

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

STATEMENT OF ACCOUNTS

2012/13

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

STATEMENT OF ACCOUNTS 2012/13

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EXPLANATORY FOREWORD

Background

On 15 September 2011 the Police Reform and Social Responsibility Act 2011 received Royal Assent in Parliament representing a significant shift in the way the police in England and Wales are governed and held accountable. One of the key reforms was to replace Police Authorities with elected Police and Crime Commissioners and on 22 November 2012 the Police and Crime Commissioner for Lancashire (PCC) came into Office. The primary function of the PCC is to secure the maintenance of an efficient and effective police force in Lancashire and to hold the Chief Constable (CC) to account for the exercise of operational policing duties under the Police Act 1996. At the same time a separate corporation sole called The Chief Constable of Lancashire was created and made responsible for Lancashire Constabulary.

Under the Act, from 22 November 2012, PCCs and CCs are deemed to be separate entities and further to this the two entities have been established as Schedule 2 bodies under the Audit Commission Act 1998 which means that they are both required to produce accounts which are subject to audit.

The Chief Constable is, in technical terms, a 100% subsidiary of the PCC and in accounting terms this means that, although the Chief Constable is required to produce accounts in his own right, his accounts will also be consolidated with those of the PCC to form a third set of "PCC Group" accounts.

The financial year 2012/13 is the first statutory accounts to be prepared under the new arrangements. A summary of how the new arrangements work and how this impacts the preparation of the accounts follows, with more detail about the practical application to be found in the accounting policies.

Accounting for the Transfer of Functions to the New Bodies

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) sets out that a transfer of functions in full from the responsibility of one authority (or other public sector body) to another, in this case from Lancashire Police Authority to the PCC and the CC, is required to be accounted for using the principles that apply to group reorganisations. Paragraph 9.1.1.8 of the Code also sets out that:

"the accounting for business combinations (i.e. subsidiaries and associates) covered by this section [Chapter Nine] of the Code does not apply to ... the transfer of functions from the responsibility of one part of the public sector to another. Merger accounting should be applied where the entity in which the interest has been acquired was 100% in public sector ownership both before and after acquisition by the local authority."

The principle established in section 2.5 of the Code is such that local authorities (including Police Authorities) are deemed to be under common control. Therefore, overall government control of the body is unchanged. Taking these provisions into consideration it is appropriate to follow the treatment set out under merger accounting on transfer.

The approach adopted requires restating the financial performance, financial position and cash flows of the PCC and CC as if the police service had always been provided by these bodies. The results of the former Police Authority will be brought into the PCC's and CCs

Accounts from 1 April 2012. Assets and liabilities are required by the Code to be transferred, at their carrying amount, to the PCC.

The application of merger accounting to the financial statements from 1 April 2012 and not accounting for the PCC and CC as new bodies means that this accounting treatment presents results for the PCC and CC as if they had always existed. Therefore, following this approach makes it necessary to provide comparative figures from the previous year 31 March 2012. This approach will mean that there will be one set of financial statements for the PCC for the full year ending 31 March 2013. It would also mean that no financial statements would be produced for the abolished Authority for the financial year 2012/13.

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

To understand the nature of the relationship between the PCC and the CC, and determine the appropriate accounting treatment, the distinction has been drawn between strategic control, exercised by the PCC and day-to-day operational control, exercised by the CC. This is a key feature in determining the content of the PCC's and CC's Accounts both now and in the future.

The strategic control of the PCC is represented by his overarching responsibility for setting the Police and Crime Plan. The PCC also holds the CC accountable for the delivery of an efficient and effective police force and is responsible for the appointment and dismissal of the CC.

At the local level the Scheme of Governance, Financial Regulations and Standing Orders for Contracts, which have been put in place by the PCC, and agreed with the Chief Constable, set out the responsibilities of, amongst others, the PCC, the CC and other Chief Officers including the PCC's Chief Executive and the Chief Finance Officers for both the PCC and the CC. This governance framework sets out the responsibilities of Chief Officers and also delegated decision making and limits. Within the first year these responsibilities are limited, which further distinguishes between strategic control and operational direction and control. Delegated authority within the Constabulary primarily lies with the Director of Resources.

At the outset the PCC took responsibility for the finances of the whole Group and controls the assets, liabilities (including the pension liability) and reserves, which were transferred from the former Police Authority. This position has not changed and would therefore suggest that these balances should be reflected on the PCC's Balance Sheet. Further to this the PCC receives all income and makes all payments from the Police Fund for the Group and has responsibility for entering into contracts and establishing the contractual framework under which the staff under the direction and control of the Chief Constable operate. In the first year the PCC has not set up a separate bank account for the CC, which reflects the fact that all income is paid to the PCC. The PCC retains control of reserves and has not made arrangements for the CC to hold cash backed reserves.

In contrast the CC fulfils his statutory responsibilities for delivering an efficient and effective police force within an annual budget, which is set by the PCC. However, the CC ultimately has a statutory responsibility for maintaining the Queen's peace and to do this has direction and control over the force's Police Officers, Police Community Support Officers (PCSOs) and Police Staff. It is recognised that in exercising day-to-day direction and control, the CC will undertake activities and incur expenditure to allow the police force to operate effectively. It is appropriate that a distinction is made between the financial impact of this day-to-day direction and control of the force, as set out in these Accounts and the activities of the PCC.

The Financial Statements of the Police and Crime Commissioner and Chief Constable

The Accounts and Audit (England) Regulations 2011 require authorities to follow "proper practices in relation to accounts" when preparing the accounts. The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code), which is based on International Financial Reporting Standards (IFRS) constitutes a "proper accounting practice" in England and Wales under the terms of Section 21 (2) of the local Government Act 2003. The 2012/13 Statement of Accounts is also prepared in accordance with the Code and the Service Reporting Code of Practice 2012/13.

The Chief Constable is, at the time of preparation of these accounts, not a local authority and cannot therefore rely on the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 in determining proper accounting practices. However, legislation to rectify this anomaly is currently in the process of being approved so, whilst ensuring that where necessary there is primacy in legislation, the financial statements of the Chief Constable have been prepared in line with the Code. The individual Statement of Accounts for the Chief Constable of Lancashire can be accessed at the following link:

[Chief Constable's Statement of Accounts](#)

The accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include:

- The Police Reform and Social Responsibility Act 2011 (the Act);
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012;
- Scheme of Governance for the PCC and the Chief Constable;
- PCC and CC Financial Regulations;
- PCC and CC Contract Standing orders.

The accounts also reflect the Government's intention to phase reforms over a number of years. The accounting arrangements between the PCC and CC during the first stage of transition are detailed more fully in the accounting policies, with more specific accounting policies for stage 1 transition laid out in accounting policy xxvi.

A Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet have been prepared for the CC to reflect the day to day direction and control that the CC exercises over Police Officers, Police Staff and PCSOs along with the running costs required to deliver a policing service in line with the Police and Crime Plan. The CC's CIES reflects the gross cost of policing; it recognises no income other than the funding received from the PCC. All operating income, as with grants and contributions, is recognised in the first instance in the PCC's CIES. As the CC has no resources with which to fulfil his delegated responsibilities the figures in the CIES represents the PCC's resources consumed at the request of the Chief Constable to undertake day-to-day policing. The PCC resources consumed at the request of the Chief Constable are met in full in the CC's CIES by the PCC in the form of Intra-Group Funding, which is also reflected in the PCC CIES.

International Accounting Standard (IAS) 19 requires that liabilities in respect of employee benefits, both short term (eg untaken holidays or time of in lieu) and long term (eg pensions liabilities) should be recognised in the first instance in the Balance Sheet of the Chief Constable. As, under current arrangements, the PCC has ultimate responsibility to fund these liabilities the long term liability is matched by a Long Term Pensions Debtor with the

PCC and the short term creditor, relating to accumulated absences, is matched by a short term debtor with the PCC. A corresponding Long Term Pensions Creditor and short term creditor in respect of the accumulated absence accrual appears in the PCC Balance Sheet which in effect transfers the liability back to the PCC. In year IAS19 pensions charges are also reflected in the CIES of the Chief Constable and cleared from the CIES by an amount of Pensions' Deficit Funding which is supported by a corresponding increase in long term debtor with the PCC. Again this Pensions Deficit Funding is reflected in the CIES of the PCC.

The Local Authority (Capital Financing and Accounting)(England) Regulations 2003 require that a local authority charge to their revenue account an amount equal to the retirement benefits payments and contributions to pension funds which are payable for that year. As a Local Authority the PCC is required to abide by these regulations and, in practical terms, this means that all notional pensions charges in the PCC CIES that have been made in order to comply with IAS19 (including the IAS19 charges of the staff of the OPCC and the pensions deficit funding in respect of the staff under the direction of the CC (which reflects the notional IAS19 adjustments for staff and police officers under the direction of the CC) are reversed out, through the PCC/PCC Group Movement in Reserves Statement, to the Pensions Reserve and replaced by the actual employer contributions, to ensure that only the actual contributions are funded by the council taxpayer.

Contents of the Statement of Accounts

The Statement gives the reader an overall impression of the finances of the PCC and the PCC Group for the financial year ended on 31 March 2013 (referred to as 2012/13).

The various sections contained within the consolidated financial statements are:

Auditor's Report – This sets out the opinion of the PCC's external auditor on whether the Accounts present a true and fair view of the financial position and operations of the PCC and the PCC Group for 2012/13

Annual Governance Statement – This is a statement by the PCC which states his position on governance issues, and which provides assurances on the systems of control which are maintained and on the way he conducts his business.

Movement in Reserves Statement for the PCC and the PCC Group - The statement shows the movement in the year on the different reserves held by the PCC and the PCC Group, analysed into usable and unusable reserves. There is only one Movement in Reserves Statement for the PCC and the PCC Group as they are identical. The Surplus or (Deficit) on the "Provision of Services" line shows the true economic cost of providing the services, more details of which are shown in the Comprehensive Income and Expenditure Statements. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the PCC. During 2012/13 total reserves reduced by £395m: an increase in usable reserves of £3m and a reduction in unusable reserves of £398m.

Comprehensive Income and Expenditure Statements for the PCC and the PCC Group - These statement shows the accounting cost in the year of the PCC and PCC Group providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this may be different

from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. Because of the nature of the funding arrangements in place between the PCC and the Chief Constable both statements incorporate the total value of transactions of the Chief Constable and in 2012/13 both statements showed a deficit on the provision of services of £100m which, after taking into account movements in useable and unusable reserves, resulted in an in-year surplus of £1m (see column entitled "General Fund Balance" in the Movement in Reserves Statement).

Balance Sheets for the PCC and the PCC Group– These statements show the value as at the Balance Sheet date of the assets and liabilities recognised by the PCC and the PCC Group. As a consequence of the arrangements in place between the PCC and the Chief Constable for the funding of pensions liabilities and short term accumulated absences it was necessary to produce two separate balance sheets for the PCC and the PCC Group (shown alongside each other for comparison purposes) but the net assets on both statements are identical. Net assets (assets less liabilities) are matched by the reserves held by the PCC. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the PCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use e.g.the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt. Usable reserves at 31 March 2013 totalled £33m.The second category of reserves is those that the PCC is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses e.g. Revaluation Reserve, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations". Unusable reserves at 31 March 2013 showed a negative balance of £2,550m. Note 15 summarises the assets and liabilities transferred from the former Lancashire Police Authority to the PCC Group at the beginning of the year the transfer occurred ie 1 April 2012. These figures are also shown as comparatives in the PCC Group balance Sheet.

Cash Flow Statement for the PCC and the PCC Group– This statement shows the changes in cash and cash equivalents of the PCC during the reporting period. The statement shows how the PCC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the PCC and the PCC group are funded by way of taxation and grant income or from the recipients of services provided by the PCC and the PCC Group. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the PCC's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital i.e. borrowing, to the PCC. As the PCC funds all expenditure and receives all income for the Group there is only one statement for the PCC and PCC Group. The statement shows an increase of £4.4m in cash and cash equivalents during 2012/13.

As the PCC Group position does, at this stage of transition, present the most meaningful picture, from a reader's perspective, of the activities of the PCC and the Chief Constable, where there is a separate statement or note for the PCC and the PCC Group the order of presentation will be the PCC Group followed by the PCC. The PCC Group accounts contain all the transactions of the PCC and CC and disregard any technical adjustments and recharges between the individual sets of accounts and hence give a clearer picture of the costs of policing in Lancashire.

Financial performance of the Group

Revenue Budget

The Lancashire PCC's spending power in respect of 2012/13 was agreed by the original Lancashire Police Authority at £276.658m and, after taking account of specific grants, the net budget requirement was set in February 2012 at £265.337m, a reduction of 3.7% on the 2011/12 budget. In order to fund the budget requirement a combination of external resources were used, totalling £194.919m which was made up as follows:

- Police Grant £105.681m
- Revenue Support Grant £1.697m
- Non Domestic Rates £87.541m

After taking into account the rolling of £1.7m council tax freeze grant into the main external resources, this represented a reduction of 6.7% in external resources, equal to the reduction applied to all English police authorities. This left £70.418m to be raised from the Council Tax. The resultant Council Tax equated to a charge for a Band D property of £149.93, an increase of 2.5% over the 2011/12 charge. Lancashire's council tax remained in the lower quartile of all shire police authorities.

The 2012/13 Revenue Outturn

The revenue budget for the Police and Crime Commissioner of £265.337m was increased during the year through the planned use of balances to £267.086m in order to meet known pressures. The year-end position is spending of £263.864m giving a total underspend at year end of £3.222m. This reflects a transfer of £2.386m to the transitional change reserve having been made during the year following approval at the PCC decision making session in February 2013. The total underspend on the PCC revenue budget in 2012/13 was therefore £5.608m.

2013/14 Revenue Budget

The main reasons for this underspend are:

- Early achievement of savings from a number of organisational reviews that are in place to deliver long term savings
- Management of vacancies and overtime for police officers and police staff
- General spend less approach to all budgets

The delivery of Organisational Reviews is a major element of the current financial strategy for the organisation. A number of reviews have been completed ahead of schedule delivering savings earlier than planned. This places the PCC in a good position to deal with the future financial challenges as these savings will be required to meet the budget reductions in 2013/14. The underspend that has emerged early in 2012/13 has been transferred to the Transitional Change reserve. This reserve was set up by the former Police Authority and is available to assist the PCC to meet the costs of implementing and managing the transformational change programme that is required to deliver the savings over the lifetime of the financial strategy.

The underspend on the revenue budget in 2012/13 has therefore been applied as follows;

	£m
Transfer to transitional change reserve during the year as agreed at PCC DMS in February	2.386
Transfer from end of year underspend to the transitional change reserve	2.229
Transfer of end of year underspend to General Balances	0.892
Contribution to the vehicle replacement programme (capital)	<u>0.101</u>

This has resulted in the following position on reserves: the general reserves (DFM and Police General Fund) at year end are £12.3m and represent around 4.8% of the 2013/14 budget of £258.733m. Other earmarked reserves total £15.2m including £6.7m held in the transitional change reserve to mitigate against the risks of implementing the change programme. The Chief Finance Officer believes that the level of reserves remains appropriate in the context of the Organisational Change programme and the future reductions in funding. Further detail on movement in reserves can be found in the Movement in Reserves Statement and in Note 7 to the accounts.

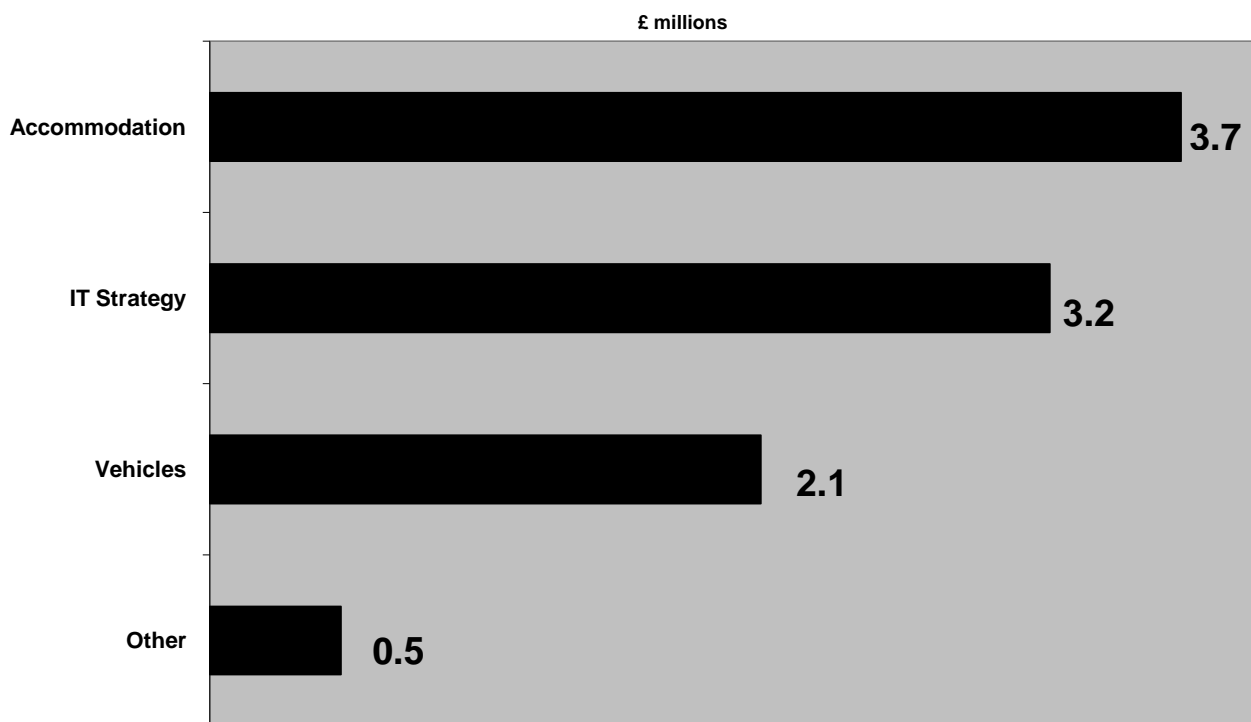
Capital Funding

The 2012/13 Capital Programme was initially approved at £12m in February 2012 and included £7.5m new starts and £4.5m of deferred schemes from the 2011/12 programme. The programme reflected the strategic requirements in relation to the ICT, Estates and Vehicle infrastructure. New approvals in year along with some further slippage from 2011/12 increased the final capital programme for 2012/13 to £15.9m. The Capital Programme was financed through a mix of grant, capital receipts, revenue contributions and £2.3m prudential borrowing

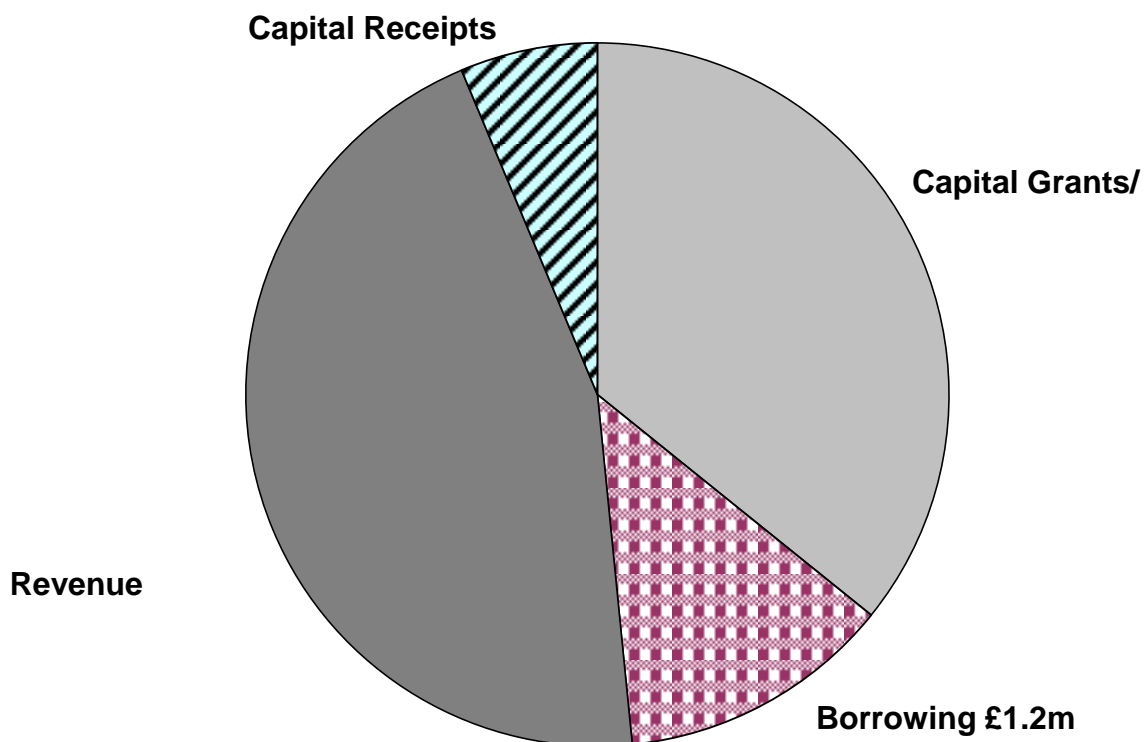
A total of £9.5m was spent on the capital programme during 2012/13 which was £6.4m less than originally planned, with the underspends and reasons for these being reported to the PCC throughout the year. Of this, £3.4m was carried forward to 2013/14 as these schemes had not commenced within the anticipated timeframe. There was also slippage of £2.7m which has also been carried forward to enable the schemes to be completed and a further underspend of £0.3m reflecting the fact that some schemes had been completed at a lower cost than anticipated. After allowing for depreciation, impairment and the disposal of assets, the value of long term assets held at 31 March 2013 is estimated at £167.025m with short term assets held for sale estimated at £2.17m.

The graph below shows our major areas of capital spending during the year:

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The 2012/13 capital expenditure was financed through a mix of grant, capital receipts, revenue contributions and £1.2m prudential borrowing, as represented in the chart below:



All external borrowing is currently secured from the Public Works Loan Board (PWLB). Most new borrowing will be unsupported borrowing for which the PCC does not receive any

financial assistance from the Government. The PCC needs to pay the cost of this borrowing out of his own resources and therefore must ensure such borrowing is prudent, sustainable and affordable in the long run. All of the PCC's debt, used to finance his Capital Programme, is held with the PWLB with no new loans being raised during 2012/13 as the borrowing requirement was met in the short term from cash balances. This was considered more cost effective than borrowing at this time. The borrowing strategy is outlined in the 2012/13 Treasury Management Strategy, a copy of which can be found on the PCC's website at the following link:

[2012/13 Treasury Management Strategy](#)

The PCC maintains a rolling five year capital forecast and resources are set aside to finance future capital expenditure. As at 31 March 2013 the following usable reserves are earmarked to support capital expenditure:

	£m
Capital Receipts Reserve	5.185
Capital Funding Reserve	6.686
Capital Grant Unapplied	0.008
	<u>11.879</u>

Pension Liabilities

Pension costs are reported in line with International Accounting Standard 19 (IAS19). The pensions' liabilities shown on the PCC Group balance sheet reflect the underlying commitment that the PCC has in the long term to pay retirement benefits. Although recognition of these liabilities has a considerable impact on the net worth of the PCC and the PCC Group, statutory arrangements for funding the deficit mean that the financial position of the PCC group remains healthy.

The opening pensions' liabilities and matching pensions reserve in the PCC Group Balance Sheet as at 1 April 2012 are identical to the closing balances as at 31 March 2012 under the former Police Authority. However, the initial identification of the pensions' liabilities across the individual PCC and CC Balance sheets and the mechanism for the PCC to ultimately fund the liabilities has resulted in the following changes in the individual opening Balance Sheets:

	Former Police Authority Balance 31/3/12 £000	PCC Balance 1/4/12 £000	CC Balance 1/4/12 £000	PCC Group Balance 1/4/12 £000
Pensions Liabilities	2,279,315	716	2,278,599	2,279,315
Long term Pensions' Debtors*	-	-	(2,278,599)	-
Long term Pensions' Creditors*	-	2,278,599	-	-
NET ASSETS	2,279,315	2,279,315	-	2,279,315
Funded by:				
Pensions Reserve	(2,279,315)	(2,279,315)	-	(2,279,315)

* The long term debtor and creditor disappear on group consolidation.

At 31 March 2013 the net pensions' liability of the PCC group, calculated by the actuary is £2,672m, (an increase of £393m over the previous year's figure of £2,279m). The net liability is split between the Local Government Pension Scheme (£107m) and the Police Pension Schemes (£2,565m); the police schemes are unfunded, ie no investments or other assets

exist to offset future liabilities. One of the most significant reasons for the increase in liability is the impact of changes in actuarial assumptions in respect of liabilities (£310m) which reflects, amongst other things the reduction of 0.7% in the rate at which cashflows are discounted (from 5.1% to 4.4%).

The share of the net pensions liability relating to the PCC's office as at 31 March 2013 is £0.951m

Other elements affecting the change in liability are explained in Accounting Policy (viii) and shown in detail in Note 43 to the accounts.

Short Term Accumulated Absences

As with pension costs, short-term accumulated absences are reported in line with International Accounting Standard 19 (IAS19). This means that the Chief Constable's Balance Sheet includes a short-term creditor in respect of outstanding liabilities at 31 March with a matching short-term debtor to reflect the liability of the PCC to fund these costs.

The opening liability and matching accumulated absences reserve in the PCC Group Balance Sheet as at 1 April 2012 are identical to the closing balances as at 31 March 2012 under the former Police Authority. However, the initial identification of the liabilities across the individual PCC and Chief Constable Balance Sheets and the mechanism for the PCC to ultimately fund the liabilities has resulted in the following changes in the individual opening Balance Sheets:

	Former Police Authority Balance 31/3/12 £000	PCC Balance 1/4/12 £000	CC Balance 1/4/12 £000	PCC Group Balance 1/4/12 £000
S-T Creditor re Accum. Absences	(8,044)	-	(8,044)	(8,044)
S-T Debtor with PCC*	-	-	8,044	-
S-T Creditor with CC*	-	(8,044)	-	-
NET ASSETS	(8,044)	(8,044)	-	(8,044)
Funded by:				
Accum. Absences Reserve	8,044	8,044	-	8,044

* The short term debtor and creditor disappear on group consolidation.

Significant provisions, contingent assets/ liabilities or material write-offs

Provisions exist to meet claims under self-insurance arrangements for both combined employer's and public liability and vehicles. These provisions are reviewed on an ongoing basis and the value of these provisions at 31 March 2013 is just over £2.5m

Material Events after the Balance Sheet date

No material events after the balance sheet date have been identified.

Financial Outlook

The development and implementation of the Authority's four year financial strategy to deal with the funding reductions announced as part of the last Comprehensive Spending Review has been crucial in ensuring the former Police Authority and the Constabulary were able to meet the financial challenges. The financial strategy has been adopted by the PCC and in light of recent funding announcements has been extended to cover the period up to the end of 2016/17. This approach ensures that both the PCC and the Chief Constable are fully sighted on the longer term financial issues. The ability to plan for the longer term is crucial given the significant financial challenges facing police and crime budgets.

The initial spending review announced funding reductions of 20% in real terms (15% in cash terms) over the four year period. Government announcements made earlier in the year suggested that a further £20m will need to be achieved up to 2016/17. Since then however there have been some broad announcements about CSR13 which suggest that in addition to the £20m already assumed, up to a further £12m may be required over the same period. The detail around CSR13 will only emerge later in the year and the medium term financial strategy will be updated to reflect any changes in funding.

Whilst there has been considerable success in delivering the financial strategy and savings to date, the significant budget reductions that are forecast for future years will be difficult to deliver. In recognition of this, and the significant uncertainties surrounding future funding levels, the financial position will be closely monitored and reported throughout the year. Monitoring will focus on the longer term position and will take account of developments in police and local government funding as well as key messages that are emerging from Central Government and the Home Office.

Key messages from Central Government and the Home Office are that the current period of austerity will continue for several years to come and whilst detailed funding announcements for future years has not been announced the PCC and the Chief Constable will need to consider how any further reductions in funding can be managed. As more detail emerges we will continue to update the Medium Term Financial Strategy and reflect these in the strategic discussions on how savings can be achieved.

In addition to this, the Home office is to conduct a fundamental review of the funding formula for Police and Crime budgets. The review is scheduled to be implemented for the 2015/16 financial year. Any changes in funding formulae create turbulence and this position will need to be carefully monitored and managed. At this stage there is no detailed information available on the formula review but the OPCC will be contributing to any discussions via the Society for Police and Crime Commissioners Treasurers and will also be responding to any consultations that are issued from the Home Office.

In relation to capital investment the medium term strategy reflects a continuing need for significant capital investment, especially in the IT infrastructure and ensuring that our accommodation is adequate in meeting the needs of the service. The ability to generate resources locally through asset sales is diminishing and finding the necessary resources will be challenging. The PCC will continue to seek to utilise the flexibility offered through the prudential borrowing framework whilst ensuring that this is done within the parameters of affordability and prudence.

Future Developments

Under the Police Reform and Social Responsibility Act all staff assets, liabilities and land transferred from the Police Authority to the PCC by statutory transfer. The Act now requires commissioners to consider what staff they and the Chief Constable require to discharge their

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functions and to submit a Stage 2 transfer proposal to the Home Secretary by September 16th 2013. The proposal will set out which staff will be employed by the PCC and which by the Chief Constable from April 2014. The political intent of this element of the legislation is to give greater clarity of role and the division of responsibilities between Police and Crime Commissioners and Chief Constables. Discussions will be taking place during 2013/14 to agree a proposal to be presented for approval by the Home Secretary. Stage 2 transfers are likely to have a financial impact, particularly on the way in which financial information is presented. The financial implications of Stage 2 transfers will be reviewed as part of the process and through national discussions on the subject.

LISA KITTO FCCA
CFO to the Police and Crime
Commissioner

28 JUNE 2013

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

Opinion on the financial statements

We have audited the financial statements for the Police and Crime Commissioner for Lancashire for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Police and Crime Commissioner Single Entity and Group Movement in Reserves Statement, the Police and Crime Commissioner Single Entity and Group Comprehensive Income and Expenditure Statement, the Police and Crime Commissioner Single Entity and Group Balance Sheet, the Police and Crime Commissioner Single Entity and Group Cash Flow Statement and the related notes and include the police pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 3. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the Police and Crime Commissioner for Lancashire in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner Single Entity and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Lancashire as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its 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 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Police and Crime Commissioner to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Other matters on which we are required to conclude

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the Police and Crime Commissioner has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission *in November 2012*, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- our locally determined risk-based work.

As a result, we have concluded that there are no matters to report.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until completion of our consideration of a matter reported by the Independent Police Complaints Commission on 25 September 2013. We are satisfied that the matter in question does not have a material effect on the financial statements or a significant impact on our value for money conclusion.

Michael Thomas
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

Date: 26 September 2013



ANNUAL GOVERNANCE STATEMENT 2012 / 13

During 2012 / 13 the Police Reform and Social Responsibility (PRS A) Act 2011 abolished Police Authorities and replaced them with Police and Crime Commissioners. Lancashire Police Authority was therefore abolished on 21 November 2012 and the office of the Police and Crime Commissioner was established on 22 November 2012. This annual governance statement reflects the governance framework arrangements in place for both organisations.

New interim governance arrangements were agreed on 22 November 2012 and applied to both the Commissioner's Office and the Constabulary. This sets out the broad framework to ensure effective financial management arrangements and enable both organisations to meet their statutory requirements in securing efficiency and effectiveness.

1 THE GOVERNANCE FRAMEWORK

The Governance Framework comprises the systems and processes, culture and values by which the former Police Authority and the Office of the Police and Crime Commissioner are directed and controlled in order to discharge the two primary statutory duties:

- to secure an effective and efficient local police service; and
- to hold the Chief Constable to account for the exercise of his functions and those of officers and staff under his direction and control.

The system of internal control is a significant part of that framework and is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commissioner and Constabulary'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.

The former Lancashire Police Authority approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. This statement explains how to comply with the Code, and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2006 in relation to the publication of a Statement of Internal Control / Annual Governance Statement. The Code of Corporate Governance was adopted by the Commissioner.

The Commissioner's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government* (2010) as set out in the Application Note to *Delivering Good Governance in Local Government: Framework*.

The Chartered Institute for Public Finance and Accountancy (CIPFA) has identified the principles of good governance for public services and those specifically relating to policing services are;

- Focussing on the purpose of the PCC and the Force and on outcomes for the community, and creating and implementing a vision for the local area.
- Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles.
- Promoting the values of the PCC and the Force and demonstrating the values of good governance by upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and the capability of the workforce to be effective in their roles.
- Engaging with community, partners and stakeholders to ensure robust public accountability.

2 OVERALL ASSURANCE SUMMARY

No system of internal control can provide absolute assurance against material misstatement or loss.

However, on the basis of the review of the sources of assurance set out in this Statement, we are satisfied that former Lancashire Police Authority and the Office of the Police and Crime Commissioner have in place satisfactory systems of corporate governance and internal control which facilitate the effective exercise of their functions and which include arrangements for the effective management of risk.

3 THE GOVERNANCE FRAMEWORK

3.1 Focusing on the purpose of the PCC and on outcomes for local people, and creating a vision for the local area.

The Commissioner adopted the commitments and priorities for policing and crime that were set out in his election manifesto for the remainder of the 2012/13 financial year. All Commissioners are however required to have a Police and Crime Plan and a significant amount of work developing a plan that set out the Commissioner's key priorities was carried out during the year. The Police and Crime Plan was finalised at the end of March 2013. The Plan also pays due regard to the national Strategic Policing Requirement and has been agreed, following significant consultation with stakeholders including the Chief Constable and the Police and Crime Panel.

The OPCC is currently working up a number of action plans and processes to support the delivery of the priorities set out within the Police and Crime Plan, including:

- Delivery and business plans to monitor the implementation of the Commissioner's priorities
- Decision making process - this is in place
- Forward Plan of key decisions
- Commissioning Framework

The OPCC team is working closely with the Constabulary in taking forward key areas of business and the Commissioner has monthly Strategic Planning Meetings both internally with senior members of the OPCC and jointly with Constabulary Chief Officers.

The Constabulary reported on areas of performance against targets in the Local Policing Plan to the Authority's Performance Review and Citizen Focus Committee, other Committees and the full Police Authority. A scrutiny schedule sat alongside the Local Policing Plan and laid out the specific areas to be monitored.

The Commissioner's website provides contact details so that members of the public are able to get in touch, raise issues or concerns direct with him. A "case management" team has been

developed to respond to contact by members of the public and help the PCC focus on the outcomes for local people.

3.2 Working together to achieve a common purpose with clearly defined functions and roles.

The Lancashire Police Authority's (LPA) Local Policing Plan was the central focus for the strategic direction of the Constabulary. This was supported by other plans e.g. a Costed Human Resources Plan and a Learning and Development Plan which were approved by the LPA. The LPA's medium term corporate and annual business plan sat alongside these plans.

The roles and responsibilities of each of the LPA's Committees, Panels and Working Groups were clearly defined in the individual terms of reference. The Scheme of Delegation and Standing Orders provided for the delegation of functions and decision making. LPA members had in place a statement of roles, responsibilities and expectations to help them in their role. Members of staff had job descriptions and regular one to one meetings with their line manager.

The LPA and Constabulary established a joint Programme Board to oversee the transition to OPCC and there was a clear communications strategy, with a range of associated tools and information, to inform the public about the impending changes and how they could have their say on the future of policing in Lancashire. The Programme Board comprised of key personnel both within policing and also included members from key partner organisations.

The governance arrangements for the OPCC have been developed in line with recommendations and requirements of the Police Reform and Social Responsibility (PRSR) Act 2011, statutory Policing Protocol, CIPFA and the Home Office. The governance arrangements comply with the Financial Management Code of Practice (FMCP), and other existing guidance on financial and governance matters which continue to apply. An interim scheme of governance, financial regulations and contract regulations were developed in accordance with the FMCP to enable effective accountability and to govern the relationship between the OPCC and Lancashire Constabulary. This framework was developed by a cross cutting group comprising representatives from the former Police Authority, Constabulary, Audit Committee and internal audit and was agreed by the Commissioner on 22 November 2012.

There is a decision making framework which ensures that all OPCC decisions are published and available for public scrutiny, and that before any decisions are made appropriate financial, legal and HR advice is obtained. This approach ensures that all of the PCC's decisions are fully assessed for any implications and that the PCC is made aware of these before a decision is made. It was agreed at the outset that review of the interim governance arrangements would be carried out by the end of the financial year to ensure that any amendments could be reflected and implemented for the new financial year. The OPCC and Constabulary reviewed the interim governance framework in March 2013 and found the new arrangements were fit for purpose. Some minor amendments have been proposed and will be reflected in the final set of governance documents. The scheme of Governance will however need to change for 2014/15 to reflect the changes resulting from the Stage 2 transfer. Work in developing the new scheme of Governance will start later in the year once the Stage 2 transfer submission has been made to the Home Secretary.

In accordance with the requirements of the Financial Management Code of Practice, a joint combined interim Audit Committee has been established. It has agreed terms of reference and quarterly meetings and is held in public with papers published on the OPCC's website. The Commissioner has appointed a Deputy and three Assistant Commissioners who have specific portfolios to support the Commissioner in fulfilling his role.

3.3 Promoting the values for the PCC and Force and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

The LPA had a Code of Conduct for Police Authority Members which included the statutory

provisions contained in the model code of conduct.

Police Officers, Police Staff and the LPA's Officers are/were all subject to policies and procedures covering discipline, grievance and standards of conduct.

The LPA, the Commissioner and the Constabulary have arrangements in place to address fraud and corruption and also have procedures in place to enable staff to report any issues of concern in confidence.

The Audit and Standards Committee had responsibility for considering allegations of LPA Member misconduct. The Standards regime was abolished under the Decentralisation and Localism Bill.

LPA clearly outlined who was responsible for the discharge of its responsibilities within its Constitutional and Procedural Standing Orders, Scheme of Delegation, Contractual Standing Orders, Financial Regulations and formal constitution.

The Authority's Chief Executive acted as Clerk under Section 16 of the Police Act 1996 and Proper Officer under section 270(3) of the Local Government Act 1972. The Chief Executive was also appointed as the Monitoring Officer in 2012 in readiness for the transition to OPCC. This role has a statutory duty to highlight any proposals, decisions or omissions by the OPCC which constitute, have given rise to, or are likely to give rise to, either a breach of the law, a breach of a statutory code, or which constitute maladministration or injustice.

In April 2012, a new Treasurer, distinct from the Director of Resources, took up post with the LPA. This arrangement ensured a period of stable governance whilst allowing a safe transition during a very challenging financial climate. This role transferred to the OPCC, as the PCC'S Chief Finance Officer on 22 November 2012 and the postholder is the OPCC's professional advisor on financial matters.

Following the creation of the OPCC, the PCC and Deputy PCC have signed up to a Code of Conduct which incorporates the 7 Nolan principles relating to Public Life. A Code of Conduct has also been agreed for the staff in the OPCC setting out what is expected from them in terms of their conduct.

Standards of professional behaviour are reinforced at every opportunity, including recruitment, induction and in meetings between officer / line manager. Robust vetting procedures are in place for all staff in the OPCC.

The Joint Audit Committee has been updated on the activity in relation to external inspections, including HMIC Integrity review.

3.4 Taking Informed and transparent decisions which are subject to effective scrutiny and managing risk.

The LPA conducted its business based around a committee structure and a scheme of delegated powers. Within this framework the LPA had formal and informal mechanisms for the monitoring and scrutiny of the performance of the Constabulary which ensured that rules and procedures governing how decisions were made were followed; key decisions taken by the LPA / Committees were made in public meetings; committee papers were made available to the public unless exempt.

On 22 November 2012, the PCC approved and adopted a new governance framework. This was reviewed in March 2013 and complied with the OPCC governance framework and will continue to be reviewed annually to ensure it remains fit for purpose. The role of Monitoring Officer is the responsibility of the OPCC's Chief Executive

On 30 November 2012, the PCC and Chief Constable formally approved arrangements for an interim Combined Audit Committee which is responsible for enhancing public trust and confidence in the governance of the OPCC and Lancashire Constabulary. It also assists the PCC in

discharging statutory responsibilities in holding the Constabulary to account.

The Committee is served by 4 independent Members who expressed an interest in the role whilst they were members of the former LPA audit and standards committee arrangements. This approach meant that an effective audit committee was available for the remainder of 2012/13 and that the statutory responsibilities of the committee could be effectively discharged. Work is currently underway to appoint permanent members to the Committee.

The OPCC decision making process requires oversight by both of the statutory officers, ie the Monitoring Officer and Chief Finance Officer. All decisions made are formally recorded and made available on the PCC's website for public information and scrutiny.

The Police and Crime Panel for Lancashire comprising local authority and other local representatives, maintains a supportive check and balance on the Commissioner's decisions and activity through the year. Part of the role of the Police and Crime Panel is to approve or veto the Commissioner's precept proposals and to consider the Commissioner's Police and Crime Plan. The Commissioner's statutory requirements in relation to the Police and Crime Panel were met in full for 2012/13.

A forward plan of key decisions is currently being developed in collaboration with the Constabulary. This will be embedded and developed over the coming months and will be available on the OPCC's website.

The LPA had in place a strategic risk register and an operational risk register. On a quarterly basis, senior managers reviewed both registers which were also considered both informally and formally through the LPA's committee process.

Transitional arrangements had been in place prior to the transition – these had been overseen by a Transitional Governance Board which was jointly chaired by the Chief Constable and the Chair of the LPA. A joint strategic transitional risk register was in place.

The OPCC is currently finalising revised risk management arrangements as reported to the combined interim Audit Committee in February 2013. Some of the risks from the LPA are still current, eg those relating to the current financial position, transition, collaboration, effective governance, partnership working; however a scoping / scanning exercise is currently underway to examine a number of key documents to establish the key strategic risks which could prevent the Commissioner achieving his priorities; risks associated with the new model and risks arising from public consultation on priorities / budget.

3.5 Developing the capacity and capability of all to be effective in their roles.

All LPA Members were given the opportunity, through an annual review process, to identify development opportunities and key areas of business interests. Members received regular briefings on key issues and were given prompt responses to any queries they raised. Individual one to one training / learning opportunities were designed to ensure Members were able to engage effectively.

A number of specialist briefings / training events were arranged for LPA staff in the period prior to transition. Continuous dialogue with key partners, including the Constabulary was ongoing. The staff structure remained throughout the transition period, with a number of vacant / temporary positions remaining. Training, development opportunities were sourced to meet individual staff members' needs. Evaluation is generally taken at the point of training.

On 1 October 2012, in preparation for transition and to contribute to the work of the OPCC, a senior strategic advisor was seconded from Lancashire Probation Trust with a specific role relating to criminal justice, crime and re-offending. Work commenced within the year on identifying shared areas of partnership working and resourcing with the Constabulary with a view to providing a single co-ordinated approach to working with a resourcing partner activity.

The OPCC holds fortnightly Planning Meetings for the Commissioner's senior team where there is opportunity to provide briefings on current issues; and a series of briefings and visits to partners is underway in relation to new areas of business (eg victims, criminal justice).

3.6 Engaging with local people and other stakeholders to ensure robust public accountability.

The LPA had a statutory duty to consult with the public in relation to policing issues. The LPA and Constabulary had appropriate strategies for consultation, communication and marketing, designed to ensure effective engagement with all sections of the community and stakeholders. These strategies aimed to promote visible awareness and create a positive, informed and recognisable profile for both the LPA and the Constabulary. The LPA continued to involve local residents through a variety of channels to ensure that policing reflected and met the needs of residents during the transition process, through digital media, twitter feeds, facebook, signposting and establishment of a dedicated micro site relating to all aspects of the transition to the new regime.

A bespoke Lancashire wide public information campaign entitled 'Be part of it' campaign was created. This involved the production of media briefings, stakeholder information packs, creation of a micro website, partner toolkit alongside videos, posters, wallpapers and giveaways to inform Lancashire communities about the change in governance and to facilitate discussion and awareness.

A tactical media plan was developed to enable LPA to inform and educate journalists about the transition and to support accurate media reporting and heightened public awareness.

Telephone surveys were undertaken regarding policing priorities and what the public expected of the PCC regarding communication methods to help develop the communication and engagement programme for the incoming PCC and to help inform the development of the PCC's first police and crime plan.

The LPA led on the national procurement of PCC websites for incoming PCCs.

The PCC's website was available from 16 November 2012 and serves as a front counter for information about the PCC. This is updated with information about role, functions and activity. Twitter and facebook feeds are continually used to promote the role, functions and activity. An e-newsletter has been developed detailing the work of the OPCC and encouraging feedback from the public.

Public road show events were undertaken in January 2013 across Lancashire enabling direct PCC and public engagement within communities to help in the development of the PCC's first Police and Crime Plan for Lancashire.

The Authority was a statutory partner on the 13 Community Safety Partnerships (CSPs) and the Safer Lancashire Board with Member/Senior Officer level representation. Role statements were available for Members on CSPs and support and advice was available from the Chief Executive's Office.

Partnership working has continued to develop and Members have been supported in meeting the statutory obligations and in delivering agreed outcomes for partnership working, particularly with the 13 CSPs and the Safer Lancashire Board.

Core areas of business included policy development and implementation; research, briefing and guidance for Members; preparing consultation responses; maintaining oversight of partnerships' performance; sharing information with partners, especially performance information and community views and contributing to joint working with partners. The operation of the Authority's grant scheme for CSPs had been developed during 2012 to ensure that funding was delivered more efficiently,

that outcomes supported both the LPA and CSP objectives, and that outcomes and achievements were better reported.

The Commissioner has committed to continuing attendance at a range of partnerships including the CSPs and the new Lancashire Community Safety Strategy Group.

On 1 October 2012, in preparation for the transition, and to contribute to the work of the OPCC, a senior strategic advisor was seconded from Lancashire Probation Trust with a specific role relating to criminal justice, crime and re-offending.

Work commenced within the year on identifying shared areas of partnership working and resourcing with the Constabulary with a view to providing a single co-ordinated approach to working with and resourcing partner activity.

4 REVIEW OF EFFECTIVENESS

The OPCC has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal audit and the systems of internal control.

The governance framework was developed by the OPCC in conjunction with the Constabulary, internal audit and representatives from the audit committee. The scheme of governance is currently being reviewed to ensure it is effective and that there are no difficulties in applying the framework. The work is currently underway but is not envisaged to identify any significant issues. The work also forms part of an Internal Audit review that is looking at the governance arrangements post the election of the Commissioner.

The roles and processes applied in maintaining and reviewing the effectiveness of the governance framework are outlined below:

LPA / OPCC

The LPA and now OPCC has overall responsibility for the discharge of all the powers and duties placed on it and has a statutory duty to 'maintain an efficient and effective police force'. The review and maintenance of the governance framework was previously undertaken by the LPA's Audit and Standards Committee. The joint OPCC / Constabulary interim Audit Committee has now taken on this responsibility and will continue to discuss the majority of governance issues, referring reports to the PCC when it is felt necessary.

Lancashire Constabulary

The Chief Constable has responsibility for conducting a review of the effectiveness of the governance framework within the Constabulary at least on an annual basis. This review is informed by the work of the Chief Finance Officer, Head of Internal Audit, and the Risk and Assurance Managers within the Constabulary who have responsibility for the development and maintenance of the governance environment. In preparing the Annual Governance Statement for 2012 /13 the officers of the OPCC have placed reliance on this review and the Constabulary's resulting Annual Governance Statement.

Audit and Standards Committee / Joint Interim Combined Audit Committee

LPA had delegated responsibility for reviewing and maintaining the effectiveness of the governance framework to the Audit and Standards Committee.

A joint interim Combined Audit Committee has now replaced the Audit and Standards Committee and will continue to receive regular reports on governance issues, including the review of the

Annual Governance Statement for inclusion in the Annual Statement of Accounts and update reports on progress made in addressing any significant governance issues included in it.

Head of Internal Audit

Internal audit provides an independent and objective opinion to the OPCC on the control environment by evaluating its effectiveness in achieving the organisational objectives. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. The Head of Internal Audit reports regularly to the Chief Executive and Chief Finance Officers.

Regular monitoring reports and an annual report are received from the Internal Auditors, providing the interim combined Audit Committee with an opportunity to challenge the assurances that have been obtained over the operation of key controls.

The responsibility for updating, maintaining and reviewing the systems of internal control rests with the OPCC, but it takes significant assurance from the work of internal audit. In fulfilling this responsibility, each year it receives an opinion on the overall adequacy and effectiveness of the OPCC's internal control environment, which provides details of any weaknesses particularly relevant to the preparation of the Annual Governance Statement.

In maintaining and reviewing the governance framework, the PCC's Chief Finance Officer places reliance on the work undertaken by Internal Audit and in particular the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control. For 2012 /13 the Head of Internal Audit is of the opinion, that taking into account all available evidence, the OPCC and Lancashire Constabulary internal control environments are generally sound and that, based on the internal audit work undertaken during the year, they are able to give substantial assurance on the internal control environment. In their annual audit report, the Audit Manager states 'there was a generally sound system of internal control during the year, adequately designed to meet the Constabulary's, the former Police Authority's and the newly formed OPCC' s objectives and controls were generally applied consistently, although we identified areas where control needs to be strengthened'.

Recommendations arising from audit reports are reviewed and action plans developed in order to address these. These are followed up throughout the year by internal audit and are reported through to the Joint Audit Committee.

External Audit

External Audit are an essential element in ensuring public accountability and stewardship of public resources and the corporate governance of the OPCC's services, with their annual letter particularly providing comment on financial aspects of corporate governance, performance management and other reports.

The external auditor's most recent annual audit letter gave an unqualified opinion on the LPA accounts for the year and recorded that they had not identified any significant weaknesses in the overall control framework. The external auditors also concluded that the LPA had proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

Other areas for consideration:

In addition to the above, other review / assurance mechanisms such as Her Majesty's Inspectorate of Constabulary, the Independent Police Complaints Commission who are charged with promoting the effectiveness and efficiency of policing, improving performance and sharing good practice nationally and the Health and Safety Inspectorate are also relied upon.

The review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the senior managers within the OPCC and the Constabulary who have

responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

As part of the assurance gathering process for this statement, certificates of assurance have been signed by the OPCC's Deputy Chief Executive and Chief Finance Officer.

5 PROGRAMME OF IMPROVEMENT FOR GOVERNANCE ISSUES

Key strategic risks, such as delivering an effective financial strategy, are monitored and reviewed throughout the year and form part of the Commissioner's risk register. Other emerging governance issues that will be addressed during the year are;

Stage 2 Transfers

Stage 2 transfers must be agreed by the Home Secretary and implemented from 1 April 2014. A considerable amount of work is required in meeting the timescales in delivering the Stage 2 transfers and a working group has been established to carry out this role. Both the OPCC and the Constabulary are involved as are the appropriate union representatives. The Stage 2 transfer will have an impact on both staffing and governance arrangements and will also have some financial implications. These issues will be reviewed and managed throughout the Stage 2 process. Currently, guidance from the Home Office and other bodies is still emerging and arrangements are in place to ensure the Commissioner complies with these; both the Commissioner's Chief Executive and the Chief Finance Officer are members of professional groups that discuss key emerging issues and set out the new requirements placed on Commissioners..

Procurement

A recent internal audit review identified some issues of weakness over current procurement activity within the constabulary. A review of all recommendations has been carried out and new processes put in place to overcome the problems identified. Some work is also underway to develop a strategic approach to procurement that will see the development of a corporate contracts register and more detailed analysis of spend. This will enable the OPCC and the Constabulary to consider all procurement activity and develop approaches that maximises the level of procurement savings achievable.

We propose over the coming year to take steps to address the above matters to enhance our governance arrangements further. 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 as part of our next annual review.

Signed:

Signed:

Clive Grunshaw
Police and Crime Commissioner

Miranda Carruthers-Watt
Chief Executive

Date: 27 June 2013

Date: 27 June 2013

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required to:

- make arrangements for the proper administration of the financial affairs of the Office of the Police and Crime Commissioner and to secure that one of its officers has the responsibility for the administration of those affairs. In this instance, that officer is the chief financial officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

I approve these Statements of Accounts for the year-ending 31 March 2013

CLIVE GRUNSHAW

Police and Crime Commissioner for Lancashire

26 September 2013

The Chief Financial Officer's Responsibilities

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

In preparing this Statement of Accounts, the PCC's CFO has:

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

The PCC's CFO has also:

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

I certify that this Statement of Accounts is that upon which the auditor should enter a certificate and an opinion. It presents a true and fair view of the financial position of the Police and Crime Commissioner for Lancashire (PCC) and the PCC Group and their transactions as at 31 March 2013 and for the year then ended.

LISA KITTO FCCA
CFO to the Police and Crime Commissioner for Lancashire

18 September 2013

MOVEMENT IN RESERVES STATEMENT FOR THE PCC AND THE PCC GROUP

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total PCC/ PCC Group Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011	6,938	13,165	1,136	-	21,239	(2,025,622)	(2,004,383)
Movement in Reserves during 2011/12							
Surplus/(deficit) on the provision of services	(108,773)	-	-	-	(108,773)	-	(108,773)
Other Comprehensive Income & (Expenditure)	-	-	-	-	-	(8,544)	(8,544)
Total Comprehensive Income & (Expenditure)	(108,773)	-	-	-	(108,773)	(8,544)	(117,317)
Adjs between accounting basis & funding basis under regulations (Note 6)	115,017	-	1,587	358	116,962	(116,962)	-
Net Increase/(Decrease) before transfers to Earmarked Reserves	6,244	-	1,587	358	8,189	(125,506)	(117,317)
Transfers (to)/from Earmarked Reserves (Note 7)	(4,201)	4,201	-	-	-	-	-
Increase/(Decrease) in 2011/12	2,043	4,201	1,587	358	8,189	(125,506)	(117,317)
Balance at 31 March 2012 c/f	8,981	17,366	2,723	358	29,428	(2,151,128)	(2,121,700)
Movement in Reserves during 2012/13							
Surplus/(deficit) on the provision of services	(100,377)	-	-	-	(100,377)	-	(100,377)
Other Comprehensive Income & (Expenditure)	-	-	-	-	-	(294,942)	(294,942)
Total Comprehensive Income & (Expenditure)	(100,377)	-	-	-	(100,377)	(294,942)	(395,319)
Adjs between accounting basis & funding basis under regulations (Note 6)	101,548	-	2,462	(350)	103,660	(103,660)	-
Net Increase/(Decrease) before transfers to Earmarked Reserves	1,171	-	2,462	(350)	3,283	(398,602)	(395,319)
Transfers (to)/from Earmarked Reserves (Note 7)	(279)	279	-	-	-	-	-
Increase/(Decrease) in 2012/13	892	279	2,462	(350)	3,283	(398,602)	(395,319)
Balance at 31 March 2013 c/f	9,873	17,645	5,185	8	32,711	(2,549,730)	(2,517,019)

PCC GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services for the Group in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations: this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement

2011/12 Comparator				2012/13		
Gross Exp £000	Gross Inc £000	Net Exp £000		Gross Exp £000	Gross Inc £000	Net Exp £000
145,657	(14,683)	130,974	Local Policing	140,243	(14,219)	126,024
22,911	(553)	22,358	Dealing with the Public	21,610	(277)	21,333
25,346	(2,941)	22,405	Criminal Justice	21,677	(1,156)	20,521
14,373	(2,504)	11,869	Road Policing	14,953	(4,117)	10,836
21,432	(1,728)	19,704	Specialist Operations	23,527	(3,066)	20,461
21,783	(828)	20,955	Intelligence	18,927	(658)	18,269
56,413	(3,602)	52,811	Specialist Investigation	55,358	(2,809)	52,549
10,522	(695)	9,827	Investigative Support	11,036	(235)	10,801
9,262	(4,666)	4,596	National Policing	8,926	(5,796)	3,130
1,784	(61)	1,723	Corporate and Democratic Core	1,972	(221)	1,751
			Non-Distributed Costs:			
-	-	-	Past Service Gains	-	-	-
296	-	296	Other	233	-	233
329,779	(32,261)	297,518	Net Cost of Services	318,462	(32,554)	285,908
		(27,832)	Other Operating Income & Expenditure (Note 8)			(32,682)
		117,251	Financing & Investment Income & Expenditure (Note 9)			115,217
		(278,164)	Taxation & non-specific grant income (Note 10)			(268,066)
		108,773	(Surplus)/Deficit on Provision of Services			100,377
		301	(Surplus)/Deficit on Revaluation of Property, Plant & Equipment assets			762
		8,243	Actuarial (gains)/losses on pension assets/liabilities			294,180
		8,544	Other Comprehensive (Income) & Expenditure			294,942
		117,317	Total Comprehensive (Income) & Expenditure			395,319

PCC COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices for the Office of the PCC, rather than the amount to be funded from taxation.

2011/12 Comparator Net Exp		2012/13 PCC	Gross Inc	Net Exp	2012/13 CC Gross Exp/PCC Funding £000
£000		£000		£000	
(13,578)	Local Policing	22	(14,219)	(14,197)	140,221
(514)	Dealing with the Public	3	(277)	(274)	21,607
(2,936)	Criminal Justice	4	(1,156)	(1,152)	21,673
(2,496)	Road Policing	3	(4,117)	(4,114)	14,950
(1,708)	Specialist Operations	4	(3,066)	(3,062)	23,523
(814)	Intelligence	3	(658)	(655)	18,924
(3,571)	Specialist Investigation	10	(2,809)	(2,799)	55,348
(627)	Investigative Support	2	(235)	(233)	11,034
(4,654)	National Policing	1	(5,796)	(5,795)	8,925
1724	Corporate and Democratic Core	1,947	(221)	1,726	25
-	Non-Distributed Costs	-	-	-	233
(29,174)	Net Cost of Services	1,999	(32,554)	(30,555)	316,463
(27,832)	Other Operating Income & Expenditure(Note 8)			(32,682)	-
443,943	Financing & Investment Income & Expenditure (Note 9)			431,680	(316,463)
(278,164)	Taxation & non-specific grant income (Note 10)			(268,066)	
108,773	(Surplus)/Deficit on Provision of Services			100,377	-
301	(Surplus)/Deficit on Revaluation of Property, Plant & Equipment assets			761	
69	Actuarial (gains)/losses on PCC pension assets/liabilities			189	293,991
8,174	Increase in recognised obligation re funding of CC pensions liabilities (actuarial gains/losses)			293,991	(293,991)
8,544	Other Comprehensive (Income) & Expenditure			294,941	-
117,317	Total Comprehensive (Income) & Expenditure			395,318	-

PCC GROUP & PCC BALANCE SHEETS

The Balance Sheet shows the value as at the Balance Sheet date of assets and liabilities recognised by the PCC and the PCC Group. The net assets (assets less liabilities) are matched by the reserves held by the PCC. The only difference between the PCC and the PCC Group Balance Sheets is that the recognition of the long term liability for funding pension costs in respect of police officers and police staff included on the balance sheet of the Chief Constable of Lancashire is shown on the PCC Balance Sheet as a Long Term Creditor. The pension liabilities on PCC Balance Sheet relate to staff of the Office of the PCC only (*).

PCC				PCC Group	
31 March 2013	Comparator 31 March 2012		Notes	31 March 2013	Comparator 31 March 2012
£000	£000			£000	£000
164,643	171,718	Property, Plant & Equipment	16	164,643	171,718
259	35	Investment Property	17	259	35
1,921	3,162	Intangible Assets	18	1,921	3,162
202	-	Long Term Debtors		202	-
167,025	174,915	Long Term Assets		167,025	174,915
15,249	19,370	Short Term Investments	20	15,249	19,370
2,170	821	Assets Held for Sale	21	2,170	821
731	832	Inventories	22	731	832
21,129	19,476	Short Term Debtors	23	21,129	19,476
6,755	2,323	Cash and Cash Equivalents	24	6,755	2,323
1,148	931	Payments in Advance	25	1,148	931
47,182	43,753	Current Assets		47,182	43,753
(1,000)	(2,500)	Short Term Borrowing	20	(1,000)	(2,500)
(31,852)	(31,461)	Short Term Creditors	26	(31,852)	(31,461)
(1,354)	(1,891)	Short-Term Provisions	27	(1,354)	(1,891)
(1,701)	(820)	Receipts in Advance	28	(1,701)	(820)
(35,907)	(36,672)	Current Liabilities		(35,907)	(36,672)
(1,612)	(1,570)	Long-Term Provisions	27	(1,612)	(1,570)
(20,154)	(21,154)	Long Term Borrowing	20	(20,154)	(21,154)
(1,420)	(1,657)	Long Term Creditors - General	20	(1,420)	(1,657)
(2,671,182)	(2,278,599)	Long-term Creditors – Pensions*	43	-	-
(951)	(716)	Pensions Liability*	43	(2,672,133)	(2,279,315)
(2,695,319)	(2,303,696)	Long Term Liabilities		(2,695,319)	(2,303,696)
(2,517,019)	(2,121,700)	Net Assets		(2,517,019)	(2,121,700)
32,711	29,428	Usable Reserves		32,711	29,428
(2,549,730)	(2,151,128)	Unusable Reserves	29	(2,549,730)	(2,151,128)
(2,517,019)	(2,121,700)	Total Reserves		(2,517,019)	(2,121,700)

PCC GROUP AND PCC CASH FLOW STATEMENT

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

2011/12		2012/13
£000		£000
108,773	Net (surplus)/deficit on the provision of services	100,377
(118,004)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements (Note 30)	(113,458)
5,850	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing & financing activities (Note 31)	6,479
(3,381)	Net cash flows from Operating Activities (Note 32)	(6,602)
2,535	Investing Activities (Note 33)	(567)
1,237	Financing Activities (Note 34)	2,737
391	Net (Increase)/Decrease in cash & cash equivalents	(4,432)
2,714	Cash & cash equivalents at beginning of the reporting period	2,323
2,323	Cash & cash equivalents at the end of the reporting period (Note 24)	6,755

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1. STATEMENT OF ACCOUNTING POLICIES

i. General

These financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 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 2012/13 (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).

The accounts have been prepared on a going concern basis using an historic cost accounting convention modified to account for the revaluation of certain categories of non-current assets.

Following the passing of the Police Reform and Social Responsibility Act 2011, Lancashire Police Authority was replaced by two "corporations sole", the Police and Crime Commissioner for Lancashire (PCC) and the Chief Constable of Lancashire. Both bodies are required to produce separate Statements of Accounts.

The financial statements included in this document represent the accounts for the PCC and also those for the PCC Group. The financial statements cover the financial year ending 31 March 2013. The term "Group" is used to indicate individual transactions and policies of the PCC and Chief Constable for the year ended 31 March 2013. The identification of the PCC as the parent body and the Chief Constable as its 100% subsidiary and the consequent requirement to produce group accounts stems from the powers and responsibilities of the PCC under the Police Reform and Social Responsibility Act 2011. The principle accounting policies are set out below.

ii. Revenue and expenditure recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods or services provided in the normal course of business, net of discounts and VAT. Revenue is recognised when goods are delivered and title has passed. The provision of services contains many accounting aspects and revenue is only recognised when all related work has been completed.

Whilst all expenditure is paid for by the PCC, including the salaries of police officers and police staff, the actual recognition in the respective accounts of the PCC and Chief Constable is based on economic benefit and service delivery.

iii. Accruals of Income and Expenditure

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.

Revenue from the provision of services is recognised when it is probable that economic benefits or service potential associated with the transaction will flow to the Group.

Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in respect of services received (including services supplied by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Debtors and creditors have been included in the accounts at year end on an actual or estimated basis in line with the accruals concept.

Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iv. **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 known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

v. **Exceptional Items**

When items of income and expenditure are material, their nature and amount will be disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Group's performance.

vi. **Prior Period Adjustments, Changes to Accounting Policies and Estimates and Errors**

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

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

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

vii. **Charges to Revenue for Non-Current Assets**

The Group CIES is charged with the following amounts to record the real cost of holding non-current assets during the year:

Depreciation attributable to the assets used by the service

Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

Amortisation of intangible non-current assets attributable to the service.

The PCC is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, he is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined in accordance with statutory guidance; this is known as the Minimum Revenue Provision (MRP). Depreciation, impairment and revaluation losses and amortisations are therefore reversed to the Capital Adjustment Account via the Movement in Reserves Statement and replaced by the MRP.

viii. **Employee Benefits**

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Group. An accrual is made for the cost of holiday entitlements (or any form of leave eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year (referred to as accumulated absences). The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

Treatment of Accumulated Absences in individual financial statement of members of the PCC Group

Chief Constable:

IAS 19 requires that charges are recognised in the CIES for all police officers and for police staff the costs of whose employment are reflected in the Chief Constable's CIES;

The Chief Constable's Balance Sheet will include a short term creditor in respect of accumulated absences of officers and staff under his direction and control;

The PCC is ultimately responsible for the liabilities of the PCC Group, including those liabilities reported initially in the Chief Constable's Balance Sheet. This is accounted for in the following way:

- The opening short term creditor allocated to the Chief Constable's Balance sheet will be matched by a short term debtor with the PCC;
- An amount equivalent to the in-year movement in accumulated absences included in the Chief Constable's CIES (Provision of Services) will be debited or credited to the Chief Constable's CIES to represent the funding responsibility of the PCC (within Intragroup Funding) and debited or credited to the Short Term Debtor to reflect the cumulative value of the PCC's funding responsibility.
- The value of Net Assets in the Chief Constable's balance sheet will be zero.

PCC:

IAS 19 requires that charges are recognised in the CIES for all police staff the costs of whose employment are reflected in the PCC's CIES.

The PCC's Balance Sheet will include a short term creditor in respect of accumulated absences of staff under his direction and control;

The PCC's Balance Sheet will also include a short term creditor with the Chief Constable to reflect the PCC's commitment to fund all liabilities in respect of accumulated absences.

The PCC's Accumulated Absence Reserve will match the total short term liability of the PCC in respect of accumulated absences.

PCC Group :

The Group Balance Sheet will remove both the Short Term Debtor from the Chief Constable's Balance Sheet and the Short Term Creditor from the PCC's Balance Sheet and leave the total group accumulated absence liabilities funded by an equivalent Accumulated Absence Reserve

Termination Benefits

Termination benefits are amounts payable to police staff, including PCSOs as a result of a decision by the PCC Group to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to Surplus or Deficit on the Provision of Services in the CIES when the PCC group is demonstrably committed to 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 Police General Fund balance to be charged with the amount payable by the Group 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 cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Police officers and police staff have the option of belonging to one of three separate pension schemes:

- 1987 Police Pension Scheme for Police Officers (PPS);
- 2006 Police Pension Scheme for Police Officers (NPPS);
- Local Government Pensions Scheme for Police Staff

All the schemes provide index linked defined benefits to members (retirement lump sums and pensions), which are earned as employees work for the PCC Group and determined by the individuals pensionable pay and pensionable service.

The Local Government Scheme and the Police Pension Schemes are accounted for as defined benefits, final salary schemes, as follows:

Local Government Scheme

Police staff, PCSOs and staff of the Office of the PCC are members of the Local Government Pension Scheme, a funded defined benefit scheme, which is managed by Lancashire County Council. The PCC Group paid an employer's contribution of 15.3% during 2012/13 (14.8% in 2011/12).

The liabilities of the Local Government Pension Scheme attributable to the PCC Group are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees.

Liabilities are discounted to their value at current prices, using discount rates which now vary according to the duration of the employer's liability, with an average of 4.4% (5.1% in 2011/12), based on the weighted average of "spot yields" on AA rated corporate bonds.

The assets of the Local Government Pension Fund attributable to the PCC Group are included in the Balance Sheet at their fair value:

- quoted securities: current bid price

- unquoted securities: professional estimate
- unitised securities: current bid price
- property: market value.

Police Officers

The Police Pension Scheme (PPS) is a contributory occupational pension scheme (contracted out from the State Earnings Related Pension Scheme), governed by the Police Pension Regulations (PPR) 1987 (as amended) and related regulations that are made under the Police Pension Act 1976. During 2012/13 officers made contributions on a tiered basis up to a maximum 12.5% of pensionable pay.

The New Police Pension Scheme (NPPS), which started on 1 April 2006, is also a contributory occupational pension scheme, governed by the Police Pension Act 1976 (as amended by the Police Pensions Regulations 2006). During 2012/13 officers made contributions on a tiered basis up to a maximum 10.75% of pensionable pay.

A Police Pension Account was set up on 1 April 2006 to administer both of the police pension schemes.

The NPPS and PPS both provide defined benefits to members (retirement lump sums and pensions), which are earned as employees work for the PCC Group. The employers' contribution for each serving officer is common to both schemes (24.2% of pensionable pay); this is set nationally and is subject to triennial review, the results of the first review having taken effect from 1 April 2008.

Accrued net pension liabilities have been assessed on an actuarial basis in accordance with IAS19. The net liability and a pensions reserve incorporating both pension schemes have been recognised in the PCC Group Balance Sheet, as have entries in the Group CIES for movements in the asset/liability relating to the defined benefit schemes. Transfers into and out of the schemes, representing joining and leaving police officers are recorded on a cash basis in the Police Pension Account as a result of the time taken to finalise the sums involved. In accordance with the Police Reform and Social Responsibility Act 2011, the Police Pension Account is administered by the Chief Constable for Lancashire and is included in Chief Constable's Statement of Accounts

The liabilities of the PPS and NPPS attributable to the PCC Group are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.4% (5.1% in 2011/12), based on the weighted average of "spot yields" on AA rated corporate bonds.

Injury Awards

Injury awards are paid to police officers under the Police (Injury Benefits) Regulations 2006 and entitlement is dependent on the salary, service and also degree of disablement of the member at the time the injury is incurred. Accordingly the actuaries have calculated the defined benefit obligation as at 31 March 2013 including allowances for the following:

- the actuarial value of the injury pensions that are currently in payment;
- advance provision for the part of the injury pensions that are accrued up to 31 March 2013 and are not yet in payment, for members still in service, in the same way that provision is made for accrued pensions for members still in service for the 1987 and 2006 Schemes.

In addition, an ongoing "service cost" is also calculated which represents the cost of one year's accrual of injury benefits in relation to members in service. Therefore, in line with the 2012/13 CIPFA Code of Practice Guidance Notes (Module 6, Para. B73) the assumption that such awards are "not usually subject to the same degree of uncertainty as the measurement of post-employment benefits"

has been rebutted and injury awards are therefore accounted for, under IAS 19, in the same manner as the main police pension schemes. Liabilities are included on the PCC Group Balance Sheet within the Pensions Liabilities and shown separately in the notes to the accounts.

The movement on the pension asset/liability has to be analysed into seven components:

- current service cost: the increase in liabilities expected to arise from employee service in the current period – allocated in the CIES across activity areas, in line with the CIPFA SeRCOP;
- past service cost: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.
- interest cost: the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the CIES;
- expected return on assets: the annual investment return on the fund assets attributable to the PCC Group, based on an average of the expected long term return - credited to Financing and Investment Income and Expenditure line in the CIES (as the Police Pension Scheme is unfunded it has no assets and therefore this adjustment is not relevant).
- gains/losses on settlements and curtailments: the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees; debited or credited to the Surplus or Deficit on the Provision of Services in the CIES, if relevant, as part of Non Distributed Costs
- actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with actuarial assumptions made at the last scheme valuation (experience) or because the actuaries have updated their assumptions - debited/ credited to the Group Pensions Reserve
- contributions paid to the pension fund – cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense. In the case of the Police Pension scheme, this includes any contribution made by the PCC to meet the deficit on the Pension Fund.

In relation to retirement benefits, statutory provisions require the Police General Fund balance to be charged with the amount payable by the PCC/PCC Group to the pension funds or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the PCC/PCC Group Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Treatment of Pensions Liabilities in individual financial statement of members of the PCC Group

Chief Constable:

IAS 19 charges are recognised in the CIES for all police officers and for police staff the costs of whose employment are reflected in the CC's CIES. The split of the IAS 19 charges for police staff is based on the proportion of total employer pension contributions made by the PCC in respect of the staff included in the CC's CIES (100% in respect of the police schemes and 98.94% in respect of the LGPS Scheme in 2012/13).

The CC's Balance Sheet will reflect the corresponding share of the overall PCC group pensions deficit.

The PCC is ultimately responsible for the pensions' liabilities of the PCC Group, including those liabilities reported initially in the Chief Constable's Balance Sheet. This is accounted for in the following way:

- The opening balance of pensions liabilities allocated to the CC's Balance sheet will be matched by a long term debtor with the PCC;
- An amount equivalent to the in-year movement on pensions liabilities included in the CC CIES (Provision of Services) will be credited to the CC's CIES to represent the funding responsibility of the PCC (Pensions Deficit Funding) and debited to the Long Term Pensions Debtor to increase the cumulative value of the PCC's funding responsibility.
- Actuarial gains and losses are recognised by an adjustment between the Pensions Liability and Long term pensions Debtor to ensure that the full impact of IAS19 is reflected in the individual areas of the Balance Sheet. The "Other Comprehensive Income and Expenditure" section of the CIES shows a debit to reflect the CC's share of the in-year actuarial gains/losses and equivalent credit of PCC Pensions deficit funding to reflect the reporting requirements of IAS19;
- The value of Net Assets in the CC's balance sheet will be zero.

PCC:

IAS 19 charges are recognised in the CIES for all police staff the costs of whose employment are reflected in the PCC's CIES. The split of the IAS 19 charges for police staff is based on the proportion of total employer pension contributions made by the PCC in respect of the staff in the Office of the PCC (1.06% of the charges in respect of the LGPS scheme in 2012/13).

The PCC's Balance Sheet will reflect the corresponding share of the overall PCC group pensions' deficit.

The PCC's Balance Sheet will also reflect the Pensions Liabilities of the CC to reflect the PCC's commitment to fund all pensions liabilities.

Specifically:

- The opening balance of pensions liabilities allocated to the PCC's Balance sheet will be matched by an equivalent amount in the pensions reserve;
- The funding liability in respect of the CC's pensions liabilities will be recognised initially in the PCC's Balance Sheet by a Long term Pensions Creditor and matched again by an equivalent amount in the PCC's pension reserve;
- IAS19 charges in respect of OPCC staff will be charged to the CIES and credited to a Pensions Liability in the PCC's Balance Sheet;
- An amount equivalent to the in-year movement in pensions' liabilities included in the CC's CIES will be debited to the PCC's CIES to represent the funding liability of the PCC (Pensions Deficit Funding) and credited to the Long Term Pensions Creditor to increase the cumulative value of the PCC's liability.
- An amount equivalent to the total IAS19 charges will be taken through the MIRS and replaced by total employers pension contributions;
- The PCC's pension reserve will match the total long term liability of the PCC in respect of pensions.

PCC Group :

On consolidation the Group accounts will reflect the total pensions charges and liabilities of the Group with the following adjustments to individual statements:

- The Group CIES will remove the impact of pensions deficit funding between the PCC and the CC;
- The Group Balance Sheet will remove both the Long Term Pensions Debtor from the CC's Balance Sheet and the Long Term Pensions Creditor from the PCC's balance Sheet and leave the total group pensions liabilities funded by an equivalent Pensions Reserve.

ix. Events after the Balance Sheet Date

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

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

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

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

x. Financial Instruments

Financial Liabilities

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

For all of the borrowings that the PCC has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and interest charged to the CIES is the amount payable for the year according to the loan agreement. For trade payables the amortised cost is deemed to be a reasonable approximation of fair value and therefore no fair value adjustments have been made.

Financial Assets

The PCC's financial assets include bank deposits, trade receivables (debtors) and cash deposits invested in Lancashire County Council's general county fund. They are classified as loans and receivables which are defined as assets that have fixed or determinable payments but are not quoted in an active market.

Loans and Receivables

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

For trade receivables the amortised cost is deemed to be a reasonable approximation of fair value and therefore no fair value adjustments have been made.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the CIES. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

xi. Foreign Currency Translation

Where the PCC has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

xii. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the PCC/PCC Group when there is reasonable assurance that the Group will comply with the conditions attached to the payments, and the grants or contributions will be received.

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

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

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

xiii. Intangible Assets

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

Internally generated assets are capitalised where the project is technically feasible and is intended to be completed (with adequate resources being available) and the PCC group will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that

incurred during the development phase. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the CIES. Economic lives are based on either the period for which the software licence has been granted or, in the case of developed software, its life is assessed by the Constabulary's Head of ICT. An asset is tested for impairment whenever there is an indication that the asset might be impaired –any losses recognised are posted to the relevant service lines in the CIES. Any gains or losses arising on the disposal or abandonment of an intangible asset are posted to the Other Operating Expenditure line in the CIES.

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

xiv. **Inventories and Long Term Contracts**

Inventories are maintained for such items as vehicles spares, IT equipment, firearms baton rounds, taser cartridges, uniforms and dry store items. Uniforms, clothing and dry store items are valued at average cost and vehicle, baton rounds, taser cartridges and IT stocks at current cost. In the case of the vehicle and IT stocks the difference between current cost and average cost (the use of the latter being prescribed as best practice by the ACOP guidance notes) is not material. The selected basis for valuation is applied to each category of inventory on a consistent basis from year to year.

Long term contracts are accounted for on the basis of charging the surplus or deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xv. **Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. If the property is used in any way to facilitate the delivery of services or is held for sale then it is not an investment property

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

xvi. **Jointly Controlled Operations**

Jointly controlled operations are activities undertaken by the PCC Group in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The PCC Group recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Group CIES with the expenditure it incurs and the share of income it earns from the activity of the operations.

xvii. **Leases**

Leases are classified as finance leases where the terms of the lease transfers substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

At present the PCC has neither taken nor granted any finance leases.

The PCC as Lessee

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease,

The PCC as a Lessor

Operating Leases

Where the PCC grants an operating lease over a property or an item of plant or equipment, the asset is retained in the PCC and PCC Group Balance Sheet. With the exception of a some minor investment assets all leases/licences granted by the PCC are in respect of low value short-term rentals, which are included within the Cost of Service section in the Group CIES for use of space on radio transmitters. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

xviii. Property Plant and Equipment

Physical assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment in excess of £15,000 is capitalised provided the benefits accruing from the expenditure is for more than one year. This expenditure is accounted for on an accruals basis. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as a revenue expense when it is incurred.

Measurement

For assets that are purchased they are initially recognised at cost. The cost comprises:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be operational.

Assets that are being constructed by the PCC/PCC Group will initially be recognised at cost. Only those costs that can be directly attributable to bringing the asset into operation will be capitalised.

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

Assets are then carried in the PCC and PCC Group Balance Sheets using the following measurement bases:

- assets under construction – depreciated historical cost

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets, principally furniture, equipment and vehicles that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

All assets held on a valuation basis as determined by the code of practice have to be reviewed within a five-year period by the Constabulary's Principal Estates Officer, Tim Ellams BSc MRISC or his colleague Julie Whurr MRISC. These are reviewed on a structured basis over the five year period. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains unless the gain reverses a loss previously charged to a service. In this case the gain up to the amount of the loss will be credited to the CIES.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. The Revaluation Reserve was created with effect from 1 April 2007 with a zero opening balance and for accounting purposes valuations as at 31 March 2007 are treated as historical cost. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. No impairments were identified in 2012/13.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles and IT equipment, - straight line basis over lives which are assessed individually by professional staff within the Constabulary.
- Furniture and equipment other than IT equipment is depreciated over 10 years, unless it is known that a different period is required.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. In considering whether or not there is a component the policy followed is:

- The land element will continue to be considered as a separate asset with its own valuation which, are not subject to depreciation;
- The asset will be reviewed and any part of the asset which can be identified as a self contained building will be subject to a separate valuation and asset life. This will ensure that any part of the overall asset which is not of the same construction quality has a specific use and/or economic life identified;
- For any building with a value above £1m consideration will be given as to whether or not there is any significant part which requires a separate component. This will take into consideration whether there is any aspect of the construction, such as roof, windows, services or any specialist item which has a substantially different asset life. For the purpose of this exercise it is considered that an element that represents more than 25% of the valuation is considered significant;
- Any equipment which is a fixture of the building will be included within the overall asset valuation. There will be a separate valuation if it is likely to exceed 25% of the property value.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposal (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or be set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the Police General Fund balance in the Movement in Reserve Statement.

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

Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserve Statement.

xix. Provisions, Contingent Liabilities and Contingent Assets**Provisions**

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

Provisions are charged as an expense to the appropriate service line in the Group CIES in the year the Group become aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the CIES if it is virtually certain that reimbursement will be received if the obligation is settled. Details of PCC/PCC Group provisions are given in note 27 to the accounts.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the PCC/PCC Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the PCC/PCC Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that the outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the PCC/PCC Group a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group.

The PCC has no contingent assets for 2012/13.

xx. Carbon Reduction Commitment Allowances

The PCC Group is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The PCC Group is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. This estimate is the basis for a short term provision in the year in which the obligation arises and the cost to the Group is recognised and reported in the "Cost of Services" section of the CIES.

xxi. Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement and employee benefits and they do not represent usable resources for the PCC; these reserves are explained in the relevant policies below.

xxii. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxiii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the PCC's status as a democratic organisation.

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the CIES, as part of Cost of Services.

xxiv. Transferred Debt

Outstanding debt on assets transferred from Lancashire County Council to the Police Authority on 1 April 1995 is managed by the County Council. The PCC is now responsible for this debt and is charged an amount to cover interest and principal repayments, and receives grant from central government to cover a proportion of these costs. This debt is being repaid on an equal instalment basis over 25 years.

xxv. Council Tax Agency Arrangements

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The funds key features relevant to accounting for council tax in core financial statements are:

- In its capacity as a billing authority an authority acts as an agent: it collects and distributes Council Tax income on behalf of the major preceptors and itself.
- While the Council tax income for the year credited to the billing authority's Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors (and in turn credited to their General Fund).

The PCC for Lancashire is a major preceptor with 14 district and unitary billing authorities.

From the year commencing 1 April 2009, for both billing authorities and major preceptors the Council Tax income included in the CIES for the year is required to be the accrued income for the year.

The difference between the income included in the CIES and the amount required by regulation to be credited to the Police General Fund is taken to the Collection Fund Adjustment Account in the Movement in Reserves Statement to ensure that there is no impact from this change on the taxpayer.

Since the collection of Council Tax is, in substance, an agency arrangement, the cash collected by the billing authorities from Council Taxpayers belongs proportionately to the billing authority and the major preceptors (eg Lancashire PCC). There will therefore be a debtor/creditor position between the billing authorities and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.

In addition, the Balance Sheet of both billing and precepting authorities will include:

- An attributable share of council tax debtors, net of impairment allowances for doubtful debts, and
- An attributable share of creditors for overpaid council tax, and
- A debtor for the billing authorities for cash collected from council tax payers but not paid across, or a creditor for cash paid in advance from council tax payers.

xxvi. Accounting Policies relating to Stage One Transition

The PCC and CC have agreed the standard accounting policies and principles as set out above. For this Stage One transition period, there are a number of specific supporting policies and principles which are now required and these are detailed below. These take precedent over the above policies should there be a conflict.

Reserves

All reserves transferred to and remain the property of the PCC at Stage One. These include revenue and capital usable reserves and all unusable reserves which reflect the adjustments between accounting basis and funding basis under regulations. For example the cost of the pension liabilities calculated under IAS19.

IAS 19 Funding

The Statement of Accounts recognises that the pension liabilities and short term accumulated absence liabilities are wholly owned by the PCC under the current transition period. Although the officers are under the direction and control of the CC and are shown in his accounts together with their IAS19 pension costs, the PCC is responsible for fully funding these in year. Further detail around this issue is included in Accounting Policy viii

Surplus/Deficit for year

Any surplus or deficit shown in the CC's CIES will be either transferred to (in the case of a surplus) or reimbursed from (in the case of a deficit) the PCC's accounts.

Use of Assets

All assets (land, buildings, equipment etc.) transferred from the former Police Authority to the PCC under statute and remain in his possession until Stage 2 is enacted. Therefore, the costs of ownership for these assets such as depreciation are initially charged to the PCC's Statement of Accounts. However, it is necessary to reflect the fact that the CC has had use of the majority of these assets during 2012/13. Using the principle contained in the LAAP Bulletin 95 of 'substance over form', a fair value proxy cost will be included in the CC's CIES to reflect the utilisation of the PCC owned fixed assets which mirrors depreciation of Property Plant and Equipment, amortisation of intangible assets and impairment from obsolescence or physical damage.

Revaluation gains and losses remain with the PCC as they are not deemed to reflect cost of use but are more a reflection of the economic conditions, which should remain with the PCC. SeRCOP does require that revaluation gains and losses be included in Cost of Service and apportioned over SeRCOP categories. Apportionments are made across SeRCOP categories in the PCC CIES on the basis of property values.

An analysis of the impact of these transactions on the PCC Cost of Service in the CIES is provided at Note 11 to the accounts.

Working Capital

It is a currently a legal requirement, under the PRSR Act 2011 that only the PCC may borrow money. At Stage 1 all assets, liabilities, reserves and provisions are retained by the PCC and all payments made and income received by the PCC, with no cash transactions taking place in the name of the Chief Constable. Hence all working capital balances are retained on the PCC Balance Sheet.

Provisions

Provisions are the responsibility of the PCC and the level of required provisions is determined by the PCC, in consultation with the CC. However the annual revenue charges for provisions are reflected in the CC's CIES to reflect the true cost of delivering the policing service.

Contingent Assets & Liabilities

As the PCC holds all reserves and is the responsible body for assets and liabilities, any contingent assets or liabilities will be recorded within his accounts.

PCC Funding of CC's expenditure

This will take two forms:

- *Intragroup funding of the CC's revenue costs*-shows as income in the CC's CIES and expenditure in the PCC's CIES. There is no actual transfer of cash involved in this transaction as all the resources belong to the PCC. The CC is, in effect, consuming the resources of the PCC but, for the purpose of reflecting the arrangement the transactions is reported as such. The accruals concept applies equally to the Intragroup Funding in that revenue is funded upon recognition on the understanding that the PCC has responsibility for working capital balances. On this basis there is no outstanding Intragroup Funding at 31 March 2013;
- *Pensions Deficit Funding* –this reflects the PCC's ultimate responsibility for long and short term pensions liabilities across the group. Again there is no cash transfer. The income in the Chief's CIES is equivalent to the impact of the IAS19 transactions and is matched by a corresponding increase or decrease in the Long Term Pensions Debtor with the PCC; the expenditure in the PCC's CIES is equal to the CC's IAS19 transactions and is matched with an equivalent increase/decrease in the Long Term Pensions Creditor with the CC

2. **Critical judgements in applying accounting policies**

The Statement of Accounting Policies is set out at Note 1 to the accounts. In applying the accounting policies, the PCC Group has to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government and police and crime commissioners. However, the PCC has determined that this uncertainty is not

yet sufficient to provide an indication that the assets of the PCC might be impaired as a result of a need to close facilities and reduces levels of service provision.

- The PCC has to decide whether land and buildings owned by the PCC are investment properties, whereby they are held solely for rental income or capital appreciation purposes or both. It has been determined that the PCC does hold investment properties which have been valued at £0.259m as at 31st March 2013 (£0.035m in 2011/12).
- The PCC has to determine whether the leases it enters should be classified as operating or finance leases. The PCC must also consider whether contractual arrangements it enters into have the substance of a lease. These judgements are made on the professional opinion of the PCC Group's accountants, valuers and procurement managers based on contract procedure rules and the strict criteria set out in International Accounting Standard 17 (IAS 17) relating to leases. In addition the International Financial Interpretations Committees 4 and 12 (IFRIC 4 and IFRIC 12) contain specific criteria relating to whether contractual arrangements have the substance of a lease. The relevant accounting policy has been applied based on the outcome of the assessment.
- The PCC has to determine whether there is a group relationship between the PCC and other entities. The accountants have assessed each relationship that exists between the PCC and other entities in accordance with the accounting standards and the finance guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). The most significant of those relationships is the relationship with the Chief Constable of Lancashire who has been assessed as being a 100% subsidiary of the PCC and is included in the PCC Group accounts. The PCC's relationships with other entities can be found in Note 38. It has been determined that there are no further material group relationships that require incorporation into the PCC group accounts.
- The PCC's valuers are required to exercise judgement in determining the carrying value of land and, buildings on the PCC/PCC Group's Balance Sheet. The valuations are undertaken by in-house qualified staff who follow best practice. In addition to valuations which are undertaken in year the valuer uses the knowledge of the local market conditions and available national data to assess whether there have been changes which would require a review of all asset values held at 31 March 2013. It was not considered that there was any such need in 2012/13.

3. **Accounting Standards that have been issued but have not yet been adopted**

The following sets out amendments to accounting standards or new accounting standards that have been issued on or before 1 January 2013 but not yet adopted by the Code.

International Accounting Standard 19 (IAS 19): Employee Benefits (June 2011)

Amendments to IAS19 are likely to have the biggest impact of the amendments listed here.

There are two main changes that will impact on the CIES and will therefore require restatement:

- The current IAS19 entries entitled "Pensions Interest Cost" and "Expected Return on Assets" are being combined and renamed "Net Interest Cost" and will be calculated as interest on Net Liabilities using one interest rate;
- Actuarial gains and losses are to be renamed "re-measurements" and re-measurements (Liabilities) will need to be split between the effect of changes in financial assumptions and demographic assumptions.

The estimated impact based on 12/13 figures is:

- an increase of around £1.2m in the Group deficit on provision of services;
- a corresponding reduction in of £1.2m in Group Other Comprehensive Income and Expenditure;

- no change to the Group pensions deficit on the balance sheet

There will be also be changes to the pension assets and liability disclosures. Overall the volume of disclosures will increase, reflecting the importance of pensions, the requirement for transparency and the basis on which these are disclosed.

Other changes to IAS 19 will not impact on the PCC and Group accounts. Further details of the changes above will be provided in the 2013/14 accounts.

International Accounting Standard 1 (IAS 1): Presentation of Financial Statements (other comprehensive income June 2011)

Amendments to IAS 1 are only likely to effect the available for sale financial assets. At this time the PCC does not hold this type of financial instrument, therefore amendments to IAS 1 are likely to have no impact on the accounts of the PCC Group.

International Financial Reporting Standard 7 (IAS 7): Financial Instruments (offsetting financial assets and liabilities December 2011)

The PCC only holds straightforward financial instruments and the amendments to disclosures are unlikely to affect the accounts of the PCC Group.

International Accounting Standard 12 (IAS 12): Income Taxes (deferred tax: recovery of underlying assets, December 2010).

IAS 12 has no impact on the accounts of the PCC group.

4. **Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the PCC Group about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

A provision has been established during the first period of transition to reflect the continuing requirement on the PCC as required under the Police Reform and Social Responsibility Act 2011, to provide funds to the Chief Constable from the Police Fund for the payment of police pensions.

The Home Office has clearly stated that it has no explicit duty to fund police pensions (below):

"the regulations (1987) will not lay an explicit duty on the Secretary of State to pay in full (top-up) since that could affect the FRS 17 liability which is to rest with Police Authorities" - Police Pensions Circular 7/2006 (Annex B) .

It is assumed therefore that, during the first period of transition of the Police Reform and Social Responsibility Act 2011, the PCC should recognise a provision in his CIES, as the CC has no assets, cash resources and holds no reserves. Unlike the PCC, the CC also has no income receipts or other sources of funding (such as the Council tax precept income) to pay police pensions or settle future obligations. If a provision is not recognised, the CC's inability to discharge liabilities in the normal course of business may cast significant doubt upon the his ability to continue as a going concern (IAS1)

It is accepted that in the second phase of transition the position may change, should the CC be allowed to hold reserves and generate his own income. Following the onset of the second stage of transition the accounting recognition in respect of IAS 19 will need to be reassessed in accordance with UK accounting standards.

Other areas in the PCC and PCC Group Balance Sheets at 31st March 2013 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, Plant and Equipment	The value of the PPE is dependent upon a professional judgement based on information available at the time of making the valuation. Due to changes in economic conditions a valuation taken on a different date could potentially result in a different valuation	Impossible to quantify as economic changes could lead to an increase or decrease in the value of PPE
Pensions Liability	Estimation of net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PCC Group with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% reduction in the discount rate assumption would result in an increase in the pension liability of £300m. However, the assumptions interact in complex ways. During 2012/13, the PCC Group's actuaries advised that the net pensions' liability had reduced by £17m as a result of estimates being corrected as a result of experience and increased by £311m attributable to updating of the assumptions.

5. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the PCC's CFO on 18 September 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Notes to the Movement in Reserves Statement

6. Adjustments between Funding Basis and Regulation

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

	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grant Unapplied	
	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Inc & Exp Statement:				
Charges for depreciation & impairment of non-current assets	11,171			(11,171)
Revaluation losses/(gains)	(1,107)			1,107
Amortisation of intangible assets	1,382			(1,382)
Capital grants & contributions applied	(3,042)			3,042
Change in fair value of investment properties	(225)			225
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Inc & Exp Statement	4,243			(4,243)
Insertion of items not debited or credited to the Comprehensive Inc & Exp Statement:				
Statutory provision for the financing of capital investment	(1,377)			1,377
Capital expenditure charged against the General Fund	(4,258)			4,258
Adjustments primarily involving the Pensions Reserve				

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE 2012/13
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	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grant Unapplied	
	£000	£000	£000	
Reversal of retirement benefits	173,305			(173,305)
Employer's pension contributions (including additional contribution funded from Home Office Grant)	(74,668)			74,668
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied credited to the Comprehensive Inc & Exp Statement	(8)		8	
Application of grants to capital financing transferred to the Capital Adjustment Account			(358)	358
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Inc & Exp Statement	(3,079)	3,079		-
Use of Capital Receipts Reserve to finance new capital expenditure		(617)		617
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Inc & Exp Statement is different from council tax income calculated for the year in accordance with statutory requirements.	321			(321)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Inc & Exp Statement is different from officer remuneration chargeable in year in accordance with statutory requirements.	(1,110)			1,110
TOTAL ADJUSTMENTS	101,548	2,462	(350)	(103,660)

2011/12 Comparative Adjustments

	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	Capital Grant Unapplied	
	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Inc & Exp Statement:				
Charges for depreciation & impairment of non-current assets	11,017			(11,017)
Revaluation losses	1,251			(1,251)
Amortisation of intangible assets	1,464			(1,464)
Capital grants & contributions applied	(2,143)			2,143
Change in fair value of investment properties	(6)			6
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Inc & Exp Statement	3,025			(3,025)
Insertion of items not debited or credited to the Comprehensive Inc & Exp Statement:				
Statutory provision for the financing of capital investment	(1,380)			1,380
Capital expenditure charged against the General Fund	(2,630)			2,630
Adjustments primarily involving the Pensions Reserve				
Reversal of retirement benefits	178,982			(178,982)
Employer's pension contributions (including additional contribution funded from Home Office Grant)	(69,990)			69,990
Adjustments primarily involving the Capital Grants Unapplied Account:				

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	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grant Unapplied	
	£000	£000	£000	
Capital grants & contributions unapplied credited to the Comprehensive Inc & Exp Statement	(358)		358	-
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Inc & Exp Statement	(3,349)	3,349		-
Use of Capital Receipts Reserve to finance new capital expenditure		(1,762)		1,762
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Inc & Exp Statement is different from council tax income calculated for the year in accordance with statutory requirements.	(68)			68
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Inc & Exp Statement is different from officer remuneration chargeable in year in accordance with statutory requirements.	(798)			798
TOTAL ADJUSTMENTS	115,017	1,587	358	(116,962)

7. **Transfers to/from Earmarked Reserves**

This note sets out the amounts set aside from the Police General Fund balances in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

	Comparative Year 2011/12			2012/13			Balance at 31 March 2013
	Balance at 1 April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	
<u>Earmarked Reserves:</u>	3,423	-	842	4,265	(1,867)	28	2,426
Devolved Financial Management							
Capital Funding Reserve	7,031	(2,630)	2,797	7,198	(4,258)	3,746	6,686
Drugs Forfeiture Reserve	16	(16)	15	15	(46)	46	15
Clothing Development Reserve	505	(76)	75	504	(49)	75	530
Vehicle Maintenance Reserves	86	(73)	15	28	-	15	43
IT Replacement Reserve	38	-	-	38	(38)	-	-
Early Debt Repayment Reserve	(2,700)	-	300	(2,400)	-	300	(2,100)
POCA Equalisation Reserve	235	(2)	253	486	(174)	-	312
Transitional Change Reserve	4,070	(5,996)	7,830	5,904	(7,159)	7,985	6,730
Operational Policing Reserve	305	(305)	712	712	-	1,240	1,952
PCCA (Courts Act)	96	(25)	12	83	(55)	90	118
Road Safety Reserve	60	(882)	1,355	533	(1,218)	1,618	933
Total Earmarked Reserves	13,165	(10,005)	14,206	17,366	(14,864)	15,143	17,645

Notes to the Comprehensive Income and Expenditure Statements

8. Other Operating Income and Expenditure

	2012/13	2011/12
	£000	£000
(Gain)/Loss on the disposal of non current assets	994	(859)
Loss on de-recognition of intangibles	-	400
Home Office Pension Grant	(33,676)	(27,373)
Total	(32,682)	(27,832)

9. Financing and Investment Income and Expenditure

PCC			PCC Group	
2011/12	2012/13		2011/12	2012/13
£000	£000		£000	£000
1,121	1,084	Interest payable and similar charges	1,121	1,084
19	35	Pensions interest cost and expected return on pensions assets	116,942	114,802
108,962	98,591	Pension Deficit Funding for Chief Constable (Note 46)	-	-
334,653	332,639	Intra-group Funding for PCC resources consumed at the request of the Chief Constable (Note 46)	-	-
(424)	(444)	Interest receivable and similar income	(424)	(444)
(6)	(225)	Income and expenditure in relation to investment properties and changes in their fair value	(6)	(225)
(382)	-	Gains on Trading Accounts	(382)	-
443,943	431,680	Total	117,251	115,217

10. Taxation and Non-Specific Grant Income

	2012/13	2011/12
	£000	£000
Council Tax Income	70,097	68,577
Non Domestic Rates	87,541	70,848
Non Ring-fenced government grants	107,378	136,238
Capital grants and contributions	3,050	2,501
Total	268,066	278,164

11. Capital Charges and Fair Value Charge to Chief Constable

The following transactions have been made in the PCC's Cost of Service relating to the movement in Balance Sheet value of the PCC's Property Plant and Equipment. These reflect the arrangements in place at stage one of transition (Accounting Policy xxvi) whereby all assets were transferred from the former Police Authority to the PCC but the Chief Constable uses the assets to deliver the policing services on behalf of the PCC and this consumption of economic benefit has been reflected in the Chief Constable's CIES:

	2012/13	2011/12
	£000	£000
Depreciation of PPE	11,171	11,017
Amortisation of Intangible Assets	1,382	1,464
Fair value recharge to CC to reflect his use of the assets to deliver the policing service	(12,553)	(12,481)
Revaluation (Gains)/Losses	(1,106)	1,251
Total charges in respect of Property, Plant and Equipment & Intangible Assets	(1,106)	1,251

12. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the CIES is that specified by the *Service Reporting Accounting Code of Practice*. However, decisions about resource allocations are taken by the PCC Group on the basis of budget reports analysed across Devolved and Non-Devolved areas, the devolved budgets being delegated to individual members of the Constabulary's Senior Management team and the PCC's Chief Executive. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in respect of capital expenditure (whereas depreciation, revaluation & impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the CIES;
- The cost of retirement benefits is based on cash flows (payments of employer's pension contributions) rather than current service cost of benefits accrued in year;
- Contributions to/from earmarked reserves are reported with income and expenditure across individual budget areas when monitoring against budgets

The income and expenditure of the PCC Group's principal areas recorded in the budget reports for the year is as follows:

(Note: ACC = Assistant Chief Constable; DCC = Deputy Chief Constable)

2012/13	ACC Territorial Ops £000	ACC Specialist Ops. £000	ACC People £000	DCC £000	Director of Resources £000	Specific Grants £000	PCC £000	Total £000
Fees & Charges & Other Service Income	(3,119)	(1,138)	(961)	(35)	(3,885)	-	(57)	(9,195)
Government Grants & Contributions	-	(28)	-	-	-	(12,998)	(164)	(13,190)
TOTAL INCOME	(3,119)	(1,166)	(961)	(35)	(3,885)	(12,998)	(221)	(22,385)
Employee Expenses	146,681	58,092	8,974	3,302	12,589	-	777	230,415
Other Service Expenses	10,675	7,603	1,389	1,453	18,836	-	1,208	41,164
TOTAL OPERATING EXPENSES	157,356	65,695	10,363	4,755	31,425	-	1,985	271,579
NET COST OF SERVICES	154,237	64,529	9,402	4,720	27,540	(12,998)	1,764	249,194
Contributions to/(from) reserves	(1,780)	1,330	366	150	122	-	(60)	128
NET EXPENDITURE REPORTED TO MANAGEMENT	152,457	65,859	9,768	4,870	27,662	(12,998)	1,704	249,322

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE 2012/13
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2011/12 Comparative	ACC Territorial Ops £000	ACC Specialist Ops. £000	ACC People £000	DCC £000	Director of Resources £000	Specific Grants £000	PCC £000	Total £000
Fees & Charges & Other Service Income	(3,629)	(2,994)	(796)	(68)	(4,543)	-	(60)	(12,090)
Government Grants & Contributions	-	-	-	-	-	(13,484)	-	(13,484)
TOTAL INCOME	(3,629)	(2,994)	(796)	(68)	(4,543)	(13,484)	(60)	(25,574)
Employee Expenses	172,524	44,072	6,554	5,073	9,550	-	620	238,393
Other Service Expenses	12,659	8,500	1,341	1,666	16,687	-	1,205	42,058
TOTAL OPERATING EXPENSES	185,183	52,572	7,895	6,739	26,237	-	1,825	280,451
NET COST OF SERVICES	181,554	49,578	7,099	6,671	21,694	(13,484)	1,765	254,877
Contributions to/(from) reserves	1,408	1,100	77	247	546	-	26	3,404
NET EXPENDITURE REPORTED TO MANAGEMENT	182,962	50,678	7,176	6,918	22,240	(13,484)	1,791	258,281

Reconciliation of expenditure reported to management to the Cost of Services in the Comprehensive Income & Expenditure Statement

This reconciliation shows how the figures in the analysis of income & expenditure reported to management relate to the amounts included in the Comprehensive Income & Expenditure Statement.

PCC ONLY			PCC GROUP	
2011/12 £000	2012/13 £000		2011/12 £000	2012/13 £000
1,791	1,704	Net expenditure in Service Analysis	258,281	249,322
-	-	Add services not included in main analysis	14,429	14,542
1,324	(1,013)	Add amounts not reported to management	74,974	68,839
(88)	(19)	Remove amounts reported to management not included in Comprehensive Income & Expenditure Statement	(50,166)	(46,795)
(32,201)	(31,227)	Income reported to Management within Constabulary net devolved budgets (PCC Only)	-	-
(29,174)	(30,555)	NET COST OF SERVICE IN CIES	297,518	285,908

Reconciliation to PCC Group Subjective Analysis

2012/13	Service Analysis	Services not in Analysis	Not Reported to Mgmt.	Not incl. in Cost of Service	Net Cost of Service
	£000	£000	£000	£000	£000
Fees, charges & other service income	(8,983)	(7,838)	-	-	(16,821)
Interest and Investment Income (net of impairment)	-	(444)	-	444	-
Revaluation gains	-	-	(1,106)	-	(1,106)
Receipts from sale of Non-current Assets	(212)			212	-
Government Grants and Contributions	(13,190)	(1,437)	-	-	(14,627)
TOTAL INCOME	(22,385)	(9,719)	(1,106)	656	(32,554)
Employee Expenses	230,415	12,662	57,393	(40,991)	259,479
Other Service Expenses	41,164	5,310	-	(43)	46,431
Depreciation, Amortisation & Impairment	-	-	12,552	-	12,552
Interest Payments	-	1,083	-	(1,083)	-
TOTAL OPERATING EXPENSES	271,579	19,055	69,945	(42,117)	318,462
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES	249,194	9,336	68,839	(41,461)	285,908
Adjustments Reported to Management , included in Movement in Reserves Statement:					
Contributions to/(from) reserves	128	(429)	-	301	-
Other appropriations included in MIRS		5,635	-	(5,635)	-
Management reporting reconciliation	249,322	14,542	68,839	(46,795)	285,908

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE 2012/13
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2011/12 Comparative	Service Analysis	Services not in Analysis	Not Reported to Mgmt. £000	Not incl. in Cost of Service £000	Net Cost of Service £000
Fees, charges & other service income	(12,090)	(7,718)	-	2,091	(17,717)
Interest and Investment Income (net of impairment)					-
Income from Council tax					-
Pensions –Return on Assets	-	-	-	-	-
Receipts from sale of Non-current Assets					-
Government Grants and Contributions	(13,484)	(1,060)	-	-	(14,544)
TOTAL INCOME	(25,574)	(8,778)	-	2,091	(32,261)
Employee Expenses	238,393	12,016	61,243	(43,386)	268,266
Other Service Expenses	42,058	7,227	-	(1,503)	47,782
Depreciation, Amortisation & Impairment			13,731		13,731
Interest Payments					-
Pensions Interest Costs					-
Write out of Non-current assets sold during the year					-
TOTAL OPERATING EXPENSES	280,451	19,243	74,974	(44,889)	329,779
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES	254,877	10,465	74,974	(42,798)	297,518
Adjustments Reported to Management, included in Movement in Reserves Statement:					
Contributions to/(from) reserves	3,404	(46)		(3,358)	-
Other appropriations included in MIRS		4,010		(4,010)	-
Management reporting reconciliation	258,281	14,429	74,974	(50,166)	297,518

Reconciliation to PCC Subjective Analysis

2012/13	Service Analysis	Not Reported to Mgmt.	Not incl. in Cost of Service	Income reported to Mgt in Chief's budgets	Net Cost of Service
	£000	£000	£000	£000	£000
Fees, charges & other service income	(57)	-	-	(16,764)	(16,821)
Revaluation Gains	-	(1,106)	-	-	(1,106)
Government Grants and Contributions	(164)	-	-	(14,463)	(14,627)
TOTAL INCOME	(221)	(1,106)	-	(31,227)	(32,554)
Employee Expenses	777	93	(79)	-	791
Other Service Expenses	1,208	-	-	-	1,208
TOTAL OPERATING EXPENSES	1,985	93	(79)	-	1,999
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES	1,764	(1,013)	(79)	(31,227)	(30,555)
Adjustments Reported to Management , included in Movement in Reserves Statement:					
Contributions to/(from) reserves	(60)	-	60	-	-
Management reporting reconciliation	1,704	(1,013)	(19)	(31,227)	(30,555)

2011/12 Comparator

Fees, charges & other service income	(60)	-	-	(17,657)	(17,717)
Government Grants and Contributions	-	-	-	(14,544)	(14,544)
TOTAL INCOME	(60)	-	-	(32,201)	(32,261)
Employee Expenses	620	74	(62)	-	632
Other Service Expenses	1,205	-	-	-	1,205
Depreciation, Amortisation & Impairment	-	1,250	-	-	1,250
TOTAL OPERATING EXPENSES	1,825	1,324	(62)	-	3,087
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES	1,765	1,324	(62)	(32,201)	(29,174)

Adjustments Reported to Management , included in Movement in Reserves Statement:

Contributions to/(from) reserves	26	-	(26)	-	-
Management reporting reconciliation	1,791	1,324	(88)	(32,201)	(29,174)

13. Grant Income

The PCC/PCC Group credited the following grants and contributions to the Comprehensive Income & Expenditure Statements in 2012/13:

	2012/13 £000	2011/12 £000
Credited to Taxation and Non-Specific Grant Income:		
Police Grant	105,681	114,339
Revenue Support Grant	1,697	21,899
National Non-Domestic Rates	87,541	70,848
Capital Grant and contributions	3,050	2,501
Total	197,969	209,587
Credited to Other Income and Expenditure:		
Home Office Grant payable towards the cost of retirement benefits	33,676	27,373
Credited to Services:		
Council Tax Freeze Grant	-	1,714
Counter Terrorism	2,897	2,947
Community Safety	310	-
Loan Charges	145	142
Neighbourhood Policing Fund	8,163	8,211
Disclosure and Barring Service	534	-
Regional Asset Recovery Team	-	1,059
Drug testing	209	220
Olympics	1,437	-
Operation Chess	799	-
Other	133	251
Total	14,627	14,544

14. Council Tax

Each district council (the "billing authority") collects council tax on our behalf and pays it into their collection fund. We then levy a precept on those collection funds to raise the PCC's council tax income. We also receive a share of any surplus or deficit in respect of previous year's council tax collections.

	2012/13 £000	2011/12 £000
Precept from district council collection funds	70,369	68,564
Collection fund surplus/(deficits)	49	(55)
Budgeted council tax for the year paid by billing authorities	70,418	68,509
Billing authorities collection fund accruals adjustment	(321)	68
Total Council Tax income shown in the accounts	70,097	68,577

Balance Sheet Notes

15. **Acquisition assets, liabilities and reserves**

The Police and Crime Commissioner for Lancashire came into office on 22 November 2012 together with the Chief Constable of Lancashire, as a result of the Police Reform and Social Responsibility Act 2011. Together they form the 'PCC Group'. In line with CIPFA Code of Practice for Local Authority Accounting, using the principles that apply to group reorganisations, the carrying value of the assets and liabilities have not been adjusted to fair value on the transfer date and that the results and cash flows have been brought into the financial statements of the new body from the beginning of the year that the transfer occurred which is 1 April 2012. The note below summarises the assets and liabilities transferred from the former Police Authority to the PCC.

	1 April 2012
	£000
Property, Plant & Equipment	171,718
Investment Property	35
Intangible Assets	3,162
Long Term Debtors	-
Long Term Assets	174,915
Short Term Investments	19,370
Assets Held for Sale	821
Inventories	832
Short Term Debtors	19,476
Cash and Cash Equivalents	2,323
Payments in Advance	931
Current Assets	43,753
Short Term Borrowing	(2,500)
Short Term Creditors	(31,461)
Short-Term Provisions	(1,891)
Receipts in Advance	(820)
Current Liabilities	(36,672)
Long-Term Provisions	(1,570)
Long Term Borrowing	(21,154)
Long Term Creditors -General	(1,657)
Pensions Liability	(2,279,315)
Long Term Liabilities	(2,303,696)
Net Assets Transferred	(2,121,700)
Usable Reserves	29,428
Unusable Reserves	(2,151,128)
Net Reserves Transferred	(2,121,700)

16. **Property Plant and Equipment**
Movements in 2012/13:

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2012	159,547	43,878	-	203,425
Additions	3,541	5,201	-	8,742
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve.	(162)	-	-	(162)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	1,106	-	-	1,106
Derecognition –disposals	(1,853)	(2,860)	-	(4,713)
Derecognition - other	(2,636)	(4,272)	-	(6,908)
Assets reclassified (to)/from Held for Sale	(1,972)	-	-	(1,972)
Other movements in cost or valuation	-	-	-	-
At 31 March 2013	157,571	41,947	-	199,518

Accumulated Depreciation & Impairment				
At 1 April 2012	(8,790)	(22,917)	-	(31,707)
Depreciation charge:				
Depreciation written out to the Revaluation Reserve	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	(4,353)	(6,818)	-	(11,171)
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-
Derecognition - disposals	173	920	-	1,093
Derecognition-other	2,638	4,272	-	6,910
Other movements in depreciation & impairment	-	-	-	-
At 31 March 2013	(10,332)	(24,543)	-	(34,875)

Net Book Value				
At 31 March 2013	147,239	17,404	-	164,643
At 31 March 2012	150,757	20,961	-	171,718

Comparative Movements in 2011/12:

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2011	158,096	39,248	3,745	201,089
Additions	1,548	5,419	-	6,967
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve.	(317)	15	-	(302)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,193)	-	-	(1,193)
Derecognition – disposals	(1,359)	(40)	-	(1,399)
Derecognition - other	(973)	(764)	-	(1,737)
Assets reclassified (to)/from Held for Sale	-	-	-	-
Other movements in cost or valuation	3,745	-	(3,745)	-
At 31 March 2012	159,547	43,878	-	203,425

Accumulated Depreciation & Impairment				
At 1 April 2011	(7,478)	(16,042)	-	(23,520)
Depreciation charge:				
Depreciation written out to the Revaluation Reserve	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	(3,378)	(7,639)	-	(11,017)
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-
Derecognition - disposals	1,075	-	-	1,075
Derecognition-other	991	764	-	1,755
Other movements in depreciation & impairment	-	-	-	-
At 31 March 2012	(8,790)	(22,917)	-	(31,707)

Net Book Value				
At 31 March 2012	150,757	20,961	-	171,718
At 31 March 2011	150,618	23,206	3,745	177,569

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Property and property components:

- Under 10 years
- 10-14 years
- 15-20 years
- 20-29 years
- 30-39 years
- 40-49 years
- 50 years and over

Depreciation is based on the lower limit. Properties over 50 years are depreciated over a 50 year life, while properties under ten years are depreciated based on an assessment of their actual life.

The lives of vehicles, IT assets and intangibles such as software licences and internally developed software are assessed individually by professional staff within the Constabulary.

Furniture and equipment other than computer equipment is depreciated over ten years, unless it is known that a different period is required.

Capital Commitments

At 31 March 2013 the PCC Group has entered into a number of contracts for the construction or enhancement of Property Plant and Equipment in 2013/14 and future years, budgeted to cost £1.215m. Similar commitments at 31 March 2012 were £0.750m.

Effects of Changes in Estimates

In 2012/13 the PCC made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The PCC Group carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. All revaluations were carried out internally by appropriate professionally qualified staff. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Where non-property assets, principally furniture, equipment and vehicles that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value and these are not therefore subject to revaluation.

The following table shows the progress of the PCC Group's rolling programme for the revaluations of property plant and equipment. Accounting Policy xviii in Note 1 to the Accounts explains that, for accounting purposes, values as at 31 March 2007 are treated as historic cost in 2012/13.

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Total
	£000	£000	£000
Carried at historical cost	-	41,720	41,720
Valued at fair value as at:			
31 March 2013	47,024	-	47,024
31 March 2012	22,419	15	22,434
31 March 2011	36,953	212	37,165
31 March 2010	5,783	-	5,783
31 March 2009	44,953	-	44,953
Total Cost or valuation	157,132	41,947	199,079

17. Investment Assets

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

	2012/13 £000	2011/12 £000
Balance at start of year	35	29
Additions:		
Purchases		
Construction		
Subsequent Expenditure		
Disposals		
Net gains/(Losses) from fair value adjustments	224	6
Transfers from Property Plant and Equipment		
Balance at end of year	259	35

18. Intangible Assets

The PCC Group accounts for its software as intangible assets, to the extent that the software is not an integral part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences covering a period of greater than one year and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Group, generally between three and five years. The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £1.382m charged to revenue in 2012/13 was charged to the ICT cost centre and apportioned over the service headings in the Cost of Services section of the Comprehensive Income and Expenditure Statement according to the Police Objective Analysis guidance.

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

	2012/13			2011/12		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
Balance at start of year:						
Gross carrying amounts	600	6,622	7,222	1,213	5,489	6,702
Accumulated depreciation	-	(4,060)	(4,060)	(214)	(2,596)	(2,810)
Net carrying amount at start of year	600	2,562	3,162	999	2,893	3,892
Additions:						
Internal Development	-	-	-	-	-	-
Purchases	-	741	741	-	1,133	1,133
Revaluations Increases/(Decreases)	(600)	-	(600)	(399)	-	(399)
Impairment losses recognised in the Surplus/Deficit on the provision of Services	-	-	-	-	-	-
Amortisation for the period	-	(1,382)	(1,382)	-	(1,464)	(1,464)
Net carrying amount at end of year	-	1,921	1,921	600	2,562	3,162
Comprising:						
Gross carrying amounts	-	7,363	7,363	600	6,622	7,222
Accumulated amortisation	-	(5,442)	(5,442)	-	(4,060)	(4,060)

19. Details of Assets held

Shown below is the number of main assets held by the PCC Group:

At 31 March	2012/13	2011/12
Headquarters and Divisions	7	7
Police Stations	57	69
Police Posts/Motorway Accommodation	1	1
Training Centre	1	1
Police Houses	7	7
Group Garages	1	3
Radio Mast Sites	4	4
	78	92

20. Financial Instruments

The following categories of financial instruments are carried in the PCC/PCC Group balance sheet:

Balance Sheet Items	Long Term		Short Term	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	£000	£000	£000	£000
Investments				
Loans and Receivables:				
Short Term Investments	-	-	15,249	19,370
Cash and Cash Equivalents	-	-	6,755	2,323
Total Investments	-	-	22,004	21,693
Debtors:				
Financial assets carried at contract amounts	202	-	18,345	16,526
Borrowings:				
Financial Liabilities at amortised cost	(20,154)	(21,154)	(1,000)	(2,500)
Creditors:				
Financial Liabilities carried at contract amount.	(1,420)	(1,657)	(21,858)	(20,512)

The borrowings at amortised cost are loans from the Public Works Loan Board. The terms of these loans are such that the amortised cost of the loans at 31 March 2013 is calculated as their nominal value plus interest accrued up to the balance sheet date. Because interest is paid on the balance sheet date each year the accrued interest is nil and the amortised cost of the loans is therefore the same as their nominal value.

Cash investments during 2012/13 are balances placed in Lancashire County Council's General County Fund. The counterparty is Lancashire County Council which pays a market rate of interest in return for borrowing the PCC's funds for capital financing and short term cash flow purposes

The Public Works Loan Board debt outstanding at 31 March 2013 is due for repayment as shown in the following table:

	2013 £000	2012 £000
Less than one year	1,000	2,500
Between one and two years	1,000	1,000
Between two and five years	2,100	2,000
Between five and ten years	4,254	4,550
Over 10 years	12,800	13,604
	21,154	23,654

Treatment of Icelandic Deposits

The former Lancashire Police Authority had £0.668m on deposit with the Icelandic Bank Landsbanki when it collapsed in October 2008. The Police Authority was one of many UK and Dutch Local Authorities with such deposits, all of whom were granted priority creditor status by the Icelandic Supreme Court at a hearing in Reykjavik on 14th and 15th of September 2011. As a consequence the Winding Up Board announced on 9 March 2012 that it anticipated recoveries in the Landsbanki Administration would exceed the book value of recognised priority claims by around ISK 121bn, taking into account the sale of its holding in Iceland Foods. Estimated recoveries are some 9% higher than the value of priority claims, and it is therefore now considered likely that UK local authorities will recover 100% of their deposits, subject to potential future exchange rate fluctuations.

The winding up board made its first distribution on 7th December 2011, being approximately 29% of the total. Subsequent distributions were made on 25 May 2012 and 9 October 2012 so that, by 31 March 2013 47% of the claim had been recovered.

The total amount of the claim and the three distributions is shown below:

	£000
CLAIM	
Principal	668
Interest	9
TOTAL CLAIM	677

Distribution Dates	7 Dec. 2011	25 May 2012	9 Oct. 2012	Total
	£000	£000	£000	£000
Principal	196	82	39	317
Interest	3	1	1	5
Total	199	83	40	322

In terms of accounting treatment, since the collapse in 2008-09 the Icelandic deposit has been treated as an impaired asset, with the value of the asset written down to reflect the potential loss and this has been charged to the General Fund. The outstanding value of the impaired investment on the PCC/PCC Group's balance sheet is £0.25m.

Income, Expense, Gains and Losses

Gains and Losses on Financial Instruments

The gains and losses during 2012/13 on financial instruments, i.e. the borrowings and investments detailed above, which have been recognised in the Comprehensive Income and Expenditure Statement, are as shown in the following table.

	Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost
	£000	£000
Interest Expense	1,084	
Total Interest payable	1,084	
Interest income		(444)
Total interest receivable		(444)

Fair Value of Financial Liabilities and Assets

Financial liabilities, financial assets represented by loans and receivables 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. The Fair values are shown in the table below.

Balance Sheet Items	31 March 2013		31 March 2012	
	Amortised Cost	Fair Value	Amortised Cost	Fair value
	£000	£000	£000	£000
Loans from the Public Works Loan Board	21,154	25,954	23,654	27,913
Cash deposits invested with Lancashire County Council	18,537	18,537	21,323	21,323
Impaired Investments	249	249	370	370

The fair value of the PCC's PWLB loans is the amount that would have been payable had those loans been repaid to the PWLB on the balance sheet date rather than on their contracted future maturity date. This valuation takes into account the penalties that would be payable or discounts receivable on early repayment of loans to the PWLB. These penalties and discounts depend on the rate and period of each individual loan and on the rates for loans with similar periods to maturity prevailing at the balance sheet date. Where the duration of a financial instrument is less than one year, its fair value may be deemed to be the same as its nominal value. All our deposits in the County Council's General County Fund mature in less than one year and so the fair value of our investments is the same as their nominal value.

Exposure to Risk in Financial Instruments

There is some risk attached to our holdings of and transactions in financial instruments. The following sections show how we quantify, where possible, and control our exposure to the three main elements of financial risk. These are credit risk, liquidity risk and market risk.

Credit Risk

Credit risk is the possibility that counterparty, i.e. an entity in which we have placed a cash investment or a trade debtor will be unable to honour its debt to us. In previous years, although our investments were all in Lancashire County Council's General County Fund, the County Council would lend out our balances as part of an overall total that includes the County Council's own money and that of other organisations as well. We therefore accepted a share of the overall credit risk that was proportional to our share of the total on deposit in the County Council's name. The 2010/11 treasury management policy changed this so that the actual counterparty was Lancashire County Council and the PCC is no longer liable for any losses which might occur within the County Council's portfolio. This decision was taken to reduce the credit risk to the PCC's balances at a time of continued volatility in financial markets. At 31 March 2013 Lancashire County Council has a credit rating, issued by Moody's, of Aa2.

Amount at 31 March 2013	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2013	Estimated maximum exposure to default and uncollectability
£000	%	%	£000
A	B	C	A x C
1,803	31.44	11.82	213

For this exercise, historical experience of default relates to average debt outstanding in excess of the thirty day terms allowed for trade debtors. In reality, debt is pursued actively and actual debt ultimately written off over the four year period amounted to an average of only £12,000 per year so whilst the exposure noted above is high the risk of uncollectability is low.

On the basis that the PCC allows thirty days credit terms for customers, £0.6m of the £1.8m balance is past its due date for payment. The past due date amount can be analysed by age, as follows:

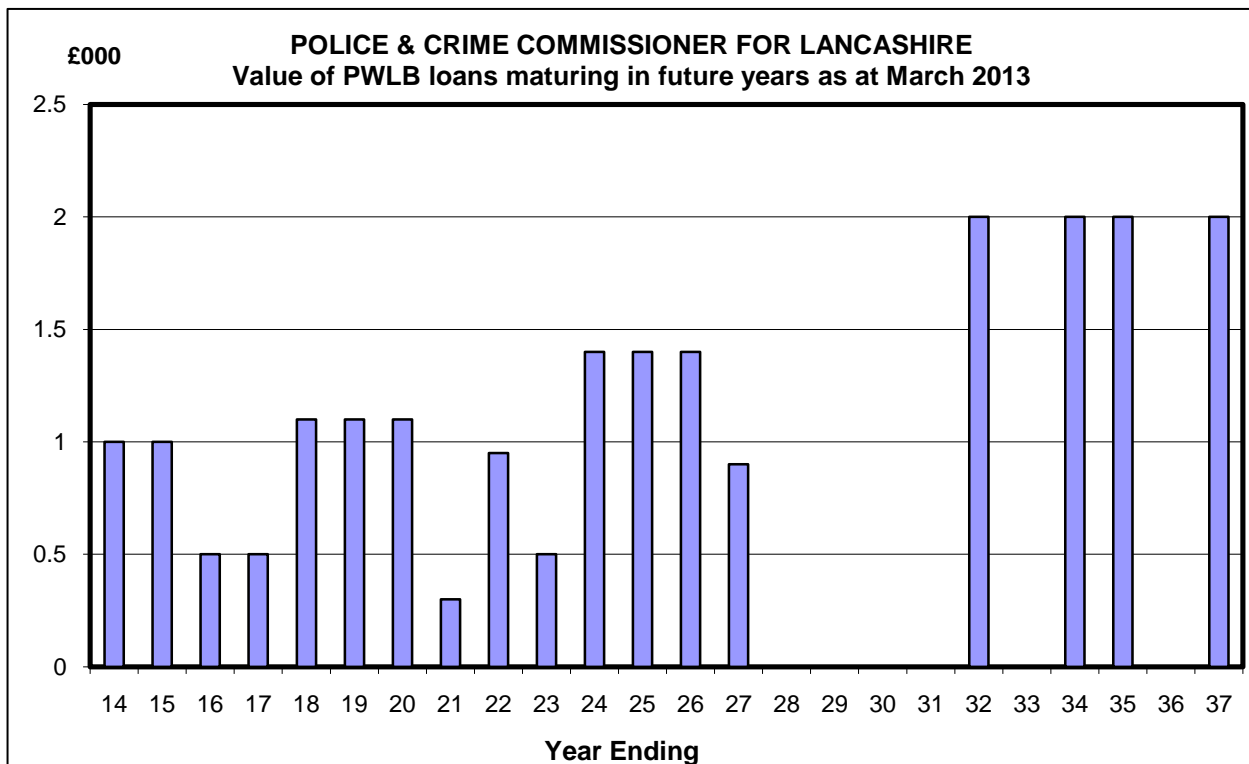
	31 Mar 13	31 Mar 12
	£000	£000
One to three months	493	151
Three to six months	54	59
Six months to one year	39	96
More than one year	41	22
	627	328

Liquidity Risk

Liquidity risk is the danger that, at any time, we will have insufficient funds in our bank account to make the payments necessary to meet our financial obligations. We must manage our financial liabilities and assets in such a way as to mitigate this risk.

In managing our financial liabilities, we seek to achieve a maturity pattern of our borrowings which will ensure that there are no heavy concentrations of maturities in any one year. In fact, the risk is more of a price risk than a liquidity risk as we can always secure replacement loans from the PWLB or Lancashire County Council, but would not want to replace too large a proportion of our loans at a time of high interest rates.

The maturity profile of our debt is shown in the table below. This illustrates the spread of maturities into the future and how we have avoided the need for too much debt to be replaced in any one year.



With our financial assets a proportion are recallable at any time. The PCC's CFO meets on a regular basis with the County Council's Treasury Management team to discuss cash flow and the appropriate level of balances to keep on call.

Market Risk

The market risk to which we are exposed in our financial instruments arises mainly from interest rate movements in financial markets. The different types of financial instruments that we hold are affected in different ways by changes in market interest rates.

We hold fixed rate financial liabilities and variable rate financial assets. The fixed rate financial liabilities are long-term loans from the PWLB and the effect of changes in market interest rates is to change the fair value of the liabilities reported in the notes to the balance sheet.

These changes have no effect on any part of the revenue account or on the actual balance sheet carrying value. Fair values represent the amount due if debt is repaid before its maturity date. When the loans finally mature, they will be repayable at their nominal, balance sheet values.

21. **Assets held for Sale**

Under IFRS accounting rules, assets that are available for immediate sale in their present condition, are being actively marketed, and the sale is expected to be completed within one year must be treated as current liabilities. Details of the movements in this class of assets are shown below:

	Current 2013 £000	Current 2012 £000
Balance outstanding at start of year	821	3,197
Assets newly classified as held for sale:		
Property, Plant and Equipment	1,972	-
Revaluation Losses	-	(58)
Revaluation Gains	-	-
Impairment Losses	-	-
Assets declassified as held for sale:		
Property, Plant and Equipment	-	-
Assets sold	(623)	(2,301)
Other movements	-	(17)
Balance outstanding at end of year	2,170	821

22. Inventories

	Clothing & Uniforms		Dry Store		ICT Equipment		Vehicle Parts		Taser Cartridges		Firearms Baton Rounds		Total	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Balance outstanding at start of year	409	356	4	6	218	170	130	127	-	-	71	43	832	702
Purchases	750	891	12	14	176	193	871	800	66	-	63	40	1,938	1,938
Recognised as an expense in the year	(782)	(832)	(12)	(15)	(142)	(145)	(814)	(797)	(37)	-	(49)	(12)	(1,836)	(1,801)
Written-off balances	(20)	(6)	(0)	(1)	(183)	-	-	-	-	-	-	-	(203)	(7)
Balance outstanding at the year-end	357	409	4	4	69	218	187	130	29	-	85	71	731	832

23. Debtors

At 31 March	31 March 2013 £000	31 March 2012 £000
The major items included in debtors are:		
Central Government Bodies	15,247	14,057
Other Local Authorities	4,060	4,069
Other Entities and Individuals	1,822	1,350
TOTAL	21,129	19,476

24. Cash and Cash Equivalents

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

	31 March 2013 £000	31 March 2012 £000
Cash held by the Authority	185	328
Bank current accounts	3,033	43
Short-term deposits with Lancashire County Council County Fund	3,537	1,952
TOTAL	6,755	2,323

25. Payments in Advance

Payments in advance represent cash payments made by the PCC Group on or before 31 March which are chargeable to the Revenue Account in the following financial year

	31 March 2013 £000	31 March 2012 £000
Insurance Premiums Payment	421	405
Other	727	526
TOTAL	1,148	931

26. Creditors

PCC		At 31 March	PCC Group	
31 March 2012 £000	31 March 2013 £000		31 March 2012 £000	31 March 2013 £000
		Creditors comprise:		
7,707	10,367	Central Government Bodies	7,707	10,367
4,222	4,769	Other Local Authorities	4,222	4,769
0	31	NHS bodies	0	31
8,044	6,929	Intragroup Creditor - Accumulated Absences	0	
11,488	9,756	Other Entities and Individuals	19,532	16,688
31,461	31,852	TOTAL	31,461	31,852

Included with the creditors balance is an amount of £1.7m representing cash seized by Police under the Proceeds of Crime Act 2002. This cash is collected on behalf of the Home Office and does not impact on the Income and Expenditure Account.

27. Provisions

	Insurance £000	Compensatory Grant £000	Carbon Reduction £000	Total £000
Balance at 1 April 2012	2,961	350	150	3,461
Additional provisions made in 2012/13	1,599	-	124	1,723
Amounts used in 2012/13	(2,031)	(50)	(137)	(2,218)
Balance at 31 March 2013	2,529	300	137	2,966

The provisions are split in the Balance Sheet between long and short term as follows:

	Long-term		Short-term		Total	
	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000
Insurances	1,545	1,493	984	1,468	2,529	2,961
Compensatory Grant	67	77	233	273	300	350
Carbon Reduction	-	-	137	150	137	150
Total	1,612	1,570	1,354	1,891	2,966	3,461

Insurance Liabilities Provision

The PCC makes provision to meet insurance liabilities, the precise cost of which is uncertain but which are not reimbursable from insurers as they fall below individual excess clauses and the annual self-insured limits.

The following schedule outlines the main risks insured externally and those self-insured. With regard to the self-insured risks, the PCC normally earmarks an allocation from his revenue budget to meet actual expenditure arising from such losses.

Insured risks	Self-insured risks
Public & Employers Liability above £3,244,800 in total and above £250,000 for individual claims	Public & Employers Liability below £3,244,800 in total and below £250,000 for individual claims
Property – All Risks cover, with excess as follows. Malicious damage, escape of water above £500. Storm/flood above £1,000. Subsidence above £2,500	Property – Malicious Damage, escape of water below £500. Storm/flood below £1,000. Subsidence below £2,500
Money above £500	Money below £500
Motor – Comprehensive. Own damage & third party costs above £1,628,740 in total and above £100,000 for individual claims.	Motor – Own damage & third party costs below £1,628,740 in total and below £100,000 for individual claims.
Fidelity Guarantee Aviation, Airside Liability, Engineering and Marine Computer Employees' Personal Accident	Minor policy excesses

Compensatory Grant Provision

Compensatory Grant compensates officers for tax paid on Rent Allowance. As tax is also due on Compensatory Grant the full liability arising as a result of Rent Allowance paid in 2012/13 will not materialise for a number of years. The outstanding liability in respect of 2012/13 and earlier years is estimated as £0.300m at 31 March 2013, and the accounts provide for this.

Carbon Reduction Commitments Scheme

The PCC Group is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Group purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. This estimate is the basis for a short term provision in the year in which the obligation arises and the cost to the Group is recognised and reported in the "Cost of Services" section of the Group CIES. The estimated cost in respect of 2012/13 emissions is £0.137m.

28. Receipts in Advance

At 31 March	2013 £000	2012 £000
Receipts in Advance comprise:		
Central Government Bodies	951	454
Other Local Authorities	217	91
NHS bodies	-	20
Other Entities and Individuals	533	255
TOTAL	<u>1,701</u>	<u>820</u>

29. Unusable Reserves

	31 March 2013 £000	31 March 2012 £000
Revaluation Reserve	(24,788)	(27,829)
Capital Adjustment Account	(104,825)	(108,357)
Pensions Reserve	2,672,133	2,279,315
Collection Fund Adjustment Account	276	(45)
Accumulated Absences Account	6,934	8,044
Total Unusable Reserves	<u>2,549,730</u>	<u>2,151,128</u>

Revaluation Reserve

The Revaluation Reserve contains the gains made by the PCC arising from increases in value of its Property, Plant and Equipment and Intangible Assets. 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.

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

	31 March 2013 £000	31 March 2012 £000
Balance at 1 April	27,829	29,040
Upward revaluation of assets	1,681	528
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,442)	(829)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(761)	(301)
Difference between fair value depreciation and historical cost depreciation	(841)	(667)
Accumulated gains on disposed assets	(1,439)	(243)
Other amounts written off to the Capital Adjustment Account	-	-
Amount written off to the Capital Adjustment Account	(2,280)	(911)
Balance at 31 March	24,788	27,829

Capital Adjustment Account

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

	31 March 2013		31 March 2012
	£000	£000	£000
Balance at 1 April		108,357	116,283
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(11,171)		(11,017)
Revaluation losses on Property, Plant and Equipment	1,107		(1,251)
Amortisation of intangible assets	(1,382)		(1,464)
Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the Comprehensive Income and Expenditure	(4,243)		(3,025)
		(15,689)	(16,757)
Adjusting amounts written out of the Revaluation Reserve		2,280	911
Net written out amount of the cost of non-current assets consumed in the year		(13,409)	(15,847)
Capital financing applied in year:			
Use of the Capital Receipts Reserve to finance new capital expenditure	617		1,762
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital	3,042		2,143
Application of grants to capital financing from the Capital Grant Unapplied Account	358		-
Statutory provision for the financing of capital investment charged against the General Fund balance	1,377		1,380
Capital expenditure charged against the General Fund balance	4,258		2,630
		9,652	
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		225	6
Balance at 31 March		104,825	108,357

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits in accordance with statutory provisions. The PCC Group accounts for post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any

resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the PCC makes the employer's contributions to the pension funds or eventually pays any pensions for which he 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 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.

	31 March 2013 £000	31 March 2012 £000
Balance at 1 April	(2,279,315)	(2,162,080)
Actuarial gains or losses on pensions assets and liabilities	(294,180)	(8,243)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(173,305)	(178,982)
Employer's pensions contribution and direct payments to pensioners payable in the year	74,667	69,990
Balance at 31 March	(2,672,133)	(2,279,315)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the difference arising from the recognition of council tax income in the CIES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the Police General Fund from the Collection Fund.

	31 March 2013 £000	31 March 2012 £000
Balance at 1 April	45	(23)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(321)	68
Balance at 31 March	(276)	45

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Police General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement and police officers lieu time 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.

	31 March 2013		31 March 2011
	£000	£000	£000
Balance at 1 April		(8,044)	(8,842)
Settlement or cancellation made at the end of the preceding year	8,044		8,842
Amounts accrued at the end of the current year:			
Re PCC staff	(5)		
Re CC staff	(6,929)		
	<u>(6,934)</u>		(8,044)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1,110	798
Balance at 31 March		(6,934)	(8,044)

Cash Flow Notes

30. Cash Flow Statement -Adjustments to Net (Surplus)/Deficit on the provision of services for non-cash movement

	2012/13 £000	2011/12 £000
Depreciation, impairments and downward valuations	(10,065)	(12,268)
Amortisation	(1,382)	(1,464)
Net (increase)/decrease in revenue creditors	(1,187)	4,618
(Increase)/decrease in interest creditors	61	(517)
Net increase/(decrease) in revenue debtors	1,560	3,627
Increase/(decrease) in interest debtors	(184)	(45)
Increase/(decrease) in inventories	(101)	130
Pension liability	(98,637)	(108,992)
Contributions (to)/from provisions	495	(74)
Carrying amount of non-current assets sold (PPE, Inv Prop, Intangibles)	(4,243)	(3,025)
Movement in value of investment property	225	6
Total	(113,458)	(118,004)

31. Cash Flow Statement - Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities

	2012/13 £000	2011/12 £000
Capital Grants credited to (surplus)/deficit on provisions of services	3,400	2,501
Proceeds from sale of PPE, Inv Prop, Intangibles	3,079	3,349
Total	6,479	5,850

32. Cash Flow Statement – Operating Activities

The cash flows from operating activities include the following items:

	2012/13 £000	2011/12 £000
Interest received	(628)	(469)
Interest paid	1,144	604

33. Cash Flow Statement – Investing Activities

	2012/13 £000	2011/12 £000
Purchase of property, plant and equipment, investment property and intangible assets	9,335	7,496
Purchase of short-term investments	30,000	34,000
Proceeds from sale of property, plant and equipment, investments property and intangible assets	(2,382)	(3,349)
Proceeds from disposal of short-term investments	(34,120)	(33,196)
-Other receipts from investing activities	(3,400)	(2,416)
Net cash outflows from investing activities	(567)	2,535

34. Cash Flow Statement – Cash Flows from Financing Activities

	2012/13 £000	2011/12 £000
Cash repayment of short and long term borrowing	2,500	1,000
Transferred debt repayment	237	237
Total cash outflows from financing activities	2,737	1,237

35. Expenditure on Publicity

The PCC Group has spent £0.770m (£0.734m in 2011/12-restated) on certain categories of publicity including communication and consulting with Lancashire residents; this information is published in accordance with section 5(1) of the Local Government Act 1986. The categories and the split between PCC and CC are:

	PCC		CC		Group	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	£000	£000 (Restated)	£000	£000 (Restated)	£000	£000 (Restated)
Publicity	57	20	709	707	766	727
Advertising -Recruitment	1	1	2	4	3	5
Advertising - Other	1	2	-	-	1	2
	59	23	711	711	770	734

36. Members' Allowances

In 2012/13, £0.187m (£0.280m in 2011/12) was paid in members' allowances and expenses between April 2012 and November 2012 when the Police Authority ceased to exist.

37. Officers' Remuneration

The remuneration paid to the senior employees of the Office of the PCC and the PCC group as a whole is as follows:

Senior Officers and Relevant Police Officers 2012-13

Post Holder Information (Post title only)	Notes	Salary (including allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind £	Total Remuneration excl. pension contribs £	Pension Contribs. £	Total Remuneration £
<u>OFFICE OF THE PCC</u>								
Police & Crime Commissioner	Note 1	38,587	-	-	545	39,132	4,660	43,792
Chief Executive & Monitoring Officer		95,264	-	-	12,364	107,628	14,575	122,203
Deputy Police & Crime Commissioner	Note 2	11,487	-	-	-	11,487	1,434	12,921
Assistant PCC –Victims & Domestic Abuse	Note 3	8,491	-	-	-	8,491	1,040	9,531
Assistant PCC –Criminal Justice & Community Safety	Note 3	8,491	-	-	-	8,491	1,040	9,531
Assistant PCC –Efficiency & Effectiveness	Note 3	8,491	-	107	-	8,598	1,040	9,638
<u>LANCASHIRE CONSTABULARY</u>								
Chief Constable -S Finnigan		159,354	-	-	7,284	166,638	-	166,638
Deputy Chief Constable		128,427	-	-	5,372	133,799	30,189	163,988
Assistant Chief Constable- Territorial Divs. & Criminal Justice	Note 4	103,525	-	-	4,714	108,239	24,016	132,255
Assistant Chief Constable- Specialist Ops.		108,110	-	1,776	7,103	116,989	25,478	142,467
Assistant Chief Constable-People		102,436	-	-	7,351	109,787	24,105	133,892
Director of Resources		93,753	-	-	8,287	102,040	14,344	116,384

Note 1 The PCC is an elected official and has voluntarily disclosed his remuneration in this note. The costs for this post relate to the period from 22nd November 2012 - 31st March 2013. The annual salary for this post is £85,000 and is set by the Home Office.

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- Note 2 The costs for this post relate to the period from 17th December 2012 - 31st March 2013 and the contract is for 0.5FTE. The annualised wholetime equivalent salary for this post is £59,500.
- Note 3 The costs for these posts relate to the period from 1st December 2012 - 31st March 2013 and the contracts are for 0.4FTE. The annualised wholetime equivalent salary for these posts is £51,000.
- Note 4 Post covered by three officers over the year: 1st April - 17th May 2012; 18th May - 2nd September 2012; 3rd September 31st March 2013
- Note 5 The Chief Finance Officer of the PCC is not a direct employee of the PCC but is delivered under a partnership arrangement. If relevant the salary costs will appear on the disclosure of the employing authority

Senior Officers and Relevant Police Officers 2011-12 Comparatives

Post Holder Information (Post title only)	Notes	Salary (including allowances)	Bonuses	Expense Allowances	Benefits in Kind	Total Remuneration excl. pension contribs	Pension Contribs.	Total Remuneration
		£	£	£	£	£	£	£
Chief Executive		95,264	-	-	11,714	106,978	14,099	121,077
Chief Constable -S Finnigan		159,000	-	-	6,709	165,709	-	165,709
Deputy Chief Constable		128,427	-	9	4,098	132,534	30,189	162,723
Assistant Chief Constable- Territorial Divs. & Criminal Justice		112,719	-	-	5,671	118,390	25,615	144,005
Assistant Chief Constable- Specialist Ops.	Note 1	102,803	-	2,052	5,872	110,727	2,174	112,901
Assistant Chief Constable-People	Note 2	99,857	-	1,067	5,664	106,588	23,481	130,069
Director of Resources	Note 3	95,726	-	-	8,000	103,726	14,167	117,893

Note 1 Post covered by two officers over the year: 1 April – 3 April 2011; 4 April 11 – 31 March 2012

Note 2 Post covered by two officers over the year: 1 April- 31 August 2011; 1 September 2011 – 31 March 2012.

Note 3 The new Director of Resources started on 1 April 2011 and during 2011-12 was also Treasurer to the former Police Authority.

Note 4 The Monitoring Officer was not an employee of the former Authority but a bought in service and was included, if relevant, on the disclosure of their employing authority.

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The PCC Group employed an estimated 5,240 full time equivalents during 2012/13 (5,450 in 2011/12). In addition to the senior and relevant officers outlined in the note above, the following employees received remuneration of greater than £50,000 for the year (excluding employer's pension contributions):-

	2012/13			2011/12		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
£125,000 - £129,999	-	1	1	-	-	-
£120,000 - £124,999	-	-	-	-	-	-
£115,000 - £119,999	-	-	-	-	-	-
£110,000 - £114,999	-	-	-	-	-	-
£105,000 - £109,999	-	-	-	-	-	-
£100,000 - £104,999	-	2	2	-	-	-
£95,000 - £99,999	-	-	-	-	1	1
£90,000 - £94,999	6	2	8	2	1	3
£85,000 - £89,999	2	-	2	4	1	5
£80,000 - £84,999	8	-	8	8	1	9
£75,000 - £79,999	6	1	7	8	2	10
£70,000 - £74,999	5	2	7	4	2	6
£65,000 - £69,999	6	1	7	5	3	8
£60,000 - £64,999	11	3	14	10	5	15
£55,000 - £59,999	91	3	94	97	11	108
£50,000 - £54,999	120	20	140	139	21	160
Total	255	35	290	277	48	325

NB Remuneration includes gross pay, before the deduction of employees' pension contributions, together with benefits declared to HM Customs & Excise on form P11D and redundancy payments paid in the year. It does not include employers' pension contributions.

Senior Officers posts that are included in the Officers Remuneration note have been excluded.

The table above includes a number of police staff who appear only as a consequence of a one-off redundancy payment. The numbers and banding affected are shown below:

	2012/13	2011/12
£125,000 - £129,999	1	-
£100,000 - £104,999	2	-
£90,000 - £94,999	2	-
£85,000 - £89,999	-	1
£75,000 - £79,999	-	1
£60,000 - £64,999	1	2
£55,000 - £59,999	-	2
£50,000 - £54,999	-	4
Total	6	10

There are no staff employed in the Office of the PCC during 2012/13 or by the former Police Authority in 2011/12, other than those already disclosed individually in the previous tables, who have received remuneration in excess of £50,000 during either 2011/12 or 2012/13

Exit packages

The numbers of exit packages with total cost per band and total cost of the compulsory redundancy and other departures are set out in the table below. It should be noted that the exit package costs shown in the table reflect the total cost to the organisation including, where appropriate, cost of pension enhancements:

Bandings	Number of compulsory redundancies agreed		Number of other departures agreed		Total number of exit packages by band		Total cost of exit packages in each band	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13 £	2011/12 £
£0-£20,000	-	2	7	16	7	18	62,196	193,174
£20,001-£40,000	-	-	9	20	9	20	245,419	524,055
£40,001-£80,000	-	-	2	5	2	5	127,807	269,183
£80,001-£100,000	-	-	2	-	2	-	184,500	-
£100,000-£140,000	-	-	3	-	3	-	350,421	-
Total	-	2	23	41	23	43	970,343	986,412

38. External Audit Costs

In 2012/13 the PCC Group incurred the following fees relating to external audit and inspection.

	2012/13 £000	2011/12 £000
Fees payable to Grant Thornton with regard to external audit services carried out as appointed auditors.	73	-
Fees payable to Audit Commission with regard to external audit services carried out by the appointed auditors.	(3)	74
Fees payable in respect of other services provided by the appointed auditor	1	-
Total Costs	71	74

For 2012/13 separate charges were made to the PCC and CC; the CC share was £25,000 with the balance falling on the PCC. The £3k credit for 2012/13 is shown separately as it was made directly by the Audit Commission to the PCC as a refund on the fee payable in 2012/13.

39. Related Parties

The PCC Group (PCC and CC) is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Group or to be controlled or influenced by the Group. Disclosure of these transactions allows readers to assess the extent to which the Group might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Group.

Central government has effective control over the general operations of the Group: it is responsible for providing the statutory framework within which the Group operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Group has with other parties. Details of transactions with government departments are set out in the subjective analysis in Note 12 on reporting for resource allocation decisions and further analysis in Note 13 (Grant Income).

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

A survey of the related party interests of the PCC, CC and members of both senior management teams and their immediate family members was carried out in preparing the Statement of Accounts. This survey showed the following:

The PCC (Clive Grunshaw) was also a member of Lancashire County Council and Wyre Borough Council; his wife was also a member of Wyre Borough Council; during the period from his election to the end of the financial year Mr Grunshaw was not involved in any decisions relating to contracts with Lancashire County Council and he has now stepped down from his other roles.

Lisa Kitto, CFO to the PCC, is employed by Lancashire County Council as Deputy Treasurer and provides the service to the PCC as part of a partnership arrangement with Lancashire County Council. The annual charge is included in the PCC and PCC Group CIES and in the subjective analysis in Note 12 on Reporting for Resource Allocation Decisions, within "Other Service Expenditure"

In none of these cases is there evidence either of any related material transaction which would require disclosure in this note.

Jointly Controlled Operations

The PCC Group is party to a number of joint arrangements, the more significant of these shown below. In all instances the PCC Group's accounts reflect their share of the income, expenditure and cash flows arising from the structure of the arrangement:

Motorway Collaboration

The provision of strategic roads policing was established in April 2008 between regional Forces and the Highways Agency

The Highways Agency Regional Control Centre is the joint communications facility for this initiative. Lancashire makes contributions to the lead force, Cheshire, who employs the staff for the North West Motorway Police Group (NWMPG) and incurs the operating costs.

The following income and expenditure has been included in the PCC Group CIES for the financial year 2012/13:

	2012/13 £000	2011/12 £000
<u>Expenditure</u>		
Contributions towards staff and running costs April 2012- March 2013	259	260
Total Expenditure	259	260

Regional Collaboration TITAN

Titan was established in April 2009 bringing together the six regional police forces in collaboration to tackle serious and organised crime across the North West and other parts of the country. It encompasses the work of the Regional Crime Unit (RCU), the Regional Intelligence Unit (RIU) and the Regional Asset Recovery Team (RART).

The RCU aims to disrupt, dismantle and put before the courts criminals belonging to organised crime groups. The RIU identifies the types of crime and organised crime groups that represent a threat to the region and builds intelligence pictures that it relays to the RCU and /or other strategic partners for subsequent investigation. The RART plays a critical role in reducing crime in the region by seizing the assets of criminals through the powers of the Proceeds of Crime Act.

Merseyside is the lead force for all three functional areas. Costs met by Lancashire for RCU, RIU and RART are reimbursed by Merseyside with Lancashire paying a contribution to the total cost of the RCU and RIU. RART costs are met in full by Home Office Grant received by Merseyside PCC.

The following income and expenditure has been included in the PCC Group CIES for the financial year 2012/13 in respect of TITAN:

	2012/13	2011/12
	£000	£000
<u>Expenditure</u>		
Costs associated with Lancashire's own seconded officers	1,288	724
Recharged to RART	-	(26)
Reimbursed by Merseyside	(1,288)	(698)
Contribution to Merseyside towards running costs	787	781
Total Expenditure	787	781

Lancashire Partnership for Road Safety

The Lancashire Partnership for Road safety was created in 2001 as part of the Department for Transport's National Safety Camera Programme with the principle aim of helping achieve the Government's 2010 casualty reduction targets by reducing site specific ambient speed levels and changing road users' behaviour and attitudes.

Ten years on and the 2010 targets have been met and exceeded but the levels of killed and serious injuries on Lancashire's roads is still too high. The government produced a new Strategic Framework for Road Safety in May 2011. This document sets out the role of Government in contributing to Road Safety. It is also clear about the role of local authorities, other agencies and communities and outlines areas where Government is seeking to introduce new approaches. Using the Strategic Framework the Lancashire Local Authorities, Lancashire PCC, Lancashire Fire and Rescue Service, Highways Agency, Her Majesty's Court's and Tribunal Service and other partners are working together to reduce road casualties across Lancashire. The Lancashire Partnership for Road Safety is the coordinating body for Lancashire which aims to reduce road casualties through the management of speed, speed enforcement, driver education and training and through developing collaborative approaches to education, awareness, engagement and other measures.

The accountable body for the Partnership is Lancashire County Council and gross expenditure in 2012/13 was £0.708m, funded predominantly by contributions from Lancashire County Council, Blackburn with Darwen Council, Blackpool Council.

Staff within the Fixed Penalty Central Ticket Office are employed by the PCC under the direction of the Chief Constable and their costs, together with running costs of the office and speed camera maintenance etc are shared on an agreed basis between the PCC, Lancashire County Council (on behalf of the Lancashire Partnership for Road Safety) and the Courts Service (the latter mainly for the occupation of premises).

From 2011/12 the income from Road Safety Levies (£0.93m in 2012/13) is retained by the PCC Group and is, in line with a revised partnership agreement, used as follows:

- To fund an annual contribution to the operating costs of the Fixed Penalty Office (£0.5m in 2012/13);
- To create a reserve to fund estimated redundancy costs of Fixed Penalty Office staff ; the balance on this reserve at 31 March 2013 is £0.347m;
- Transferred £0.16m into a Road Policing Unit Reserve to fund education initiatives ; the balance on this reserve at 31 March 2013 is £0.15m
- The remainder is retained in the road safety reserve to equalise the annual contribution should the income from levies fall below the budgeted contribution; the balance on this reserve at 31 March 2013 is £0.433m. Any accumulated surpluses can be spent on road safety activities as agreed by the Executive Board.

Income and Expenditure included in these accounts relating to the Fixed Penalty Office is as follows:

	2012/13 £000	2011/12 £000
<u>Expenditure</u>		
Employees	734	783
Premises	180	142
Transport	23	20
Supplies & Services	194	265
Total Expenditure	1,131	1,210
<u>Income</u>		
Recharged to Lancashire Partnership for Road Safety	(630)	(655)
Recharged to Courts Service	(14)	(44)
Contribution from Speed Awareness Levies	(506)	(506)
Other Income	-	(5)
Contribution to Capital Funding Reserve	19	-
Net Expenditure	-	-

Regional Underwater Search Unit

This Unit has been in operation since 2001 and provides an underwater search facility to the six regional Forces with Cheshire Constabulary being the lead Force. Costs met by Lancashire for the Unit are reimbursed by Cheshire with Lancashire paying a contribution to the total regional cost. The following income and expenditure has been included in the PCC Group accounts for the financial year 2012/13:

	2012/13 £000	2011/12 £000
Costs initially met by Lancashire	186	174
Reimbursed by Cheshire Police	(161)	(174)
Reimbursed by Home Office (Olympics)	(25)	-
Lancashire's contribution towards running costs to Cheshire	161	177
Net Expenditure	161	177

Regional Air Support

The North West Air Operations Group (comprising Lancashire, Cheshire, Greater Manchester, Merseyside and North Wales) was established in July 2011 with Merseyside being the lead Force. This was in advance of the establishment of the National Police Air Support service (NPAS) from 29 January 2013. Regionally air support was provided by for aircraft providing borderless tasking via one control centre with a re distribution of hours flown to cover the withdrawal of one of the previous aircrafts

The following income and expenditure has been included in the PCC Group CIES for the financial year 2012/13 from 1 April 2012 to 28 January 2013:

	2012/13	2011/12
	£000	£000
<u>Expenditure</u>		
Employees	675	589
Premises	33	25
Transport (Inc Aviation Costs)	693	685
Supplies & Services	84	4
Total Expenditure	1,485	1,303
<u>Income</u>		
Reimbursed by Merseyside	(288)	(386)
Other Costs Recovered	(18)	(15)
Net Expenditure	1,179	902

Covert Witness Protection

Lancashire is the lead Force for this collaborative arrangement involving Cheshire, Cumbria and North Wales. The joint team provide increased resilience in the management of protected persons on the scheme.

	2012/13	2011/12
	£000	£000
<u>Expenditure</u>		
Employees	335	337
Premises	0	0
Transport	0	0
Supplies & Services	268	374
Total Expenditure	603	711
<u>Income</u>		
Reimbursed by Other Forces	(230)	(266)
Other Costs Recovered	-	(33)
Net Expenditure	373	412

Collaborative arrangements also exist for Counter Terrorism (CT) and Technical Equipment. The former includes Lancashire, Cheshire, Cumbria, Greater Manchester and Merseyside with a hub based in and managed by Greater Manchester Police. It forms part of a national structure for CT operations and links in to Force CT branches. The latter involves the same Forces with a directory of all available

equipment for the use of items by all member Forces which prevents the duplicate purchase of expensive or rarely used items.

40. Capital Expenditure and Financing

	2012/13 £000	2011/12 £000
Opening Capital Financing Requirement	39,550	39,364
Capital Investment		
Property, Plant and Equipment	8,742	6,967
Intangible Assets	741	1,134
Sources of finance		
Capital receipts	(617)	(1,762)
Government grants & other contributions	(3,400)	(2,143)
Direct revenue contributions	(5,635)	(4,010)
Closing Capital Financing Requirement	39,381	39,550
Explanation of movements in year		
Increase in underlying need to borrow (supported by government financial assistance)	-	-
Increase/(reduction) in underlying need to borrow (unsupported by government financial assistance)	(169)	186
Increase/(decrease) in Capital Financing	169	186

41. Operating Leases

Operating lease charges were as follows:

	2012/13 £000	2011/12 £000
Land and Buildings	392	438

We are committed to making operating lease payments of £0.350m in 2012/13, as follows:

	Land and Buildings £000
Leases expiring in the following year	76
Leases expiring in two to five years	198
Leases expiring after five years	<u>76</u>
	350

42. Impairment Losses

No impairment losses were identified during 2012/13.

43. Defined Benefit Post Employment Benefits

As part of the terms and conditions of employment for police officers and other employees the PCC Group makes contributions towards the cost of post-employment benefits (pensions). Although these benefits will not actually be payable until employees retire, the PCC has a commitment to make the payments that need to be disclosed at the time that the employees earn their future entitlement, no matter when the actual financial cost is incurred.

The PCC Group participates in three post employment pension schemes:

- The Local Government Pension Scheme for civilian employees, administered by Lancashire County Council: this is a funded, defined benefits, final salary scheme, meaning the PCC Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- The 1987 Police Pension Scheme (PPS) and 2006 New Police Pension Scheme (NPPS), for police officers, is administered in-house. These are unfunded defined benefit final salary schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet the actual pensions payments as they eventually fall due. The income and expenditure incurred by the police pensions scheme and how it is funded is summarised in the section covering the Police Pensions Fund Account.

The pension schemes above provide members with indexed linked benefits, which are determined predominantly by the individual's pensionable salary and length of service. As part of the government's pension reforms, these schemes are undergoing significant changes in how they are funded and the benefits they offer. However, the purpose of this note is to explain the financial impact, in accordance with the Code, of the pensions' schemes, on the Accounts. Details of how the police pensions schemes operate can be found on the Home Office website and details of how the LGPS operates can be found on the Lancashire County Council website.

In addition, Injury awards are paid to police officers under the Police (Injury Benefits) Regulations 2006 and entitlement is earned as employees work for the PCC Group. Tax rules from April 2006 prevent injury awards from being part of the regulations for either police pension scheme. However, as the scheme is subject to the same degree of uncertainty as the two police officer pension schemes IPSAS25 allows for them to be accounted for in the same way as defined benefit post employment benefits.

Transactions Relating to Post Employment Benefits

We recognise the cost of post employment/retirement benefits in the reported cost of services when they are earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the employers' contributions payable in the year, so the real cost of post employment/retirement benefits is reversed out of the PCC Group General Fund via the Movement in Reserves Statement.

The liabilities in respect of police officer pensions and the pensions liabilities of police staff under the direction of the CC are reported in the cost of service of the CC but, as the PCC has ultimate responsibility for all the pensions liabilities and will fully fund any costs incurred by the CC, all these liabilities are matched in year by an amount of "Pensions Deficit Funding" from the PCC. The PCC cost of service reflects only the pensions' liabilities that relate to staff within the OPCC.

Similarly the impact of any actuarial gains or losses is recognised in the first instance in the CC CIES (Other Comprehensive Income & Expenditure), matched by a corresponding reduction/increase in long term debtor with the PCC. The PCC single entity CIES (Other Comprehensive Income and Expenditure) in turn reflects the increase in the PCC's long term obligation to fund the impact of the actuarial gains and losses on the CC's pensions liabilities

The following transactions have been made in the PCC Group CIES and the General Fund Balance via the PCC Group Movement in Reserves Statement during the year:

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	Local Government Pension Scheme		Police Officer Pension Schemes		Injury Awards		Total	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13	2011/12	2012/13 £000	2011/12 £000
Comprehensive Income and Expenditure Statement								
Cost of Services:								
• Current service cost	8,487	8,522	47,170	50,549	2,613	2,706	58,270	61,777
• Curtailment costs	188	188	-	-	-	-	188	188
• Past service costs/(gain)	45	75	-	-	-	-	45	75
Financing and Investment Income and Expenditure:								
• Interest cost	13,350	13,329	107,205	110,291	4,272	4,334	124,827	127,954
• Expected return on assets in the scheme	(10,025)	(11,012)	-	-	-	-	(10,025)	(11,012)
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	12,045	11,102	154,375	160,840	6,885	7,040	173,305	178,982
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement								
• Actuarial (gains) and losses	17,803	8,243	264,380	-	11,997	-	294,180	8,243
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	29,848	19,345	418,755	160,840	18,882	7,040	467,485	187,225
Movement in Reserves Statement								
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post employment benefits in accordance with the Code	(12,045)	(11,102)	(154,375)	(160,840)	(6,885)	(7,040)	(173,305)	(178,982)
Actual amount charged against the General Fund Balance for pensions in the year:								
• Employers' contributions payable to scheme	7,814	7,741	64,719	60,310			72,533	68,051
• Retirement benefits paid to pensioners					2,135	1,939	2,135	1,939

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A further breakdown of the LGPS scheme is shown below, which identifies those costs reflected individually in the PCC and CC financial statements.

	PCC		CC		Total	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
• Current Service Cost	90	72	8,397	8,450	8,487	8,522
• Curtailment costs	-	-	188	188	188	188
• Past service costs/(gain)	-	-	45	75	45	75
Financing and Investment Income and Expenditure:						
• Interest cost	141	112	13,209	13,217	13,350	13,329
• Expected return on assets in the scheme	(106)	(93)	(9,919)	(10,919)	(10,025)	(11,012)
Net Charge to the Income and Expenditure Account Total	125	91	11,920	11,011	12,045	11,102
Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement						
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement						
• Actuarial (gains) and losses	189	69	17,614	8,174	17,803	8,243
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	314	160	29,534	19,185	29,848	19,345
Statement of Movement in the General Fund Balance:						
Reversal of net charges made for retirement benefits in accordance with IAS 19	(125)	(91)	(11,920)	(11,011)	(12,045)	(11,102)
Actual amount charged against Council tax for pensions in the year:						
Employers' contributions payable to scheme	79	62	7,735	7,679	7,814	7,741

The cumulative amount of actuarial gains and losses recognised in the CIES from 2002/03 to date is a loss of £760m (loss of £466m at 31 March 2012)

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of the present value of the scheme liabilities:

	Funded Liabilities:		Unfunded Liabilities:			
	Local Govt. Pension Scheme		Police Pension Schemes		Injury Benefits	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000	£000	£000
1 April	259,012	239,283	2,110,701	2,010,172	83,519	78,418
Current Service Costs	8,487	8,522	47,170	50,549	2,613	2,706
Interest Costs	13,350	13,329	107,205	110,291	4,272	4,334
Contributions by scheme participants	3,201	3,254	13,981	13,118	-	-
Actuarial (gains) and losses	34,530	1	264,380	-	11,997	-
Benefits paid	(6,210)	(5,640)	(78,699)	(73,429)	(2,135)	(1,939)
Past Service Cost/(Gain)	45	75	-	-	-	-
Curtailments	188	188	-	-	-	-
31 March	312,603	259,012	2,464,738	2,110,701	100,266	83,519

Reconciliation of the fair value of the scheme assets:

	Funded Scheme		Unfunded Schemes:			
	Local Govt. Pension Scheme		Police Pension Schemes		Injury Benefits	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000	£000	£000
1 April	173,917	165,792	-	-	-	-
Expected rate of return	10,025	11,012	-	-	-	-
Employer Contributions	7,814	7,741	64,718	60,310	2,135	1,939
Contributions by scheme participants	3,201	3,254	13,981	13,118	-	-
Actuarial gains and (losses)	16,727	(8,242)	-	-	-	-
Benefits paid	(6,210)	(5,640)	(78,699)	(73,428)	(2,135)	(1,939)
31 March	205,474	173,917	-	-	-	-

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 actual return on the LGPS scheme assets in the year was £26.752m (£2.770m in 2011/12)

Scheme History

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of liabilities:					
Local Govt Pension Scheme (LGPS)	156,694	244,744	239,283	259,012	312,603
PPS	1,476,364	2,126,096	1,980,767	2,072,650	2,406,002
NPPS	7,468	23,658	29,404	38,051	58,736
Injury Awards	69,527	105,599	78,418	83,519	100,266
Fair value of assets in LGPS	103,662	145,667	165,792	173,917	205,474
Surplus/(deficit) in the scheme:					
Local Govt Pension Scheme (LGPS)	(53,032)	(99,077)	(73,491)	(85,095)	(107,129)
PPS	(1,476,365)	(2,126,096)	(1,980,767)	(2,072,650)	(2,406,002)
NPPS	(7,468)	(23,658)	(29,404)	(38,051)	(58,736)
Injury Awards	(69,527)	(105,599)	(78,418)	(83,519)	(100,266)
Total	(1,606,392)	(2,354,430)	(2,162,080)	(2,279,315)	(2,672,133)

The liabilities show the underlying commitments that the PCC Group has in the long run to pay retirement benefits, both in respect of the staff of the Office of the PCC (£0.951m) and the police officers and staff under the direction of the CC (£2,671.182m, reflected in the PCC Balance Sheet as a Long Term Pensions Creditor and the PCC group as a LT Pensions Liability)

The total liability of £2,672.133m has a considerable impact on the net worth of the PCC and the PCC Group as recorded in the balance sheets, resulting in a net liability on both statements of £2,517.019m. However, statutory arrangements for funding the liability mean that the financial position remains healthy:

- The deficit on the Local Government Pensions scheme will be made good by increased contributions over the remaining working life of the employees, as assessed by the scheme actuary.
- Finance is only required to be raised to cover police pensions and injury awards when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the PCC group in the year to 31 March 2014 are £7.9m. Expected contributions for the Police Pension Schemes in the year to 31 March 2014 are £63.0m and Injury Awards £2.1m

Long Term Pensions Creditor

The movement in the long term pensions' creditor, which recognises the PCC's ultimate liability for the pensions' liabilities of police officers and staff under the direction and control of the CC is as follows:

2011/12 comparator			2012/13	
£000	£000		£000	£000
	2,161,463	Opening Balance at 1 April		2,278,599
61,705		Current Service Costs	58,180	
263		Past Service Costs	233	
116,923		Interest Costs/ Return on Assets	114,768	
(69,929)		Employer Contributions	(74,589)	
	108,962	Total Pensions Deficit Funding included in Deficit on Provision of Service in CIES		98,591
	8,174	Increase in Pensions liability due to actuarial losses-recognised in Other Comprehensive Income & Expenditure in CIES		293,991
	<u>2,278,599</u>	Closing Balance at 31 March		<u>2,671,182</u>

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 the assumptions about mortality rates, salary levels etc. The Police Schemes, Injury Benefits and the Local Government Pension Fund liabilities have been assessed by Mercer Resource Consulting Ltd, an independent firm of actuaries, estimates being based on the last full valuations of the schemes.

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The principal assumptions used by the actuary have been:

	Local Govt. Pension Scheme		Police Pension Schemes		Injury Awards	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
Long-term expected rate of return on assets in the scheme:						
Equity investments	7.0%	7.0%	-	-		
Government Bonds	2.8%	3.1%	-	-		
Other Bonds	3.9%	4.1%	-	-		
Property	5.7%	6.0%	-	-		
Cash/Liquidity	0.5%	0.5%	-	-		
Other	7.0%	7.0%	-	-		
Expense deduction	0.26%	0.26%				
Overall expected return	5.52%	5.69%				
Mortality assumptions:						
Longevity at 65 for current pensioners (LGPS):						
Men	22.1	21.7	-	-		
Women	24.8	24.3	-	-		
Longevity at 65 for future pensioners (LGPS):						
Men	23.9	23.1	-	-		
Women	26.7	25.9	-	-		
Longevity at 60 for current pensioners (Police):						
Men	-	-	27.4	26.9	24.8	25.9
Women	-	-	29.7	29.1	27.1	28.1
Longevity at 60 for future pensioners (Police):						
Men	-	-	29.4	28.5	26.8	24.3
Women	-	-	31.7	30.8	29.1	26.5
Rate of inflation: CPI	2.4%	2.6%	2.4%	2.6%	2.4%	2.6%
Rate of increase in salaries	4.4%	4.6%	3.9%	4.1%	3.9%	4.1%
Rate of increase in pensions	2.4%	2.6%	2.4%	2.6%	2.4%	2.6%
Rate for discounting scheme liabilities	4.4%	5.1%	4.4%	5.1%	4.4%	5.1%
Take up of option to convert annual pension into retirement lump	50.0%	50.0%	50.0%*	50.0%*	-	-

* 1987 scheme only

Neither the Police Pension Schemes nor Injury Awards have assets to cover their liabilities. Assets in the Local Government Pension Fund consist of the following categories, by proportion of the total assets held by the Fund

	Assets at 31 March 2013	Assets at 31 March 2012
	%	%
Equity investments	62.0	58.0
Government Bonds	7.9	5.0
Other Bonds	17.2	15.0
Property	9.3	10.0
Cash/Liquidity	3.5	5.0
Other	0.1	7.0
	100.0	100.0

History of Experience Gains and Losses relating to Pensions

The actuarial gains and (losses) identified as movements on the Pension Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

Local Government Pensions Scheme:

	2012/13	2011/12	2010/11	2009/10	2008/09
	%	%	%	%	%
Differences between the expected and actual return on assets	8.1	(4.7)	3.1	19.6	(33.3)
Experience gains and (losses) on liabilities.	-	-	4.7	-	-

Police Pension Schemes and Injury Awards – As these are unfunded schemes there are no assets so the following table shows the "experience gains and (losses) on liabilities in respect of the Police Pension Schemes and Injury Awards

	2012/13	2011/12	2010/11	2009/10	2008/09
	%	%	%	%	%
PPS	-	-	4.2	-	-
NPPS	-	-	2.7	-	-
Injury Awards	-	-	43.1	-	-

44. **Contingent Liabilities**

The PCC Group has no contingent liabilities as at 31 March 2013.

45. **Sponsorship**

The PCC has powers to receive gifts, loans of property and sponsorship up to a limit of 1% of its budget (2012/13 limit £2.6m). During the year monies and gifts amounting to a value of £0.024m (£0.303m in 2011/12) were received. This was principally gifts, or loans, of equipment and vehicles.

46. PCC Funding of the Chief Constable

The PCC funding of the Chief Constable takes three forms:

- Pensions Deficit Funding, which represents the funding of the in-year IAS19 charges reported in the CC's CIES (Provision of Services) in respect of the police officers and staff under the direction and control of the CC. The funding is made up as follows:

2011/12		2012/13
£000		£000
61,705	Current Service Costs*	58,180
263	Past Service Costs*	233
116,923	Pensions Interest Costs/Expected Return on Assets	114,767
(69,929)	Employer's pensions contributions*	(74,589)
108,962	Pensions Deficit Funding in "Provision of Services" in CIES	98,591

- Funding for PCC resources consumed at the request of the CC. In simple terms this represents the funding of the in-year costs recognised in the CC CIES and is calculated as follows:

2011/12 COMPARATOR			2012/13	
£000	£000		£000	£000
	326,692	Cost of Services in CC CIES		316,463
	7,961	Adjustment for pensions deficit funding above at *		16,176
	334,653	PCC funding for PCC resources consumed at the request of the CC		332,639
		Consisting of:		
12,481		Fair value adjustment for CC consumption of PCC Property & Equipment	12,553	
322,172		Other resources	320,086	
	334,653	Total PCC resources consumed at the request of the CC		332,639

- The recognition of the increase in the PCC's pensions' liabilities as a result of actuarial gains and losses, which in 2012/13 results mainly from changes in actuarial assumptions. These costs do not impact on the surplus/deficit on provision of services in the CC's CIES and are therefore not reported within the PCC's Pensions Deficit Funding. The increase in liability is however credited to the PCC's Long Term Pensions Creditor and debited to the PCC's

Pensions Reserve. It is reported alongside the PCC's own actuarial gains and losses in the "Other Comprehensive Income and Expenditure" section of the PCC's CIES.

The actuarial losses relating to staff under the direction and control of the CC are £294m in 2012/13 (£8m in 2011/12)

POLICE PENSION ACCOUNT

The Chief Constable administers the Police Pension Fund Account (the Account) on behalf of the PCC, in accordance with the Police Reform and Social Responsibility Act 2011. Amounts debited and credited to the Account are specified by legislation, the Police Pension Fund Regulations 2007 [Statutory Instrument 2007 No 1932], (the Regulations). During the year all payments and receipts are made to and from the Police Fund, which is held by the PCC. This statement shows the income and expenditure for the Police Pension Scheme (PPS) and the New Police Pension Scheme (NPPS). This statement does not form part of the Statement of Accounts for either the PCC or the Chief Constable.

POLICE PENSION ACCOUNT

	PPS scheme £000	2012/13 NPPS scheme £000	Total £000	2011/12 Total £000
Contributions receivable				
Police & Crime Commissioner:				
Contributions at 24.2% of pensionable pay	(24,051)	(4,359)	(28,410)	(29,532)
Early Retirements	(2,633)	-	(2,633)	(3,406)
Pre 74 recharges	-	-	-	(959)
	(26,684)	(4,359)	(31,043)	(33,897)
Officer Contributions	(12,109)	(1,872)	(13,981)	(13,118)
Total Contributions Receivable	(38,793)	(6,231)	(45,024)	(47,015)
Transfers In	(100)	(403)	(503)	(308)
Benefits Payable				
Pensions	61,238	1	61,239	56,687
Commutations and lump sum retirement benefits	17,505	-	17,505	16,607
Lump sum death benefits	75	-	75	80
Other: Pre 74 payments	8	-	8	9
Total Benefits Payable	78,826	1	78,827	73,383
Payments on Account of Leavers				
Refund of contributions	3	-	3	13
Transfer values out	340	33	373	1,300
Total Payments on Account of Leavers	343	33	376	1,313
Net amount payable/(receivable) for the year before top-up contribution from Police Fund	40,276	(6,600)	33,676	27,373
Top-up contribution to/ (from) Police Fund.	(40,276)	6,600	(33,676)	(27,373)
Net amount payable/(receivable)	0	0	0	0

NET ASSET STATEMENT

31 March 2012 £000		31 March 2013 £000
4,293	April pensions paid in advance	4,546
(101)	Amounts owed re pre 74 pension recharges	-
111	Amounts owing re pre 74 pension recharges	-
(4,303)	Amounts owed (to)/from PCC's General Fund	(4,546)
-	Net Assets	-

NOTES TO THE FINANCIAL STATEMENT

1. Basis of preparation

The Police Pension Account combines the accounting transactions of two pension schemes; the Police Pension Scheme (PPS), which was set up in 1987 and the New Police Pension Scheme (NPPS) which was created by the Home office under the Police Pension Regulations 2006.

This financial statement has been prepared in accordance with the Police Pension Fund Regulations 2007 (SI 2007 No 1932) and CIPFA Code of Practice 2012/13. It summarise the transactions of the Pension Account. It does not take account of obligations to pay pensions and benefits which fall due after the end of the financial year – these obligations are taken into account by the actuary when valuing the schemes liabilities and are reflected in the Income and Expenditure Account and Balance Sheets of the Chief Constable and the PCC Group.

Both pension schemes are unfunded and have no investment assets. Benefits payable are funded by contributions from employees and employers (in this instance the PCC) and any difference between benefits payable and contributions receivable is funded by an additional contribution by the PCC from/to the Police General Fund, which is financed by top-up grant from the Home Office.

Membership at 31 March is as follows:

	PPS		NPPS		Total	
	31/3/13	31/3/12	31/3/13	31/3/12	31/3/13	31/3/12
Active Members	2,556	2,704	651	620	3,207	3,324
Deferred	511	500	46	33	557	533
Current Pensioners (incl widows/depends.)	3,976	3,911	1	-	3,977	3,911
	7,043	7,115	698	653	7,741	7,768

2. Accounting policies

General

The financial statements have been prepared on an accruals basis except for transfers to and from the account and contributions refunded, which are treated on a cash basis.

Employers' Contributions

The employers' contribution rate for both pension schemes is set nationally, based on a percentage of pensionable pay. The rate is subject to triennial revaluation by the Government Actuary's Department,

timed to coincide with the revaluation of the local government pension scheme. The rate for 2011/12 was set at 24.2%, in line with the most recent valuation which came into effect from 1 April 2008.

Employees' Contributions

Police officer contributions are deducted from officer salaries. The contribution rates were increased on 1 April 2012 to reflect the agreement reached between the Home Secretary and the Police Negotiating Board. Contribution rates range between 10.1% and 12.5% dependant on the range the police officer's salary falls into and whether the officer is a member of the PPS or NPPS.

3. Net Asset Statement

The Net Asset Statement does not include liability to pay pensions and other benefits after the 31 March 2013. These liabilities remain ultimately with the PCC and have been reflected in the Chief Constable and PCC Group Balance Sheets. Details of these liabilities can be found in Note 12 to the main Statement of Accounts.

GLOSSARY

Accounting Policies

The specific principles, bases, conventions, rules and practices applied by the authority in preparing and presenting financial statements.

Accrual

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Actuary

An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the pension fund every three years.

Actuarial gains and losses

A change in pension fund liability due to the effects of differences between the previous actuarial assumptions and what has actually occurred. Outcomes are better or worse than the actuary had predicted or assumed – for example, because the fund's assets earn more than expected, salaries do not increase as fast as assumed or members retire later than assumed.

Agency services

Services which one authority is responsible for, but which another authority provides (as the agent). The authority responsible pays the agent authority the cost of the services provided.

Amortisation

An annual charge to the revenue account that spreads the cost of an asset over a period of time.

Appropriation

A contribution to or from a financial reserve.

Assets held for Sale

Assets that are no longer needed by the PCC and which he is selling.

Audit qualification

A comment made by the auditors if they are not completely satisfied with the accounts.

Budget

A statement which reflects the PCC's policies in financial terms and which sets out its spending plans for a given period.

Capital assets

Assets bought through capital expenditure. They are also known as 'capital items' and 'fixed assets'.

Capital creditors

Amounts owed by the PCC for spending on buying or improving assets.

Capital expenditure

Spending on buying or improving assets that have a long-term benefit – for example land, buildings and roads. Capital expenditure is also known as 'capital spending', 'capital outlay' and 'capital payments'.

Capital grant

Money received for capital items (see 'capital expenditure' above).

Capitalisation

The classification of expenditure as capital rather than revenue, subject to the condition that the expenditure yields a benefit to the authority for a period of more than one year.

Capital investment

Money invested in capital projects.

Capital projects

Projects to buy or improve assets that have a long-term benefit – for example, land, buildings and roads. These projects are funded by capital expenditure.

Capital receipts

Proceeds received from the sale of capital assets. The proceeds are set aside in the Capital reserve in order to repay the county council's borrowings or to finance new capital expenditure.

Capital schemes

Another term for 'capital projects'.

Capitalise

To treat as capital expenditure rather than revenue expenditure.

Capital elements

Various items of costs e.g. materials and interest payments.

Capital funding

Money to support spending on capital projects.

Capital receipts

Amounts received from the sale of capital assets. These can only be used for 'capital purposes' – to repay an existing debt or to finance new capital expenditure. Amounts received which have not yet been used are referred to as 'capital receipts unapplied'.

Capital reserves

Amounts set aside to support future capital projects.

Capital value

Amount spent on capital.

Cash balance

Cash available to invest on the money market.

Cash Equivalents

Short term (less than 3 months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash transactions

Cash amounts entering or leaving the accounts – for example, to pay for goods or services, or income from fees and charges.

Central items

Central overheads e.g. payroll costs.

Change in Accounting Estimate

An adjustment of the carrying amount of an asset or liability that results from an assessment of the present status and future benefits or obligations. These changes occur as a result of new information, and are not corrections of errors.

Class of tangible non current assets

The classes of tangible non current assets required to be included in the accounting statements are:

Property Plant & Equipment

- Land and buildings.
- Vehicles, plant, furniture and equipment.
- Assets under construction

CIPFA

The Chartered Institute of Public Finance and Accountants is the accountancy body which recommends accounting practice for the preparation of local authority accounts.

Collection fund

The system used by district and borough councils to keep Council Tax separate from their own accounts. The amount in the collection fund each year is fed into the Council Tax calculation for the following year.

Construction Contract

A contract specifically negotiated for the construction of an asset and services related to the construction, for example architects.

Contingent liabilities

Liabilities relating to a known set of circumstances which may or may not arise. They can also be liabilities which are likely to arise but which are very difficult to measure until future developments make things clearer.

Corporate and democratic core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to the services.

Corporate governance

The authoritative rules and controls in place within an organisation required to promote openness, inclusivity, integrity and accountability.

Council Tax precept

The Council Tax charged by one authority (the precepting authority) which is collected by another authority (the billing authority). The PCC's Council Tax income is charged through a precept on the district councils' collection funds. (The Environment Agency also charges the county council a precept for flood prevention purposes).

Creditors

Amounts owed by the PCC for work carried out, goods received or services provided, which had not been paid by the date of the balance sheet.

Current assets and liabilities

Current assets are cash, cash equivalents and items that can be readily converted into cash. Current liabilities are items that are due for payment immediately or in the short term.

By convention these items are ordered by reference to the ease that the asset can be converted into cash, and the timescale in which the liability falls due.

Current service cost (IAS 19)

The increase in the PCC's defined benefit scheme obligation (pension scheme liability) as a result of employees' service during the current year.

Curtailed cost (IAS 19)

Additional pension scheme liabilities as a result of redundancies and efficiency retirements during the year.

Debt redemption

This is where a debt is repaid early.

Debtors

Amounts owed to the Authority which had not been paid by the date of the balance sheet.

Defined Benefit Scheme

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

Depreciation

Charges to the income and expenditure account to reflect a decrease in the value of assets as a result of use or ageing.

Discretionary benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the PCC's discretionary powers.

Devolved financial management (DFM)

The PCC's budget management system. The budget is managed by those who make the decisions in each area of responsibility ('accountable officers').

Employer's pension contributions

Payments to the pension scheme made by the Authority for current employees.

Expected return on assets (IAS 19)

The average rate of return expected on investment assets held by the pension scheme.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A lease that transfers substantially all the risks and rewards related to the ownership of the asset to the lessee.

Financial year

The period of 12 months for which the accounts are drawn up. For local authorities the financial year (or 'accounting period') begins on 1 April and finishes on 31 March of the following year.

Financing charges

Repayments on amounts loaned to the PCC by external organisations. These charges include interest as well as repayment of the amount borrowed (the 'principal').

Financial instrument

A financial instrument can be a financial asset or a financial liability. A financial asset is a contract such as an investment or loan representing amounts due to the authority. A financial liability is a contract such as borrowing representing amounts owed by the authority.

Fixed assets

Assets intended to be used for several years – for example, buildings, machinery and vehicles.

General Fund

The main revenue fund used to provide police services (also known as the 'General Fund'). Income to the fund consists of the precept on the collection funds, government grants and other income.

Government grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Historic cost

The cost of an asset at the time it was bought.

Impairment

This is where the useful working life of an asset is significantly reduced – for example, because of damage to a piece of equipment or changes in technology which mean that a service can be provided more efficiently in other ways. When the amount at which the asset is held exceeds the amount the authority could receive for the asset, an impairment loss is recognised.

Intangible assets

Assets which do not have a physical form. Examples include internally developed systems, computer software, brand names, patents and copyrights.

Interest cost (pensions)

The expected increase in the value of pension scheme liabilities because benefits are one year closer to being paid.

Inventory

Raw materials and consumable goods bought but not yet used at the end of the accounting period.

Investing Activities

The acquisition of and disposal of long term assets and other investments not included as part of cash equivalents.

Investment Property

Property which is held solely to earn rentals or for capital appreciation, not as part of service delivery.

Market value

The monetary value of an asset as determined by current market conditions at the balance sheet date.

Materiality

The concept that any omission from or inaccuracy in the statement of accounts should not be so large as to affect the understanding of those statements by a reader.

Minimum revenue provision

The minimum amount (as laid down in statute) that the PCC must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

National non-domestic rate

The government levies a standard rate on all properties used for commercial purposes and cannot increase it by any more than the retail price index. The rates are collected on behalf of the government by district councils, and are then redistributed from a national pot as part of formula grant.

Net book value

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

Net current replacement cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net pension liability

The amount the pension scheme will have to pay out in the future, less the value of pension fund assets.

Net realisable value

The amount for which an asset can be sold, less the cost of selling it.

Nil consideration

Where no charge is made for an item.

Nominal value of a financial instrument

The nominal value of a financial instrument is the amount, exclusive of interest, payable or receivable when the instrument matures.

Non-cash adjustments

Changes in debtors' and creditors' balances over the year.

Non-distributed costs

These are costs that cannot be specifically applied to a service or services and are held centrally, comprising certain pension costs and the costs of unused shares of IT facilities and other assets.

Non-operational assets

Assets which are not in use.

Operating lease

A lease where ownership of the goods remains with the company leasing them to the PCC.

Operational assets

Assets used for day-to-day activities – for example, land, buildings, furniture and equipment.

Past service cost or gain (FRS17)

The increase or decrease in pension scheme liabilities as a result of changes to benefits earned in previous years – for example, because of early retirement or changes to pension scheme regulations.

Pension enhancements

Additional pension benefits (such as added years on early retirement) awarded to scheme members in line with the county council's general conditions of employment.

Precept

A charge made by one authority which is collected by another authority – for example, the Council Tax precept.

Principal

The amount of money borrowed, not including interest charges.

Principal repayment of debt

Re-payment of a loan, not including interest charges.

Prior period adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected unit method (Pensions)

An accrued benefits valuation method in which the scheme liabilities make allowance for the projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- (a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- (b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

Provisions

Funds set aside to cover specific past expenses, where the exact cost or timing is still uncertain.

Public Works Loan Board (PWLB)

A government agency which provides longer-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

Realisable value

The amount for which an asset can be sold.

Reconciliation

The process of checking figures from different areas which should logically match up – for example, matching invoices paid against amounts banked.

Related party

A person or organisation which has influence over another person or organisation.

Reserves

Amounts set aside in one year's accounts which can be spent in later years. Some types of reserve can only be spent if certain conditions are met.

Residual value

The amount an asset can be sold for, less the cost of selling it.

Revenue account

An account which records the PCC's day to day expenditure and income relating to items such as salaries, wages and the costs of running services.

Revenue contribution to capital outlay

This is where capital expenditure is financed by a direct contribution from the revenue account, rather than by a loan or another form of finance.

Revenue expenditure

The Authority's day-to-day spending. This is charged to the revenue account and consists mainly of salaries and wages, running costs and financing charges.

Revenue Support Grant

A general grant from central government to contribute towards the cost of providing services.

Reversed out

This is where an opposite entry is made in the accounts, to cancel the effect of a transaction.

Specific grants

Government grants for a particular service.

Tangible assets

Assets which have a physical form – for example, buildings, furniture and equipment.

Total net worth

The total net value of resources available to or owned by the PCC.

Transfer in

A transfer of money into the pension fund from another pension fund.

Transfer out

A transfer of money out of the pension fund to another pension fund.

Transfer value

A payment made by one pension fund to another when a scheme member changes schemes.

Useful life

The period which an asset is expected to be available for use.

Write down

This is where amounts are charged to the revenue account or offset against another balance sheet account.