



COMMUNITY JUSTICE SECURITY



# Northamptonshire Police, Fire and Crime Commissioner – Single Entity & Group

Statement of Accounts for the year 2018/19



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## NARRATIVE STATEMENT

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### FOREWORD BY CHIEF FINANCE OFFICER

These accounts are produced annually to give local taxpayers, employees and other interested parties clear information about Northamptonshire Police finances. They reflect the financial performance of the Office of the Police, Fire and Crime Commissioner for Northamptonshire (OPFCC) and are in accordance with the Police Reform and Social Responsibility Act 2011.

They are prepared on a going concern basis, assuming that the Police, Fire and Crime Commissioner (PFCC) will continue in operation for the foreseeable future. They have been prepared in accordance with the Accounts and Audit Regulations 2015, the CIPFA Code of Practice on Local Authority Accounting and the Service Reporting Code of Practice 2018/19.

The information provided also allows for an assessment of the Commissioner's performance in terms of stewardship and the management of the resources entrusted to him. The accounts are, therefore, necessarily detailed and technical and explanatory notes are included.

The purpose of this narrative report is to offer a guide on the most important matters reported in the accounts as well as providing information about the strategic direction of the Force. It provides an explanation of the financial position and assists in the interpretation of the financial statements. It contains information about the activities of the OPFCC and the main influences on the financial statements to provide a link between the Police activities; Police and Crime Plan; future challenges and how these impact on its financial resources.

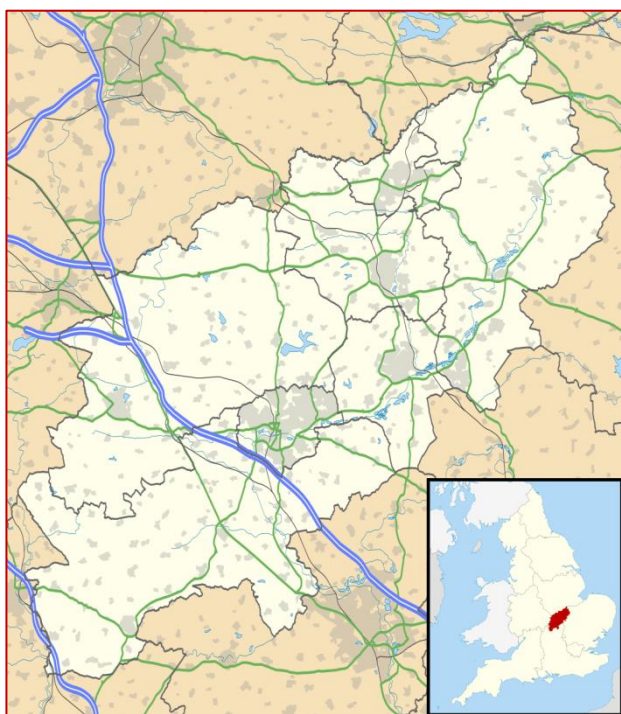
It includes information on the budget preparation process, final accounts, performance information, medium term financial plans and other contextual information such as workforce numbers and strategic risks.



## NORTHAMPTONSHIRE

The county of Northamptonshire covers an area of 913 square miles and has an estimated population of over 749,000 people. It is the southern-most county in the East Midlands region and its most populated towns are Northampton, Kettering, Corby and Wellingborough. There has been a notable increase in population in recent years with some major new housing development projects and more to come.

The county is currently serviced by seven borough/district councils, but these are proposed to be consolidated into two unitary authorities in the near future.

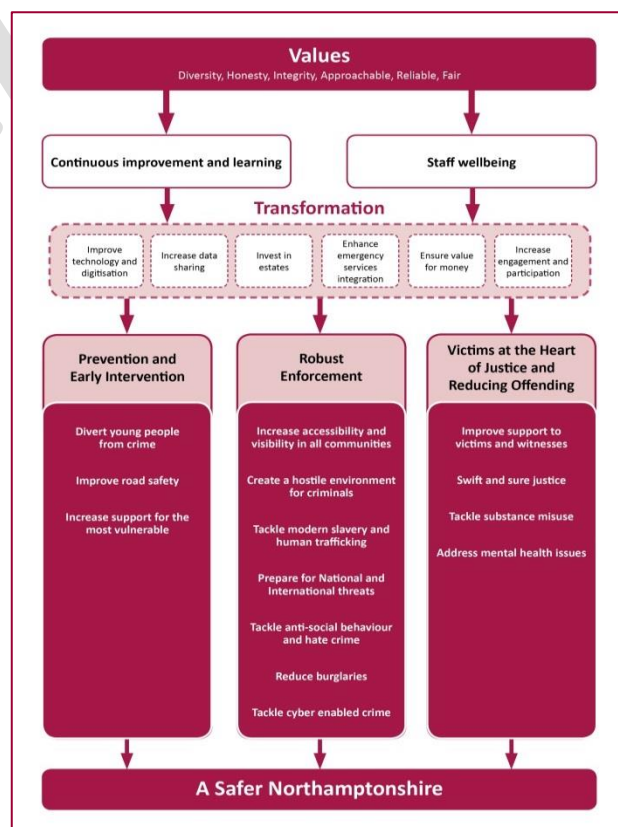


## POLICE & CRIME PLAN 2017-2021

One of the duties of the PFCC is to produce and publish a Police and Crime Plan for the Force Area. Fundamentally, this is a plan for the residents of Northamptonshire to make the County safer. Following the election of Stephen Mold as Police, Fire and Crime Commissioner in May 2016, the Police and Crime Plan was published in February 2017.

In February 2019, the PFCC updated the strategic direction set out in his Police and Crime Plan. This brought together learning from the first two and a half years in office, updates on achievements and provided greater clarity of focus on the priority areas. It remains effective until 2021. The PFCC's commitment is to deliver better policing, support to victims and continuing to strive to deliver a safer Northamptonshire. It strives to ensure that the public feel safe and thrive in Northamptonshire with fewer people involved in the Criminal Justice system whether as a victim or as an offender by:

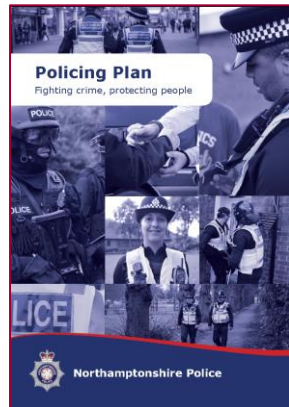
- Keeping children and young people safe
- Community partnership
- Protecting people from harm
- Putting victims at the heart of justice





## THE CHIEF CONSTABLE'S POLICING PLAN

The Chief Constable has published his Policing Plan, which supports the priorities set out in the PFCC's Police & Crime Plan. It provides both the force and the public with more specific details on what those priorities are, how we intend to deal with them and most importantly what the desired outcomes of those priorities are going to be. In this way, the Chief is able to articulate how the money provided by the PFCC is spent, what value it is adding to the county and to the lives of those who live, work and visit here, and more importantly will provide reassurance to the public that those issues which matter most to them are being addressed.



### The Strategic Approach

The Chief Constable's commitment to fighting crime and protecting people is underpinned by the following strategic approaches:

- Delivering innovative intervention activity that reduces the harm and demand caused by adverse childhood experiences.
- Effective demand and contact management, seeking to resolve at the earliest opportunity.
- Professionalising our Neighbourhood Policing capability through the provision of community engagement, problem solving, partnership working, and visibility and accessibility.
- Improving investigations through embedding an investigative mind-set, ensuring quality of investigation, the continuous improvement of our management of crime across the organisation and increasing our investigative workforce capability.
- Provision of tenacious and protective services for our most vulnerable service users, where safeguarding is undertaken at every opportunity and we are responsive and attuned to the voice of victims.
- Working in partnership to prevent the harm caused to individuals and communities by the

most serious crime and making Northamptonshire a tangibly hostile county for criminals.

- Ensuring the legitimacy of our policing service, our use of powers including use of force and stop and search, will be subject to professional and public scrutiny.

### Enabling service provision

The Policing Plan will be supported and enabled through the provision of improved technology, estates and infrastructure, effective collaboration, evidence based approaches and learning and in ensuring value for money.

### Performance and Accountability

The plan is underpinned by a comprehensive performance framework, using considered and relevant indicators that will enable the organisation to assess its progress in delivery against the plan. Oversight and scrutiny of delivery of the plan will take place through the Chief Constable's Force Strategic Board.

## STATUTORY FRAMEWORK

The PFCC and Chief Constable were established as separate legal entities under the Police Reform and Social Responsibility Act 2011. The Act sets out the statutory financial framework for both entities and is supported by the Financial Management Code of Practice, which sets out their financial relationships and responsibilities.

The PFCC has overall responsibility for the finances of the group in that he receives all external funding and sets the annual budget and precept. The Chief Constable has produced a separate set of accounts which explains how the resources provided by the PFCC have been used to deliver operational policing services.

The Policing and Crime Act 2017 provided new legislation to:

- Place a statutory duty on the three emergency services to collaborate.
- Enable PFCCs (PCCs) to be represented on the Fire Authority.



- Enable PCCs to make a local case to take on governance of the fire and rescue service as the fire authority.
- Further enable the PCC to make a local case for fire and rescue and police to become a single organisation under a single chief officer.

The business case was approved by the Home Office in April 2018 for the governance of Northamptonshire Fire and Rescue Service (NFRS) to transfer to the PCC from the County Council. The transfer took place on 1<sup>st</sup> January 2019 and the PCC thereby became the Police, Fire and Crime Commissioner (PFCC) for Policing and the Northamptonshire Commissioner Fire and Rescue Authority for Fire.

However, as a separate corporation sole, the funding and accounts for NCFRA are produced separately, therefore, not included in this set of group accounts.

## RESPONSIBILITIES

The Police Reform and Social Responsibility Act 2011 and the Financial Management Code of Practice for the Police (England) describe the high-level responsibilities and the working financial relationship between the PFCC and the Chief Constable, summarised as:

### The Police, Fire and Crime Commissioner:

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

### The Chief Constable:

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





## OPERATIONAL MODEL

### Our People

At 31<sup>st</sup> March 2019 Northamptonshire Police Force and the OPFCC Budgeted establishment was 2,084 FTE. The analysis is shown in the table below:

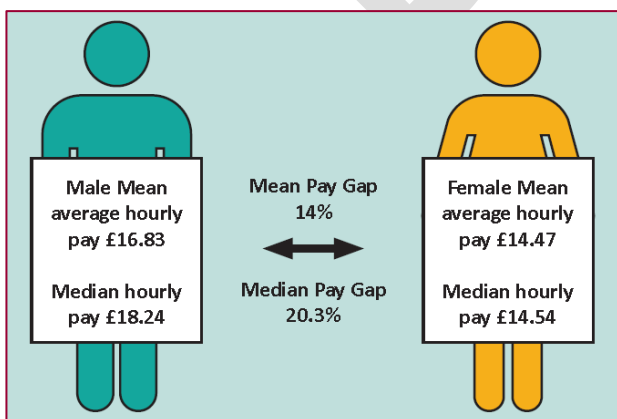
Category of employee	2017/18	2018/19
Police Officers	1,209	1,227
PCSO	81	81
Police Staff	761	745
OPFCC Staff	19	21
OPFCC Delivery - Complaints and Early Intervention	0	10
<b>Total</b>	<b>2,070</b>	<b>2,084</b>

In addition to this the Force has officers and staff seconded to national and regional projects and employs a number of dedicated PCSOs, funded by local partners.

### Gender Pay Gap

In 2017, the Government introduced legislation that made it statutory for organisations with 250 or more employees to report annually on their gender pay gap. The gender pay gap shows the difference in the average pay between all men and women in a workforce. The national mean average gender pay gap is 17.9% ours is 14% which is 3.9% lower than the national average.

Northamptonshire Police support the fair treatment and reward of all staff, irrespective of gender. Our pay approach is based on the principles of consistency, fairness and transparency, supporting the fair treatment and reward of all staff, irrespective of gender.



### Appointments

The Chief Finance Officer to the PFCC remained in post throughout 2018/19 and on 1 January 2019 took up the role of Chief Finance Officer to Northamptonshire Commissioner Fire and Rescue Authority (NCFRA).

The Chief Executive who also held the role of Head of Paid Staff and Monitoring Officer to the PFCC was seconded to the role of Programme Director Enabling Services for 18 months from December 2018.

To ensure coverage of statutory responsibilities, the role of Monitoring Officer and Head of Paid Staff will be rotated between the Director of Delivery, Paul Bullen and Director of Early Intervention, Nicci Marzec every six months. From December 2018, Paul Bullen has undertaken these roles with Nicci Marzec as Deputy. All other Chief Executive responsibilities have been met by the Chief Finance Officer and Directors. The Monitoring Officer also commenced in role as Monitoring Officer for NCFRA on 1 January 2019.

Chief Constable Simon Edens retired on the 5 August 2018 and Nick Adderley took up the role from this date.

The Deputy Chief Constable, Rachel Swann, left the Force on 3 February 2019 and was replaced by Simon Nickless.

## STRATEGY AND RESOURCES

### 2019/20 Budget

Following public consultation, in both 2018/19 and 2019/20, the PFCC maximised the precept options available to him and used these increases in funding to invest in operational priorities and frontline policing requirements identified by the Chief Constable.

### Medium Term Financial Plan

The PFCC's medium term financial plan (MTFP) is regularly reviewed and updated in line with the following established principles:

- To make the best use of available resources.
- To maximise income and funding.
- To target expenditure and investments to priorities and value for money opportunities.
- To exploit fixed assets to deliver maximum value.



- To optimise delivery costs.
- To provide sufficient financial reserves in the context of unprecedented uncertainty, transformation and change.

The MTFP, prior to any savings plan is detailed below:

**Medium Term Financial Plan - 1.99% annual precept increases**

	2019/20	2020/21	2021/22	2021/22	2023/24
	£m	£m	£m	£m	£m
Budget Requirement	137.3	140.5	145.9	149.0	153.4
Anticipated Funding	(137.3)	(138.9)	(141.3)	(143.7)	(146.2)
Shortfall	0	1.6	4.6	5.3	7.2

**Medium Term Financial Plan - 2.99% annual precept increases**

	2019/20	2020/21	2021/22	2021/22	2023/24
	£m	£m	£m	£m	£m
Budget Requirement	137.3	140.5	145.9	149.0	153.4
Anticipated Funding	(137.3)	(139.5)	(142.5)	(145.7)	(149.0)
Shortfall	0	1.0	3.4	3.3	4.4

It can be seen in the above table that, under both precept scenarios, whilst the budget is balanced for 2019/20, there will be future funding shortfalls under current assumptions. Whilst savings will need to be made in the longer term, reserves will be sufficient to meet these shortfalls over the next three years.

## Reserves

General Fund balance was increased in 2018/19 to £4.335m (representing 3.4% of the net revenue budget for the year).

The Reserves Strategy outlines a guideline level for General Reserves of 3% with a minimum level of 2.5%. The current level of 3.4% is above both the guideline and minimum level which is felt appropriate in the current financial climate.

The Reserves Strategy is reviewed as a minimum twice a year, alongside setting the budget and updated for the outturn position after the draft accounts are published.

Including reserves held on behalf of regional units, the level of all cash backed reserves at 31st March 2018 totalled £11.654m, increasing to £12.774m at 31st March 2019. Over £0.6m of this increase relates to the requirement to increase insurance reserves, as detailed within the accounts.

## Estates

The Police 'estate' has suffered from years of under-investment. However, during 2018/19 the PFCC updated the Estates Strategy to provide investment in the estate and support the operational delivery. This Strategy is currently under review to ensure operational requirements are fully considered and alongside the potential opportunities which can be achieved following the Fire Governance transfer.

## Collaboration

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

The collaboration agenda is underpinned by 5 guiding principles:

- that local policing remains local
- any collaboration helps deliver more efficient and/or effective policing for Northamptonshire
- all areas of business are considered





- decisions not to participate in a particular collaboration are reviewed regularly, as circumstances may change
- any cost and/or benefits are shared between participating Forces

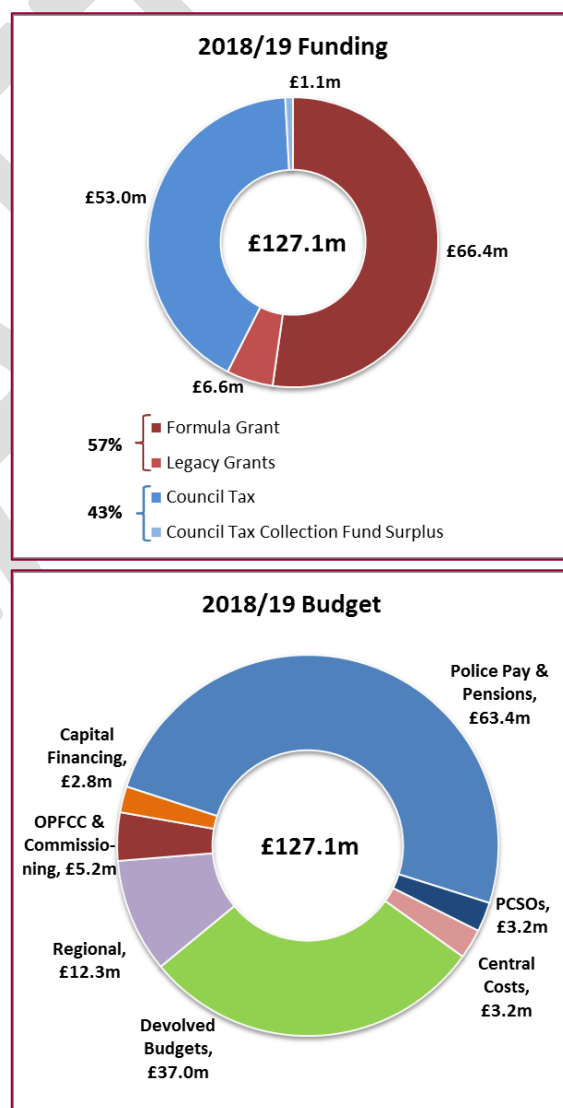
## FINANCIAL PERFORMANCE

### The Revenue Budget

#### Funding

Funding for the Police service is through a combination of government grant and precept (council tax). The council tax element was based on a tax base of 239,580 properties at £221.04 at Band D. This was an increase of £12 per property compared to 2017/18.

A breakdown of this funding and its distribution across the major budget headings is as follows:



In 2018/19, the OPFCC increased the Chief's funding envelope by £1.25m to support additional capacity and resilience in key operational areas:

- Serious & Organised Crime



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

There was further funding assigned from reserves to support:

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

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

### Budget Outturn for the Group

The outturn positions of the Chief and PFCC are described individually below. Together, a balanced budget was achieved after residual underspends were transferred to reserves.

### Budget Outturn of the Chief Constable

The PFCC allocated £118.665m for the Chief Constable and the table below shows the outturn position for the financial year:

Over / (Under)spends	£'000
Police Pay & Pensions	562
PCSOs	52
Central Costs	507
Devolved Budgets	(485)
Regional	199
Capital Financing	(691)
Net Transfers from Reserves	(144)
	0

### Pay and Pensions

There was an overspend on Police Officer pay of £551k which was a result of proactive recruitment to increase officer strength and a miscellaneous overspend of £11k on police pension costs. See also OPFCC Transfers below.

### PCSOs

There was a £52k overspend on PCSOs due to the timing difference between recruitment and receipt of sponsorship income.

### Central Costs

The large number of major crime incidents has led to an overspend of £278k on the operational contingency budget. There were also investments in Qlik and Pronto, IT solutions that will improve efficiency and make best use of officer time. Other pressures included legal costs and staff termination payments, but these were offset in part by underspends on national levies. See also OPFCC Transfers below.

### Devolved Budgets

Savings were made in departmental devolved budgets due to police staff vacancies. Some of these were due to implementation of restructures that provide better and more cost-efficient service levels.

### Regional

The majority of regional collaboration areas underspent with the exception of East Midlands Operational Support Service (EMOpSS) which overspent on overtime and equipment. The main reason for the overspend on collaboration was the Multi-Force Shared Service (MFSS) budget due to late notification and modifications to the 2018/19 Force contribution, along with revenue implications of project delays and cancelled on-boarding of other partners. See also OPFCC Transfers below.

### Capital Financing

This underspent by £691k as a result of changes to the 2017/18 capital programme, which both delayed and reduced overall borrowing requirements.

### Reserve Transfers

Some of the investment and pressures identified above were funded through contributions from funds held by the OPFCC, as summarised below. It should be noted that this does not represent all transfers to/from reserves and summarises only those transactions that are worthy of note in relation to the Chief Constable's budget outturn.



Transfers In / (Out)	£'000
Pensions	(11)
Qlik (Business Intelligence)	(337)
Additional officer recruitment	(215)
Fraud investigation	(163)
PCSOs	(52)
Residual MFSS overspend	(34)
Investment underspend due to timing delays	668
	<b>(144)</b>

## Budget Outturn of the OPFCC

The PFCC budget for 2018/19 was £5.227m.

Over/ (Under)spends	£'000
PFCC Office Costs	43
PFCC Delivery Budgets:	
- Early Intervention	(508)
- Commissioning	(149)
- Complaints	(111)
- Other	(215)
Transfer to Reserves	940
	<b>0</b>

The OPFCC budget underspent by £0.940m, of which £0.065m has been ring fenced to support initiatives in the 2019/20 budget, leaving a net underspend of £0.875m. Material variances on the OPCC budgets are summarised below:

### PFCC Office Budget

The small overspend related to recruitment costs for the Chief Constable, together with his period of secondment with the OPCC in July 2018.

### Early Intervention (EI)

The underspend related to longer than anticipated recruitment timescales for the County Coordinators and Youth Workers. Additionally the EI consultancy Support contract implementation was delayed until April 2019.

### Commissioning

The Commissioning underspend mainly arose from lower than expected costs for Warwick House and the first quarters contract costs for the Custody Healthcare contract.

### Complaints

As the complaints legislation has not been finalised, the proposed new arrangements could not be implemented during the year.

### Other

Other delivery underspends relate to a balance remaining in the Police and Crime Plan delivery Fund, in addition to delayed timescales for Research and analysis appointments.



### Transfer to Reserves

The PFCC transferred the full OPFCC underspend to reserves. This was used to support investment and pressures in the Chief Constable budget, together with increasing resilience in general and insurance reserves.

### The Capital Budget

In addition to revenue expenditure, money is spent on assets such as buildings, computers and vehicles, which will be used by or on behalf of the PFCC to support policing requirements in the long term.

The Capital Programme underspent by £3.9m compared to the revised budget (£7.5m compared to the Capital Programme discussed at the February 2018 Police and Crime Panel). The table below provides a summary of the capital expenditure and funding for the year:

	Approved Capital Expenditure £'000	Actual Capital Expenditure £'000	Over/ (Under)spend £'000
<b>Programmes:</b>			
Change Programme	80	98	18
Estates	5,616	3,139	(2,477)
Information Services	1,898	896	(1,002)
Vehicles	1,311	1,026	(285)
Operational Equipment	366	196	(170)
	<b>9,271</b>	<b>5,355</b>	<b>(3,916)</b>
<b>Funding:</b>			
Grant	424	424	0
Capital Receipts	3,408	3,375	(33)
Long-Term Dilapidations	429	25	(404)
Revenue Contributions	166	1,531	1,365
Borrowing	4,778	0	(4,778)
Reserves	66	0	(66)
	<b>9,271</b>	<b>5,355</b>	<b>(3,916)</b>

Estates costs were lower than anticipated as, whilst the Capital Programme assumes some redevelopment costs for the main headquarters site, plans are awaited and exchange on the new training facility at Giffard House was completed in 2019/20.

Slippage on some of the Information Services Projects and Vehicles also contributed to the underspend.

Capital receipts were received from the headquarters and Rushden sites and these, together with the grant and revenue contributions ensured that no borrowing was required to fund the Capital Programme in 2018/19.

### Cash Flow

Total 'Cash and Cash Equivalents' at 31 March 2019 is £10.76m including share of Joint Venture and Associates cash balances. The main factors that will affect cash in the future are:

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

### Borrowing

The Local Government Act 2003 provides the PFCC with the power to borrow and describes his duty to determine and keep under review how much borrowing is affordable. Controls on borrowing are contained within the CIPFA Prudential Code for Capital Finance in Local Authorities and, under the provisions of the 2003 Act, the PFCC must have regard to the Code when carrying out his duties under the Act.

The key objectives of the Prudential Code are to ensure, within a clear framework that capital investment plans are:

- Affordable
- Prudent
- Sustainable

The PFCC reviews his Treasury Management Strategy and Minimum Revenue Provision annually. The last update was undertaken in March 2019.

## NON-FINANCIAL PERFORMANCE

### Outcomes

The PFCC produces an annual report each year which is considered in full at the Police, Fire and Crime Panel. This report details all key activities and areas of work undertaken by the PFCC, together with key performance areas. Alongside the development of the Road Safety Alliance and strategy and continued implementation of Sponsored PCSOs, key outcomes have included:

By the end of 2018/19, the PFCC had invested over £8million into frontline policing, helping to deliver an extra 46 frontline roles. In his precept report for 2019/20, the PFCC increases this investment even further.



The PFCC established an Early Intervention Team to work alongside partners helping some of the most vulnerable people and diverting young people from crime. The team have had success in preventing school exclusions for a number of young people. Without which, life chances would have been severely impacted and the likelihood of receiving a criminal conviction very high.

Developments of the Cyber Response Portal, Cyber Alarm and Digital 101 were implemented continuing with the PFCC commitment to embrace technological and digital tools to support front line policing.

The PFCC provided funding to ensure every police response vehicle in Northamptonshire will now be equipped with a special trauma response kit and frontline police officers will be trained to deal with major traumatic injuries.

The PFCC established a Youth Commission of 30 members to provide a platform for young people to get involved and express their views on a range of police, crime and fire issues affecting communities.

The sum of £0.627m of Home Office funding was received for an 18 month joint bid put together by the PFCC and local partners to prevent vulnerable young people from becoming involved in violence and gang activity in Northamptonshire.

In October 2018, the PFCC launched a ‘Supporting Communities Fund’, helping frontline police officers and staff to carry out small projects that will help make the public and the wider county of Northamptonshire safer. The fund has supported 12 schemes with small grants totalling more than £9,000.

The PFCC established a consultation called Time2Listen to understand the impact of mental health issues on the level of demand on services and the effect on vulnerable people in Northamptonshire. This involved more than 1,200 people and the report contains 34 recommendations for criminal justice and health agencies, along with an action plan to implement them.

## Operational Performance

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

### Her Majesty’s Inspector of Constabulary & Fire and Rescue Services (HMICFRS)

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

2018/19 will be the first year of the integrated PEEL assessments, which bring together PEEL inspections, force management statements and monitoring of forces to provide a judgment of how forces are performing. The latest report was produced following an inspection in September 2017 and rated Northamptonshire as Requiring Improvement:

Overall effectiveness 2017  Requires improvement		
Question	Grade	Last Inspected
Preventing crime and tackling anti-social behaviour	 Requires improvement	2017
Investigating crime and reducing re-offending	 Requires improvement	2017
Protecting vulnerable people	 Requires improvement	2017
Tackling serious and organised crime	 Requires improvement	2017
Specialist capabilities	Ungraded	2017

The next review has been carried out and the formal report is expected in September 2019.

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



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

#### The Accountability Board

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

The records of the Accountability Board are published on the OPFCC website. Areas for discussion and accountability include:

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

#### Independent Custody Visitor Scheme

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

In March 2019 the Northamptonshire ICV Scheme was awarded a 'silver' level as part of the Independent Custody Visitors Association's Quality Assurance Framework.

There are 22 ICVs in Northamptonshire. 8 new ICVs were recruited to the scheme during the last performance year.

#### Review of Complaints against the Force

In accordance with the Independent Office for Police Conduct (IOPC) guidelines, the Force Professional Standards Department (PSD) is the appropriate authority

in the first instances to assess any complaints made against Northamptonshire Police.

Some of the more serious complaints are referred to the IOPC to handle and investigate, but many are retained and handled by the PSD. In addition, the PFCC's statutory role is to scrutinise the Force and its performance and this is detailed further within the OPFCC annual report.

## EXTERNAL FACTORS

#### National Perspective

One of the PFCC key roles is to lobby central Government on behalf of the public in Northamptonshire. During the year, the PFCC continued to lobby for both a fairer funding settlement from the funding formula review and the opportunity to set a precept level based on local needs and circumstances. Whilst PCC's were given some local flexibility on the precept (up to £24), this was for one year only and needs to be considered in terms of long term sustainable funding for Policing in the future.

#### Central Government

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

The PFCC has a statutory duty to have regard to this and continues to ensure that Northamptonshire contributes to the national agenda with appropriate levels of resourcing whenever required. This includes lobbying the Government (in particular the Home Office and Ministry of Justice) for change that will make a difference to the safety of residents in Northamptonshire.

#### Fire Governance Transfer

Following the transfer of governance of the Northamptonshire Commissioner Fire and Rescue Authority (NCFRA), the PFCC is expecting the Chief Constable and Chief Fire Officer to work together to deliver better services to the public, including through sharing estates and non-frontline functions such as human resources and finance, enabling reinvestment in frontline delivery.





### Local Perspective

The public ultimately hold policing to account. At local level ratepayers vote for the PFCC in each policing geographical area as well as paying rates for the police element of the council tax rates.

The PFCC undertook consultation on the level of the precept between October and December 2018 to gain the views of local residents. After careful consideration of these views, and the 58% of residents who said they were prepared to pay more, the PFCC set a precept increase of £24 (10.86%) for the 2019/20 financial year. Over £3m of this increase is to make additional investment into essential and evolving demand areas for Northamptonshire.

## OUTLOOK

### Risks and Opportunities

There are some significant areas of uncertainty which include:

#### The Comprehensive Spending Review

This is a governmental process carried out by HM Treasury to set firm expenditure limits and, through public service agreements, define the key improvements that the public can expect from these resources. Usually set in a three-year cycle, a one-year review is expected later this year in light of Brexit.

#### Police Funding Formula

The police allocation formula (PAF) is essentially a calculation that uses various data sources (such as population density) to share money between police authorities in England and Wales.

Northamptonshire do not fare well from the current formula with central funding per head of population of £102.20 (Source: HMICFRS 2017 Value for Money profiles) compared to the national average of £119.00.

The PFCC is concerned that residents of Northamptonshire do not fare well from the current formula and continues to lobby locally and nationally on the important issue to secure the funding the police need to deliver the complex and changing requirements.

The funding formula for policing no longer reflects the challenges and demands of policing in the current climate. It is now anticipated that the funding formula would be revisited at or after the next spending review.

### Changing Demand

The Office of National Statistics (revised mid-year 2016 estimates) highlighted that in the years 2007 to 2016, the population of Northamptonshire has grown by an estimated 9.1% versus a 7.6% England average. When looking at the last 30 years, it has increased by just over 30% compared to a 16.8% England average. It is anticipated that this trend will continue over the medium term.

Increasing population and the demographics of those changes bring policing challenges. Together with the issue of more complex and changing demands on the police, it is essential that resources are prioritised to meet these challenges.

### HMICFRS

The 2017/18 inspection findings are outlined earlier in the narrative statement. An inspection of Northamptonshire Police took place in 2018/19 and the results of this inspection are anticipated in autumn 2019.

### Ageing Estate

Northamptonshire Police operates within an ageing estate and there has been limited investment in it over recent years.

The PFCC has an Estates Strategy which identified improvements in the Northamptonshire Police Estate over the Medium Term. The PFCC remains committed to developing an affordable future vision and plan for the Police Headquarters site in Northampton.

The Estates Strategy is being reviewed and updated alongside operational requirements being for the Force's FP20 programme.

In the longer term it is intended to bring together the Estates Strategies for NCFRA and the PFCC to improve services for Northamptonshire.

In taking forward the existing Estates Strategy, the PFCC has already completed the purchase of a Training facility



for Northamptonshire Police which it is anticipated will become operational in 2019/20.

#### BREXIT

Northamptonshire Police have a working Group on BREXIT to identify and mitigate the impact of any changes. However, the uncertainty of the timing and impact of BREXIT remain a risk. The PFCC and CC continue to monitor this and identify plans where feasible.

#### Investment

Following the public survey on the precept for 2019/20 and the better than originally anticipated funding settlement for the year, the PFCC ring-fenced the sum of £3m from this to be invested in the policing areas that the public said were important to them. These areas included neighbourhood policing, rural crime, burglary, anti-social behaviour and low level drug dealing.

The PFCC has supported an investment plan which increases the Force police officer establishment to 1310 by April 2021. This is part of a wider vision for the future of Northamptonshire Police to improve the effectiveness of the Force and provide a better response to key issues.

The investment has been ring-fenced and funded from the increased precept over the next three years. However, there remain shortfalls identified in the Medium Term Financial Plan after 2019/20.

Whilst these shortfalls can be met from reserves and managed over the next three years, the PFCC and CC will continue to identify and realise savings to ensure the use of reserves is minimised and that resources for frontline services can be maximised.

#### Futures Project 2020 (FP20)

FP20 is a change project that implements the Chief Constable's vision of a force that is designed to meet the challenges for the future. It will be reviewing and reshaping the organisation to better meet the needs of the public, and make a force that will be fit for the future.

The following guidelines apply:

- Clear accountability and ownership
- Resolve at the first point of contact
- Least number of handovers / processes

- Reduce demand failure
- Ability to flex resources to demand

All features of the new operating model will be designed with the above five principles in mind.

#### Interoperability

Both the Police and Crime Plan and the Fire and Rescue Plan demonstrate the commitment of the PCC, the CC and NCFRA to actively seek opportunities to work together to deliver more efficient and effective public services.

It is the PFCC's expectation that over time the following will be delivered:

- Shared Enabling Services
- Shared Estates Strategy
- Shared Prevention Approaches
- Interoperability



## THE FINANCIAL STATEMENTS

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

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

The key statements are as follows:

### Annual Governance Statement

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

### Expenditure and Funding Analysis (EFA)

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

### Movement in Reserves Statement (MiRS)

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

### Comprehensive Income and Expenditure Statement (CIES)

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

### Balance Sheet (BS)

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

### Cash Flow Statement

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

### Notes to the Financial Statements

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

### Events after the reporting period and authorised for issue date

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

### Police Pension Fund Account

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

### Accounting Policies

These outline the principles used for how we account and prepare our financial statements.

### Glossary of financial terms

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

### Statement of Provisions

Provisions are made where an event has taken place that gives the PFCC a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. These accounts include a number of provisions, detailed in the Notes to the Financial Statements.

### Pensions

The PFCC's staff, Police Staff and Police Officers are offered retirement benefits as part of their terms and conditions of employment. Although these benefits will not actually be payable until employees retire, International Accounting Standard (IAS) 19 requires that



the commitment to make future payments is disclosed at the time that employees and officers earn their future entitlement.

The PFCC and Chief Constable participate in two pension schemes:

### The Police Pension Scheme (PPS)

This is an unfunded defined benefit final salary scheme for police officers administered by the Chief Constable on behalf of the PFCC. There are no investment assets built up to meet the pension liabilities and cash has to be generated from employee and employer contributions to meet actual pension payments as they fall due. Under the Police Pensions Fund Regulations 2007 if the amounts receivable by the pensions fund for the year is less than amounts payable, the PFCC must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the PFCC, who then must repay the amount to central government.

### The Local Government Pension Scheme (LGPS)

This is offered to all staff employed by the PFCC and Chief Constable and is administered locally by Northamptonshire County Council. This is a funded defined benefit final salary scheme and both employers and employees pay contributions calculated at a level intended to balance the pension liabilities with investment assets.

### Material and unusual charges

The accounts conform to proper practice and contain full and frank disclosures of all material sums.

The increase in the group pension's liability of £83.500m has had a material impact on the accounts. Although this amount is substantial, it is a notional debit and as such does not represent cash payments to be made by the PFCC or Chief Constable or a charge on the General Fund. However, if the rise in our deficit continues, this could affect future employer's contributions.

## SUMMARY AND CONCLUSION

Despite the tight financial climate and future challenges, the PFCC Group continues to demonstrate a strong track record of effective financial management and delivering outturn within the approved budget.

The budgeting process continues to develop with rigorous challenge from both the Chief Constable and the PFCC and improvements have been identified to refine this further in 2019/20.

The PFCC has highlighted the need to ensure recommendations from HMICFRS are taken forward and implemented in a timely and effective manner to ensure the best services can be delivered for the public of Northamptonshire.

The 2019/20 funding settlement has provided the PFCC with an opportunity to increase investment in policing in the areas highlighted by the public.

However, the financial outlook remains challenging and the PFCC has prioritised both NCFRA and Northamptonshire Police to actively seek opportunities to work together to deliver more efficient and effective public services.

We are confident that the PFCC, Chief Constable and their respective leadership teams will continue to deliver strong and effective financial management in order to maintain an appropriate level of funding for essential operational services in Northamptonshire.

Helen King  
Chief Finance Officer (S151)

Date:

Stephen Mold  
Police, Fire and Crime Commissioner for  
Northamptonshire

Date:



## ANNUAL GOVERNANCE STATEMENT (OPFCC)

### Background and Framework

In the financial year 2018/19, the focus for the two corporations sole has been to develop the governance arrangements and strategies in place and to drive forward performance improvements, develop strategic management and take forward change in the area of Fire Governance.

In January 2019, governance for Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) transferred and the Police and Crime Commissioner (PCC) became the Police, Fire and Crime Commissioner (PFCC) as at that date. NCFRA are a separate corporation sole with separate legislative responsibilities.

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

In 2007, CIPFA developed with the Society of Local Authority Chief Executives (Solace) a framework – *"Delivering good governance in local government"*. This was subsequently reviewed in 2015 and an updated edition was published in April 2016.

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

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

### What is Governance?

Governance as defined in the 2016 framework is:

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

Good governance is not only about rules, policies and procedures but should also incorporate a spirit of good governance as an integral part of the culture of the organisation, its values and the expected behaviours. Senior leaders have a significant responsibility not only to ensure that good governance arrangements are properly codified and documented but also that the proper culture exists so that the concept of good governance, including transparency and openness, is effectively conveyed throughout their organisation.

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



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

This governance statement provides a high level overview. It comments on the effectiveness of governance arrangements over 2018/19 and makes proposals to improve processes, or mitigate issues or risks identified.

### The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the PFCC'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 PFCC and CC adopted a Joint Corporate Governance Framework which underwent significant review in April 2018. The next review is scheduled for summer 2019.

### The Governance Framework

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

- An Accountability Board forward plan seeking timely updates and assurances at appropriate times during the year. Minutes are publicly available on the PFCC's website.
- A Risk Management Strategy, with regular OPFCC reviews by the Directors and PFCC.
- An Annual Governance Statement produced by both the OPFCC and the CC.
- A Regional Annual Governance Statement for East Midlands Serious and Organised Crime (EMSOU) activities.
- An effective Joint Independent Audit Committee (JIAC).
- Ensuring that there is an effective Internal Audit function.
- Attendance by the OPFCC Directors, JIAC Chair and/or members at key meetings and briefings.

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

- A Police and Crime Plan, reviewed and updated in February 2019
- Updates to every Police and Crime Panel meeting on the OPFCC Delivery Plan.
- A Performance Management Framework, focused on achieving the objectives set out in the Plan.
- Regular financial reporting for both the OPFCC and the CC, both of which have been developed during the year and this development will continue in 2019/20.
- A Commissioning Framework to support the priorities for PFCC Commissioning.
- Engagement in Value for Money benchmarking such as is conducted by HMICFRS.
- Implementation of a Corporate Governance Framework for Victims Voice.
- Internal and External Audits of Victims Voice.





- To supplement the JIAC meetings, workshops are held during the year to focus on key areas of risk or internal control and supplement the lead member approach.

A Collaboration Board is due to be established with the PFCC, Chief Constable and Chief Fire Officer. It will provide a structured approach to managing and monitoring collaboration opportunities between Fire and Policing. A collaboration agreement is currently being finalised to support this.

## **Compliance with the Seven Principles set out in the CIPFA/SOLACE Framework**

### **Principle A: Behaving with Integrity, Demonstrating Strong Commitment to Ethical Values and Respecting the Rule of Law**

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

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

For 2018/19, related party disclosures have been undertaken for all key staff in the OPFCC, CC and JIAC members and this information is disclosed within the Statement of Accounts. Additionally, the PFCC and all members of OPFCC staff complete a declaration of business Interests.

During 2018/19, the PFCC undertook a review of the structure of the OPFCC, carried out in the context of the changes resulting from becoming the Northamptonshire Commissioner Fire and Rescue Authority. The PFCC decided to flatten the structure of the OPFCC through the previous Chief Executive becoming the lead for Enabling Services for 18 months. The statutory functions of the Chief Executive (Head of Paid Service and Monitoring Officer) are being rotated between two of the directors on a six monthly basis. At the end of the 18 month period the longer term structure and requirements of the Chief Executive role can be determined.

HR policies and procedures were reviewed and consulted on during 2018/19, with a view to implementation during the year. Following the transfer of Fire governance, further consideration has taken place and revised policies will be issued for OPFCC updated for the consultation will be issued for local scheme conditions, capability, disciplinary, absence management and recruitment. Police policies will be adopted for the remaining policies. This approach will facilitate a wider review of Fire and OPFCC HR policies in the future.

**Recommendation 1 - Complete the formal review of existing HR policies, practices and procedures and consider recommendations made. This remains ongoing, policies will be adopted in early 2019/20 and a wider review of policies undertaken in the future (2018/19 update).**



## Principle B: Ensuring Openness and Comprehensive Stakeholder Engagement

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

The OPFCC website provides information on the PFCC. It is used to publish a wide range of policy and information, making this easily accessible to the public. The website is currently being updated to reflect NCFRA and the role of the PFCC in Fire Governance. The OPFCC website has been awarded the independent CoPacc Transparency Award, two years in succession.

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

The OPFCC undertakes regular council taxpayer, customer and victim survey activities, ensuring that these can be used to inform council tax levels, service delivery by the Force and services which the PFCC has commissioned. During 2018/19, the PFCC consulted on the revised Police and Crime Plan alongside the level of the precept.

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

**Recommendation 2 – Complete OPFCC communications strategy and forward plan for community and stakeholder engagement to better inform and deliver strategic outcomes. This has been completed and the Strategy and forward plan are in place (2018/19 update).**

## Principle C: Defining Outcomes in Terms of Sustainable, Economic, Social and Environmental Outcomes

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

The PFCC has in place a Treasury Management Strategy (which includes a minimum revenue provision policy statement), and developed a Capital Strategy for 2019/20, which, together with the Reserves Strategy, revenue budget and capital programme were considered by the PFCC in proposing and setting his level of precept.

Grants for financial support were administered in 2018/19 via the community foundation. Following the implementation of a successful PCSO grants process and the first year of the PFCC Delivery fund, responsibility for allocation of these grants has now moved to the PFCC in 2019/20. These are alongside a Road Safety Grants process and supports resources being allocated in line with the objectives of the Police and Crime Plan.

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



East Midlands PCCs and CCs established an Efficiency Board, which is reviewing each regional collaboration in terms of economy, efficiency and effectiveness and also to ensure that they meet the needs of local people and Commissioners. In the context of resource constraints, Regional PCC and CCs continue to review the most appropriate balance of local and regional resource delivery.

**Recommendation 3** – Complete full performance framework for defined outcomes in the Police and Crime Plan. **Completed. Significant work has been undertaken on this to ensure that PFCC and CC have agreed a shared performance framework that reflects the Police and Crime Plan and Force Policing Priorities. The first iteration of this new document will be presented to accountability board on 14<sup>th</sup> May**

**Recommendation 4** – In conjunction with the Force develop an annual financial timetable to aid the planning, delivery and transparency of financial decisions and forecasts/modelling. **Completed. An annual financial timetable has been developed and built into the Accountability Board Framework. This recommendation has been closed and two separate recommendations identified for strategic planning and establishment management.**

**Recommendation 5** – Recommendations and subsequently agreed actions from the JIAC annual report taken forwards along with annual report being presented to the Police and Crime Panel. **This is ongoing - discussions are ongoing with the Chair and OPFCC to build these developments into the updated website. (2018/19 update).**

**Recommendation 6** – To ensure the effective transfer of Fire Governance to the PCC. **The transfer of Northamptonshire Fire and Rescue Service from the County Council to the now PFCC took place on 1<sup>st</sup> January 2019. The transfer had no impact on day to day frontline work for Fire. Fire is subject to separate AGS arrangements moving forward.**

#### **Principle D: Determining the Interventions Necessary to Optimise the Achievement of Intended Outcomes**

In 2018/19, the PFCC supported £1.250m of initiatives requested by the Chief Constable, to support the delivery of HMICFRS recommendations, of which £750k was funded by the PFCC. Recruitment has been slow to these posts which has delayed progress in these areas. The PFCC has continually raised his concerns on the slow progress during the year. The majority of the funding has been returned by year end.

The PFCC supported the CC in the 2018/19 budget by underwriting the Police Officer Establishment budget by up to £0.5m to support a less risk averse approach to Police Officer recruitment. However, the PFCC has raised concerns during the year that the management of recruitment and establishment has been unsatisfactory and the updates provided during the year have not given assurance in this area. Funding has been provided at year end to balance the Force budget in Police Officer Pay and detailed work has taken place as part of the budget. However, significant improvements are required to management of staffing establishment and its link to resources. The Force has appointed a dedicated Head of HR role who will drive this area forward. This has been highlighted as a high recommendation both in the AGS and the budget approval with the Chief Constable for 2018/19.

As part of the 2019/20 budget process, the PFCC agreed over £3m of initiatives to support operational priorities and frontline delivery and take forward the HMICFRS improvement areas. The PFCC has highlighted the need to improve strategic planning by the Force and deliver on the investment plan and recruitment priorities. The PFCC will monitor closely the FP20 work being taken forward by the Chief Constable.



In 2018/19 the follow up internal audit of seized property resulted in a limited assurance opinion. The Force have implemented improvement actions and the 2019/20 budget resulted in a significant resource increase in this area. The PFCC has sought a number of updates to the Accountability Board and will continue seeking updates in this area.

Both the Force and the OPFCC have continued to raise concerns with the delivery of the Multi-Force Shared Services (MFSS) project implementation which has resulted in increased costs, one partner deciding to leave and delays to the upgrade. This is alongside concerns about the quality of the business-as-usual arrangements. The PFCC took on the role of Chair during 2018/19 and significant officer engagement has taken place to seek implementation of the upgraded system and taking tangible steps to address and improve service delivery, accountability and transparency. The upgrade took place on 1 April 2019 and some concerns have been identified with the first payroll on the new system, but more significant concerns surround the Duty Management System element of the system.

The OPFCC and the Force continue to engage fully with the MFSS arrangements and upgrade programme, a local alternatives review is taking place with Nottinghamshire and the PFCC has supported the Force by investing in a contract manager post for the Force to take forward improvements in this area. Furthermore, partner discussions continue on future governance and the future provision of services for NCFRA.

**Recommendation 7 – Complete performance monitoring and reporting framework with IPSCJ. This recommendation has been completed (2018/19 update).**

**Recommendation 8 – To work with colleagues to ensure acceptable management and delivery of the MFSS upgrade and arrangements. Close working between the Force, OPFCC and Partners has improved governance arrangements of MFSS. However, although the implementation has taken place, improvements are still required to governance, organisational structure, cost management and operational delivery. This recommendation is ongoing.**

**Recommendation 9: To ensure the effective delivery of Victim Services through the Voice arrangements, ensuring effective governance arrangements are in place and to facilitate effective transfer of further victims' services to Voice as appropriate. An internal audit during 2018/19 demonstrated governance was adequate for the new Voice arrangements. Further services children and young people, roads, and ISVA have transitioned in without impact on service delivery. This is complete.**

### **Principle E: Developing Capacity and Capability**

During 2018/19, the PFCC restructured the roles of Monitoring Officer and Head of Paid Staff and the Chief Executive moved to the role of Director for Enabling Services as outlined earlier in the statement. The S151 Officer remained in post and both the S151 and Monitoring Officers took responsibility for these roles in NCFRA from 1 January 2019.

In August 2018, Simon Edens retired as Chief Constable and Nick Adderley took up the role. Rachel Swann, the Deputy Chief Constable moved to Derbyshire in February 2019 and Simon Nickless took up this important role. The Chief and Deputy Chief Constable are currently reviewing the operational delivery arrangements within the Force and project FP20 is currently underway to develop this vision.

The PFCC was successful in acquiring external grant for a Serious Youth Violence initiative with partners which commenced in 2018/19.



The PFCC enhanced his commitment to Early Intervention by appointing to the County Coordinator roles who work closely with partners and is currently recruiting Youth Worker roles in line with this priority.

### **Principle F: Managing Risk and Monitoring Performance**

During 2018/19, the PFCC and his office continued to demonstrate his commitment to transparency, sharing information and briefings with the Force, the Police, Fire and Crime Panel and the JIAC. The PFCC meets regularly with the CC, the Chair and Vice Chair of the Panel and holds regular briefings for councillors and attends numerous engagement events. Additionally, the PFCC has introduced a newsletter for Members of Parliament.

Performance forms a significant part of the Accountability Board and a representative of the OPFCC attends the regular Performance Implementation Group meetings to discuss performance at a more operational level and identify the issues and challenges.

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

During 2018/19, Mazars continued as internal auditors for the Region. Regular review and planning meetings took place with Force and OPFCC officers to update on progress and review and to attend the Regional Finance meetings to plan regional collaboration and local audits. Mazars attended each JIAC meeting to routinely report and give assurance on the adequacy and effectiveness of internal control. In addition, they contribute to the JIAC forward plan and agenda setting to inform and highlight national and regional themes, considerations and practices.

**Recommendation 10 – Train OPFCC staff in risk awareness and management. Ongoing. A risk management audit took place in 2018/19 and the new software is anticipated in early 2019/20. The OPFCC risk policy was reviewed in early 2019 and will be reviewed again along with all roles and responsibilities in early summer post the implementation of new risk management software. Risks and risk register is now a standing agenda item monthly at management team meetings (2018/19 update).**

**Recommendation 11 – To scrutinise and challenge the action plans and processes which are in place or required to deliver the improvements identified and required in the recent HMICFRS reports. Completed. The Force have developed a service improvement group and action plan, led robustly by the new DCC. An OPFCC Director attends meetings of this group and progress against recommendations are reported to Accountability Board.**

**Recommendation 12 – To ensure the Force has in place suitable financial monitoring arrangements and robust savings plans in place to meet the pressures identified and enable balanced budgets in 2018/19 and future years. This is ongoing. Whilst improved monitoring arrangements and timeliness has been evident, further development of budget holders and forecasting is required as are development of savings plans to balance budgets in future years.**

### **Principle G: Implementing Good Practices in Transparency, Reporting and Accountability**

There are detailed delivery plans that support the achievement of the Police and Crime Plan objectives. Processes are in place to hold to account OPFCC staff internally for delivery. There are nominated leads for all areas.

External governance is managed through a system of assurance that relies on appropriate attendance at meetings and forums by OPFCC staff to fully understand activities and associated risks. There is a robust,



formal Accountability Board meeting regularly between the PFCC and CC and this is supported by regular informal meetings between them.

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

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

**Recommendation 13 – To ensure the effective implementation of the Policing and Crime Act 2017 responsibilities are delivered in respect of Complaints. This has not taken place as parliamentary time has yet to be set aside for sign off of required regulations. The latest Home Office update suggest that this might not be for 12 months. Discussion is currently ongoing between PFCC and CC as to the feasibility of these changes being implemented voluntarily ahead of mandatory requirements to enhance service delivery. Ongoing.**

### Review of Effectiveness

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

The OPFCC and OCC continued to invest in an internal audit programme in 2018/19 which continued to give assurance under the arrangements for two corporation soles.

The 2018/19 Internal Audit Plan was discussed at the JIAC in March 2018 and was prepared following discussion and consideration of the Risk Register, assurance requirements and informed by regional themes. These ensured specific audits on:

- Absence Management and Wellbeing
- IT Strategy
- Force Management of MFSS Arrangements
- Victims Voice
- Seized Property
- General Data Protection Regulation (GDPR)
- Service Delivery Model
- Core Financial Systems (General Ledger, Cash, Bank & Treasury Management, Payments & Creditors, Income & Debtors, Payroll)
- Risk Management
- Performance, Skills & Talent Management

The collaboration internal audit plan for 2018/19 covered the following areas:

- Strategic Financial Planning
- Risk Management
- Business Planning
- Projected Underspend.





The Internal Audit Annual Report for 2018/19 has been produced and will be reported to and considered by the JIAC at their next meeting in July 2019.

The Internal Audit Opinion for the Police, Fire and Crime Commissioner reflected that at the time of the audit, the final report for Collaboration Projected Underspend was awaited:

*“Our overall opinion is that generally adequate and effective control and governance processes were in place to manage the achievement of the organisation’s objectives. We have, however, identified weaknesses that require addressing.”*

The weaknesses referred to are listed in Appendix 2 of the Internal Audit Annual report and relate to limited opinions in the areas of: Absence Management and Wellbeing, Force Management of MFSS Arrangements, Seized property and General Data Protection Requirements (GDPR)

The Chief Constable received a similar Internal Audit opinion.

The report further advised *“through our delivery of the Internal Audit Plan, our review of the JIAC’s effectiveness and attendance at JIAC meetings, we are satisfied that the governance framework for the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police has been effective for the year ended 31 March 2019.”*

Locally, four audits received limited assurance as detailed above, whilst six audits received satisfactory assurances. Regionally, three audits received satisfactory assurances.

There were four JIAC meetings held during the year, which were supplemented by workshops. At each meeting the JIAC review the future work plan. During the year, the JIAC completed an Audit Committee effectiveness self-assessment review, reviewed their terms of reference and produced an annual report. It is intended that an annual report will be produced for 2018/19 in July 2019.

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

- Update on Fraud & Corruption Processes
- Update on the Change Programme
- Fire Governance Implementation Update (3 updates prior to Governance Change)
- the Multi Force Shared Services (MFSS) upgrade, timescales and issues (4 updates)
- JIAC Annual Report
- Treasury Management Strategy 2019/20 and two 2017/18 updates
- Capital Programme 2019/20 and 2017/18 midyear update
- Capital Strategy 2019/20
- Medium Term Financial Plan and Budget Process and Update 2019/20
- HMIC Value For Money Indicators
- Monitoring Officer Update

Three workshops for PFCC/CC were held during the year which considered the following areas:

- June 2018 – PFCC and CC Statement of Accounts Workshop
- September 2018 – Estates Strategy Update & Outcome Based Budgeting Approach and Update.
- November 2018 – ICT Developments & Fire Governance Update

A Fire Accounts Workshop took place in February 2019 for NCFRA.



The Chair and/or JIAC members attending the annual CIPFA Training Day for Audit Committee members together with an External Audit briefing session and a briefing session on NCFRA with the Police, Fire and Crime Panel.

During 2018/19, Northamptonshire Police were subject to an inspection by HMICFRS. The results of the inspection will be available in autumn 2019 and it is anticipated that a number of recommendations will be identified.

### Significant Governance Issues

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

During the year the previous Chief Constable retired and Mr Nick Adderley was appointed in August 2018. In early 2019, the Deputy Chief Constable transferred to Derbyshire and was replaced by Mr Simon Nickless.

During 2018/19, the PFCC restructured the roles of Monitoring Officer and Head of Paid Staff and the Chief Executive moved to the role of Director for Enabling Services. The S151 Officer remained in post and both the S151 and Monitoring Officers took responsibility for these roles in NCFRA from 1 January 2019.

One JIAC member retired at the end of their second term from the JIAC during the year and an additional member was appointed to the JIAC. Recognising that a member will retire in autumn 2019, and that JIAC are already holding a vacancy, it is planned that two additional members will be recruited in 2019/20.

The independent auditor's report to the members of Police and Crime Commissioner for Northamptonshire was received on the 31 July 2018. The report highlighted that there was nothing to report in respect of their opinion on the financial statements.

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

#### Qualified Conclusion

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

#### Basis for Qualified Conclusion

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

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

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



Whilst the 2019/20 financial settlement has enabled a balanced budget for 2019-20, the PFCC has also raised the precept to provide £3m additionality to support frontline services, in line with the public consultation. Whilst, the precept increase supplemented by reserves are sufficient to provide a balanced budget in the medium term over the next 3 years, there are additional pressures, the impact of Brexit on funding is unknown, the next Comprehensive Spending Review is awaited and financial shortfalls are evident if savings are not identified. The PFCC will continue to actively seek a fairer funding settlement for Northamptonshire and support the Force in investing in ICT to facilitate the delivery of the efficiencies required.

### Actions

All OPFCC AGS actions have either been completed or were built into the 2017/18 recommended actions which have been updated within this statement. Of these thirteen actions, seven have been completed and six remain ongoing for completion in 2019/20 as highlighted earlier within this statement. Furthermore, the following risks and actions have been identified for 2018/19:

- To work with the Force to establish tighter internal controls in relation to the Victim's Code of Practice to reflect the increased responsibilities for PFCCs.
- To work with the Force to establish and embed better strategic planning processes to support effective resource allocation.
- To work with the Force to ensure stronger establishment monitoring and control arrangements are implemented and embedded.
- To agree a joint OPFCC/Force priorities for digital projects and activity to transform service delivery.
- To agree a joint collaboration agreement with Force and NCFRA to provide a structured approach to managing and monitoring collaboration opportunities.
- To ensure an action plan for HMIC recommendations is produced and to monitor progress of the Force on these recommendations.
- To monitor delivery of the Seized Property improvement actions.

### Conclusion

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



## ANNUAL GOVERNANCE STATEMENT (COLLABORATION)



### East Midlands Police Collaboration

Derbyshire Leicestershire Lincolnshire Northamptonshire Nottinghamshire

#### ANNUAL GOVERNANCE STATEMENT FOR REGIONAL COLLABORATION 2018/19

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

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

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

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

Compliance is monitored by management review and supported by specialist professional advice where appropriate. Where areas for improvement are identified these are subject to action plans that are revisited to ensure that they have been attended to.

Thematic inspections form part of the monitoring controls to ensure compliance with appropriate policies and regulations and demonstrate the effective and efficient use of resources.

**3. That the appropriate controls are in place for the management of all resources deployed within Regional collaboration**

A management structure is in place, with clear lines of accountability for both operational issues and use of resources.

A budget is approved each year at the EMPCC/CC's Board which defines the expenditure targets for each area of policing within regional collaboration. Each force actively supports the budget allocation and sets its own precept accordingly.

Management reports showing costs against budget are provided monthly. Unexpected variances are investigated and explained, ready for reporting to quarterly Management Boards and the EMPCC/CC's Board. Monthly expenditure reports are shared across the region to provide each force with visibility over expenditure to date and projected outturn position.

**4. Incorporating good governance arrangements in respect of partnerships.**

The EMPCC/CC's Board provides a forum for all members of collaboration to feedback their experiences of the partnership work. All forces can discuss governance, performance and financial issues at the quarterly meetings. The collaboration builds on best practice from across the country and the region to improve performance as well as saving money.

Signed

Date 7/5/19

Chris Haward  
Deputy Chief Constable (East Midlands)



## STATEMENT OF RESPONSIBILITIES

### The PFCC's Responsibilities

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

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

### The CFO's Responsibilities

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

The accounts are required to present fairly the financial position of the OPFCC at the accounting date and its income and expenditure for the year ended 31 March 2019.

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

Selected suitable accounting policies and applied them consistently;

- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### The Role of the Chief Constable

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

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

### Chief Finance Officer (OPFCC and CC) Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the OPFCC and Northamptonshire Police Force as at 31 March 2019 and the income and expenditure for the year ended 31 March 2019.

Helen King  
Chief Finance Officer (Section 151)  
Date:

Stephen Mold  
Northamptonshire Police, Fire and Crime Commissioner  
Date:



## EXPENDITURE AND FUNDING ANALYSIS (GROUP)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the OPFCC and Force. Income and expenditure accounted for under generally accepted accounting practices is presented in the Comprehensive Income and Expenditure Statement.

This has been restated to amalgamate costs into a more concise nationally recognised headings, the restatement details are held within Note 42.

2017/18			2018/19		
Net Expenditure chargeable to CIES	Adjustments	Net Expenditure as per CIES	Net Expenditure chargeable to CIES	Adjustments	Net Expenditure as per CIES
£000	£000	£000	£000	£000	£000
112,493	735	113,228	119,082	(4,148)	114,934
7,505	15,901	23,406	5,529	3,989	9,518
780	-	780	132	-	132
<b>120,778</b>	<b>16,636</b>	<b>137,414</b>	<b>124,743</b>	<b>(159)</b>	<b>124,584</b>
104	(104)		172	(172)	-
-	-		-	-	-
(122,201)	34,229	(87,972)	(126,035)	34,260	(91,775)
<b>(1,319)</b>	<b>50,761</b>	<b>49,442</b>	<b>(1,120)</b>	<b>33,929</b>	<b>32,809</b>
(10,335)			(11,654)		
(240)			-		
(1,079)			(1,120)		
<b>(11,654)</b>			<b>(12,774)</b>		

## EXPENDITURE AND FUNDING ANALYSIS (OPFCC)

2017/18			2018/19		
Net Expenditure chargeable to CIES	Adjustments	Net Expenditure as per CIES	Net Expenditure chargeable to CIES	Adjustments	Net Expenditure as per CIES
£000	£000	£000	£000	£000	£000
130	-	130	978	-	978
7,505	15,901	23,406	5,529	3,989	9,518
-	-	-	-	-	-
<b>7,635</b>	<b>15,901</b>	<b>23,536</b>	<b>6,507</b>	<b>3,989</b>	<b>10,496</b>
114,049	240	114,289	119,359	-	119,359
104	(104)		172	(172)	-
240	(240)		-	-	-
(123,347)	(437)	(123,784)	(127,158)	5	(127,153)
<b>(1,319)</b>	<b>15,360</b>	<b>14,041</b>	<b>(1,120)</b>	<b>3,822</b>	<b>2,702</b>
(10,335)			(11,654)		
(240)			-		
(1,079)			(1,120)		
<b>(11,654)</b>			<b>(12,774)</b>		





## MOVEMENT IN RESERVES STATEMENT (GROUP)

This statement shows the movement in the year on the different reserves held by the OPFCC, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (surplus)/deficit on the Provision of Services line shows the true economic cost of providing the OPFCC's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The 'Net Increase or Decrease before Transfers to Earmarked Reserves' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken.

Group	Earmarked		Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	General Fund Reserves			
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2018</b>	(3,760)	(7,894)	(11,654)	1,297,910	1,286,256
<b>Movement in reserves during 2018/19</b>					
Surplus or deficit on the provision of services	32,809	-	32,809	-	32,809
Other Comprehensive Income / Expenditure	-	-	-	48,744	48,744
<b>Total Comprehensive Income and Expenditure</b>	<b>32,809</b>	<b>-</b>	<b>32,809</b>	<b>48,744</b>	<b>81,553</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	(33,929)	-	(33,929)	33,929	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(1,120)</b>	<b>-</b>	<b>(1,120)</b>	<b>82,673</b>	<b>81,553</b>
Transfers to / from Earmarked Reserves	545	(545)	-	-	-
<b>Increase or Decrease in 2018/19</b>	<b>(575)</b>	<b>(545)</b>	<b>(1,120)</b>	<b>82,673</b>	<b>81,553</b>
<b>Balance at 31 March 2019</b>	<b>(4,335)</b>	<b>(8,439)</b>	<b>(12,774)</b>	<b>1,380,583</b>	<b>1,367,809</b>

Group	Earmarked		Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	General Fund Reserves			
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017</b>	(3,520)	(6,815)	(10,335)	1,255,098	1,244,763
<b>Movement in reserves during 2017/18</b>					
Surplus or deficit on the provision of services	49,442	-	49,442	-	49,442
Other Comprehensive Income / Expenditure	-	-	-	(7,949)	(7,949)
<b>Total Comprehensive Income and Expenditure</b>	<b>49,442</b>	<b>-</b>	<b>49,442</b>	<b>(7,949)</b>	<b>41,493</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	(50,761)	-	(50,761)	50,761	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(1,319)</b>	<b>-</b>	<b>(1,319)</b>	<b>42,812</b>	<b>41,493</b>
Transfers to / from Earmarked Reserves	1,079	(1,079)	-	-	-
<b>Increase or Decrease in 2017/18</b>	<b>(240)</b>	<b>(1,079)</b>	<b>(1,319)</b>	<b>42,812</b>	<b>41,493</b>
<b>Balance at 31 March 2018</b>	<b>(3,760)</b>	<b>(7,894)</b>	<b>(11,654)</b>	<b>1,297,910</b>	<b>1,286,256</b>



## MOVEMENT IN RESERVES STATEMENT (OPFCC)

Office of the Police, Fire & Crime Commissioner	Earmarked				Total Reserves £000
	General Fund Balance £000	General Fund Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	
<b>Balance at 31 March 2018</b>	<b>(3,760)</b>	<b>(7,894)</b>	<b>(11,654)</b>	<b>(44,989)</b>	<b>(56,643)</b>
<b>Movement in reserves during 2018/19</b>					
Surplus or deficit on the provision of services	2,702	-	2,702	-	2,702
Other Comprehensive Income / Expenditure	-	-	-	(2,913)	(2,913)
<b>Total Comprehensive Income and Expenditure</b>	<b>2,702</b>	<b>-</b>	<b>2,702</b>	<b>(2,913)</b>	<b>(211)</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	(3,822)	-	(3,822)	3,822	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(1,120)</b>	<b>-</b>	<b>(1,120)</b>	<b>909</b>	<b>(211)</b>
Transfers to / from Earmarked Reserves	545	(545)	-	-	-
<b>Increase or Decrease in 2018/19</b>	<b>(575)</b>	<b>(545)</b>	<b>(1,120)</b>	<b>909</b>	<b>(211)</b>
<b>Balance at 31 March 2019</b>	<b>(4,335)</b>	<b>(8,439)</b>	<b>(12,774)</b>	<b>(44,080)</b>	<b>(56,854)</b>

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



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (GROUP)

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

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

This has been restated to amalgamate costs into a more concise nationally recognised headings, the restatement details are held within Note 42.

2017/18			2018/19		
Expenditure	Income	Net Expenditure	Expenditure	Income	Net Expenditure
£000	£000	£000 Group	£000	£000	£000
146,531	(33,304)	113,227 Policing Services	146,206	(31,272)	114,934
22,316	-	22,316 Police, Fire & Crime Commissioner	8,795	-	8,795
2,151	(1,060)	1,091 Commissioning	2,007	(1,284)	723
780	-	780 Non Distributed Costs	132	-	132
<b>171,778</b>	<b>(34,364)</b>	<b>137,414 Cost Of Services</b>	<b>157,140</b>	<b>(32,556)</b>	<b>124,584</b>
1,388	(78)	1,310 Other Operating Expenditure (Note 7)	1,599	(78)	1,521
34,765	(29)	34,736 Financing and Investment Income and Expenditure (8)	34,356	(36)	34,320
-	(124,018)	(124,018) Taxation and Non Specific Grant Income (9)	-	(127,616)	(127,616)
<b>207,931</b>	<b>(158,489)</b>	<b>49,442 Surplus or Deficit on Provision of Services</b>	<b>193,095</b>	<b>(160,286)</b>	<b>32,809</b>
		(3,430) Surplus or deficit on revaluation of non-current assets			(3,248)
		(4,519) Actuarial Gains/Losses on Pension Schemes			51,992
		<b>(7,949) Other Comprehensive Income and Expenditure</b>			<b>48,744</b>
		<b>41,493 Total Comprehensive Income and Expenditure</b>			<b>81,553</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (OPFCC)

2017/18			2018/19		
Expenditure	Income	Net Expenditure	Expenditure	Income	Net Expenditure
£000	£000	£000 Office of the Police, Fire & Crime Commissioner	£000	£000	£000
8,668	(8,539)	129 Policing Services	14,965	(13,987)	978
22,316	-	22,316 Police, Fire & Crime Commissioner	8,795	-	8,795
2,151	(1,060)	1,091 Commissioning	2,007	(1,284)	723
-	-	- Non Distributed Costs	-	-	-
<b>33,135</b>	<b>(9,599)</b>	<b>23,536 Cost Of Services</b>	<b>25,767</b>	<b>(15,271)</b>	<b>10,496</b>
114,289	-	114,289 Intra Organisational Adjustment	119,359	-	119,359
197	-	197 Other Operating Expenditure (Note 7)	424	-	424
37	-	37 Financing and Investment Income and Expenditure (8)	39	-	39
-	(124,018)	(124,018) Taxation and Non Specific Grant Income (9)	-	(127,616)	(127,616)
<b>147,658</b>	<b>(133,617)</b>	<b>14,041 Surplus or Deficit on Provision of Services</b>	<b>145,589</b>	<b>(142,887)</b>	<b>2,702</b>
		(3,430) Surplus or deficit on revaluation of non-current assets			(3,248)
		(116) Actuarial Gains/Losses on Pension Schemes			335
		<b>(3,546) Other Comprehensive Income and Expenditure</b>			<b>(2,913)</b>
		<b>10,495 Total Comprehensive Income and Expenditure</b>			<b>(211)</b>



## BALANCE SHEET (OPFCC & GROUP)

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

OPFCC 31/03/2018 £000	GROUP 31/03/2018 £000		Note	OPFCC 31/03/2019 £000	GROUP 31/03/2019 £000
52,479	52,479	Property, Plant and Equipment	18	53,272	53,272
2,983	2,983	Intangible Assets	23	2,233	2,233
11	11	Long Term Investments		11	11
<b>55,473</b>	<b>55,473</b>	<b>Long Term Assets</b>		<b>55,516</b>	<b>55,516</b>
-	-	- Short-term Investments		-	-
2,900	2,900	Assets Held for Sale	20	1,881	1,881
431	431	Inventories	27	553	553
11,612	11,612	Short Term Debtors	26	12,593	12,593
5,136	5,136	Cash and Cash Equivalents	33	9,606	9,606
<b>20,079</b>	<b>20,079</b>	<b>Current Assets</b>		<b>24,633</b>	<b>24,633</b>
(14,570)	(17,323)	Short-Term Creditors	29	(18,604)	(20,167)
(1,362)	(1,362)	Provisions	28	(1,478)	(1,478)
<b>(15,932)</b>	<b>(18,685)</b>	<b>Current Liabilities</b>		<b>(20,082)</b>	<b>(21,645)</b>
		- Long Term Creditors		-	-
(310)	(310)	Long Term Provisions	28	-	-
(1,300)	(1,300)	Long Term Borrowing	39	(1,300)	(1,300)
(1,367)	(1,341,513)	Other Long-Term Liabilities	37	(1,913)	(1,425,013)
<b>(2,977)</b>	<b>(1,343,123)</b>	<b>Long Term Liabilities</b>		<b>(3,213)</b>	<b>(1,426,313)</b>
<b>56,643</b>	<b>(1,286,256)</b>	<b>Net Assets</b>		<b>56,854</b>	<b>(1,367,809)</b>
(11,654)	(11,654)	Usable Reserves	16	(12,774)	(12,774)
(44,989)	1,297,910	Unusable Reserves	17	(44,080)	1,380,583
<b>(56,643)</b>	<b>1,286,256</b>	<b>Total Reserves</b>		<b>(56,854)</b>	<b>1,367,809</b>



## CASH FLOW STATEMENT (OPFCC & GROUP)

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

2017/18		Heading	2018/19	
OPFCC £000	GROUP £000		OPFCC £000	GROUP £000
14,041	49,442	<b>Net Surplus/Deficit on Provision of Services</b>	2,702	32,809
(20,118)	(55,519)	Adjustments to net surplus/deficit on the provision of services for non cash movements (Note 34)	(12,654)	(42,761)
1,084	1,084	Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities (Note 34)	80	80
<b>(4,993)</b>	<b>(4,993)</b>	<b>Net cash flows from Operating Activities</b>	<b>(9,872)</b>	<b>(9,872)</b>
12,716	12,716	Investing Activities (Note 35)	5,402	5,402
-	-	Financing Activities	-	-
<b>7,723</b>	<b>7,723</b>	<b>Net (increase) or decrease in cash &amp; cash equivalents</b>	<b>(4,470)</b>	<b>(4,470)</b>
12,859	12,859	Cash & cash equivalents at the beginning of the reporting period	5,136	5,136
<b>5,136</b>	<b>5,136</b>	<b>Cash &amp; cash equivalents at the end of the reporting period</b>	<b>9,606</b>	<b>9,606</b>



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### Note 1 - Critical Judgements in Applying Accounting Policies

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

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

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

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

The items in the OPFCC's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase £0.071m for every year that useful lives had to be reduced.
Vehicles, Plant and Equipment and Intangible Assets	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The nature of the authority is that for example some equipment, e.g. vehicles can be driven in extreme conditions, which could result in increased impairments or reduced useful economic lives, however, historically this has not been the case.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for vehicles would increase by £0.538m for every year that useful lives had to be reduced.



Joint Venture	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The nature of the authority is that the joint assets could be used driven in extreme conditions, which could result in increased impairments or reduced useful economic lives, however, historically this has not been the case.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Provisions	The Authority requested an external expert assess its liability at the end of the 2018/19 Financial Year and has made a provision of £1.478m for the settlement of insurance claims, based on the number of known claims. As none of these claims have yet been settled the extent of the liability is still unknown.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.148m to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. During 2018/19, the Authority's actuaries advised that the net pension's liability had increased by £83.5m as a result of estimates being corrected. If laws and regulations surrounding the management of the Police Pension scheme were to change, the maximum additional liability the Force could face would be £1,425.0m, being the total pension liability.
Arrears	At 31 March 2019, the OPFCC had a balance of sundry debtors for £0.634m. A review of balances given the likelihood of default suggested that a bad debts provision of £0.088m was appropriate.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.88m to set aside as an allowance.
Investments	At 31 March 2019, the OPFCC held a balance of investments of £9.349m, before IFRS accounting adjustments for cash & cash equivalents. A review of these investments showed they were all banking institutes were either Within the top 30 most secure (rating completed by Building Society's Association, ranked by group assets), or other financial investment bodies are reviewed for credit worthiness via a stability assessment, based on short and long term market forecasts provided by the three main credit rating agencies. However, in the current economic climate other financial institutes have previously failed.	If one of these institutes were to fail, the maximum liability the OPFCC could face would £5m for an internally managed fund.



### Note 3 - Events After the Balance Sheet Date

Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### Note 4 - Officers' Remuneration

#### Employee Remuneration

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

2017/18			2018/19			
OPFCC - Total	Group - Total	£'s	OPFCC Police Staff	Group - Officers	Group - Staff	Total Employees
1	51	50,000 to 54,999	2	40	8	48
-	18	55,000 to 59,999	-	14	3	17
-	2	60,000 to 64,999	1	1	4	5
-	6	65,000 to 69,999	-	4	-	4
4	8	70,000 to 74,999	1	3	3	6
-	1	75,000 to 79,999	4	3	4	7
-	2	80,000 to 84,999	-	1	-	1
1	3	85,000 to 89,999	1	1	1	2
-	-	90,000 to 94,999	1	1	1	2
-	-	95,000 to 99,999	-	1	1	2
-	-	100,000 to 104,999	-	2	-	2
-	-	105,000 to 109,999	-	-	-	-
-	1	110,000 to 114,999	-	-	-	-
-	-	115,000 to 119,999	-	-	-	-
-	-	120,000 to 124,999	-	-	-	-
-	-	125,000 to 129,999	-	-	-	-
-	-	130,000 to 134,999	-	-	-	-
-	-	135,000 to 139,999	-	-	-	-
-	-	140,000 to 144,500	-	-	-	-
-	-	145,000 to 149,999	-	-	-	-
-	1	150,000 to 154,999	-	-	-	-
<b>6</b>	<b>93</b>		<b>10</b>	<b>71</b>	<b>25</b>	<b>96</b>

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



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

2018/19 Post Holder Information	Start Date	Leaving date	Salary	Expense Allowances (1)	Loss of office	Benefits in Kind	Other (3)	Total Excluding Pension	Employers Contribution	Total Including Pension
			£	£	£	£	£	£	£	£
<b>Police, Fire and Crime Commissioner</b>										
Stephen Mold - Police, Fire and Crime Commissioner (4)	12/05/2016		72,033	4,442	-	2,890	-	79,365	13,364	92,730
<b>Office of the Police, Fire and Crime Commissioner</b>										
Chief Executive	15/11/2016	16/12/2018	68,317	1,312	-	-	-	69,629	13,857	83,486
Project Director for Enabling Services	17/12/2018		25,128	-	-	-	-	25,128	3,458	28,586
Director For Delivery - 1	01/09/2016		76,475	1,198	-	-	-	77,673	14,188	91,860
Director of Technology & Digital Transformation (2)	22/11/2016	26/02/2019	68,719	-	-	-	-	68,719	14,104	82,823
Director for Delivery - 2	21/11/2016		75,894	476	-	-	-	76,370	-	76,370
Chief Finance Officer	09/11/2017		87,329	2,425	-	-	-	89,754	16,192	105,946
Director for Early Intervention	07/11/2016		76,475	4,780	-	-	-	81,254	14,188	95,442
<b>Voice Ltd</b>										
Chief Executive	01/08/2017		61,363	97	-	-	-	61,460	15,586	77,046
<b>Chief Constable</b>										
Nick Adderley - Chief Constable (5)	06/08/2018		100,638	355	-	21,140	8,411	130,544	24,354	154,898
Simon Edens - Chief Constable	27/07/2015	05/08/2018	53,034	147	-	-	-	53,181	-	53,181
Deputy Chief Constable	15/05/2017	03/02/2019	98,892	236	-	-	2,685	101,813	23,756	125,569
Deputy Chief Constable	04/02/2019		18,564	-	-	-	679	19,243	4,493	23,736
Assistant Chief Constable 1	15/05/2017		106,071	418	-	-	7,684	114,173	25,493	139,666
Assistant Chief Constable 2	15/05/2017		108,280	1,239	-	-	5,339	114,858	20,960	135,818
ACO Finance and Resources (6)	14/01/2016		-	-	-	-	-	-	-	-
Director of HR (6)	14/01/2016		89,311	2,950	-	-	5,036	97,297	17,937	115,233

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

(2) Following 26<sup>th</sup> February, this person continues to be paid by the OPFCC but is seconded outside the organisation and their costs recovered from a third party.

(3) Other includes Rent Allowance, Housing Allowance, Car Allowance, ACPO Med Allowance, Relocation Allowances and Tax paid on Relocation Allowances.

(4) On 1<sup>st</sup> Jan 2019 the PCC took on Fire Governance and the PFCC costs of this are included within these accounts.

(5) Prior to the Chief Constable starting with the OCC on 6<sup>th</sup> August, he was seconded to the PCC from Staffordshire, but these costs are recorded within Staffordshire's accounts.

(6) The ACO Finance and Resources and Director of HR posts are shared between Northamptonshire (50%) and Leicestershire (50%). The ACO for Resources is employed by Leicestershire, the total salary costs associated with this post is not included within the table above.

2017/18 Post Holder Information	Start Date	Leaving date	Salary	Expense Allowances	Loss of office	Benefits in Kind	Other	Total Excluding Pension	Employers Contribution	Total Including Pension
			£	£	£	£	£	£	£	£
<b>Police and Crime Commissioner</b>										
Stephen Mold - Police and Crime Commissioner*	12/05/2016		70,000	7,112	-	-	-	77,112	12,600	89,712
<b>Office of the Police and Crime Commissioner</b>										
Director for Resources**	01/11/2016	06/04/2017	1,266	10	46,736	-	-	48,011	177	48,188
Chief Executive	15/11/2016		85,879	3,396	-	-	-	89,275	15,458	104,733
Strategic Resource Officer***	01/11/2016	06/04/2017	3,104	-	31,286	-	-	34,390	144	34,534
Director For Delivery - 1	01/09/2016		72,717	1,429	-	-	-	74,146	13,089	87,235
Director of Technology & Digital Transformation	22/11/2016		72,717	-	-	-	-	72,717	13,089	85,806
Director for Delivery - 2	21/11/2016		72,717	507	-	-	-	73,224	-	73,224
Chief Finance Officer	09/11/2017		32,312	698	-	-	-	33,010	5,816	38,826
Director for Early Intervention	07/11/2016		72,717	4,778	-	-	-	77,495	13,089	90,584
<b>Voice Ltd</b>										
Chief Executive	01/08/2017		39,420	18	-	-	-	39,438	8,756	48,194
<b>Chief Constable</b>										
Simon Edens - Chief Constable	27/07/2015		152,352	955	-	-	-	153,307	-	153,307
Deputy Chief Constable 1	19/03/2015	01/06/2017	22,591	47	-	-	890	23,528	4,608	28,136
Deputy Chief Constable 2	15/05/2017		95,100	533	-	-	2,657	98,289	23,200	121,489
Assistant Chief Constable	31/07/2015	14/05/2017	17,090	137	-	-	531	17,759	8,472	26,232
Assistant Chief Constable 2	15/05/2017		85,647	190	-	-	5,820	91,657	20,892	112,549
ACO Finance and Resources (4)	14/01/2016		-	-	-	-	-	-	-	-
Director of HR (4)	14/01/2016		89,498	7,877	-	-	2,941	100,316	16,110	116,426

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

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

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

(4) In 2017/18 the ACO Finance and Resources post was shared between Northamptonshire (24.63%), Leicestershire (35.53%) and Nottinghamshire (39.84%). From 1<sup>st</sup> April 2018 this post is shared between Northamptonshire (50%) and Leicestershire (50%). As the individual is employed by Leicestershire, the total salary costs associated with this post is not included within the table above.



**Note 5A - Note to the Expenditure and Funding Analysis**

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
<b>2018/19 - Group</b>				
Policing Services	0	(2,958)	(1,190)	(4,148)
OPFCC & Commissioning	6,892	169	(3,072)	3,989
<b>Net Cost of Services</b>	<b>6,892</b>	<b>(2,789)</b>	<b>(4,262)</b>	<b>(159)</b>
Joint Venture & Associates	137	-	(309)	(172)
Other Income and Expenditure	(47)	34,294	13	34,260
Exceptional Item	-	-	-	-
<b>Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>6,982</b>	<b>31,505</b>	<b>(4,558)</b>	<b>33,929</b>

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
<b>2017/18 - Group</b>				
Policing Services	0	14	721	735
PCC & Commissioning	15,803	159	10	15,972
<b>Net Cost of Services</b>	<b>15,803</b>	<b>173</b>	<b>731</b>	<b>16,707</b>
Joint Venture & Associates	-	-	(104)	(104)
Other Income and Expenditure	(840)	34,703	295	34,158
Exceptional Item	-	-	-	-
<b>Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>14,963</b>	<b>34,876</b>	<b>922</b>	<b>50,761</b>

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
<b>2018/19 - OPFCC</b>				
Policing Services	0	0	0	0
OPFCC & Commissioning	6,892	169	(3,072)	3,989
<b>Net Cost of Services</b>	<b>6,892</b>	<b>169</b>	<b>(3,072)</b>	<b>3,989</b>
Joint Venture & Associates	137	-	(309)	(172)
Other Income and Expenditure	(47)	39	13	5
Exceptional Item	-	-	-	-
<b>Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>6,982</b>	<b>208</b>	<b>(3,368)</b>	<b>3,822</b>

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
<b>2017/18 - OPCC</b>				
Policing Services	0	0	0	0
PCC & Commissioning	15,803	159	10	15,972
<b>Net Cost of Services</b>	<b>15,803</b>	<b>159</b>	<b>10</b>	<b>15,972</b>
Joint Venture & Associates	-	-	(104)	(104)
Other Income and Expenditure	(840)	37	295	(508)
Exceptional Item	-	-	-	-
<b>Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>14,963</b>	<b>196</b>	<b>201</b>	<b>15,360</b>



### Note 5B - Segmental Analysis of Income and Expenditure

2018/19 - Group	Revenues from	Interest Revenue	Interest Expense	Depreciation and
	External Customers			Amortisation
	£000	£000	£000	£000
Policing Services	(23,222)	(36)	63	-
OPFCC & Commissioning	(1,284)	-	-	6,892
<b>Total</b>	<b>(24,506)</b>	<b>(36)</b>	<b>63</b>	<b>6,892</b>

2017/18 - Group	Revenues from	Interest Revenue	Interest Expense	Depreciation and
	External Customers			Amortisation
	£000	£000	£000	£000
Policing Services	(33,348)	(29)	63	174
PCC & Commissioning	(1,278)	-	-	6,889
<b>Total</b>	<b>(34,626)</b>	<b>(29)</b>	<b>63</b>	<b>7,063</b>

2018/19 - OPFCC	Revenues from	Interest Revenue	Interest Expense	Depreciation and
	External Customers			Amortisation
	£000	£000	£000	£000
Policing Services	-	-	-	-
OPFCC & Commissioning	(1,284)	-	-	6,892
<b>Total</b>	<b>(1,284)</b>	<b>-</b>	<b>-</b>	<b>6,892</b>

2017/18 - OPCC	Revenues from	Interest Revenue	Interest Expense	Depreciation and
	External Customers			Amortisation
	£000	£000	£000	£000
Policing Services	(8,117)	-	-	174
PCC & Commissioning	(1,278)	-	-	6,889
<b>Total</b>	<b>(9,395)</b>	<b>-</b>	<b>-</b>	<b>7,063</b>

### Note 5C - Expenditure and Income Analysed by Nature

2017/18		Nature of Expenditure or Income	2018/19	
OPFCC	Group		OPFCC	Group
£000	£000	£000	£000	
(91)	(91)	172	172	
-	(29)	-	(36)	
-	63	-	63	
(49,882)	(49,882)	(54,092)	(54,092)	
(73,052)	(73,052)	(73,053)	(73,053)	
(1,923)	(23,675)	(8,521)	(31,779)	
-	(3,696)	-	-	
1,699	150,372	6,040	152,215	
15,916	41,157	6,255	33,040	
-	1,190	-	-	
198	198	(535)	(613)	
6,889	6,889	6,892	6,892	
114,289	-	119,544	-	
(2)	(2)	-	-	
<b>14,041</b>	<b>49,442</b>	<b>2,702</b>	<b>32,809</b>	





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

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

2018/19	General Fund Balance OPFCC £000	Movement in Unusable Reserves OPFCC £000	General Fund Balance Group £000	Movement in Unusable Reserves Group £000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	208	(208)	31,505	(31,505)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)				
Council tax and NDR (transfers to or from the Collection Fund)	(36)	36	(36)	36
Holiday pay (transferred to the Accumulated Absences reserve)	(4)	4	(1,194)	1,194
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	1,537	(1,537)	1,537	(1,537)
<b>Total Adjustments to Revenue Resources</b>	<b>1,705</b>	<b>(1,705)</b>	<b>31,812</b>	<b>(31,812)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	556	(556)	556	(556)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,557	(1,557)	1,557	(1,557)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>2,113</b>	<b>(2,113)</b>	<b>2,113</b>	<b>(2,113)</b>
Other adjustments	4	(4)	4	(4)
<b>Total Adjustments</b>	<b>3,822</b>	<b>(3,822)</b>	<b>33,929</b>	<b>(33,929)</b>



	General Fund Balance OPFCC £000	Movement in Unusable Reserves OPFCC £000	General Fund Balance Group £000	Movement in Unusable Reserves Group £000
<b>2017/18</b>				
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(194)	194	(34,874)	34,874
Financial Instruments (transferred to the Financial Instruments Adjustments Account)				
Council tax and NDR (transfers to or from the Collection Fund)	(191)	191	(191)	191
Holiday pay (transferred to the Accumulated Absences reserve)	(83)	83	(804)	804
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(19,189)	19,189	(19,189)	19,189
<b>Total Adjustments to Revenue Resources</b>	<b>(19,657)</b>	<b>19,657</b>	<b>(55,058)</b>	<b>55,058</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	239	(239)	239	(239)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,040	(4,040)	4,040	(4,040)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>4,279</b>	<b>(4,279)</b>	<b>4,279</b>	<b>(4,279)</b>
Other adjustments	18	(18)	18	(18)
<b>Total Adjustments</b>	<b>(15,360)</b>	<b>15,360</b>	<b>(50,761)</b>	<b>50,761</b>

### Note 7 - Other Operating Expenditure

Other Operating Expenditure includes levies; gains or losses on the disposal of non-current assets in the CIES for 2018/19.

2017/18		2018/19	
OPFCC £000	Group £000	OPFCC £000	Group £000
-	1,190	-	1,175
197	197	424	424
-	(77)	-	(78)
<b>197</b>	<b>1,310</b>	<b>424</b>	<b>1,521</b>

### Note 8 - Financing and Investment Income and Expenditure

2017/18		2018/19	
OPFCC £000	Group £000	OPFCC £000	Group £000
	63	-	63
37	34,702	39	34,293
	(29)	-	(36)
<b>37</b>	<b>34,736</b>	<b>39</b>	<b>34,320</b>



### Note 9 - Taxation and Non-Specific Grant Income

2017/18			2018/19	
OPFCC £000	Group £000		OPFCC £000	Group £000
(49,882)	(49,882)	Council tax income	(54,092)	(54,092)
-	-	- Non-domestic rates income and expenditure	-	-
(73,052)	(73,052)	Non-ringfenced government grants	(73,053)	(73,053)
(1,084)	(1,084)	Capital grants and contributions	(471)	(471)
-	-	- Other tax or non-specific grant income / expenditure	-	-
<b>(124,018)</b>	<b>(124,018)</b>	<b>Total</b>	<b>(127,616)</b>	<b>(127,616)</b>

### Note 10 - Material Items of Income and Expense

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

2017/18			2018/19	
OPFCC £000	Group £000		OPFCC £000	Group £000
1,362	1,362	Insurance Provision	1,478	1,478
310	310	Property Dilapidations (Long Term)	-	-
-	-	- Building Impairment - reversal through SDPS	(959)	(959)
12,794	12,794	Building Impairment	441	441
<b>14,466</b>	<b>14,466</b>	<b>Total</b>	<b>960</b>	<b>960</b>

### Note 11 - Trading Operations

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

### Note 12 - Members' Allowances

During 2018/19 a total of £0.015m was paid in Allowances and Reimbursements for JIAC members (2017/18 £0.014k).

OPFCC £000	Group £000		OPFCC £000	Group £000
14	14	Allowances and Re-imburements	14	14
0	0	Other Expenses (including travel)	1	1
<b>14</b>	<b>14</b>	<b>Total</b>	<b>15</b>	<b>15</b>



### Note 13 - External Audit Costs

During the year the group incurred direct external audit fees for EY. The audit Fee of £45k in 17/18 and £35k in 18/19 related to the statutory audit work for Statement of Accounts, which is a statutory requirement. In 2018/19 the group paid an additional £1k for a mandatory National Fraud Initiative (NFI), which was paid to the Audit Commission. Therefore the total charge for external audit fees was £36k, with £35k being payable to EY.

2017/18			2018/19	
OPFCC	Group		OPFCC	Group
£000	£000		£000	£000
		Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year		
30	45		23	35
<b>30</b>	<b>45</b>	<b>Total</b>	<b>23</b>	<b>35</b>

### Note 14 - Grant Income

The OPFCC credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

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

2017/18			2018/19	
OPFCC	Group		OPFCC	Group
£000	£000		£000	£000
(66,408)	(66,408)	Revenue Support Grant	(66,409)	(66,409)
(6,644)	(6,644)	Council Tax Burden Grant	(6,644)	(6,644)
(645)	(645)	Capital Grants and Contributions	(471)	(471)
		Other Capital Grants and Contributions		
<b>(73,697)</b>	<b>(73,697)</b>	<b>Total</b>	<b>(73,524)</b>	<b>(73,524)</b>

#### Credited to Services

2017/18			2018/19	
OPFCC	Group		OPFCC	Group
£000	£000		£000	£000
		ACPO (TAM)	-	(363)
	(16,276)	Pension Top Up Grant	-	(15,119)
		IPV Funding	-	(531)
(848)	(848)	Ministry of Justice	(852)	(852)
(439)	(439)	Police Transformation Grant	-	-
		Sales of Goods and Services	-	(86)
(20)	(141)	Proceeds of Crime	(20)	(154)
<b>(1,307)</b>	<b>(17,704)</b>	<b>Total</b>	<b>(872)</b>	<b>(17,105)</b>



## Note 15 - Related Parties

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

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

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

During the year, "Victims Voice" continued as a company limited by guarantee to deliver support services to victims (these services were previously provided by Victim Support).

In 2018/19, the PFCC provided 100% of the funding to Victims Voice which equated to a grant in the year of £0.885m (part of the Ministry of Justice Grant received by the PFCC). The Voice underspend of £0.135m (prior to any pensions adjustment) was transferred to the PFCC at year end in line with the grant agreement.

The PFCC is the chair of the Victims Voice Board which is comprised of the Victims Voice Chief Executive and during the year, the Chief Constable and three other directors were appointed to the Board.

The Director of Delivery, Chief Finance Officer and the OPFCC and Fire Accountant continued to advise Victims Voice in a professional capacity during the year. Advice was also provided from specialist staff in the force from areas such as ICT and estates.

As the OPFCC staff provide advice to Victim's Voice, as such they may have the opportunity to significantly influence the policies of Victims Voice. Measures are in place to mitigate this influence and with a grant agreement and a service level agreement in place, together with the

development of a corporate governance framework and the requirements of the Ministry of Justice Grant conditions.

Key members of staff in the OPFCC and Chief Officers are required, at the end of each year, to declare whether they, or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the OPFCC during the financial year. This has included Joint Independent Audit Committee members (JIAC). Returns have been received from all individuals.

In January 2019, the PFCC took over Governance for the Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) for which a separate Statement of Accounts is produced. The Director of Delivery (and Monitoring Officer) and Chief Finance Officer undertake these roles in NCFRA. All Directors, OPFCC staff and the OPFCC and NCFRA Accountant undertake work for both organisations and this includes two additional roles. In 2019/20, the sum of £0.400m will be charged to NCFRA for this support, but due to the time taken to appoint staff in the OPFCC, no costs were charged to NCFRA in 2018/19

A separate collaboration agreement is being prepared to set out the governance arrangements for existing and future collaborative activities between OPFCC, CC and NCFRA.

Northamptonshire Police received funds during the year from NCC for the period 1 April to 31 December 2018 and from NCFRA for the period 1 January to 31 March 2019 in respect of contributions to communications and stores roles. These contributions equated to less than £0.100m across both NCC and NCFRA in the twelve month period. Additionally,

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



During 2019/20, the following related party transactions are reported within the OPCC:

The PFCC contributed the sum of £0.040m to the Community Foundation, an organisation which awards grants to local organisations. Two members of the OPCC are part of the decision making process for the awards to ensure alignment with the Police and Crime Plan objectives. The sum of 19K was returned by the Foundation to the PFCC at year end.

During the year, the Director of Early Intervention continued as a Trustee for Groundwork for which the OPFCC has provided funding in previous years.

The Director of Early Intervention continued as a Board member for Northamptonshire Emergency Cadets for NCFRA, Police and Ambulance. The Force made a financial contribution of £115K on in kind support during the year.

During the year, the Director of Delivery represented the OPFCC on the Crimestoppers Board for which the PFCC provided funding and was appointed as a non-voting director onto the Northamptonshire Business Crime Partnership.

### Note 16 - Transfers to/from Earmarked Reserves

This note sets out the Group amounts set aside from the General Fund and earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet the General Fund requirements in 2018/19.

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

As at the 1 April 2019, the General Fund balance stood at £4.335m.

Group	Balance at	Transfers in	Transfers out	Balance at	Transfers in	Transfers out	Balance at
	31 March 2017	2017/18	2017/18	31 March 2018	2018/19	2018/19	31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Insurance	(1,002)	(80)	0	(1,082)	(525)	-	(1,607)
CC Carry Forwards	0	(167)	0	(167)	-	167	-
Victims	0	(163)	0	(163)	(135)	-	(298)
Pensions	(1,286)	0	0	(1,286)	-	11	(1,275)
S106 Reserve	0	0	0	-	(198)	-	(198)
Initiatives Fund	(1,134)	(838)	0	(1,972)	(35)	390	(1,617)
Invest to Save	(977)	0	0	(977)	-	337	(640)
Enabling Services	0	0	0	-	-	(400)	(400)
Safer Roads	(1,306)	(162)	0	(1,468)	(181)	43	(1,606)
Additionality Reserve	0	0	0	-	(152)	-	(152)
Capital	(526)	(4,360)	4,886	-	(46)	-	(46)
Collaboration	(584)	(195)	0	(779)	(76)	255	(600)
<b>Total Earmarked Reserves</b>	<b>(6,815)</b>	<b>(5,965)</b>	<b>4,886</b>	<b>(7,894)</b>	<b>(1,348)</b>	<b>803</b>	<b>(8,439)</b>
General Fund	(3,520)	(240)	0	(3,760)	(931)	356	(4,335)
<b>Total Reserves</b>	<b>(10,335)</b>	<b>(6,205)</b>	<b>4,886</b>	<b>(11,654)</b>	<b>(2,279)</b>	<b>1,159</b>	<b>(12,774)</b>

On 31 March 2019, the total Earmarked Reserves and General Fund balance stood at £12.774m (£11.654m in 2018/19). These were made up as follows:





**General Fund balance £4.335m**

After taking account of transfers to and from reserves and the required provisions, the OPFCC increased the balance by £0.575m.

**Initiatives Fund Reserve £1.617m**

The opening balance was £1.972m. During the year there was £0.355m drawn down to meet the Commissioner's objectives in future financial years.

**Insurance Reserve balance £1.607m**

The Insurance Earmarked Reserve is designed to meet potential future claims. An increase to the insurance reserve of £0.525m is designed to meet potential future claims. The adequacy of this will be reviewed on a regular basis to ensure compliance with Insurance advice.

**Invest to Save Earmarked Reserve balance £0.640m**

This is an earmarked reserve and it has been set up to fund specific agreed schemes that will deliver long term efficiency savings for the Force, for which £0.337m was utilised in 2018/19.

**Pensions Reserve balance £1.275m**

The pensions reserve is maintained for those liabilities relating to Police Officers pension payments that still fall to be met by the OPFCC. The Force used £0.011m in 2018/19. These include one-off lump sum payments due when an officer retires on ill health and payments of injury awards. It was deemed that this reserve was adequate, however this reserve will be continually reviewed to ensure that it still fit for purpose and will be adjusted as circumstances change.

**Safer Roads Reserve balance £1.606m**

The opening balance was £1.468m and there was an in year revenue contribution amounting to £0.181m, with £0.043m utilised for safer roads projects. This balance is specifically assigned to Safer Roads and in-particular speed awareness training is the funding generator and both the training and support staff are funded from this source. This reserve has a significant balance. However, there are potential calls on this reserve. Firstly, if training income is significantly reduced there will have to be a revenue adjustment to account for potential revenue staffing shortfall.

**Capital Reserve balance £0.046m**

The reserve was set up to fund the future capital spending to ensure the OPFCC can continue to fund its capital programme at the planned levels, the current balance was fully utilised in year. £0.046m was added due to the under spend in the capital programme.

**Regional Reserve balance £0.600m**

The reserve comprises of £0.524m from the Joint Venture accounts and £0.076m carry forward from other regional underspends.

**CC Carry forwards £0.0m**

The reserve comprised 2017/18 underspends, that were utilised in 2018/19.

**Victims Reserve balance £0.298m**

This is a new earmarked reserve to fund services to improve Victim outcome and an additional contribution of £0.135 was added this year.

**S106 Reserve balance £0.198m**

This is a new earmarked reserve and it has been set up to fund hold S106 developer contributions, when the legal conditions have been met, but they are held until the OPFCC can allocate them against an appropriate purpose.

**Additionality Reserve balance £0.152m**

This is a new earmarked reserve and it has been set up to help mitigate future costs from the additionality investments.

**Enabling Services Reserve balance £0.400m**

This is a new earmarked reserve and it has been set up to fund future work on the Enabling Services Programme.



### Note 17 - Unusable Reserves

2017/18			2018/19	
OPFCC £000	Group £000		OPFCC £000	Group £000
(16,405)	(16,405)	Revaluation Reserve	(16,703)	(16,703)
(28,686)	(28,686)	Capital Adjustment Account	(27,969)	(27,969)
1,367	1,341,513	Pension Reserve	1,913	1,425,013
(1,395)	(1,395)	Collection Fund Adjustment Account	(1,431)	(1,431)
130	2,883	Accumulated Absences Account	110	1,673
<b>(44,989)</b>	<b>1,297,910</b>	<b>Total</b>	<b>(44,080)</b>	<b>1,380,583</b>

#### Revaluation Reserve

2017/18			2018/19	
OPFCC £000	Group £000		OPFCC £000	Group £000
<b>(13,412)</b>	<b>(13,412)</b>	Balance 1 April	<b>(16,405)</b>	<b>(16,405)</b>
(3,430)	(3,430)	Upward revaluation of assets	(5,332)	(5,332)
-	-	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	2,077	2,077
<b>(3,430)</b>	<b>(3,430)</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>(3,255)</b>	<b>(3,255)</b>
437	437	Difference between fair value depreciation and historical cost depreciation	533	533
<b>437</b>	<b>437</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>533</b>	<b>533</b>
-	-	Other movements to the Surplus or Deficit on Provision of Services	2,424	2,424
-	-	Other movements to Other Comprehensive Income and Expenditure	-	-
<b>(16,405)</b>	<b>(16,405)</b>	<b>Balance 31 March</b>	<b>(16,703)</b>	<b>(16,703)</b>

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

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



## Capital Adjustment Account

2017/18		2018/19	
OPFCC £000	Group £000	OPFCC £000	Group £000
<b>(43,141)</b>	<b>(43,141)</b>	<b>(28,686)</b>	<b>(28,686)</b>
	Balance 1 April		
4,153	4,153	4,415	4,415
12,794	12,794	(390)	(390)
2,910	2,910	2,480	2,480
		(486)	(486)
463	463	1,251	1,251
	Charges for depreciation and impairment of non-current assets		
	Revaluation gain/losses on non-current assets		
	Amortisation of intangible assets		
	Revenue expenditure funded from capital under statute		
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		
<b>20,320</b>	<b>20,320</b>	<b>7,270</b>	<b>7,270</b>
<b>(437)</b>	<b>(437)</b>	<b>(533)</b>	<b>(533)</b>
	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
	Adjusting Amounts written out of the Revaluation Reserve		
<b>19,883</b>	<b>19,883</b>	<b>6,737</b>	<b>6,737</b>
	Net written out amount of the cost of non-current assets consumed in the year		
(1,084)	(1,084)	(471)	(471)
(239)	(239)	(556)	(556)
(4,086)	(4,086)	(4,976)	(4,976)
<b>(5,409)</b>	<b>(5,409)</b>	<b>(6,003)</b>	<b>(6,003)</b>
(19)	(19)	(17)	(17)
<b>(28,686)</b>	<b>(28,686)</b>	<b>(27,969)</b>	<b>(27,969)</b>
	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		
	Statutory provision for the financing of capital investment charged against the General Fund		
	Capital expenditure charged against the General Fund		
	Capital financing applied in year:		
	Other movements		
	Balance 31 March		

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

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

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



## Pension Reserve

2017/18			2018/19	
OPFCC	Group		OPFCC	Group
£000	£000		£000	£000
<b>1,288</b>	<b>1,311,157</b>	<b>Balance 1 April</b>	<b>1,367</b>	<b>1,341,513</b>
(117)	(4,518)	Re-measurements of the net defined benefit (liability)/asset	335	51,992
		Reversal of items relating to retirement benefits debited or		
		credited to the Surplus or Deficit on the Provision of Services		
346	67,034	in the Comprehensive Income and Expenditure Statement	211	49,160
		Employer's pensions contributions and direct payments to		
(150)	(32,160)	pensioners payable in the year	-	(17,652)
<b>1,367</b>	<b>1,341,513</b>	<b>Balance 31 March</b>	<b>1,913</b>	<b>1,425,013</b>

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

## Collection Fund Adjustment Account

2017/18			2018/19	
OPFCC	Group		OPFCC	Group
£000	£000		£000	£000
<b>(1,586)</b>	<b>(1,586)</b>	<b>Balance 1 April</b>	<b>(1,395)</b>	<b>(1,395)</b>
		Amount by which council tax and non-domestic rates income		
		credited to the Comprehensive Income and Expenditure		
		Statement is different from council tax income calculated for		
191	191	the year in accordance with statutory requirements	(36)	(36)
<b>(1,395)</b>	<b>(1,395)</b>	<b>Balance 31 March</b>	<b>(1,431)</b>	<b>(1,431)</b>

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



## Accumulated Absences Account

2017/18			2018/19	
OPFCC £000	Group £000		OPFCC £000	Group £000
48	2,079	Balance 1 April	130	2,883
(48)	(2,079)	Settlement or cancellation of accrual made at the end of the preceding year	(130)	(2,883)
130	2,883	Amounts accrued at the end of the current year	110	1,673
<b>130</b>	<b>2,883</b>	<b>Balance 31 March</b>	<b>110</b>	<b>1,673</b>

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

## Note 18 - Property, Plant and Equipment

	Land & Buildings £000	Vehicles, Plant, & Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Movements to 31 March 2019</b>				
<b>Cost or Valuation</b>				
<b>at 1 April 2018</b>	<b>49,421</b>	<b>12,636</b>	<b>640</b>	<b>62,697</b>
Additions	706	2,549	417	3,672
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,255	-	-	3,255
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	390	-	-	390
Derecognition – disposals	(353)	(2,450)	-	(2,803)
Reclassifications and transfers	(1,100)	1,690	(590)	-
Reclassifications to Assets Held for Sale	(1,881)	-	-	(1,881)
<b>at 31 March 2019</b>	<b>50,438</b>	<b>14,425</b>	<b>467</b>	<b>65,330</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>at 1 April 2018</b>	<b>(2,816)</b>	<b>(7,402)</b>	<b>-</b>	<b>(10,218)</b>
Depreciation charge	(276)	(4,139)	-	(4,415)
Reserve	352	134	-	486
Derecognition – disposals	-	2,089	-	2,089
<b>at 31 March 2019</b>	<b>(2,740)</b>	<b>(9,318)</b>	<b>-</b>	<b>(12,058)</b>
<b>Net Book Value</b>				
<b>at 31 March 2019</b>	<b>47,698</b>	<b>5,107</b>	<b>467</b>	<b>53,272</b>
<b>at 31 March 2018</b>	<b>46,605</b>	<b>5,234</b>	<b>640</b>	<b>52,479</b>



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

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

The OPFCC's final capital expenditure figure in Note 24 to the Accounts, of £5.402m, was made up of intangible assets in Note 23 & the Joint Venture expenditure.

### **Note 19 - Impairment Losses**

For the financial period of 2018/19 there was:

- A reversal of an earlier of £0.959m credited to the Surplus and Deficit on the Provision of Service, which related to the change in revaluation calculation on the Northern Accommodation Hub
- An impairment of £0.441m charged to the Surplus and Deficit on the Provision of Service. This charge related to the revaluation of The Criminal Justice Centre (CJC)
- A £0.128m charge relating to the regional Joint Asset.





### Note 20 - Assets Held for Sale

The OPFCC during 2018/19, holds 3 assets that are classified as Assets Held for Sale, these are Kettering, Thrapston & Earls Barton.

OPFCC Current 31/03/2018 £000	Group Current 31/03/2018 £000	OPFCC Current 31/03/2018 £000	Group Current 31/03/2018 £000
66	66	2,900	2,900
(66)	(66)	(2,900)	(2,900)
2,900	2,900	1,881	1,881
<b>2,900</b>	<b>2,900</b>	<b>1,881</b>	<b>1,881</b>

### Note 21 - Investment Properties

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

### Note 22 - Leases

The OPFCC holds premises and some equipment on an operating lease basis, made payments of £0.333m for the year and was committed to making the following lease payments.

2018/19	Future Years Committed Expenditure			
	£000 Land	£000 Buildings	£000 Equipt.	£000 Total
Leases expiring in 2019/20	33	45	9	87
Leases expiring between 2020/21 and 2023/24	35	48	-	83
Leases expiring 2024/25 and after	69	94	-	163
<b>Total</b>	<b>137</b>	<b>187</b>	<b>9</b>	<b>333</b>

As at the end of 31st March 2018 and 2019, the group had no Finance Leases.

2017/18	Future Years Committed Expenditure			
	£000 Land	£000 Buildings	£000 Equipt.	£000 Total
Leases expiring in 2019/20	22	30	-	52
Leases expiring between 2020/21 and 2023/24	35	48	-	83
Leases expiring 2024/25 and after	71	97	-	168
<b>Total</b>	<b>128</b>	<b>175</b>	<b>-</b>	<b>303</b>



### Note 23 - Intangible Assets

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

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

The carrying amount of intangible assets is amortised on a straight-line basis over three years or where appropriate over the asset life. Amortisation of £2.480m was charged to revenue in 2018/19.

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

31 March 2018				31 March 2019	
OPFCC	Group			OPFCC	Group
Total*	Total*			Total*	Total*
£000	£000			£000	£000
		Balance at start of year:			
11,270	11,270	Gross carrying amounts		11,293	11,293
(7,004)	(7,004)	Accumulated amortisation		(8,310)	(8,310)
<b>4,266</b>	<b>4,266</b>	<b>Net carrying amount at start of year</b>		<b>2,983</b>	<b>2,983</b>
		Additions:			
1,628	1,628	Internal development		1,730	1,730
-	-	Purchases		-	-
(1,605)	(1,605)	Other disposals		(537)	(537)
-	-	Reclassifications and transfers		-	-
-	-	Other adjustments		-	-
(2,911)	(2,911)	Amortisation for the period		(2,480)	(2,480)
1,605	1,605	Amortisation written off on disposal		537	537
<b>2,983</b>	<b>2,983</b>	<b>Net carrying amount at end of year</b>		<b>2,233</b>	<b>2,233</b>
		Comprising:			
11,293	11,293	Gross carrying amounts		12,486	12,486
(8,310)	(8,310)	Accumulated amortisation		(10,253)	(10,253)
<b>2,983</b>	<b>2,983</b>	<b>Total</b>		<b>2,233</b>	<b>2,233</b>

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



## Note 24 - Capital Expenditure and Capital Financing

The capital financing requirement measures the OPFCC's need to borrow for a capital purpose. The following statement shows the effect of the OPFCC's capital investment decisions in 2018/19 upon the capital financing requirement. The capital financing requirement reduced to £0.556m, this was due to the OPFCC providing for a repayment of borrowing through revenue, which incorporates the repayments for the internal borrowing. There was no further borrowing to finance capital expenditure during the year.

### Capital Expenditure and Capital Financing

31 Mar 2018	31 Mar 2018		31 Mar 2019	31 Mar 2019
OPFCC	Group		OPFCC	Group
£000	£000	Capital Expenditure and Capital Financing	£000	£000
5,985	5,985	<b>Opening Capital Financing Requirement</b>	13,293	13,293
		Capital Investment:		
11,089	11,089	Property Plant and Equipment	3,663	3,663
1,628	1,628	Intangible Assets	1,739	1,739
-	-	- Assets Held for Sale	-	-
-	-	- Revenue Expenditure Funded from Capital Under Statute	-	-
-	-	- Other Capital Expenditure	-	-
<b>12,717</b>	<b>12,717</b>	<b>Total Capital Spending</b>	<b>5,402</b>	<b>5,402</b>
		Sources of Finance:		
-	-	- Capital receipts	-	-
(1,084)	(1,084)	Government Grants and other contributions	(471)	(471)
		Sums set aside from revenue:		
(4,086)	(4,086)	- Direct revenue contributions	(4,931)	(4,931)
(239)	(239)	- Minimum revenue provision	(556)	(556)
<b>(5,409)</b>	<b>(5,409)</b>	<b>Total Sources of Finance</b>	<b>(5,958)</b>	<b>(5,958)</b>
<b>13,293</b>	<b>13,293</b>	<b>Closing Capital Financing Requirement</b>	<b>12,737</b>	<b>12,737</b>

## Note 25 - Construction Contracts

At 31 March 2019 the OPFCC had one construction contracts in progress for a total of £66,280.00, relating to the weather proofing at our Criminal Justice Centre. Only part of this contract had actually been let as at 31st March and this was for the Design and Construction Consultancy element totalling £13,653.89.



### Note 26 - Debtors

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

2017/18		2018/19	
OPFCC £000	Group £000	OPFCC £000	Group £000
4,552	4,552	3,899	3,899
4,141	4,141	5,463	5,463
83	83	1	1
0	0	0	0
2,836	2,836	3,230	3,230
<b>11,612</b>	<b>11,612</b>	<b>12,593</b>	<b>12,593</b>

### Note 27 - Inventories

The following stocks were held as available for issue as at 31 March 2019:

	Vehicle Fuel		Operational		Uniforms		Total	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Balance outstanding at start of year	108	73	50	71	305	288	463	432
Purchases	73	148	71	96	288	309	431	553
Recognised as an expense in the year	(108)	(73)	(50)	(71)	(305)	(288)	(463)	(432)
<b>Balance Outstanding at Year End</b>	<b>73</b>	<b>148</b>	<b>71</b>	<b>96</b>	<b>288</b>	<b>309</b>	<b>431</b>	<b>553</b>

\*Each total represents both Group and OPFCC balances.



### Note 28 - Provisions

An independent evaluation of the Insurance Provision as at 31 March 2019 has identified a requirement of £1.478m for future year's potential claims, an increase of £0.126m.

#### Current Provision

	Insurance Provision £000	Property Dilapidations £000	Loss of Office £000	Legal £000	Total £000
<b>2018/19</b>					
Opening Balance	(1,362)	-	-	-	(1,362)
Increase in provision during year	(1,478)	-	-	-	(1,478)
Utilised during year	1,362	-	-	-	1,362
<b>Closing Balance</b>	<b>(1,478)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,478)</b>

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

#### Long Term Provisions

	Insurance Provision £000	Property Dilapidations £000	Loss of Office £000	Legal £000	Total £000
<b>2018/19</b>					
Opening Balance	-	(310)	-	-	(310)
Increase in provision during year	-	-	-	-	-
Utilised during year	-	310	-	-	310
<b>Closing Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Insurance Provision £000	Property Dilapidations £000	Loss of Office £000	Legal £000	Total £000
<b>2017/18</b>					
Opening Balance	0	(615)	0	0	(615)
Increase in provision during year	0	0	0	0	0
Utilised during year	0	305	0	0	305
<b>Closing Balance</b>	<b>0</b>	<b>(310)</b>	<b>0</b>	<b>0</b>	<b>(310)</b>

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

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

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



### Note 29 - Creditors

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

2017/18		2018/19	
OPFCC	Group	OPFCC	Group
£000	£000	£000	£000
(2,501)	(2,501)	(3,273)	(3,273)
(2,625)	(2,625)	(3,789)	(3,789)
(1)	(1)	0	0
0	0	0	0
(9,443)	(12,196)	(11,542)	(13,105)
<b>(14,570)</b>	<b>(17,323)</b>	<b>(18,604)</b>	<b>(20,167)</b>

### Note 30 - Capitalisation of Borrowing Costs

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

### Note 31 - Contingent Liabilities

#### McCloud vs Lord Chancellor and Secretary of State for Justice

The Chief Constable of Northamptonshire, along with all other Chief Constables and the Home Office, currently has 119 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

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

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

The impact of an increase in annual pension payments arising from McCloud/Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund



into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

**Avon and Somerset MFSS implementation**

During 2018/19, the OPCC/ OPFCC's (OPCC's) and Force's within the MFSS collaboration were in discussion with Avon and Somerset Constabulary and OPCC (A&S) regarding the totality of payments due and received for the cessation of A&S's on-boarding to the collaboration. At this balance sheet date, both the timing and totality of potential costs to the remaining Forces/ OPCC's is unknown.

**CHIS Handlers**

Following successful claims in Allard v Devon and Cornwall Police for unpaid overtime following recalls to duty, in excess of 1500 claims have been made nationally. Currently Northamptonshire Police have received 20 claims and are awaiting a further 3. The total final cost of the claims will be dependent upon the principles established in the national process, but most claims go back over a seven year period.

**Insurance**

Our insurance consultants, Gallacher Heath, suggested the OPFCC do not have any Contingent Liabilities for 2018/19 as 2017/18, resulting from our Insurance portfolio.

**Note 32 - Contingent Assets**

The OPFCC have no contingent assets for 2018/19.

**Note 33 - Cash and Cash Equivalents**

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

2017/18		2018/19	
OPFCC	Group	OPFCC	Group
£000	£000	£000	£000
5,136	5,136	9,606	9,606
	Cash and Bank Balances		
<b>5,136</b>	<b>5,136</b>	<b>9,606</b>	<b>9,606</b>
	Total		





### Note 34 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

2017/18		2018/19	
OPFCC £000	Group £000	OPFCC £000	Group £000
(29)	(29)	-	(36)
63	63	-	63
<b>34</b>	<b>34 Total</b>	<b>-</b>	<b>27</b>

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

2017/18		2018/19	
OPFCC £000	Group £000	OPFCC £000	Group £000
(4,153)	(4,153)	(4,412)	(4,412)
(12,794)	(12,794)	966	966
(2,910)	(2,910)	(2,480)	(2,480)
2,386	1,663	(4,810)	(3,620)
585	585	566	566
(31)	(31)	124	124
(196)	(34,874)	(208)	(31,505)
(265)	(265)	424	424
(2,740)	(2,740)	(2,824)	(2,824)
<b>(20,118)</b>	<b>(55,519) Total</b>	<b>(12,654)</b>	<b>(42,761)</b>

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

2017/18		2018/19	
OPFCC £000	Group £000	OPFCC £000	Group £000
1,084	1,084	80	80
<b>1,084</b>	<b>1,084 Total</b>	<b>80</b>	<b>80</b>



### Note 35 - Cash Flow from Investing Activities

The cash flows for investing activities include the following items:

2017/18		2018/19	
OPFCC £000	Group £000	OPFCC £000	Group £000
12,714	12,714	5,402	5,402
2	2		
<b>12,716</b>	<b>12,716</b>	<b>5,402</b>	<b>5,402</b>

### Note 36 - Termination Benefits

Exit Package Cost Band (Including Special Payments)	Number of Compulsory Redundancies				Number of Other Departures Agreed				Total Number of Exit Packages by Cost Band				Total cost of Exit Packages in each Band			
	2017/18		2018/19		2017/18		2018/19		2017/18		2018/19		2017/18		2018/19	
	OPFCC	Group	OPFCC	Group	OPFCC	Group	OPFCC	Group	OPFCC	Group	OPFCC	Group	OPFCC	Group	OPFCC	Group
£0 - £20,000	0	6	-	7	0	-	-	2	0	6	-	9	0	34	-	104
£20,001 - £40,000	1	1	-	1	0	-	-	-	1	1	-	1	31	31	-	22
£40,001 - £60,000	1	1	-	-	0	-	-	-	1	1	-	-	47	47	-	-
£60,001 - £80,000	0	-	-	-	0	-	-	-	0	-	-	-	0	-	-	-
£80,001 - £100,000	0	-	-	-	0	-	-	-	0	-	-	-	0	-	-	-
£100,001 - £150,000	0	-	-	-	0	-	-	-	0	-	-	-	0	-	-	-
<b>Total</b>	<b>2</b>	<b>8</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>8</b>	<b>0</b>	<b>10</b>	<b>78</b>	<b>112</b>	<b>0</b>	<b>127</b>

### Note 37 - Pension Schemes Accounted for as Defined Contribution Schemes

#### Pensions

There was a transfer of pension liability between the PCC and Voice during 2018/19 amounting to £0.076m, which is outlined within the Joint Operations and Associates note.

#### a) Participation in Pension Schemes

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

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

- The Local Government Pension Scheme for police staff; this is administered by Northamptonshire County Council. This is a funded scheme, meaning that the OPFCC, CC and Voice employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The Actuary to the fund is Hymans Robertson LLP. These schemes are all pooled under one LGPS pension group.



- The Police Pension Scheme for police officers, which includes four pension schemes; the Police Pension Scheme (PPS), the New Police Pension Scheme (NPPS) and Police Pension Scheme 2015 (PPS). Both schemes are unfunded and administered by Equiniti on behalf of the OPFCC, meaning that there are no investment assets built-up to meet the pension's liabilities, and cash has to be generated to meet actual pension's payments as they eventually fall due. Both are defined benefit schemes (lump sum payments and periodic pension). New funding arrangements commenced on 1 April 2006 that required a police pension fund account to be created. This account is credited with employer contributions, and any shortfall over retirements benefits paid is met by a contribution by the OPFCC. However, the OPFCC's contribution is met by Home Office Pensions Top Up Grant. If there is a surplus it is paid to the OPFCC in the first instance before being recouped by the Home Office. The level of pension contribution rates are set nationally by the Home Office, following a review by the Government Actuary's Department (GAD).

#### (b) Transactions Relating to Retirement Benefits

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

#### Pensions liabilities and future considerations

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

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

Police Pension Scheme, within Police Officer Pay and Allowances



## Group Pensions Revenue Items

	<u>Local Government Pension Scheme</u>				<u>Police Pension Scheme</u>		<u>TOTAL</u>			
	<u>2017-18</u>		<u>2018-19</u>		<u>2017-18</u>	<u>2018-19</u>	<u>2017-18</u>		<u>2018-19</u>	
	<u>OPFCC</u>	<u>Group</u>	<u>OPFCC</u>	<u>Group</u>	<u>Group</u>	<u>Group</u>	<u>OPFCC</u>	<u>Group</u>	<u>OPFCC</u>	<u>Group</u>
<u>Comprehensive Income and Expenditure</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Net Cost of Services</b>										
Current service cost	(309)	(9,209)	(384)	(9,669)	(22,340)	(20,790)	(309)	(31,549)	(384)	(30,459)
Unfunded		(3)		(3)				(3)		(3)
Past service cost					(780)			(780)		0
<b>Net Operating Expenditure</b>										
Interest Costs**	(108)	(5,782)	(118)	(6,210)	(32,670)	(32,130)	(108)	(38,452)	(118)	(6,318)
Expected return on employers assets**	71	3,747	79	4,044			71	3,747	79	4,115
<b>Net Charge to the Income and Expenditure Account</b>	(346)	(11,247)	(423)	(11,838)	(55,790)	(52,920)	(346)	(67,037)	(423)	(32,665)
<b>Movement in Reserves</b>										
Movement on Pensions Reserve	(542)	(18,391)	631	18,175	55,790	52,920	(542)	37,399	631	17,633
(Reversal of net charges made for retirement benefits in accordance with IAS 19)										
<b>Actual amount charged against Council Tax (General Fund Balance) for pensions</b>										
Employers contributions to the Scheme	150	4,097	215	5,759	10,828	9,968	150	14,925	215	5,909
3) Additional contributions to the Police Pensions Fund Account					17,232	17,652		17,232		

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

In addition to the recognised gains and losses included in the CIES, actuarial loss of £51.955m (gain of £4.518m in 2017/18) were included within other Comprehensive Income & Expenditure.

The estimated 2019/20 pension scheme contributions for the Police Pension Scheme are £9.9m and £5.8m for the Local Government Pension Scheme.

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

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

Past Service Costs are wholly included within the heading Non-Distributed Costs;

Interest Costs and Expected Return on Employers Assets are included within Financing & Investment Income & Expenditure.



## Defined Benefit Pension Schemes

Assets and Liabilities in relation to Retirement Benefits

### Reconciliation of the Present Value of the Schemes Liabilities

Group	Funded Liabilities Local Govt. Scheme				Unfunded Liabilities Police Pension Scheme	
	OPFCC	Group	OPFCC	Group	Group	Group
	31-Mar-18 £'000	31-Mar-18 £'000	31-Mar-19 £'000	31-Mar-19 £'000	31-Mar-18 £'000	31-Mar-19 £'000
<b>Opening Defined Benefit Obligation - 1 April</b>	<b>(3,823)</b>	<b>(218,893)</b>	<b>(4,156)</b>	<b>(226,386)</b>	<b>(1,235,400)</b>	<b>(1,263,230)</b>
Current Service Cost (Grossed up for employee contributions)	(309)	(9,209)	(384)	(9,669)	(22,340)	(20,790)
Interest Cost	(108)	(5,782)	(118)	(6,210)	(32,670)	(32,130)
Contributions by Scheme Participants	(49)	(1,447)	(63)	(1,552)	(5,470)	0
Actuarial (Gains)/ Losses	133	5,340	(476)	(23,595)	(100)	(35,460)
Past Service (Costs)/ Gains	0	0	0	(132)	(780)	0
(Loses)/ Gains on Curtailments	0	0	0	0	0	0
Transfers in				0	(160)	
Estimated Unfunded Benefits Paid	0	3	0	3	0	0
Estimated Benefits Paid	0	3,602	0	3,729	33,690	27,620
<b>Closing Defined Benefit Obligation 31st March</b>	<b>(4,156)</b>	<b>(226,386)</b>	<b>(5,197)</b>	<b>(263,812)</b>	<b>(1,263,230)</b>	<b>(1,323,990)</b>

### Reconciliation of the Fair Value of the Schemes Assets

Pension Asset – Local Government Pension Scheme Only

Group	OPFCC	Group	OPFCC	Group
	31-Mar-18 £'000	31-Mar-18 £'000	31-Mar-19 £'000	31-Mar-19 £'000
<b>Pensions Asset 1 April</b>	<b>2,535</b>	<b>143,136</b>	<b>2,789</b>	<b>148,103</b>
Expected Return on Assets	71	3,747	79	4,044
Contributions by Members	49	1,447	63	1,552
Employers Contributions (Incl Injuries) - excluding Top-Up Grant	150	4,097	215	5,759
Pension Fund Asset Split (Group to Single Entity)	0	0	0	0
Contributions in Respect of Unfunded Benefits	0	3	0	3
Actuarial Gains	(16)	(722)	138	7,060
Estimated Unfunded Benefits paid	0	(3)	0	(3)
Estimated Benefits Paid	0	(3,602)	0	(3,729)
<b>Fair Value of Pensions Asset 31 March</b>	<b>2,789</b>	<b>148,103</b>	<b>3,284</b>	<b>162,789</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term



real rates of return experienced in the respective markets. The estimated return on scheme assets in the year was £4.044m (£3.747m in 2017/18).

The OPFCC's total pension liability of £1,425.013m, reconciles to the Unusable Reserves within the Balance Sheet of £1,380.583m, by adding back the figures within the Movement in Reserves Statement of the Capital Adjustment Account, the Collection Fund Adjustment Account, the Revaluation Reserve, to the Unusable Reserves total and then subtracting the Employee Benefit Reserve (Note 17)

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

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

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

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Pension Scheme liabilities are assessed by the Government Actuary's Department (GAD) and the Local Government Pension Scheme by Hymans Robertson LLP, an independent firm of actuaries. The main assumptions used in their calculations have been:

Assumptions are the same for both OPFCC & Group.

	Local Govt. Pension Scheme		Police Pension Scheme	
	2017/18	2018/19	2017/18	2018/19
<b>Expected Return on Assets</b>	%	%	%	%
Investments	17.3	18.1	n/a	n/a
<b>Mortality Assumptions</b>	yrs	yrs	yrs	yrs
Longevity at 65 for current pensioners				
Men	23.9	22.1	22.6	22.7
Women	26.1	24.2	24.2	24.3
Longevity at 65 for future pensioners				
Men	23.9	23.9	24.5	24.6
Women	26.1	26.1	26.1	26.2
<b>Financial Assumptions</b>	%	%	%	%
Rate of Inflation	2.3	2.4	2.3	2.35
Rate of Increase in Salaries	2.6	2.7	4.3	4.35
Expected Return on Assets	2.1	7.4	n/a	n/a
Rate for Discounting Scheme Liabilities (Gross)	2.7	2.5	2.7	2.5
Take up Option to Convert annual Pension into	50	50	n/a	n/a



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

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

31-Mar-17	31-Mar-18
% Description	%
82 Equity Investments	89
7 Bonds	8
8 Property	0
3 Cash and Liquidity	3
<b>100 Total</b>	<b>100</b>





**Note 38 - Defined Benefit Pension Scheme**

**Police Pension Fund Account**

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

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

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

	2017/18 £000	2018/19 £000
<b>Contributions Receiveable</b>		
<b>Group</b>		
From Employer		
Normal	(9,210)	(10,091)
	(1,253)	(1,373)
From members		
early retirements	(5,621)	(5,692)
<b>Transfer In</b>		
Individual Transfers in from other schemens	(204)	-
<b>Benefits Payable</b>		
Pensions	25,665	26,221
Commutations and lump sums retirement benefits	6,909	5,936
Other	(10)	19
Payments to and on account of leavers		
Refunds of Contribution	-	-
Individual Transfers out from other schemens	-	99
Account to meet deficit/ amount payable to the local policing body/Police Operating Account in respect of the surplus for the year	-	-
Other	-	-
<b>Sub-total for the year before transfer from the CC of an amount equal</b>	<b>16,276</b>	<b>15,119</b>
Additional funding payable by the CC to fund the deficit for the year	<b>(1,253)</b>	<b>(1,373)</b>
Payments in respect of the Milne Vs GAD court case	-	-
Income in respect of the Milne Vs GAD court case	-	-
<b>Net amount payable/ recieveable for the year</b>	<b>(1,253)</b>	<b>(1,373)</b>

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



There is an adjustment of 2.9% to the cash flow due to a reduction in the employer contribution rate for police pension schemes in 2018/19 being reflected in a reduction in HMT pensions top up funding.

## Net Asset Statement

There were no unpaid pensions due or recoverable overpayments of pensions as at 31 March 2019.

## Notes to the Police Pension Fund Account

### A. Employer and Officer Contributions to the Pension Fund

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

Employer Contributions 24.2%

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

### B. Transfer Values

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

### C. Pensions Fund Liabilities

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

### D. Accounting Policies

Accounting Policies conform to those in the Statement of Accounts (Note 43).

### E. Home Office Pensions Top-Up Grant

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

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

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

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



**Note 39 - Financial Instruments**

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

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

The OPFCC has the following financial instruments held in its balance sheet as at 31 March 2019.

OPFCC & Group	2017/18		2018/19	
	£000	£000	£000	£000
	Long Term	Current	Long Term	Current
<b>Financial Liabilities</b>				
Amortised Cost				
Borrowing	1,300		1,300	
Fair Value through Profit and Loss				
Borrowing				
Creditors		16,537		19,704
Amortised Cost				
<b>Financial Assets</b>				
Fair Value through Profit and Loss				
Loans and Receivables				
Debtors and Prepayments		10,867		10,731
Cash in Hand		2		
Money Market Investments		4,499		9,347
Joint Venture Cash Balance		635		127

Gains on Financial Assets at Fair Value through the CIES were £0.027m during 2018/2019.

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

All of the borrowings (of the £1.300m) as at 31 March 2019 are held by the Public Works Loans Board and, therefore, represents negligible risk to default of the debt holder.

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



### Group Income, Expense, Gains and Losses Statement

	2017/18				2018/19				Total £'000
	Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Interest expense									
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	-	-	-	63			63		63
Interest income	-	-	-	(29)			(36)		(36)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	-	-	34			27		27
Surplus/deficit arising on revaluation of financial assets in Other CIES	-	-	-	4,518			4,214		4,214
<b>Net gain/(loss) for the year</b>	-	-	-	4,552			4,241		4,241

### Fair Values of Assets and Liabilities

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

- Estimated interest rates at 31 March 2019 for new loans through PWLB are between 1.85% and 2.4%, based on new lending rates for equivalent loans at that date (10 year & 25 year rates)
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount less cost of collection by third party agency if applicable.

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

	2017/18		2018/19	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Loans	1,300	2,144	1,300	2,161

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



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

Long term assets are held at face value as a reflection of a fair approximation of fair value as at 31 March 2019.

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

Interest rate exposure – the maximum percentage of borrowing at Fixed and Variable Rates				
	2017-18	2018-19	2019/20	
Fixed Rate – maximum limit	100%	100%	100%	
Variable Rate – maximum limit	100%	100%	100%	

### Liquidity Risk

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

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

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

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

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

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

Period	Upper Limit	Actual 2018/19	Lower Limit
Under 12 months	0%	0.00%	0%
12 months to 10 years	66%	53.85%	0%
10 years and above	80%	46.15%	0%

Credit risk is the possibility that other parties might fail to pay amounts due to the OPFCC.



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

In accordance with the Prudential Code, and as a result of the credit crisis, in order to minimise the OPFCC's risk to investments, the Treasury Management Strategy sets the limits to which principals are invested for greater than one year. However, the OPFCC is within these limits as no investment was greater than 364 days as at 31 March in either 2018/19 or 2017/18.

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

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

#### 5/10/40 rule – Good diversification

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

#### Developed major government bonds – Seeking higher yielding assets

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

#### Short positions using derivatives

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

#### Corporate Bond Exposure

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

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

#### Emerging Market Sovereign Debt

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

#### Foreign Exchange

This is the active management of currency exposure.



The organisations maximum exposure to credit risk in relation to its investments in banks and building societies of £9.347m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the organisations deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

### Summary

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

### Debtors and Prepayments

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

Outstanding invoices can be analysed by age as follows:

Age of Trade Debts	2017-18	2018-19
	£'000	£'000
0-14 Days	501	245
15-30 Days	31	79
31-60 Days	110	94
61-90 Days	177	32
91+ Days	201	234
<b>Total</b>	<b>1,020</b>	<b>684</b>

Whilst reviewing its debtors portfolio the OPFCC has provided against £0.234m within 2018/19 and £0.201m in 2017/18.

### Cash In Hand

The OPFCC’s cash-in-hand position of £0.002m within 2018/19 and £0.002m at 2017/18 is as a result of the tight financial controls and positive cash management strategy in place. This deposit is held with a well-recognised financial institution with a high credit rating. The levels of risk are, therefore, negligible. However, the maximum level of risk would be the full cash-in-hand balance, which is monitored on a daily basis to maintain it at less than £100k at any given point, which would, therefore, represent the maximum liability faced by the OPFCC.

### Interest rate risk

The OPFCC is exposed to interest rate movements on its borrowings which have a complex impact on the OPFCC, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:  
 Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account would rise;  
 Borrowings at fixed rates – the fair value of the borrowing would fall.





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

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

### Price risk

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

### Foreign exchange risk

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

## Nature and Extent of Risks Arising from Financial Instruments

### Financial Liabilities

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

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

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

### Financial Assets

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

### Gains and Losses from Financial Assets and Liabilities

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

### Credit Risk Exposure

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



**Treasury Management Policy**

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

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

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

**Liquidity Risk Exposure**

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

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

**Market Risk Exposure**

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

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

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

2017/18		2018/19
£'000	Group & OPFCC	£'000
0	Not more than 2 years	0
0	More than 2 years less than 5 years	0
(700)	More than 5 years less than 10 years	(700)
(600)	More than 10 years	(600)
<b>(1,300)</b>	<b>Total Long Term Borrowing</b>	<b>(1,300)</b>



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



### Note 40 – Joint Operations & Associate Entities

The OPFCC's share of Joint Operations (JO's) is as follows:

Ownership %'age	Arrangement	Net Op Exp £000	Income £000	Surplus/(Deficit) £000
14.70%	EM Legal Services	267	(259)	8
50.00%	EM Strategic Commercial Unit	527	(534)	(7)
14.70%	EM Major Crime	114	(119)	(5)
14.70%	EM Serious Organised Crime	2,846	(2,649)	197
18.80%	EM Criminal Justice	123	(125)	(2)
18.80%	EM Operational Support Services	531	(542)	(11)
14.70%	EM Occupational Health Unit	249	(248)	1
14.70%	EM Forensics	1,318	(1,295)	23
16.90%	EM Learning & Development	437	(426)	11
22.87%	Multi Force Shared Services	1,632	(1,632)	0
16.01%	ESN	86	(129)	(43)
<b>Total</b>		<b>8,130</b>	<b>(7,958)</b>	<b>172</b>

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

Ownership %'age	Voice	Net Op Exp £000	Income £000	Surplus/ (Deficit) £000
100.00%	Cost of Services	(889)	889	0
	Remeasurement of the net defined benefit liability / asset	0	0	0
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(889)</b>	<b>889</b>	<b>0</b>
	MIRS - CIES to Unusable Reserve			0
	Balance Sheet - Debtors			20
	Balance Sheet - Creditors			141
	Balance Sheet - Cash and Cash Equivalents			(161)
	Balance Sheet - Pension Liability			0
	Net Assets			0
	Balance Sheet - Pension Reserve			0
	Net Reserves			0

Total Comprehensive Income & Expenditure for our JO's was £0.172m and was nil for Voice.

After an external review of Joint Operation accounting, the MFSS arrangement was incorporated into the Joint Operations statements from 2017/18.



## Joint Operations – Movement in Reserves

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>2018/19</b>					
<b>Balance at 31 March 2018</b>	0	(786)	(786)	(1,530)	(2,316)
OPFCC to Voice Transfer of Pension Reserves	0	0	0	89	89
<b>Movement in reserves during 2018/19</b>					
(Surplus) or deficit on the provision of services	165	0	165	0	165
Other Comprehensive Income / Expenditure	0	0	0	7	7
<b>Total Comprehensive Income and Expenditure</b>	165	0	165	7	172
Adjustments between accounting basis and funding basis under regulations	97	0	97	(97)	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	262	0	262	(90)	172
Transfers to / from Earmarked Reserves	(262)	262	0	0	0
<b>Increase or Decrease in 2018/19</b>	0	262	262	(90)	172
<b>Balance at 31 March 2019</b>	0	(524)	(524)	(1,531)	(2,055)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>2017/18</b>					
<b>Balance at 31 March 2017</b>	0	(584)	(584)	(1,552)	(2,136)
OPFCC Trf Pensions Reserve to Voice	0	0	0	(76)	(76)
<b>Movement in reserves during 2017/18</b>					
(Surplus) or deficit on the provision of services	(101)	0	(101)	0	(101)
Other Comprehensive Income / Expenditure	0	0	0	(3)	(3)
<b>Total Comprehensive Income and Expenditure</b>	(101)	0	(101)	(3)	(104)
Adjustments between accounting basis and funding basis under regulations	(101)	0	(101)	101	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	(202)	0	(202)	98	(104)
Transfers to / from Earmarked Reserves	202	(202)	0	0	0
<b>Increase or Decrease in 2017/18</b>	0	(202)	(202)	98	(104)
<b>Balance at 31 March 2018</b>	0	(786)	(786)	(1,530)	(2,316)

## Joint Operations – Comprehensive Income and Expenditure Statement

2017/18			2018/19		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
8,748	(8,628)	120	7,241	(7,029)	212
<b>8,748</b>	<b>(8,628)</b>	<b>120</b>	<b>7,241</b>	<b>(7,029)</b>	<b>212</b>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	(221)	(221)	0	(47)	(47)
<b>8,748</b>	<b>(8,849)</b>	<b>(101)</b>	<b>7,241</b>	<b>(7,076)</b>	<b>165</b>
	0				7
	(3)				0
	<b>(3)</b>				<b>7</b>
	<b>(104)</b>				<b>172</b>



### Joint Operations – Balance Sheet

30/03/2018	30/03/2019
£000	£000
1,538 Property, Plant and Equipment	1,548
97 Intangible Assets	65
<b>1,635 Long Term Assets</b>	<b>1,613</b>
0 Assets Held for Sale	0
0 Inventories	0
745 Short Term Debtors	1,096
635 Cash and Cash Equivalents	267
<b>1,380 Current Assets</b>	<b>1,363</b>
(788) Short-Term Creditors	(921)
Provisions	
<b>(788) Current Liabilities</b>	<b>(921)</b>
0 Provisions	0
89 Long Term Liabilities	0
<b>89 Long Term Liabilities</b>	<b>0</b>
<b>2,316 Net Assets</b>	<b>2,055</b>
(786) Usable Reserves	(524)
(1,530) Unusable Reserves	(1,531)
<b>(2,316) Total Reserves</b>	<b>(2,055)</b>



## Note 41 - Accounting Standards Issued, Not Adopted

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS9 Financial Instruments: Prepayment Features with negative Compensation

It is not expected that any of these amendments will have a material impact on the information provided in the financial statements.

There are therefore no Accounting Standards that have been issued but not yet adopted that need to be disclosed in the 2018/19 Statement of Accounts.

## Note 42 - Restatements

The restatement of the Comprehensive Income and Expenditure Statement was as follows

### Group

Original 17-18			Restated 17-18			Change			
Net Exp chargeable to CIES	Net Exp		Net Exp chargeable to CIES	Net Exp		Net Exp chargeable to CIES	Net Exp		
	£000	A/C Adj's £000		£000	A/C Adj's £000		£000	A/C Adj's £000	
53,125	(1,004)	52,121	53,125	(1,004)	52,121	-	-	-	
3,252	(229)	3,023	3,252	(229)	3,023	-	-	-	
22,071	(16,276)	5,795	22,071	(16,276)	5,795	-	-	-	
11,542	(1,274)	10,268	11,542	(1,274)	10,268	-	-	-	
11,591	(3,241)	8,350	11,591	(3,241)	8,350	-	-	-	
564	(1)	563	564	(1)	563	-	-	-	
19,589	(988)	18,601	19,589	(988)	18,601	-	-	-	
6,529	(264)	6,265	6,529	(264)	6,265	-	-	-	
18,268	(10,026)	8,242	18,268	(10,026)	8,242	-	-	-	
		Policing Services			146,531	(33,304)	113,227	-	1
22,316	-	22,316	22,316	-	22,316	-	-	-	
2,150	(1,060)	1,090	2,150	(1,060)	1,091	(1)	-	(1)	
780	-	780	780	-	780	-	-	-	
<b>171,777</b>	<b>(34,363)</b>	<b>137,414</b>	<b>171,778</b>	<b>(34,364)</b>	<b>137,414</b>	<b>(1)</b>	<b>1</b>	<b>-</b>	
		Intra Company Adjustment			-	-	-	-	
1,388	(78)	1,310	1,388	(78)	1,310	-	-	-	
34,765	(29)	34,736	34,765	(29)	34,736	-	-	-	
-	(124,018)	(124,018)	-	(124,018)	(124,018)	-	-	-	
<b>207,930</b>	<b>(158,488)</b>	<b>49,442</b>	<b>207,931</b>	<b>(158,489)</b>	<b>49,442</b>	<b>(1)</b>	<b>1</b>	<b>-</b>	
		Surplus or deficit on revaluation of Property, Plant and Equipment			(3,430)	(3,430)	-	-	
		Remeasurement of the net defined benefit liability / asset			(4,519)	(4,519)	-	(1)	
		<b>(7,948)</b>			<b>(7,949)</b>			<b>(1)</b>	
		<b>41,494</b>			<b>41,493</b>			<b>(1)</b>	

### Office for the Police, Fire and Crime Commissioner

Original 17-18			Restated 17-18			Change		
Net Expenditure chargeable to CIES	Net Expenditure as per CIES		Net Expenditure chargeable to CIES	Net Expenditur e as per CIES		Net Expenditure chargeable to CIES	Net Expenditure as per CIES	
	£000	A/C Adj's £000		£000	A/C Adj's £000		£000	A/C Adj's £000
8,668	(8,538)	130	8,668	(8,539)	129	-	1	1
22,316	-	22,316	22,316	-	22,316	-	-	-
2,150	(1,060)	1,090	2,151	(1,060)	1,091	(1)	-	(1)
<b>33,134</b>	<b>(9,598)</b>	<b>23,536</b>	<b>33,135</b>	<b>(9,599)</b>	<b>23,536</b>	<b>(1)</b>	<b>1</b>	<b>-</b>
114,289	-	114,289	114,289	-	114,289	-	-	-
197	-	197	197	-	197	-	-	-
37	-	37	37	-	37	-	-	-
-	(124,018)	(124,018)	-	(124,018)	(124,018)	-	-	-
<b>147,657</b>	<b>(133,616)</b>	<b>14,041</b>	<b>147,658</b>	<b>(133,617)</b>	<b>14,041</b>	<b>(1)</b>	<b>1</b>	<b>-</b>
		Surplus or deficit on revaluation of Property, Plant and Equipment			(3,429)	(3,429)	-	1
		Remeasurement of the net defined benefit liability / asset			(117)	(116)	-	(1)
		<b>(3,546)</b>			<b>(3,546)</b>			<b>-</b>
		<b>10,495</b>			<b>10,495</b>			<b>-</b>





The restatement of the Expenditure and Funding Analysis

Group

Original 17-18			Restated 17-18				Change		
Net Exp chargeable to CIES	A/C Adj's	Net Exp	Net Exp chargeable to CIES	A/C Adj's	Net Exp	Net Exp chargeable to CIES	A/C Adj's	Net Exp	
	£000	£000		£000	£000		£000	£000	£000
51,475	646	52,121							
3,023	-	3,023							
5,795	-	5,795							
18,618	-	18,618							
563	-	563							
24,777	89	24,866							
8,219	23	8,242							
			112,493	735	113,228	(23)	23	-	
8,448	14,958	23,406	7,505	15,901	23,406	943	(943)	-	
780	-	780	780	-	780	-	-	-	
<b>121,698</b>	<b>15,716</b>	<b>137,414</b>	<b>120,778</b>	<b>16,636</b>	<b>137,414</b>	<b>920</b>	<b>(920)</b>	<b>-</b>	
104	(104)	-	104	(104)	-	-	-	-	
(123,121)	35,149	(87,972)	(122,201)	34,229	(87,972)	(920)	920	-	
<b>(1,319)</b>	<b>50,761</b>	<b>49,442</b>	<b>(1,319)</b>	<b>50,761</b>	<b>49,442</b>	<b>-</b>	<b>-</b>	<b>-</b>	
(10,335)			(10,335)			-			
(354)			(240)			(114)			
(965)			(1,079)			114			
<b>(11,654)</b>			<b>(11,654)</b>			<b>-</b>			

Office for the Police, Fire and Crime Commissioner

Original 17-18			Restated 17-18				Change		
Net Exp chargeable to CIES	A/C Adj's	Net Exp	Net Exp chargeable to CIES	A/C Adj's	Net Exp	Net Exp chargeable to CIES	A/C Adj's	Net Exp	
	£000	£000		£000	£000		£000	£000	£000
130		130	130	-	130	-	-	-	
7,434	15,972	23,406	7,505	15,901	23,406	(71)	71	-	
-	-	-	-	-	-	-	-	-	
<b>7,564</b>	<b>15,972</b>	<b>23,536</b>	<b>7,635</b>	<b>15,901</b>	<b>23,536</b>	<b>(71)</b>	<b>71</b>	<b>-</b>	
114,049	240	114,289	114,049	240	114,289				
104	(104)	-	104	(104)	-	-	-	-	
240	(240)	-	240	(240)	-	-	-	-	
(123,276)	(508)	(123,784)	(123,347)	(437)	(123,784)	71	(71)	-	
<b>(1,319)</b>	<b>15,360</b>	<b>14,041</b>	<b>(1,319)</b>	<b>15,360</b>	<b>14,041</b>	<b>-</b>	<b>-</b>	<b>-</b>	
(10,335)			(10,335)			-			
(354)			(240)			(114)			
(965)			(1,079)			114			
<b>(11,654)</b>			<b>(11,654)</b>			<b>-</b>			



## ACCOUNTING POLICIES

### 1) Introduction

The financial statements have been prepared in accordance with the Code of Practice (the code) on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2011. The Accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS). Any exceptions are disclosed below.

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

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

### 2) Recognition of Income and Expenditure

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

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

#### In particular:

- Fees, charges and rents due from the customers are accounted for as income at the date the OPFCC provides the relevant goods or services.
- The cost of supplies and services are accrued in that accounting period during which they were consumed or received except for works, which are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable and receivable on borrowings is accounted for in the year to which it relates; on a basis that it reflects the overall effect of the loan or investment.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to the income and expenditure account for the income that might not be collected.



### 3) Financial Instruments

#### Financial Liabilities

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

#### Financial Assets

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

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

### 4) Government Grants and Contributions

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

### 5) Intangible Fixed Assets

Intangible assets include software licences and agreements that are capitalised at cost. Intangible assets are amortised on a straight-line basis over the useful life of the asset (between three and seven years). As the amortisation charge is not an allowable charge against Council Tax, it is neutralised by adjustment between Accounting Basis and Funding Basis under Regulation, with the corresponding entry in the Capital Adjustments Account.

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

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

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

### 6) Tangible Fixed Assets Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised in accordance with IAS 16 (Recognition, Revaluation & Measurement of Tangible Fixed Assets). Subsequent capital expenditure is



capitalised where it provides an enhancement of the economic benefits of the asset in excess of those previously assessed.

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

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

### Measurement

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

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

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

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

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

The latest revaluation was carried out on 31 March 2019. All valuations are in accordance with Royal Institute of Chartered Surveyors Appraisal and Valuation Standards ensuring compliance with the CIPFA code of practice as modified by IFRSs.

### Depreciation

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

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

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

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

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



### Impairment Losses

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

### Disposals

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

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

If, however, the asset is carried at current value, in addition to the entries above, the balance on the revaluation reserve in respect of asset disposals is written off to the Capital Adjustment Account. In most cases the asset will be re-valued to its carrying value at the point of disposal so there will be no profit or loss, unless there is an unamortised grant attached to the asset, which will be released to the Income and Expenditure account in full, resulting in a profit on disposal. For 2018/19 the OPFCC only recognises a profit on disposal if the asset disposed of is more than £10,000.

### Componentisation

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

The criteria for componentisation are as follows:

- A de-minimis level on implementation is set at £600,000 on the net book value of any asset.
- Any single component must exceed £100,000 in value.

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

## 7) Redemption of Debt

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

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



## 8) Capital Receipts

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

## 9) Stocks and Stores

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

## 10) Reserves

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

## 11) Provisions

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

## 12) Investments

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

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

## 13) Transactions relating to Retirement Benefits

As part of the terms and conditions of employment of its officers and other employees, the OPFCC offers retirement benefits. Although these benefits will not actually be payable until employees retire, the OPFCC disclose the value of the payments that would need to be paid at the time that employees earn their future entitlement.

**The OPFCC participates in two pension schemes:**

### **The Police Pension Scheme for Police Officers**

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



the Police Pensions Act 1976 (as amended by the Police Pension Regulations 2006) & the latest Pension Scheme (2015) is also governed by the Police Pensions Act 1976 (as amended by the Police Pension Regulations 2015).

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

The funding arrangements for police officer pensions changed on 1 April 2006, when an employer's contribution rate was set by the Home Office (24.2% in 2018/19 of pensionable salary), which is charged to the Comprehensive Income and Expenditure Statement. This rate increased to 31% on 1<sup>st</sup> April 2019.

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

### The Local Government Pension Scheme for civilian employees

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

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

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

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

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

### 14) Leasing

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





The organisation assesses its position on operating leases and lessor arrangements on an annual basis. It recognises lessor arrangements as the minimum payments on the asset and the residual value of that asset. For operating leases the organisation would not recognise an asset and would account for the associated repayments via the expense costs within the Comprehensive Income & Expenditure Statement.

### 15) Joint Arrangements

The OPFCC has interests in a number of Joint Arrangements. All of these collaborations are governed by formal Section 22 Agreements and the OPFCC shares are fully incorporated in the Comprehensive Income & Expenditure Statement, Balance Sheet, Movement in Reserves Statement and the Cash Flow Statement, as required by the Code.

### 16) Value Added Tax

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

### 17) Contingent Assets and Contingent Liabilities

These are not recognised in the accounting statements but disclosed in the Notes to the Accounts.

### 18) Exceptional Items and Prior Period Adjustments

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

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

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

### 19) Events After The Balance Sheet Date

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

### 20) Accounting Convention

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



## 21) Estimation Techniques Used

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

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

## 22) Comparison with Previous Years

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

## 23) Cash and Cash Equivalents

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

## 24) Employee Benefits

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, annual leave and flexible working hours, leave for current employees, and are recognised as an expense for services in the year in which employees render service to the OPFCC. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu, flexi-time or annual leave) earned by employees but not taken before the year-end that employees can carry forward into the next financial year.

## 25) Revenue Expenditure Funded from Capital Under Statute

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



## 26) Actuarial Gains and Losses

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

## 27) Termination Benefits

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

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

## 28) Interest in Companies and Other Entities

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



## GLOSSARY OF TERMS

### Accounting Period

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

### Accrual

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

### Agency Arrangements

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

### Budget

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

### Capital Expenditure

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

### Capital Financing Requirement

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

### Capital Receipts

These are proceeds from the sale of capital assets.

### CIPFA

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

### Contingent Liabilities

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

### Corporate Democratic Core

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

### Council Tax

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



### Creditors

Individuals or organisations to whom the OPFCC owes money.

### Current Assets and Liabilities

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

### Debtors

Individuals or organisations who owe the OPFCC money.

### Deferred Liabilities

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

### Earmarked Reserves

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

### Employee Costs

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

### Finance Lease

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

### International Financial Reporting Standards (IFRS)

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

### Fixed Assets

These consist of: -

- Tangible: These are assets that yield benefits to the OPFCC for a period of more than one year (e.g. buildings and equipment).
- Intangible: Under IAS 38 (Goodwill and Intangible Assets), intangible assets are those that do not have physical substance but are identifiable (e.g. software and software licences).

### Formula Grant Distribution System

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



### IAS 19 Retirement Benefits

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

### Impairment

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

### Interest Income

The money earned from the investment of surplus cash.

### Net Book Value

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

### Non-Distributed Costs

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

### Operating Lease

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

### Outturn

The actual amount spent in the financial year.

### Payments in Advance

These represent payments made prior to supplies and services received.

### Pension – Defined Benefit Scheme

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

### Pension Assets – Expected Rate of Return

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

### Pension – Interest Costs

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

### Pension – Past Service Costs

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



### Pension Fund

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

### Pensions Top-Up Grant (PTUG)

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

### Precept

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

### Provision

An amount set aside to provide for a liability which is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

### Prudential Code

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

### Public Works Loan Board (PWLB)

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

### Receipts in Advance

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

### Receipts and Payments

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

### Retirement Benefits

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

### Revenue Contributions

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