC did not elect to restate fair value of scheme assets for 2005/06 as permitted by IAS 19.

The liabilities show the underlying commitments that the OPCC has in the long run to pay retirement benefits. The total liability has a substantial impact on the net worth of the OPCC as recorded in the balance sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of the OPCC remains healthy.

- Local Government Pension Scheme (LGPS) The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Police Pension Schemes Finance is only required to be raised to cover police pensions when the pensions are actually paid. Any deficit on the Pensions Fund Account for the year is funded by the OPCC with Home Office Top-Up Grant payable to cover the OPCC's Contribution

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 Pension Scheme liabilities are assessed by the Government Actuary's Department (GAD) and the Local Government Pension Scheme by Hymans Robertson LLP, an independent firm of actuaries. The main assumptions used in their calculations have been:

Assumptions are the same for both OPCC & Group

		Local Govt. Pension Scheme		Police Pension Scheme	
		2016/17	2017/18	2016/17	2017/18
Expected Return on Assets		%	%	%	%
Investments		8.6	17.3	n/a	n/a
Mortality Assumptions		yrs	yrs	yrs	yrs
Longevity at 65 for current pensioners					
	Men	22.1	23.9	23.2	22.6
	Women	24.2	26.1	25.2	24.2
Longevity at 65 for future pensioners					
	Men	23.9	23.9	25.2	24.5
	Women	26.1	26.1	27.3	26.1
Financial Assumptions		%	%	%	%
Rate of Inflation		2.4	2.4	2.4	2.3
Rate of Increase in Salaries		2.7	2.7	4.3	4.3
Expected Return on Assets		23.3	0.8	n/a	n/a
Rate for Discounting Scheme Liabilities (Gross)		2.7	2.7	2.6	2.7
Take up Option to Convert annual Pension into retirement Lump Sum		50	50	n/a	n/a

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries, we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the OPCC's pension liabilities and this has been included within Non-Distributed Costs on the face of the Income and Expenditure Account.

The Police Pension Scheme has no assets to cover its liabilities. Assets in the Local Government Pension Fund are valued at fair value, principally market value for investment, and consist of the following categories by proportion of the total assets held by the Fund:

31 March 2017		31 March 2018
%	Description	%
83	Equity Investments	82
8	Bonds	7
7	Property	8
2	Cash and Liquidity	3
100	Total	100

Note 38 - Defined Benefit Pension Scheme

POLICE PENSION FUND ACCOUNT

This statement shows movements of funds related to police officer pensions. The Group and CC is required to operate a Police Officer Pension Fund from 1 April 2006, under the Police Pension Fund Regulations 2008. The regulations specify the transactions that are paid into and out of the fund.

The Pensions Fund combines the accounting transaction of four pension schemes. These are the Police Pensions Scheme which was set up in 1987, 2006 Police Pensions Scheme, which was created under the Police Pension Regulations 2006, which applies to new recruits from 1 April 2006 and the 2015 Police Pension Scheme, which was created on 1 April 2015 and involved transfers in from the 1987 and 2006 schemes, based on length of service. The fourth scheme is the injury award scheme.

The Police Officer Pension Schemes are unfunded, which means there are no investment assets. Under these arrangements the Pension Fund Revenue Account balances to nil at the year-end by receiving a grant directly from the Home Office under the Top Up Grant arrangements. There are certain exceptions to these arrangements such as injury awards, which will continue to be charged directly to the CC's and Groups Income and Expenditure Account.

	2016/17	2017/18
	£000	£000
Contributions Receivable		
From Employer		
Normal	(8,997)	(9,210)
Early Retirements	(1,225)	(1,253)
(5,691)	(5,691)	(5,621)
From members		
Transfers in		
Individual Transfers in from other schemes	(199)	(204)
Benefits Payable		
Pensions	24,402	25,665
Commutations and lump sum retirement benefits	6,526	6,909
Lump Sum death benefits	0	
Other	126	(10)
Payments to and on account of leavers		
Refunds of Contributions	51	0
Individual transfers out to other schemes	0	
Account to meet deficit/ amount payable to the local policing body/Police Operating Account in respect of the surplus for the year	0	0
Other		
Sub-total for the year before transfer from the CC of an amount equal to the deficit	14,993	16,276
Additional funding payable by the CC to fund the deficit for the year	1,225	1,253
Payments in respect of the Milne vs GAD court case	(56)	0
Income in respect of the Milne vs GAD court case	56	0
Net amount payable/ receivable for the year	1,225	1,253

Details of the long-term pension obligation can be found within Notes 16 and 17.

There is an adjustment of 2.9% to the cashflow due to a reduction in the employer contribution rate for police pension schemes in 2017/18 being reflected in a reduction in HMT pensions top up funding.

Net Asset Statement

There were no unpaid pensions due or recoverable overpayments of pensions as at 31 March 2018.

Notes to the Police Pension Fund Account

A. Employer and Officer Contributions to the Pension Fund

These are based on percentages of pensionable pay set nationally by the Home Office and subject to a three yearly review by the Government's Actuary's Department. The current percentages of pensionable pay are: -

Employer Contributions 24.2%

Contributions by Police Officers

	1987	2006	2015
Tier 1	14.25%	11.00%	12.44%
Tier 2	14.25%	12.05%	13.44%
Tier 3	15.05%	12.75%	13.78%

B. Transfer Values

These are received or paid in respect of officers changing employer and taking or bringing their accrued pension benefits with them.

C. Pensions Fund Liabilities

The Pension Fund does not take account of liabilities to pay pensions and other benefits after the period end. There are no IAS19 adjustments in this statement, they are part of the Group and CC Core Financial Statements and can be referred to in notes 37 to 38.

D. Accounting Policies

Accounting Policies conform to those in the Statement of Accounts (Note 42).

E. Home Office Pensions Top-Up Grant

The Home Office Grant is received by the Group and CC to cover the Group and CC's deficit contribution to the Pension Fund Account. On the other hand, if the Pension Fund Account was in surplus, resulting in a contribution being made to the Group and CC, an equivalent amount is recouped by the Home Office.

The funding arrangements for the police pension scheme in England and Wales changed on 1 April 2006. Before then the scheme did not have a percentage of pensionable pay type of employer's contribution; rather each OPCC was responsible for paying pensions on a pay-as-you-go basis.

Under the current arrangements the scheme remains unfunded but is no longer on a pay-as-you-go basis as far as individual Police Officers are concerned. The Group and CC's no longer meet the pension liability directly: instead the Force pays an employer's contribution based on a percentage of pay into the Pension Fund. Each OPCC is required by legislation to operate a pension fund and the amounts that must be paid into and paid out of the pension fund are specified by regulation.

At the end of the financial year the pension fund is balanced to nil by a financial transfer from or to the police fund, made by the Secretary of State. Any payment from or to the Secretary of State in relation to the transfer is paid into or out of the police fund.

Note 39 - Financial Instruments

Northamptonshire Police has implemented a seven-step approach to considering financial instruments, as illustrated in the recommended practice, and has updated its accounting policies in recognition of the introduction of the three new reporting standards. The OPCC is satisfied that it has no premiums or discounts for early settlement attached to its debt arrangements, no overhanging premiums or discounts, no unrecognised financial guarantees and no contracts to forward purchase financial assets. The OPCC has reviewed its contractual arrangements and it has no contracts that could be classified as derivatives.

The OPCC has reconsidered its treatment of its managed portfolio of investments following clarification of the recommended practice and consultation with its fund managers. The investments are considered to be part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. They are, therefore, held for trading and treated as Fair Value through Profit and Loss. The managed portfolio funds have been recalled during the year into the OPCC bank accounts for internal borrowing purposes.

The OPCC has the following financial instruments held in its balance sheet as at 31 March 2018.

Group	2016/17		2017/18	
	£000	£000	£000	£000
	Long Term	Current	Long Term	Current
Financial Liabilities				
Amortised Cost				
Borrowing	1,300	0	1,300	0
Fair Value through Profit and Loss				
Borrowing	0	0	0	0
Creditors				
Amortised Cost	0	18,941	16,565	
Financial Assets				
Fair Value through Profit and Loss				
Managed Portfolio	0	7,685	0	
Loans and Receivables				
Debtors and Prepayments	0	11,027	10,814	
Cash in Hand	0	2	2	
Money Market Investments	0	12,260	4,499	
Joint Venture Cash Balance	0	599	441	

Gains on Financial Assets at Fair Value through the CIES were £0.034m during 2017/2018.

The OPCC manages its debt portfolio through a combination of short (between 1 and 5 years) and long term (five years plus) borrowing, in order to manage its liability to interest and repayment costs.

All of the borrowings (of the £1.300m) as at 31 March 2018 are held by the Public Works Loans Board and, therefore, represents negligible risk to default of the debt holder.

As approved within the OPCC's Treasury Management Strategy, the limits for the fixed and variable debts are £25m.

Group Income, Expense, Gains and Losses Statement

	2016/17					2017/18				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense										
Total expense in (Surplus) or Deficit on the Provision of				63	63				63	63
Interest income				(20)	(20)				(29)	(29)
Total income in (Surplus) or Deficit on the Provision of				43	43				34	34
(Surplus)/deficit arising on revaluation of financial assets in				209,739	209,739				4,518	4,518
Net gain/(loss) for the year				209,782	209,782				4,552	4,552

Fair Values of Assets and Liabilities

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

- estimated interest rates at 31 March 2018 for new loans through PWLB are between 2.10% and 2.63%, based on new lending rates for equivalent loans at that date (10 year & 25 year rates)
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount less cost of collection by third party agency if applicable.

The carrying value of the liabilities is lower than the fair value amount because the organisations portfolio of loans includes a number of fixed rate loans from the Public Works Loan Board (PWLB) where the interest rate payable is lower than the prevailing rates at the Balance Sheet date.

	2016/17		2017/18	
	£000		£000	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Loans	1,300	1,887	1,300	2,144

The fair value of the assets is higher than the carrying amount because the OPCC's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Long term assets are held at face value as a reflection of a fair approximation of fair value as at 31 March 2018.

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

Interest rate exposure – the maximum percentage of borrowing at Fixed and Variable Rates

	2016/17	2017/18	2018/19
Fixed Rate – maximum limit	100%	100%	100%
Variable Rate – maximum limit	100%	100%	100%

Liquidity Risk

Liquidity risk – the possibility that the OPCC might not have funds to meet its commitments to make payments.

The OPCC manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategies reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The OPCC has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and whilst the Public Works Loan Board (PWLb) provides access to longer term funds, it also acts as a lender of last resort to OPCC's (although it will not provide funding to an OPCC whose actions is unlawful). The OPCC is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity profile of loans raised is spread over a period of up to 30 years, to mitigate the risk of encountering difficulties in raising liquidity on favourable terms in any one year. The team monitor the maturity profile and amend it accordingly through either new borrowing or the rescheduling of the existing debt.

The maturity analysis of financial liabilities is as follows (note: this reflects loan principal, but not accrued interest)

Amount of fixed rate borrowing maturing in each period as a percentage of total fixed rate borrowing – prudential limits

Period Limit	Upper Limit	Actual 2017/18	Lower
Under 12 months	0%	0.00%	0%
12 months to 10 years	33%	53.85%	0%
10 years and above	100%	46.15%	0%

Credit risk – the possibility that other parties might fail to pay amounts due to the OPCC

Whilst the current credit crisis in international markets has raised the overall possibility of default, the OPCC maintains strict credit criteria for investment counterparties. No breaches of the OPCC's counterparty criteria occurred during the reporting period and the OPCC does not expect any losses from non-performance by any of its counterparties in relation to deposits.

In accordance with the Prudential Code, and as a result of the credit crisis, in order to minimise the OPCC's risk to investments, the Treasury Management Strategy sets the limits to which principals are invested for greater than one year. However, the OPCC is within these limits as no investment was greater than 364 days as at 31 March in either 2017/18 or 2016/17.

Money Market Investments are made with a spread of periods, from overnight to one year, using the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard & Poors - forming the core element. The minimum credit rating criteria for investment counterparties is Short Term F1, Long Term A, Support C and Individual 3 (Fitch or equivalent rating) with the lowest available rating being applied to the criteria. The OPCC only invests in highly rated bodies, which hold smaller risk levels than some higher yield institutes. The maximum risk the OPCC held in one institute within 2017/18 was £5m.

The managed portfolio is designed to achieve greater results than the OPCC normally can achieve using standard investment strategies. The managed portfolio ensures a spread of investments and analysis to ensure appropriate limitation of risks, utilising;

5/10/40 rule – Good diversification

This refers to counterparty exposure and implies 40% of the fund can hold between 5%-10% in any one issuer, the balance (60%), has to be below 5% in any one issuer, ensuring a good spread of risk.

Developed major government bonds – Seek higher yielding assets.

This offers potential exposure to other higher yielding sovereign governments, e.g. Australia or New Zealand, where interest rates have already risen. These would be hedged back into Sterling with no currency exposure.

Short positions using derivatives.

This is the ability to sell a market first, with a view to buying the asset back at a future date. This strategy would involve the use of highly liquid and commonly used derivatives, known as financial futures contracts, of the major developed markets.

The Target Return Fund has further aspects including:

Corporate Bond Exposure

Strong diversification characteristics, typically no more than 1% will be held in any one corporate bond issuer for investment grade credits (BBB rated or better).

For high yield corporate bonds, the issuer limit is less than 0.5%.

Emerging Market Sovereign Debt

Generally no more than 2% is held in any one emerging market issuer e.g. Brazil, Mexico, Turkey or Malaysia. Relative value strategies imply the fund would be short one market relative to another, thus reducing the overall risk to the sector.

Foreign Exchange

This is the active management of currency exposure.

The organisations maximum exposure to credit risk in relation to its investments in banks and building societies of £4.497m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the organisations deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

Summary

The model has far greater exposure to AAA assets, which equates to the most secure Investments available on the market. Whilst it also has exposure to lower credit quality, which represents a potential risk, the positions would be very small and well diversified.

Debtors and Prepayments

Customers for the OPCC's goods and services are assessed for their ability to pay in accordance with parameters set by the OPCC. The OPCC does not allow credit for its trade debtors beyond the standard 30-day period and makes prudent financial provision for bad debts based on an assessment of each type of debt and the age of those debts.

Outstanding invoices can be analysed by age as follows:

	31 March 2017	31 March 2018
Age of Trade Debts	£000	£000
0-14 Days	2,001	501
15-30 Days	109	31
31-60 Days	38	110
61-90 Days	25	177
91+ Days	87	201
Total	2,260	1,020

Whilst reviewing its debtors portfolio the OPCC has provided against £0.201m within 2017/18 and £0.087m in 2016/17.

Inter-governmental organisational debt has been accessed with negligible prospect of this debt being unrecoverable. Therefore, the highest debt held by a non-governmental or public body where offsetting arrangements with Group creditors to the same company was £0.034m within 2017/18 and only 53% of the £1.02m debtor portfolio was held by a non-public body. Therefore, the maximum single risk the OPCC holds is the full bad-debt provision of £0.201m.

Cash In Hand

The OPCC's cash-in-hand position of £0.002m within 2017/18 and £0.002m at 2016/17 is as a result of the tight financial controls and positive cash management strategy in place. This deposit is held with a well-recognised financial institution with a high credit rating. The levels of risk are, therefore, negligible. However, the maximum level of risk would be the full cash-in-hand balance, which is monitored on a daily basis to maintain it at less than £100k at any given point, which would, therefore, represent the maximum liability faced by the OPCC.

Interest rate risk

The OPCC is exposed to interest rate movements on its borrowings which have a complex impact on the OPCC, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account would rise;
- Borrowings at fixed rates – the fair value of the borrowing would fall.

The OPCC currently has no variable rate borrowings; therefore, changes in interest rates will have no impact on the carrying value of the OPCC's borrowings. However, the impact of a 1% increase in interest rates would reduce the fair value of fixed rate borrowings by £0.8m.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement.

Price risk

The OPCC, excluding the pension fund, does not invest in equity shares or marketable bonds.

Foreign exchange risk

The OPCC has no financial assets or liabilities denominated in foreign currencies. It, therefore, has no exposure to loss arising from movements in exchange rates.

Nature and Extent of Risks Arising from Financial Instruments

Financial Liabilities

Financial liabilities are carried in the Balance Sheet at amortised cost. The OPCC has carefully considered the nature of its borrowing activities in relation to the recommended practice. It is recommended that annual charges to the Income and Expenditure Account for interest payable be based on the carrying amount of the liability multiplied by the effective interest rate of the instrument. The OPCC has fixed rate loans and some variable rate loans:

For the fixed rate instruments it is clear that the nominal interest rate (the coupon rate on the debt security) would be the same as the effective interest rate, as there are no premiums or discounts and the instrument carries the same interest rate for the whole term.

For the variable rate instruments, this would also be the case as again there are no premiums or discounts or transaction costs included in the initial carrying amount.

Financial Assets

The fair value has been assessed as being the same as the carrying value due to the investments being short-term in nature, and the portfolio of investments are valued at market value (bid price).

Gains and Losses from Financial Assets and Liabilities

Gains and Losses on assets and liabilities are clearly shown in the Comprehensive Income and Expenditure Statement. Interest on Investments of £0.02m was earned during the year, and interest on loans of £0.63m was paid out.

Credit Risk Exposure

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

Treasury Management Policy

Given the global banking crisis that occurred during 2008/09, the OPCC's Policies on Treasury Management came under scrutiny. The, below, is an extract from the OPCC's Treasury Management Policy Statement (S6.1) that refers to the type of instruments the OPCC is permitted to invest in:

"OPCC's, other public bodies and investment institutions where their credit rating is assessed by IBCA (or an equivalent body) as AA- or better. The CC may add to this list of organisations which achieve different credit ratings, such as UK Building Societies, but must specifically report this to the OPCC".

The OPCC monitors the credit ratings of the institutions it invests in on a daily basis to reduce credit risk exposure from both new and existing investments.

Liquidity Risk Exposure

The organisation has a comprehensive cash flow management system that seeks to ensure that cash is available as needed.

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

Market Risk Exposure

This is the risk that the value of an instrument will fluctuate because of changes in interest rates, market prices or foreign currency exchange rates. The OPCC has limited risk. PWLB interest rates are a mix of fixed and variable rates. Investments are only temporarily invested (less than a year). The OPCC does not invest in equity shares and has no financial assets or liabilities in foreign currencies.

The organisation has a Treasury Management policy and number of strategies for managing interest rate risk. The Policy is to aim to keep a maximum of 10% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the organisations cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget monthly during the year. This allows any adverse changes to be accommodated and the analysis will also advise whether new borrowing taken out are fixed or variable.

Analysis of Long term borrowing (Group & OPCC)

All long term borrowing is held with the Public Works Loan Board (PWLB)

2016/17		2017/18
£000		£000
0	Not more than 2 years	0
0	More than 2 years less than 5 years	0
(700)	More than 5 years less than 10 years	(700)
(600)	More than 10 years	(600)
(1,300)	Total Long Term Borrowing	(1,300)

A significant proportion of the OPCC long-term borrowing - 54% matures between 5 to 10 years and the remainder after 10 years.

Note 40 – Joint Operations & Associate Entities

The OPCC's share of joint operations is as follows:

Ownership %age	Arrangement	Net Op Exp £000	Income £000	Surplus/(Deficit) £000
14.70%	EM Technical Support Unit	307	(315)	(8)
14.70%	EM Legal Services	235	(238)	(4)
50.00%	EM Strategic Commercial Unit	488	(497)	1
14.70%	EM Major Crime	142	(140)	2
14.70%	EM Serious Organised Crime	2,286	(2,496)	(209)
33.33%	EM Air Support	200	0	200
18.80%	EM Criminal Justice	134	(134)	0
18.80%	EM Operational Support Services	1,410	(1,409)	1
14.70%	EM Occupational Health Unit	246	(248)	(2)
14.70%	EM Forensics	1,321	(1,322)	(1)
16.90%	EM Learning & Development	466	(498)	(32)
22.87%	Multi Force Shared Services	1,261	(1,261)	0
16.01%	ESN	90	(129)	(39)
Total		8,596	(8,687)	(91)

The OPCC's share of Associate Entities is as follows:

Ownership %a Voice	Net Op Exp £'000	Income £'000	Surplus/ (Deficit) £'000
100.00% Cost of Services	152	(162)	(10)
Remeasurement of the net defined benefit liability / asset			(3)
Total Comprehensive Income & Expenditure			(13)
MIRS - CIES to Unusable Reserve			10
Balance Sheet - Pension Liability			(89)
Balance Sheet - Pension Reserve			89

Total Comprehensive Income & Expenditure is £0.104m ((£91k) Joint Operations and (£13k) Associate).

After an external review of Joint Operation accounting, the MFSS arrangement has now been incorporated into the Joint Operations statements.

Joint Operations & Associate Entities – Movement in Reserves

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
2017-18	£0	£0	£0	£0	£0
Balance at 31 March 2016	0	(584)	(584)	(1,552)	(2,136)
PCC to Voice Transfer of Pension Reserves				(76)	(76)
Movement in reserves during 2016/17					
(Surplus) or deficit on the provision of services	(101)		(101)		(101)
Other Comprehensive Income / Expenditure				(3)	(3)
Total Comprehensive Income and Expenditure	(101)	0	(101)	(3)	(104)
Adjustments between accounting basis and funding basis under regulations	(101)		(101)	101	0
Net Increase or Decrease before Transfers to Earmarked Reserves	(202)	0	(202)	98	(104)
Transfers to / from Earmarked Reserves	202	(202)	0		0
Increase or Decrease in 2016/17	0	(202)	(202)	98	(104)
Balance at 31 March 2017	0	(786)	(786)	(1,530)	(2,316)

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
2016-17	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2015	0	(674)	(674)	(1,303)	(1,977)
Movement in reserves during 2015/16					
(Surplus) or deficit on the provision of services	(159)		(159)		(159)
Other Comprehensive Income / Expenditure					0
Total Comprehensive Income and Expenditure	(159)	0	(159)	0	(159)
Adjustments between accounting basis and funding ba	249		249	(249)	0
Net Increase or Decrease before Transfers to E	90	0	90	(249)	(159)
Transfers to / from Earmarked Reserves	(90)	90	0		0
Increase or Decrease in 2015/16	0	90	90	(249)	(159)
Balance at 31 March 2016	0	(584)	(584)	(1,552)	(2,136)

Joint Operations & Associate Entities – Comprehensive Income and Expenditure Statement

2016-17			2017-18		
Expenditure	Income	Net	Expenditure	Income	Net
£0	£0	£0	£0	£0	£0
7,161	(7,176)	(15)	8,748	(8,628)	120
7,161	(7,176)	(15)	8,748	(8,628)	120
50		50			
		Other Operating Expenditure			
		Financing and Investment Income and Expenditure			
		(Surplus) or Deficit on Discontinued Operations			
	(194)	(194)		(221)	(221)
		Taxation and Non Specific Grant Income			
7,211	(7,370)	(159)	8,748	(8,849)	(101)
		(Surplus) or deficit on revaluation of Property, Plant and Equipment			
		Remeasurement of the net defined benefit liability / asset			(3)
		0 Other Comprehensive Income and Expenditure			(3)
		(159) Total Comprehensive Income and Expenditure			(104)

Joint Operations & Associate Entities – Balance Sheet

2016-17	2017-18
£'000	£'000
1,444 Property, Plant and Equipment	1,538
75 Intangible Assets	97
1,519 Long Term Assets	1,635
66 Assets Held for Sale	0
Inventories	
319 Short Term Debtors	745
499 Cash and Cash Equivalents	635
884 Current Assets	1,380
(267) Short-Term Creditors	(788)
Provisions	
(267) Current Liabilities	(788)
Provisions	
Long Term Liabilities	89
0 Long Term Liabilities	89
2,136 Net Assets	2,316
(584) Usable Reserves	(786)
(1,552) Unusable Reserves	(1,530)
(2,136) Total Reserves	(2,316)

Joint Operations & Associate Entities – Pension Schemes

Pensions (Voice only)

a) Participation in Pension Schemes

- The Company's employees belong to two Pension Schemes. A Local Government Pension Scheme (LGPS) which is a defined benefit pension scheme managed by Northamptonshire County Council, and an additional defined contribution scheme.

Total Pension Costs for the period

	Period ending 31/03/18 £'000
Local Government Pension Scheme Contributions	17
Defined Contribution Scheme Contributions	10
FRS 102 Defined Contribution Current Service Cost	26
FRS 102 Defined Contribution net interest cost	1

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the LGPS was 31 March 2016.

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Northamptonshire County Council Local Authority. The total contribution made for the period ended 31 March 2018 was £22,000, of which employer's contributions totalled £17,000 and employees' contributions totalled £5,000.

Principal Actuarial Assumptions

The following are the principal actuarial assumptions used by the Actuary:

Financial Assumptions

	31/03/2018
Rate of Increase in salaries	2.60%
future pension increases	2.30%
Discount rate for scheme liabilities	2.70%
Inflation assumptions	2.30%
Commutation of pensions to lump sums	50%

Mortality Assumptions

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a., improvements will decline for the over 90's.

	Males	Females
Current Pensioners	22.1	24.2
Future Pensioners	23.9	26.1

The return on the Fund in market value terms for the period to 31 March 2018 is based on actual Fund returns as provided by the Administering Authority. For the period to 31/03/18 this was 0.3%

The split of Assets in the fund is as follows:

		Estimated Fair Value as at 31/03/18 £'000
Equities	73%	208
Bonds	16%	46
Properties	8%	23
Cash	3%	9
Total		286

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	31/03/2018 £'000
Fair Value of Plan Assets	286
Present Value of Plan Liabilities	(375)
Total	(89)

Amounts recognised in the income statement:

Amounts recognised in Administrative Expenses	£'000
Current Service Cost	(26)
Amounts recognised in Interest Costs	
Net Interest cost	(1)
Total	(27)
Amounts recognised in other comprehensive income	
Return on Assets excluding amounts included in net interest	(3)
Total	(3)
Opening Scheme Deficit	(76)
Current Service Cost	(26)
Interest income on Plan Assets	4
Interest cost on defined obligation	(5)
Employer Contributions	17
Return on Assets excluding amounts included in net interest	(3)
Closing Scheme Deficit	(89)

Opening Defined Benefit Obligation	(339)
Current Service Cost	(26)
Interest cost on defined obligation	(5)
Employee Contributions	(5)
Closing Defined Benefit Obligation	(375)

Opening Plan Assets	263
Interest income on Plan Assets	4
Employee Contributions	5
Employer Contributions	17
Return on Assets excluding amounts included in net interest	(3)
Closing Plan Assets	286

Note 41 - Accounting Standards Issued, Not Adopted

The 2016/17 accounting policy changes that need to be reported are confirmed in LAAP Bulletin 105 – Closure of the 2016/17 Accounts and Related Matters. Appendix C of the 2017/18 Code provides further details of the disclosures required.

Section B of LAAP Bulletin (Page 7)

The additional disclosures that will be required in the 2016/17 and 2017/18 financial statements in respect of accounting changes that are introduced in the 2017/18 Code are:

- Amendment to the reporting of pension fund scheme transactions
- Amendment to the reporting of investment concentration

The 2017/18 Code Appendix C provides more detail (Page 305/306). The above 2 amendments relate to paragraph 6.5.5.1 m and w of the code respectively.

Para 6.5.5 relates to the Disclosures for Defined Benefit Pension Funds (page 214). The heading specifically excludes police and fire and rescue services pension funds.

There are therefore no Accounting Standards that have been issued but not yet adopted that need to be disclosed in the 2017/18 Statement of Accounts.

Note 42 - Accounting Policies

In applying the accounting policies, we have had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Influences on-going concern status, such as future levels of funding for central government departments
- Possible impairment of investments
- Whether other entities with which the OPCC has a relationship are subsidiaries, associates or jointly controlled entities
- The potential outcome of legal claims by or against the OPCC
- The condition of the local and national housing/industrial building market
- The economic standing of significant debtors and creditors

GENERAL PRINCIPLES

The financial statements have been prepared in accordance with the Code of Practice (the code) on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2011 and the Service Reporting Code of Practice for Local Authorities 2017/18 (SeRCOP), although this Code no longer requires statements or notes to be prepared in accordance with SeRCOP. The Accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS). Any exceptions are disclosed below.

1 Recognition of Income and Expenditure

The OPCC complies with IAS 39 in only recognising creditor liabilities when services are rendered or goods receipted. Debtors are recorded at historical cost, but the balance has been written down to fair value through a bad debt provision.

Both revenue and capital transactions are recorded on an accruals basis. This means that income and expenditure is accounted for in the year in which it becomes due regardless of whether cash has actually been received or paid in the year.

In particular:-

- Fees, charges and rents due from the customers are accounted for as income at the date the OPCC provides the relevant goods or services.
- The cost of supplies and services are accrued in that accounting period during which they were consumed or received except for works, which are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable and receivable on borrowings is accounted for in the year to which it relates; on a basis that it reflects the overall effect of the loan or investment.

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to the income and expenditure account for the income that might not be collected.

2 Financial Instruments

2.1 Financial Liabilities

As per the recommended practice for local OPCC's, loans and other liabilities are held at amortised cost.

2.2 Financial Assets

Although the OPCC invests reserve balances and has actively managed financial instruments, they are held for re-investment by the OPCC, not for speculative motives, they are not equity investments and are not, therefore, "available for sale". The OPCC recognises there is often evidence of short-term profit taking in its portfolio of managed investments and the value of the investments is reflected at market value (bid price) in the Balance Sheet, with accrued interest being reflected as part of the balance due to the OPCC.

In accordance with the bank mandate with the OPCC facility provider, the Force is able to net off all three bank accounts held to enable an 'end of day' position to be gained over the balance of these three accounts. The facility provider and the OPCC take the view that there is one single balance for management purposes and as such, the net position is the position recognised within these statements.

3 Government Grants and Contributions

Revenue grants and contributions are credited to the Comprehensive Income and Expenditure Statement in the same period as the expenditure to which they relate. For the OPCC grants to support expenditure in general (e.g. Revenue Support Grant) are credited to the foot of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure, within the Group accounts, income is transferred to the CC through an intra-company adjustment within Taxation and Non Specific Grant income line.

4 Intangible Fixed Asset

Intangible assets include software licences and agreements that are capitalised at cost. Intangible assets are amortised on a straight-line basis over the useful life of the asset (between three and seven years). As the amortisation charge is not an allowable charge against Council Tax, it is neutralised by adjustment between Accounting Basis and Funding Basis under Regulation, with the corresponding entry in the Capital Adjustments Account. The MFSS (Multi Force Shared Service) is to be amortised over 6 and a half years and new assets are amortised the year they come into use.

Internally generated Intangible Assets are measured at cost during their construction (project staff, physical equipment and associated cost to bring the asset into its useful life) and when transferred is assessed for impairment against marketable value or use in service.

Additions to assets, will be added to the carrying value of the asset and amortised over the remaining Useful Economic Life, where it meets the recognition criteria.

In accordance with IAS38, assets which are Police specific or that do not have a comparable active market for valuation purposes, will be measured at cost less accumulated amortisation, with the useful life being reviewed annually.

5 Tangible Fixed Assets Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised in accordance with IAS 16 (Recognition, Revaluation & Measurement of Tangible Fixed Assets). Subsequent capital expenditure is capitalised where it provides an enhancement of the economic benefits of the asset in excess of those previously assessed.

Where assets are bought into Fixed Assets from Assets Under Construction, these will be valued using the appropriate methodology, including componentisation as applicable.

The de minimis level policy is to capitalise all capital expenditure, £10,000 and over, on an individual asset basis (or a grouping of assets).

5.1 Measurement

Northamptonshire OPCC current property valuer is Pygott & Crone, through the Perfect Circle consortium, at 36a Silver Street, Lincoln, LN2 1EW.

The Land and buildings portfolio is revalued over a five year period as directed by the Northamptonshire PCC.

In accordance with good practice a rolling programme of revaluation of one fifth of the property portfolio each year has been undertaken from 1 April 2017 and the programme is annually reviewed to ensure key properties of significance are included in the valuation if changes in policy have taken place which would make revaluation appropriate for that year.

All revaluations undertaken ensure that any changes to the use of assets within the portfolio are accounted for.

Surpluses arising from revaluations of land and buildings are taken to the Revaluation Reserve, with the corresponding entries against fixed assets. Any reductions in values are covered in impairment losses.

The latest revaluation was carried out on 31 March 2018. All valuations are in accordance with Royal Institute of Chartered Surveyors Appraisal and Valuation Standards ensuring compliance with the CIPFA code of practice as modified by IFRS's.

5.2 Depreciation

A depreciation charge is made to the Comprehensive Income and Expenditure Statement for all tangible fixed assets, which have a finite useful life. Depreciation is calculated on a straight line basis as follows:

Operational Buildings	Over the life of the asset (10-48 years)
Vehicles	Over the life of the asset (2-10 years with some specialist vehicles over 3-20 years)
IT Hardware	3-5 years
Other Plant & Equipment	3-5 years

New Assets are depreciated in the first year of being an operational asset, but not in the year of disposal.

In accordance with FRS 15, freehold land is not depreciated. Assets under construction are not depreciated until completion.

As the depreciation charge is not an allowable charge against Council Tax, it is neutralised by adjustment between Accounting Basis and Funding Basis under Regulations, with the corresponding entry to the Capital Adjustment Account.

5.3 Impairment Losses

Besides identifying impairments at the five year revaluation review, impairment reviews are carried out in the intervening periods but only if an event or circumstance indicates that the carrying amount of the fixed asset may not be recoverable. When an impairment loss is clearly due to clear consumption of economic benefit or takes the value of the asset below historic cost, the loss is recognised in the Comprehensive Income and Expenditure Statement. However, other impairment losses offset any balance held in the revaluation reserve, with any balance charged to the Comprehensive Income and Expenditure Statement. As these impairment adjustments are not an allowable charge against Council Tax, it is neutralised by adjustment between Accounting Basis and Funding Basis under Regulations, with the corresponding entry to the Capital Adjustment Account.

5.4 Disposals

The gain or loss on disposal is the amount by which the disposal proceeds are more or less than the carrying amount (net book value) of the fixed asset. The Comprehensive Income and Expenditure Account recognise this gain or loss.

In order that this gain or loss is excluded from the charge to Council Tax, it is neutralised in the Accounting Adjustments between Accounting Basis and Funding Basis under Regulation.

If, however, the asset is carried at current value, in addition to the entries above, the balance on the revaluation reserve in respect of asset disposals is written off to the Capital Adjustment Account. In most cases the asset will be re-valued to its carrying value at the point of disposal so there will be no profit or loss, unless there is an unamortised grant attached to the asset, which will be released to the Income and Expenditure account in full, resulting in a profit on disposal. For 2017/18 the OPCC only recognises a profit on disposal if the asset disposed of is more than £10,000.

5.5 Componentisation

Where an item of Property, Plant and Equipment has major components whose cost and life span is significantly different from the rest, the components are depreciated separately.

The criteria for componentisation are as follows:

- (i) a de-minimis level on implementation is set at £600,000 on the net book value of any asset.
And
- (ii) any single component must exceed £100,000 in value.

Provided that both of these criteria are met the asset will be split into the appropriate components based on its type.

6 Redemption of Debt

Outstanding loan debt relating to police services was transferred to Northamptonshire Police from Northamptonshire County Council on 1 April 1995. Instalments of principal are charged to revenue in accordance with the statutory minimum revenue provision. This is calculated at 4% of the Capital Financing Requirement at the beginning of the year. This is charged to the Capital Adjustment Account with a corresponding adjustment in Accounting Basis and Funding Basis under Regulations.

Valuation is based upon amortised cost, with fair value based upon the cash flow over the remaining term of the debt.

7 Capital Receipts

Capital receipts from the disposal of assets are held in the Capital Receipts Reserve Account until such time as they are used to finance capital expenditure. Individual receipts of less than £10,000 are credited to revenue income.

8 Stocks and Stores

Stocks and stores are maintained covering such items as vehicle spares, uniforms, stationery, office equipment and provisions. Stocks are valued at the lower of cost or net realisable value in line with the requirements of IAS 2.

9 Reserves

Reserves are maintained to finance expenditure on projects that will be carried out in future years and to protect the OPCC against unexpected events. Certain reserves/accounts are kept to manage the accounting process for tangible fixed assets (Revaluation Reserve, Capital Adjustment Account) and retirement benefits (Pensions Reserve IAS 19). These do not represent usable resources for the OPCC.

10 Provisions

Provisions are made for liabilities or losses which are likely to be incurred, or certain to be incurred, but with uncertain amounts or dates on which they will arise, by charging expenditure to the Comprehensive Income and Expenditure Statement in anticipation of the liability having to be met. When expenditure is incurred to which the provision relates they should be charged to the Provisions Account.

11 Investments

Investments are shown in the Balance Sheet at cost, less any provision required for loss in value. Note 39 covers how the OPCC's investments are disclosed in relation to recently introduced Financial Reporting Standards covering Financial Instruments.

Valuation is based upon amortised cost, with fair value based upon the cash flow over the remaining term of the investment. Investments with a life below 12 months will be held at amortised cost.

12 Transactions relating to Retirement Benefits

As part of the terms and conditions of employment of its officers and other employees, the OPCC offers retirement benefits. Although these benefits will not actually be payable until employees retire, the OPCC has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The OPCC participates in two pension schemes:

i) The Police Pension Scheme for Police Officers

The Police Pension Scheme (PPS) is an unfunded defined benefit final salary scheme administered by Kier Services on behalf of OPCC, and is governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The new Police Pensions Scheme (NPPS) is also governed by the Police Pensions Act 1976 (as amended by the Police Pension Regulations 2006) & the latest Pension Scheme (2015) is also governed by the Police Pensions Act 1976 (as amended by the Police Pension Regulations 2015).

They are unfunded which means there are no investment assets built up to meet pension's liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The funding arrangements for police officer pensions changed on 1 April 2006, when an employer's contribution rate was set by the Home Office (currently 24.2% of pensionable salary), which is charged to the Comprehensive Income and Expenditure Statement.

Also from 1 April 2006, each OPCC was required by legislation to operate a Pension Fund Account. The amounts that must be paid into and out of the Account are specified by regulation. Officer's contributions and the employer's contribution are paid into the pension's account from which pension payments are made. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year are less than amounts payable, the OPCC must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the OPCC, which then must repay the amount to central government.

ii) The Local Government Pension Scheme for civilian employees

The Local Government Pension Scheme for civilian employees, administered locally by Northamptonshire County Council, is a funded defined benefit final salary scheme, meaning that the OPCC and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Actuarial valuations of the fund are undertaken every three years to determine the contributions rates needed to meet its liabilities.

The Accounts show the full implementation of IAS 19 (Retirement Benefits). IAS 19 requires organisations to recognise retirement benefits in the Comprehensive Income and Expenditure Statement when they are earned, even though the benefits will not be payable until employees retire. However, as statutory procedures require the charge against Council Tax to be based on the amounts payable by the OPCC to the pension fund during the year, an appropriation is made with the pension's reserve which equals the net change in the pension's liability, recognised in the Comprehensive Income and Expenditure Statement Account. The neutralising entry is within adjustments made between Accounting Basis and Funding Basis under Regulations.

The Balance Sheet discloses the OPCC's net liability in relation to retirement benefits. The figures are based on the Actuary's latest estimate.

Notes 37, 38 to 42 to the Core Financial Statements provide further information about the pension schemes.

13 Leasing

These Accounts have been prepared in accordance with IAS 17. Rentals paid under operating leases have been accrued and accounted for in the period to which they relate. Further information on Operating Leases is available in note 22 to the Accounts.

The organisation assesses its position on operating leases and lessor arrangements on an annual basis none have been recorded in the accounts; however, it recognises lessor arrangements as the minimum payments on the asset and the residual value of that asset. For operating leases the organisation would not recognise an asset and would account for the associated repayments via the expense costs within the Comprehensive Income & Expenditure Statement.

14 Overheads and Support Services

Under the revised Expenditure Funding Analysis within the Comprehensive Income and Expenditure Statement, departments such as Financial Services, Estates and Facilities, and ISD, have been apportioned over nine nationally recognised areas of service. The cost of Corporate and Democratic Core and of Non-Distributable Costs are not allocated to services but shown separately in the Comprehensive Income and Expenditure Statement.

Joint Arrangements

The OPCC has interests in the following Joint Arrangements; the East Midlands (EM) Special Operations Unit (EMSOU), Occupational Health, Learning & Development, Occupational Health, Legal, MFSS, EM Strategic Commercial Unit (EMSCU) & EMoPSS. Leicestershire Police acts as lead OPCC for both Joint Associate Non-Entity (JANE) schemes.

The OPCC contributes to the running costs of:

EMSOU

A collaboration between the five Forces in the East Midlands region (Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire). The Unit

works exclusively on serious and organised crime, focusing on firearms criminality, drug trafficking, money laundering and other types of organised crime.

EMTSU

Also a collaboration of the Forces supporting EMSOU. The East Midlands Technical Surveillance Unit is designed to adopt a common approach to support local, regional and national policing operations and a "one stop shop" approach, coordinating regional TSU activity.

Major Crime & Forensics

Also a collaboration of the Forces supporting EMSOU and EMTSU. The unit provides a joint regional facility to investigate major crimes through a central tasking process and is designed to professionalise and improve police responses to high profile investigations.

Multi Force Shared Service (MFSS)

MFSS is a collaboration to deliver HR, Finance and Systems processes to front line policing.

The OPCC share is 14.7% for all of EMSOU, EMTSU and the Major Crime Collaborations.

All of these collaborations are governed by formal Section 22 Agreements and the OPCC shares are fully incorporated in the Comprehensive Income & Expenditure Statement, Balance Sheet, Movement in Reserves Statement and the Cash Flow Statement.

15 Value Added Tax

VAT is included in the Accounts of the OPCC, whether of a capital or revenue nature, only to the extent that it is not recoverable.

16 Contingent Assets and Contingent Liabilities

They are not recognised in the accounting statements but disclosed in the notes to Core Statements.

17 Exceptional Items and Prior Period Adjustments

Exceptional items are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if that degree of prominence is necessary in order to give a fair presentation of the Accounts.

Extraordinary items are disclosed and described on the Comprehensive Income and Expenditure Statement after dealing with all items within the ordinary activities of the OPCC.

Material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors, are accounted for by restating the comparative figures for the preceding period in the Statement of Account and notes and adjusting the opening balance of reserves for the cumulative effect. The cumulative effect of the adjustments is at the foot of the statement of total movements in gains and losses of the current period.

19 Events After The Balance Sheet Date

Events after the balance sheet date are reflected up to the date when the Statement of Accounts is authorised for issue. The date when the Statement of Accounts was authorised for issue and who gave that authorisation is disclosed in the notes to the Statement of Accounts, including confirmation that this is the date up to which events after the balance sheet date have been considered.

20 Accounting Convention

The accounting convention adopted in these financial statements is historical cost modified by the revaluation of land and buildings.

21 Estimation Techniques Used

The Code distinguishes between accounting concepts and estimation techniques that have been used, when required. The techniques below describe the steps taken to arrive at key monetary values in the Statement of Accounts:

- Capital Creditors – quantity surveyors estimate of the value of the work undertaken. Payroll Creditors i.e. overtime – average overtime rates;
- IAS 19 Valuation – actuarial valuations of future pension's liabilities are provided by independent actuaries.
- Bad Debts are valued at the receivable value. Therefore the cost of collection of debt assessed as recoverable are deducted from the outstanding value.
- Assets are valued at Market Value (MV) and Depreciated Replacement Cost (DRC) for specialist vehicles, but held in Fixed Assets at the depreciated cost assessed as MV/ DRC less the cumulative depreciation over the Useful Economic Life of that asset.

22 Comparison with Previous Years

Comparative figures for the previous financial year are shown in the Accounts. The same items are treated alike from one year to the next, except where notes explain otherwise.

23 Cash and cash equivalents

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

24 Employee Benefits

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, annual leave and flexible working hours, leave for current employees, and are recognised as an expense for services in the year in which employees render service to the OPCC. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time

off in lieu, flexi-time or annual leave) earned by employees but not taken before the year-end that employees can carry forward into the next financial year.

25 Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the OPCC has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses-out the amounts charged so that there is no impact on the level of council tax.

26 Actuarial Gains and Losses

Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

27 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the organisation to terminate an officer or staff employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the OPCC is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the OPCC to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

28 Interest In Companies and Other Entities

The OPCC is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The OPCC has involvement with Victims Voice, a company set up by guarantee in 2017/18 and has concluded that the requirement to produce Group Accounts applies in relation to it.

Glossary of Terms

Accounting Period

The period of time covered by the Accounts, normally a period of twelve months commencing on 1 April.

Accrual

The recognition, in the correct accounting period, of income and expenditure as it is earned and incurred, rather than as cash is received or paid.

Agency Arrangements

Services which are performed by, or for, another OPCC or public body where the agent is reimbursed for the cost of work done.

Budget

A statement of the OPCC's plans in financial terms. A budget is prepared and approved by the PCC before the start of each financial year and is used to monitor actual expenditure throughout the year.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds value to the life or value of an existing fixed asset.

Capital Financing Requirement

The Capital Financing Requirement represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or third party contributions at the time of spending. It measures the OPCC's underlying need to borrow for a capital purpose.

Capital Receipts

These are proceeds from the sale of capital assets.

CIPFA

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

Contingent Liabilities

A potential liability at the balance sheet date when the Accounts are submitted for approval. The liability will be included in the balance sheet if it can be estimated with reasonable accuracy otherwise the liability will be disclosed as a note to the Accounts.

Corporate Democratic Core

This includes the cost of the corporate infrastructure (e.g. the Chief Executive and Treasury Offices, and external audit fees), and the cost of democratic representation.

Council Tax

The local tax levied on householders, based on the relative market values of property, which helps to fund local services.

Creditors

Individuals or organisations to whom the OPCC owes money.

Current Assets and Liabilities

Current assets are items that can be readily converted into cash. Current liabilities are items that are due immediately or in the short-term.

Debtors

Individuals or organisations who owe the OPCC money.

Deferred Liabilities

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

Earmarked Reserves

Monies set aside that are intended to be used for a specific revenue or capital purpose.

Employee Costs

The salaries and wages of employees together with national insurance, superannuation and all other pay-related allowances. Training expenses and professional fees are also included.

Finance Lease

A finance lease normally involves payment by a lessee to a lessor of the full cost of the asset, together with a return on the finance provided by the lessor. The lessee has substantially all the risks and rewards associated with the ownership of an asset, other than legal title.

International Financial Reporting Standards (IFRS)

These standards are developed by the Accounting Standards Board to regulate the preparation of financial statements. The Companies Act 1985, which was later adopted by the SORP making it mandatory for Public Bodies and therefore requires compliance of these Standards or disclosures in the notes if there are any material departures from those standards.

Fixed Assets

These consists of: -

Tangible: These are assets that yield benefits to the OPCC for a period of more than one year (e.g. buildings and equipment).

Intangible: Under IAS 38 (Goodwill and Intangible Assets), intangible assets are those that do not have physical substance but are identifiable (e.g. software and software licences).

Formula Grant Distribution System

A mechanism by which Central Government determines how much Revenue Support Grant, Home Office Police Grant and Business Rates each local OPCC should receive in a given year to provide a common level of service. For the police service it is principally based on the resident and daytime populations, plus relevant socio-economic characteristics, for the area covered by an OPCC.

IAS 19 Retirement Benefits

An accounting standard that requires the recognition of long-term commitments made to employees in respect of retirement benefits in the year in which they are earned.

Impairment

A reduction in value in an asset caused by a general fall in prices, obsolescence or a clear consumption of economic benefit.

Interest Income

The money earned from the investment of surplus cash.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current values less the cumulative amounts provided for depreciation.

Non-Distributed Costs

This consists of charges for police officers and police staff early retirements.

Operating Lease

An operating lease involves the lessee paying a rental for the hire of an asset for a period of time that is substantially less than its useful economic life. The lessor retains most of the risks and rewards of ownership.

Outturn

The actual amount spent in the financial year.

Payments in Advance

These represent payments made prior to supplies and services received.

Pension – Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. The scheme rules define the benefits independently of the contribution payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Pension Assets – Expected Rate of Return

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

Pension – Interest Costs

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

Pension – Past Service Costs

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Pension Fund

A fund which makes pension payments on retirement of its participants.

Pensions Top-Up Grant (PTUG)

A grant from the Home Office that funds the difference between a nationally agreed employer's contribution paid into the Pension Fund Account, employee contributions and benefits paid to pensioners during the year.

Precept

The method by which the OPCC obtains the income it requires from council tax via the collection Authorities (i.e. the seven district councils in Northamptonshire).

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 is uncertain.

Prudential Code

The code developed by CIPFA that sets out a framework for self-regulation of capital spending, in effect allowing OPCC's to invest in capital projects which best meet their service delivery objectives as long as they are affordable, prudent and sustainable. The code came into Force from 1 April 2004 and is incorporated into the Local Government Act 2003 and associated regulations.

Public Works Loan Board (PWLb)

A government agency which provides longer-term loans to Local OPCC's at interest rates only slightly higher than those at which the government itself can borrow.

Receipts in Advance

These represent income received prior to supplies and services being provided by the OPCC.

Receipts and Payments

Amounts actually paid or received in a given accounting period irrespective of the period for which they are due.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revenue Contributions

Capital Expenditure funded from the Revenue Account which reduces the requirement to borrow.



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Northamptonshire ('the Police and Crime Commissioner') for the year ended 31 March 2018 which comprise the Police and Crime Commissioner and the Group Comprehensive Income and Expenditure Statement(s), the Balance Sheet(s), the Movement in Reserves Statement(s), the Cash Flow Statement(s) and the related notes, including the accounting policies in note 42.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner and the Group as at 31 March 2018 and of the Police and Crime Commissioner'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 Police and Crime Commissioner in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

Other information published with the financial statements

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

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

Chief Financial Officer's responsibilities

As explained more fully in the statement set out on page 48, the Chief Financial Officer is responsible for: the preparation of the Police and Crime Commissioner and the Group's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2017, with the exception of the matters reported in the basis for qualified conclusion paragraph below, we are satisfied that, in all significant respects, Northamptonshire Police and Crime Commissioner put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for qualified conclusion

On 22 March 2017, the Business Case for the upgrade of the Police's back office system by the Multi-Force Shared Service ('MFSS') to "Oracle Cloud Computing" (project Fusion) was approved. On review of the progress of the project in 2017-18, it was noted that:

- The project was unlikely to be delivered by the expected implementation date of 1st of April 2018;
- As a result of the delayed implementation and the addition of a new partner, the project was projected to overspend by £4.995m of which £0.667m would be borne by Northamptonshire Police and Crime Commissioner; and
- The expected functionality of the newly implemented system was not in line with the original scope, which will reduce the recurring revenue savings expected from implementing the project.

In investigating these issues, Northamptonshire Police identified that MFSS did not have adequate governance and monitoring arrangements in place at to enable them to exercise significant influence on the progress of the project. As such we have concluded that these issues are evidence of weaknesses in the Northamptonshire Police and Crime Commissioner's arrangements for commissioning services effectively to support the delivery of strategic priorities.

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

The Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner'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 Northamptonshire 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 Northamptonshire 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.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

Due to work on the WGA Return not being completed by the date of the audit report

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Group and Police and Crime Commissioner's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



Andrew Cardoza
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

31 July 2018

ANNEX A



Northamptonshire Police and Crime Commissioner Statement of Accounts for the year 2017/18

PCC- Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund	2016/17		Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	2017/18		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments					Adjustments		
£000	£000	£000			£000	£000	£000	
(15)		(15)	Collaboration and Regional		130		130	
3,161	9,144	12,305	PCC & Commissioning		7,434	15,972	23,406	
3,146	9,144	12,290	Net Cost of Services		7,564	15,972	23,536	
109,990		109,990	Intra Company Adjustment		114,049	240	114,289	
159	(159)	0	JV Outturn Surplus/ Deficit transfer Financial Statements		104	(104)		
569		569	CC Outturn Surplus/ Deficit transfer Financial Statements		240	(240)		
(107,414)	(16,453)	(123,867)	Other Income and Expenditure		(123,276)	(508)	(123,784)	
	(16,364)	(16,364)	Exceptional Item*					
6,450	(23,832)	(17,382)	(Surplus) or Deficit on Provision of Services		(1,319)	15,360	14,041	
(16,785)			Opening Combined General Fund Balance		(10,335)			
884			Plus / less (Surplus) or Deficit on the General Fund (Statutory basis)		(354)			
5,566			Transfers to/from other Reserves		(965)			
(10,335)			Closing Combined General Fund Balance		(11,654)			

* The Exceptional Item relates entirely to the transfer of assets through absorption from the CC to PCC

PCC- Movement in Reserves Statement

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

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2017	(3,520)	(6,815)	(10,335)	(56,803)	(67,138)
Movement in reserves during 2017/18					
Surplus or deficit on the provision of services	14,041		14,041		14,041
Other Comprehensive Income / Expenditure			0	(3,546)	(3,546)
Total Comprehensive Income and Expenditure	14,041	0	14,041	(3,546)	10,495
Adjustments between accounting basis and funding basis under regulations	(15,360)		(15,360)	15,360	0
Net Increase or Decrease before Transfers to Earmarked Reserves	(1,319)	0	(1,319)	11,814	10,495
Transfers to / from Earmarked Reserves	1,079	(1,079)	(0)	0	(0)
Increase or Decrease in 2017/18	(240)	(1,079)	(1,319)	11,814	10,495
Balance at 31 March 2018	(3,760)	(7,894)	(11,654)	(44,989)	(56,643)

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2016	(4,404)	(12,381)	(16,785)	(32,744)	(49,529)
Movement in reserves during 2016/17					
(Surplus) or deficit on the provision of services	(17,382)		(17,382)		(17,382)
Other Comprehensive Income / Expenditure				(227)	(227)
Total Comprehensive Income and Expenditure	(17,382)	0	(17,382)	(227)	(17,609)
Adjustments between accounting basis and funding basis under regulations (Note 6)	23,832		23,832	(23,832)	0
Net Increase or Decrease before Transfers to Earmarked Reserves	6,450	0	6,450	(24,059)	(17,609)
Transfers to / from Earmarked Reserves	(5,566)	5,566	0		0
Increase or Decrease in 2016/17	884	5,566	6,450	(24,059)	(17,609)
Balance at 31 March 2017	(3,520)	(6,815)	(10,335)	(56,803)	(67,138)

PCC- Comprehensive Income and Expenditure Statement

This account summarises the resources that have been generated and consumed in providing services and managing the OPCC during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Joint Associated Non-Entity (Joint Venture) accounting entries are consolidated in the Comprehensive Income and Expenditure service headings. Note 40 to the accounts gives a separate breakdown of these entries.

2016/17				2017/18		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
7,161	(7,176)	(15)	Collaboration & Regional	8,668	(8,538)	130
11,067	(106)	10,961	Police and Crime Commissioner	22,316		22,316
2,188	(844)	1,344	Commissioning	2,150	(1,060)	1,090
20,416	(8,126)	12,290	Cost of Services	33,134	(9,598)	23,536
109,990		109,990	Intra-Group Funding Transfer	114,289		114,289
182	(46)	136	Other Operating Expenditure	197		197
29		29	Financing and Investment Income and Expenditure	37		37
	(123,463)	(123,463)	Taxation and Non Specific Grant Income		(124,018)	(124,018)
(16,364)		(16,364)	Exceptional Item*			
114,253	(131,635)	(17,382)	Surplus or Deficit on Provision of Services	147,657	(133,616)	14,041
		(676)	Surplus or deficit on revaluation of Property, Plant and Equipment			(3,429)
		449	Remeasurement of the net defined benefit liability / asset			(117)
		(227)	Other Comprehensive Income and Expenditure			(3,546)
		(17,609)	Total Comprehensive Income and Expenditure			10,495

* The Exceptional Item relates entirely to the transfer of assets through absorption from the CC to PCC

PCC- Balance Sheet

This account shows the overall financial position of OPCC and the Group at 31 March 2018. It therefore differs from the other financial accounts shown in this statement in that it deals with the position of the OPCC at the end of the 2017/18 financial year instead of dealing with day-to-day transactions within that financial year.

31 March 2017		31 March 2018	
	£000		£000
58,186	Property, Plant and Equipment	52,479	
4,266	Intangible Assets	2,983	
11	Long Term Investments	11	
62,463	Long Term Assets	55,473	
2,000	Short-term Investments	0	
66	Assets Held for Sale	2,900	
462	Inventories	431	
11,027	Short Term Debtors	11,612	
12,859	Cash and Cash Equivalents	5,136	
26,414	Current Assets	20,079	
(17,176)	Short-Term Creditors	(14,570)	
(1,360)	Provisions	(1,362)	
(18,536)	Current Liabilities	(15,932)	
(1,300)	Long Term Borrowing	(1,300)	
(615)	Long Term Provisions	(310)	
(1,288)	Other Long-Term Liabilities	(1,367)	
(3,203)	Long Term Liabilities	(2,977)	
67,138	Net Assets	56,643	
(10,335)	Usable Reserves	(11,654)	
(56,803)	Unusable Reserves	(44,989)	
(67,138)	Total Reserves	(56,643)	

PCC- Cash Flow Statement

This statement shows a summary of the cash flowing in and out of the PCC arising from transactions with third parties for revenue and capital purposes. Cash is defined for this statement as cash in hand and deposits repayable on demand.

2016/17		2017/18
£000		£000
(17,382)	Net (surplus) or deficit on the provision of services	14,041
774	Adjustment to surplus or deficit on the provision of services for noncash movements	(20,118)
1,545	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	1,084
(15,063)	Net cash flows from operating activities	(4,993)
8,881	Net cash flows from investing activities	12,716
(6,182)	Net (increase) or decrease in cash and cash equivalents	7,723
6,677	Cash and cash equivalents at the beginning of the reporting period	12,859
12,859	Cash and cash equivalents at the end of the reporting period	5,136

Note 1 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Group Statement Note 42, the OPCC has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Influences on the going concern status, such as future levels of funding for police OPCC's from central government departments
- Possible impairment of investments
- Whether other entities with which the OPCC has a relationship are subsidiaries, associates or jointly controlled entities
- The potential outcome of legal claims by or against the OPCC
- The condition of the local and national housing/industrial building market
- The economic standing of significant debtors and creditors

Note 2 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

Refer to Note 2 Group Statements of Accounts.

Note 3 - Events After the Balance Sheet Date

On the 11 April 2018, the Home Secretary approved Northamptonshire PCC's proposal to take on responsibility for Northamptonshire Fire and Rescue Service, advising that a transfer of governance would be in the interests of economy, efficiency and effectiveness. Work is underway between Northamptonshire County Council, the PCC and the Home Office to develop the necessary statutory instrument to give effect to the proposal, which, subject to discussions and parliamentary considerations is anticipated, will take effect by early autumn 2018.

Any further events taking place after the draft Statement of Accounts were provided to our external auditors on 31 May 2018, are not financially reflected within the Financial Statements.

Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 4 - Officers' Remuneration

Employee Remuneration for the OPCC

In accordance with the Code of Practice and LAAP Bulletin 85 from April 2010, the number of employees whose remuneration was paid in year, excluding pension contributions, exceeded £50,000 or more in the year, were as follows:

2016/17		2017/18	2017/18
Total	Earnings Band	PCC Staff	Total Employees
3	50,000 to 54,999	1	1
1	60,000 to 64,999		
1	65,000 to 69,999		
2	70,000 to 74,999	4	4
	85,000 to 89,999	1	1
7	Total	6	6

The disclosure above requires the outlining of total taxable pay, including personal Additional Voluntary Contributions, whereas the Senior Officers table overleaf outlines the entire remunerations by post. Therefore, the two tables are not completely comparable.

Senior Officers of the organisation whose remunerations, excluding pension contributions, exceeded £50,000 requiring disclosure by post or name were:

2017/18

Post Holder Information	Start Date	Leaving date	Salary £	Expense Allowances(1) £	Loss of office(2) £	Other(3) £	Total Excluding Pension £	Employers Pension Contribution £	Total Including Pension £
Police and Crime Commissioner									
Stephen Mold - Police and Crime Commissioner	12/05/2016		70,000	7,112			77,112	12,600	89,712
Office of the Police and Crime Commissioner									
Director for Resources	01/11/2016	06/04/2017	1,266	10	46,736		48,012	177	48,189
Chief Executive	15/11/2016		85,879	3,396			89,275	15,458	104,733
Strategic Resource Officer	01/11/2016	06/04/2017	3,104		31,286		34,390	144	34,534
Director For Delivery - 1	01/09/2016		72,717	1,429			74,146	13,089	87,235
Director of Technology and Digital Transformation	22/11/2016		72,717				72,717	13,089	85,806
Director for Delivery - 2	21/11/2016		72,717	507			73,224		73,224
Chief Finance Officer	09/11/2017		32,312	698			33,010	5,816	38,826
Director for Early Intervention	07/11/2016		72,717	4,778			77,495	13,089	90,584

(1)Expenses Allowances include taxable and non-taxable expenses

(2) This was paid to members of the Commissioner's staff to settle the contractual and statutory entitlements arising from the ending of the individual's employment.

(3)Other includes Rent Allowance, Housing Allowance, Car Allowance, ACPO Med Allowance.

Note: In 2016/17 Employers Pension Contribution was not disclosed.

2016/17

Post Holder Information	Start Date	Leaving date	Salary	Expense Allowances	Other	Total Excluding Pension
			£	£	£	£
Police and Crime Commissioner						
Adam Simmonds - Police and Crime Commissioner	22/11/2012	11/05/2016	7,903			7,903
Stephen Mold - Police and Crime Commissioner	12/05/2016		62,097	2,176		64,273
Office of the Police and Crime Commissioner						
Acting Chief Executive*	12/10/2015	31/10/2016	43,856	811		44,667
Director for Resources*	01/11/2016		24,567	386		24,953
Chief Executive	15/11/2016		31,661	1,115		32,776
Acting Director for Resources**	12/10/2015	31/10/2016	32,795	940		33,735
Strategic Resource Officer**	01/11/2016		19,976	158		20,134
Assistant Chief Executive (Visibility)	22/11/2012	31/08/2016	31,656	149		31,805
Acting Director for Delivery***	12/10/2015	31/08/2016	29,999	226		30,225
Director For Delivery - 1***	01/09/2016		42,418	171		42,589
Director of Technology and Digital Transformation	22/11/2016		38,378			38,378
Director for Delivery - 2	21/11/2016		26,259	28		26,287
Director for Early Intervention	07/11/2016		29,087	928		30,015

* The post holder is the same person

** The post holder is the same person

*** The post holder is the same person

**** The ACO Finance and Resources and Director of HR Tri Force Collaboration posts are shared between Northamptonshire (24.63%), Leicestershire (35.53%) and Nottinghamshire (39.84%). As both individuals are employed by Leicestershire, the total salary costs associated with these posts are not included within the table above.

Note 5A – Note to the Expenditure and Funding Analysis

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
2017/18				
PCC	15,803	159	10	15,972
Net Cost of Services	15,803	159	10	15,972
Joint Venture & Associates			(104)	(104)
Other Income and Expenditure	(840)	37	295	(508)
Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement	14,963	196	201	15,360

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
2016/17				
PCC	8,146	985	13	9,144
Net Cost of Services	8,146	985	13	9,144
Joint Venture & Associates			(159)	(159)
Other Income and Expenditure	(15,615)	(916)	78	(16,453)
Exceptional Item	(16,364)			(16,364)
Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement	(23,833)	69	(68)	(23,832)

Note 5B - Segmental Analysis of Income and Expenditure

	Revenues from External Customers	Depreciation and Amortisation
2017/18	£000	£000
Collaboration & Regional*	(8,117)	174
PCC	(1,278)	6,889
Total	(9,395)	7,063

	Revenues from External Customers	Depreciation and Amortisation
2016/17		
PCC	(950)	8,171
	(950)	8,171

*Income for 2016/17 Collaboration & Regional was £7.176m

Note 5C - Expenditure and Income Analysed by Nature

2016/17		2017/18
£000	Nature of Expenditure or Income	£000
(159)	Surplus or deficit on associates & JV	(91)
(72,103)	Income from local taxation	(49,882)
(52,011)	Government grants and contributions	(73,052)
(106)	Other income	(1,923)
1,656	Employee benefits expenses	1,699
3,458	Other service expenses	15,916
8,186	Depreciation, amortisation and impairment	6,889
(16,278)	Gain or loss on disposal of non-current assets	198
109,990	Intra Company Adjustment	114,289
(15)	Other expenditure	(2)
(17,382)	Surplus or Deficit for Year	14,041

Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations

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

2017/2018	General Fund Balance £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
- Pension cost (transferred to (or from) the Pensions Reserve)	(196)	196
- Council tax and NDR (transfers to or from the Collection Fund)	(191)	191
- Holiday pay (transferred to the Accumulated Absences reserve)	(82)	82
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(19,189)	19,189
Total Adjustments to Revenue Resources	(19,658)	19,658
Adjustments between Revenue and Capital Resources		
- Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	239	(239)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,040	(4,040)
Total Adjustments between Revenue and Capital Resources	4,279	(4,279)
- Other adjustments	19	(19)
Total Adjustments	(15,360)	15,360

2016/17	General Fund Balance £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources		
- Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:		
- Pension cost (transferred to (or from) the Pensions Reserve)	(67)	67
- Council tax and NDR (transfers to or from the Collection Fund)	(78)	78
- Holiday pay (transferred to the Accumulated Absences reserve)	34	(34)
- Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(6,978)	6,978
Total Adjustments to Revenue Resources	(7,089)	7,089
Adjustments between Revenue and Capital Resources		
- Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	235	(235)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	14,286	(14,286)
Total Adjustments between Revenue and Capital Resources	14,521	(14,521)
- Transfer of Assets from CC	16,364	(16,364)
- Other adjustments	36	(36)
Total Adjustments	23,832	(23,832)

Note 7 - Other Operating Expenditure

Other Operating Expenditure includes levies; gains or losses on the disposal of non-current assets in the CIES for 2017/18.

2016/17		2017/18
£000		£000
182	Gains/losses on the Disposal of Non-Current Assets	197
(46)	Other	
136	Total Other Operating Expenditure	197

Note 8 - Financing and Investment Income and Expenditure

The CIES includes financing and investment income and expenditure including interest payable and similar charges: pension's interest costs and expected return on pension assets, interest income, income, expenditure, changes in the fair values of investment properties, and other income.

2016/17		2017/18
£000		£000
29	Net interest on the net defined benefit liability (asset)	37
29	Total	37

Note 9 - Taxation and Non-Specific Grant Income

The CIES includes income comprising of council tax income, NNDR, non-ring fenced government grants and all capital grants.

2016/17		2017/18
£000		£000
(47,923)	Council tax income	(49,882)
(24,180)	Non-domestic rates income and expenditure	0
(49,815)	Non-ringfenced government grants*	(73,052)
(1,545)	Capital grants and contributions	(1,084)
(123,463)	Total	(124,018)

* The Police main grant and other non-ring-fenced governments' grants have been consolidated and presented as one core police grant under Non-ring-fenced government grants.

Note 10 - Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement or within notes 5-9, such as the disposals of Fixed Assets and Investments or reversals of provisions, the nature of these material amounts are set out below:

2016/17		2017/18
£000		£000
938	Insurance Provision	1,362
320	Legal Provision	
66	Redundancy	
650	Property Dilapidations (Long Term)	310
	Impairment	12,794
1,974	Total	14,466

Note 11 - Trading Operations

The OPCC do not have any trading operations. All commercial activities have been outsourced.

Note 12 - Members' Allowances

During 2017/18 a total of £0.014m was paid in Allowances and Reimbursements for OPCC Members (2016/17 £0.013m)

2016/17	2017/18
£000	£000
13 Allowances and Re-imbursements	14
13 Total	14

Note 13 - External Audit Costs

During the year the OPCC incurred direct external audit fees for KPMG LLP. The audit Fee of £30k in both 16/17 and 17/18 related to the statutory audit work for Statement of Accounts, which is a statutory requirement. In 2017/18 the PCC paid an additional £2.5k for external audit fees relating to 2016/17 audit and a further £1k for a mandatory National Fraud Initiative (NFI), which was paid to the Audit Commission. Therefore the total charge for external audit fees was £33.5k, with £32.5k being payable to KPMG LLP.

2016/17	2017/18
£000	£000
30 Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	30
Fees payable in respect of other services provided by external auditors during the year	
30 Total	30

Note 14 - Grant Income

The OPCC credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

31 March 2017 PCC		31 March 2018 PCC
£000		£000
(43,171)	Revenue Support Grant	(66,408)
(6,644)	Council Tax Burden Grant	(6,644)
(1,151)	Capital grants and contributions	(645)
(394)	Agile Innovation Fund Capital Grant	
(51,360)	Total	(73,697)

Credited to Services

31 March 2017		31 March 2018
£000		£000
(844)	Ministry of Justice	(848)
(40)	Police Transformation Grant – Police/Fire	(439)
(46)	Sale of Goods and Services	
(20)	Proceeds of Crime	(20)
(950)	Total	(1,307)

Note 15 - Related Parties

IPSAS 20 Related Party Disclosures, based on IAS 24, requires the OPCC and Police Force to disclose material transactions and outstanding balances with related parties – bodies or individual's that have the potential to control or influence the OPCC or to be controlled or influenced by the OPCC.

Central Government has effective control over the general operations of the OPCC. It is responsible for providing the statutory framework within which the OPCC operates, and provides the majority of funding in the form of general or specific grants. Details of government grants are set out in Note 14 to the Core Financial Statements.

The OPCC has direct control over the OPCC's financial and operating policies. Chief Officers might also be in a position to influence significantly the policies of the OPCC.

During the year, the PCC set up a company "Victims Voice" to deliver support services to victims (these services were previously provided by Victim Support). In 2017/18, the PCC provided 100% of the funding to Victims Voice which equated to a grant in the year of £0.450m (part of the Ministry of Justice Grant received by the PCC) and for which the £0.163m underspend was returned to the PCC at year end in line with the grant agreement.

The PCC is the chair of the Victims Voice Board which is comprised of the Victims Voice Chief Executive and a member of the Police and Crime Institute.

During the set up phase between June and October 2017, the Director of Delivery also served on the Board, in addition he has advised Victims Voice in a professional capacity during the year. Advice during the year was also provided to Victims Voice by mainly the Chief Finance Officer, Finance Advisor and the Head of Commissioning and Criminal Justice. Advice was also provided from specialist staff in the force from areas such as ICT and estates.

As the OPCC staff have direct control over Victim's Voice and provide advice, as such they may have the opportunity to significantly influence the policies of Victims Voice. Measures are in place to mitigate this influence and with a grant agreement and a service level agreement in place, together with the development of a corporate governance framework and the requirements of the Ministry of Justice Grant conditions.

Key members of staff in the OPCC and Chief Officers are required, at the end of each year, to declare whether they, or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the OPCC during the financial year. For 2017/18 this has included Joint Independent Audit Committee members (JIAC), for which two returns have been received.

Both the OPCC and the Police Service maintain a register of business interests, and has a Business Interest Policy which sets out the criteria for deciding whether the Business Interest is compatible with the individual's role within the organisation.

During 2017/18, the following related party transactions are reported within the OPCC:

The PCC contributed the sum of £0.100m to the Community Foundation, an organisation which awards grants to local organisations. Two members of the OPCC are part of the decision making process for the awards to ensure alignment with the Police and Crime Plan objectives.

The PCC contributed £0.220m to the Institute for Public Safety Crime and Justice (IPSCJ) for commissioned services (e.g. the annual budget perception and victim perception surveys) and the part year salary of a member of OPCC staff. From October 2017, the member of staff left the OPCC to become a permanent employee of the IPSCJ and also became a member of the Victims Voice Board.

During the year, the Director of Early Intervention was a Trustee for Groundwork for which the OPCC provided funding of £0.067m prior to their appointment. In December 2017 the Director of Early Intervention was appointed as a Board member for Northamptonshire Emergency Cadets for which the OPCC had provided funding in 2016/17 of £0.100m.

During the year, the Director of Delivery represented the OPCC on the Crimestoppers Board and the OPCC contributed the sum of £0.018m directly and the Community Foundation awarded a grant of £0.005m

Note 16 - Transfers to/from Earmarked Reserves

Refer to Note 16 Group Statements of Accounts.

Note 17 - Unusable Reserves

31 March 2017		31 March 2018
£000		£000
(13,412)	Revaluation Reserve	(16,405)
(43,141)	Capital Adjustment Account	(28,686)
1,288	Pension Reserve	1,367
(1,586)	Collection Fund Adjustment Account	(1,395)
48	Accumulated Absences Account	130
(56,803)	Total	(44,989)

Revaluation Reserve

Refer to Note 17 Group Statements of Accounts.

Capital Adjustment Account

Refer to Note 17 Group Statements of Accounts.

Pension Reserve

31 March 2017		31 March 2018
£000		£000
772	Balance 1 April	1,288
449	Remeasurements of the net defined benefit (liability)/asset	(117)
214	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	346
(147)	Employer's pensions contributions and direct payments to pensioners payable in the year	(150)
1,288	Balance 31 March	1,367

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 OPCC 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 OPCC makes employer's contributions to pension funds or eventually pay any pensions for which it is 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 OPCC 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.

Collection Fund Adjustment Account

31 March 2017		31 March 2018	
	£000		£000
	(1,664)	Balance 1 April	(1,586)
78		Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	191
	(1,586)	Balance 31 March	(1,395)

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.

Accumulated Absences Account

31 March 2017		31 March 2018	
	£000		£000
82		Balance 1 April	48
(82)		Settlement or cancellation of accrual made at the end of the preceding year	(48)
48		Amounts accrued at the end of the current year	130
	48	Balance 31 March	130

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

Note 18 - Property, Plant and Equipment

Movements to 31 March 2018	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
at 1 April 2017	39,469	15,443	15,644	70,556
Additions	7,075	3,425	589	11,089
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,429			3,429
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(12,794)			(12,794)
Derecognition – disposals	(180)	(6,503)		(6,683)
Reclassifications and transfers	15,322	271	(15,593)	0
Reclassifications to Assets Held for Sale	(2,900)			(2,900)
at 31 March 2018	49,421	12,636	640	62,697
Accumulated Depreciation and Impairment				
at 1 April 2017	(1,366)	(11,004)	0	(12,370)
Depreciation charge	(1,746)	(2,703)		(4,449)
Depreciation written out to the Revaluation Reserve	296			296
Derecognition – disposals		6,305		6,305
at 31 March 2018	(2,816)	(7,402)	0	(10,218)
Net Book Value				
at 31 March 2018	46,605	5,234	640	52,479
at 31 March 2017	38,103	4,439	15,644	58,186

Movements to 31 March 2017

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
at 1 April 2016	37,020	18,071	5,183	60,274
Re-classification on transfer	1,392	(3,514)	(104)	(2,226)
Revised 1 April 2016	38,412	14,557	5,079	58,048
Additions	431	1,437	12,484	14,352
Revaluation increases/(decreases) recognised in the Revaluation Reserve	676			676
Derecognition – disposals	(50)	(1,857)		(1,907)
Reclassifications and transfers	0	1,306	(1,919)	(613)
at 31 March 2017	39,469	15,443	15,644	70,556
Accumulated Depreciation and Impairment				
at 1 April 2016	(269)	(11,035)	(128)	(11,432)
Re-classification on transfer	(83)	2,181	128	2,226
Revised 1 April 2016	(352)	(8,854)		(9,206)
Depreciation charge	(1,014)	(3,874)		(4,888)
Derecognition – disposals		1,724		1,724
at 31 March 2017	(1,366)	(11,004)	0	(12,370)
Net Book Value				
at 31 March 2017	38,103	4,439	15,644	58,186
at 31 March 2016	38,060	5,703	5,079	48,842

The figures contained within this note are represented by the OPCC assets, Joint Venture assets & the assets held for sale.

The OPCC's final capital expenditure figure was £12.247m and was made up of intangible assets in Note 23 of the group & the Joint Venture expenditure.

Note 19 - Impairment Losses

For the Financial period of 2017/18 there was an impairment of £12.794m charged to the Surplus and Deficit on the Provision of Service. This charge related to the revaluation of the newly constructed Northern Accommodation Hub. This represents the difference between the construction value and the financial valuation in accordance with the Code of Practice.

Note 20 - Assets Held for Sale

Refer to Note 20 Group Statements of Accounts.

Note 21 - Investment Properties

The OPCC does not hold any investment property interests that could be classified and accounted for as investment properties, therefore, no adjustments or disclosures are required.

Note 22 - Leases

Refer to Note 22 Group Statements of Accounts.

Note 23 - Intangible Assets

Refer to Note 23 Group Statements of Accounts.

Note 24 - Capital Expenditure and Capital Financing

Refer to Note 24 Group Statements of Accounts.

Note 25 - Construction Contracts

At 31 March 2018 the OPCC had no construction contracts in progress.

Note 26 - Debtors

Refer to Note 26 Group Statements of Accounts.

Note 27 - Inventories

Refer to Note 27 Group Statements of Accounts.

Note 28 - Provisions

Refer to Note 28 Group Statements of Accounts.

Note 29 - Creditors

These amounts represent sums owed by the Group to various sources, together with receipts in advance.

2016/17		2017/18
£000		£000
(1,912)	Central Government Bodies	(2,501)
(2,088)	Other Local Authorities	(2,625)
(114)	NHS Bodies	(1)
	Public Corporations and Trading Funds	
(13,062)	Other Entities and Individuals	(9,443)
(17,176)	Total Creditors	(14,570)

Note 30 - Capitalisation of Borrowing Costs

The OPCC did not borrow any new money to finance the capital programme and therefore has not capitalised any borrowing.

Note 31 - Contingent Liabilities

Our insurance consultants, Gallacher Heath, suggested the OPCC do not have any Contingent Liabilities for 2017/18 as 2016/17

Note 32 - Contingent Assets

For the Financial period 2017/18 there were no Contingent Assets.

Note 33 - Cash and Cash Equivalents

Refer to Note 33 Group Statements of Accounts.

Note 34 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2017		31 March 2018
£000		£000
(4,888)	Depreciation	(4,153)
	Impairment and downward valuations	(12,794)
16,364	Gain on transfer of asset from CC	
(3,453)	Amortisation	(2,910)
(2,976)	(Increase)/decrease in creditors	2,386
(3,192)	Increase/(decrease) in debtors	585
(12)	Increase/(decrease) in inventories	(31)
(67)	Movement in pension liability	(196)
(182)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(265)
(820)	Other non-cash movements charged to the surplus or deficit on provision of services	(2,740)
774	Total	(20,118)

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

31 March 2017		31 March 2018
£000		£000
1,545	Any other items for which the cash effects are investing or financing cash flows	1,084
1,545	Total	1,084

Note 35 - Cash Flow from Investing Activities

The cash flows for investing activities include the following items:

31 March 2017		31 March 2018
£000		£000
16,079	Purchase of property, plant and equipment, investment property and intangible assets	12,714
(7,025)	Purchase of short-term and long-term investments	
(173)	Other receipts from investing activities	2
8,881	Net cash flows from investing activities	12,716

Note 36 - Termination Benefits

The OPCC has taken account of termination benefits in accordance of IAS 19. The termination benefits are dealt with separately from other employee benefits because the event which gives rise to an obligation is the termination rather than employee service. The OPCC would have incurred costs if the termination was either a decision to terminate an employee's employment prior to their retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

The OPCC terminated the contracts of a number of employees in 2017/18 incurring liabilities of £0.112m, of which £0.031m relates to the Chief Constables account. The previous year's total was £0.138m.

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total cost of Exit Packages in each Band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £000	2017/18 £000
£0 - £20,000	1				1		1	
£20,001 - £40,000	2	1			2	1	50	31
£40,001 - £60,000		1				1		47
Total	3	2	0	0	3	2	51	78

Note 37 - Pension Schemes Accounted for as Defined Contribution Schemes

Pensions

There was a transfer of pension liability between the PCC and Voice during 2017/18 amounting to £76k, which is outlined within the Joint Operations and Associates note.

a) Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the OPCC offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the OPCC has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Group participates in pension schemes for both Police Staff and Police Officers, as follows:

- The Local Government Pension Scheme for police staff; this is administered by Northamptonshire County Council. This is a funded scheme, meaning that the OPCC, CC and Voice employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The Actuary to the fund is Hymans Robertson LLP. These schemes are all pooled under one LGPS pension group.
- The Police Pension Scheme for police officers, which includes three pension schemes; the Police Pension Scheme (PPS), the New Police Pension Scheme (NPPS) and Police Pension Scheme 2015 (PPS). Both schemes are unfunded and administered by Equiniti on behalf of the OPCC, meaning that there are no investment assets built-up to meet the pension's liabilities, and cash has to be generated to meet actual pension's payments as they eventually fall due. Both are defined benefit schemes (lump sum payments and periodic pension). New funding arrangements commenced on 1 April 2006 that required a police pension fund account to be created. This account is credited with employer contributions, and any shortfall over retirements benefits paid is met by a contribution by the OPCC. However, the OPCC's contribution is met by Home Office Pensions Top Up Grant. If there is a surplus it is paid to the OPCC in the first instance before being recouped by the Home Office. The level of pension contribution rates are set nationally by the Home Office, following a review by the Government Actuary's Department (GAD).

(b) Transactions Relating to Retirement Benefits

Under IAS 19 the cost of retirement benefits is recognised in the Income and Expenditure Account when employees earn them, rather than when the benefits are actually paid as pensions. However, the charge that is required to be made against the precept is based on the cash payable in the year, by reversing the real cost of retirement benefits out of the Statement of Movement in the General Fund Balance.

Pensions liabilities and future considerations

The current service costs contained in the table, below, are within the following values contained within the Comprehensive Income and Expenditure Statement, forming part of note 15, the reconciliation to the subjective analysis

- Local Government Pension Scheme, within Police Staff Pay and Allowances.
- Police Pension Scheme, within Police Officer Pay and Allowances

OPCC Pensions Revenue Items

<u>Comprehensive Income and Expenditure</u>	<u>Local Government Pension Scheme</u>	
	2016/17	2017/18
	£000	£000
Net Cost of Services		
Current service cost	(186)	(309)
Past service cost		
Net Operating Expenditure		
Interest Costs**	(90)	(108)
Expected return on employers assets**	61	71
Net Charge to the Income and Expenditure Account	(215)	(346)
<u>Movement In Reserves</u>		
Movement on Pensions Reserve		
(Reversal of net charges made for retirement benefits in accordance with IAS19)	(283)	(542)
<u>Actual amount charged against Council Tax</u>		
(General Fund Balance) for pensions		
Employers contributions to the Scheme	147	150

** The net of interest costs and return on assets reconciles to the amount included within financing and investment income and expenditure on the face of the CIES

In addition to the recognised gains and losses included in the CIES, actuarial gain of £0.117m (loss of £0.449m in 2016/17) were included within other Comprehensive Income & Expenditure.

The estimated 2018/19 pension scheme contributions for the Police Pension Scheme are £10.8m and £4.0m for the Local Government Pension Scheme.

In accordance with the Code of Practice and the Police Service Expenditure Analysis the items within the table above are credited / debited to the CIES in the following ways:

Current Service Costs & Employers contributions to the scheme and additional contributions to the Police Pensions Fund Account are all apportioned across the Local Policing to National Policing headings by officer numbers; and

Past Service Costs are wholly included within the heading Non-Distributed Costs; Interest Costs and Expected Return on Employers Assets are included within Financing & Investment Income & Expenditure.

Note 38 - Defined Benefit Pension Scheme

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of the Present Value of the Schemes Liabilities

	Funded Liabilities Local Govt. Scheme	
	31 March 2017	31 March 2018
	£000	£000
Opening Defined Benefit Obligation - 1 April	(3,587)	(3,823)
Current Service Cost (Grossed up for employee contributions)	(186)	(309)
Interest Cost	(90)	(108)
Contributions by Scheme Participants	(48)	(49)
Actuarial Gains/ (Losses)	(1,118)	133
Past Service (Costs)/ Gains	1,206	0
(Losses)/ Gains on Curtailments	0	0
Estimated Unfunded Benefits Paid	0	0
Estimated Benefits Paid	0	0
Closing Defined Benefit Obligation 31st March	(3,823)	(4,156)

Reconciliation of the Fair Value of the Schemes Assets

Pension Asset – Local Government Pension Scheme Only

OPCC	31 March 2017	31 March 2018
	£000	£000
Pensions Asset 1 April	2,815	2,535
Expected Return on Assets	61	71
Contributions by Members	48	49
Gains & Losses Effect of Settlement	(1,205)	
Employers Contributions (Incl Injuries) - excluding Top-Up Grant	147	150
Pension Fund Asset Split (Group to Single Entity)	0	0
Contributions in Respect of Unfunded Benefits	0	0
Actuarial Gains / (Losses)	669	(16)
Estimated Unfunded Benefits paid	0	0
Estimated Benefits Paid	0	0
Fair Value of Pensions Asset 31 March	2,535	2,789

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The estimated return on scheme assets in the year was £0.71m (£0.61m in 2016/17).

The OPCC's total pension liability of £1.367m, reconciles to the Unusable Reserves within the Balance Sheet of £1,298m, by adding back the figures within the Movement in Reserves Statement of the Capital Adjustment Account, the Collection Fund Adjustment Account, the Revaluation Reserve, to the Unusable Reserves total and then subtracting the Employee Benefit Reserve (Note 17)

The OPCC did not elect to restate fair value of scheme assets for 2005/06 as permitted by IAS 19.

The liabilities show the underlying commitments that the OPCC has in the long run to pay retirement benefits. The total liability has a substantial impact on the net worth of the OPCC as recorded in the balance sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of the OPCC remains healthy.

- Local Government Pension Scheme (LGPS) The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Police Pension Schemes Finance is only required to be raised to cover police pensions when the pensions are actually paid. Any deficit on the Pensions Fund Account for the year is funded by the OPCC with Home Office Top-Up Grant payable to cover the OPCC's Contribution

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 Pension Scheme liabilities are assessed by the Government Actuary's Department (GAD) and the Local Government Pension Scheme by Hymans Robertson LLP, an independent firm of actuaries. The main assumptions used in their calculations have been:

Assumptions are the same for both OPCC & Group

		Local Govt. Pension Scheme		Police Pension Scheme	
		2016/17	2017/18	2016/17	2017/18
Expected Return on Assets		%	%	%	%
Investments		8.6	17.3	n/a	n/a
Mortality Assumptions		yrs	yrs	yrs	yrs
Longevity at 65 for current pensioners					
	Men	22.1	23.9	23.2	22.6
	Women	24.2	26.1	25.2	24.2
Longevity at 65 for future pensioners					
	Men	23.9	23.9	25.2	24.5
	Women	26.1	26.1	27.3	26.1
Financial Assumptions		%	%	%	%
Rate of Inflation		2.4	2.4	2.4	2.3
Rate of Increase in Salaries		2.7	2.7	4.3	4.3
Expected Return on Assets		23.3	0.8	n/a	n/a
Rate for Discounting Scheme Liabilities (Gross)		2.7	2.7	2.6	2.7
Take up Option to Convert annual Pension into retirement Lump Sum		50	50	n/a	n/a

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries, we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the OPCC's pension liabilities and this has been included within Non-Distributed Costs on the face of the Income and Expenditure Account.

The Police Pension Scheme has no assets to cover its liabilities. Assets in the Local Government Pension Fund are valued at fair value, principally market value for investment, and consist of the following categories by proportion of the total assets held by the Fund:

31 March 2017		31 March 2018
%	Description	%
83	Equity Investments	82
8	Bonds	7
7	Property	8
2	Cash and Liquidity	3
100	Total	100

Note 39 - Financial Instruments

Refer to Note 39 Group Statement of Accounts.

Note 40 –Joint Operations & Associate Entities

Refer to Note 40 Group Statements of Accounts.

Note 41 - Accounting Standards Issued, Not Adopted

Refer to Note 41 Group Statements of Accounts.