

NORTHAMPTONSHIRE OFFICE OF THE POLICE AND CRIME COMMISSIONER
INDEPENDENT AUDIT COMMITTEE

27th June 2013 at 10.00am

Greenwell Room, Wootton Hall, Northampton, NN4 0JQ

If you should have any queries in respect of this agenda, please contact Stuart McCartney on 03000 111 222 Ext 346665

AGENDA

1. Apologies, if any, for non-attendance.
2. Minutes of meeting held on 19th March 2012
3. Declaration of personal and prejudicial interests in respect of items on the agenda.
4. Draft accounts 2012-2013 (To follow)
5. Treasury management outturn 2012-13
6. PCC Risk Register
7. External Audit verbal update
8. Internal Audit Annual Report
9. Proposed Training Workshop dates
10. **Urgent Business** – Such other business involving exempt information which, by reason of the special circumstances to be specified, the Chairman is of the opinion is of sufficient urgency to warrant consideration. (Members who wish to raise urgent business are requested to inform the Chairman beforehand).

In respect of the following items the Chair may move the resolution set out below on the grounds that if the public were present it would be likely that exempt information (information regarded as private for the purposes of the, Local Government Act 1972) would be disclosed to them:

“That under Section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that if the public were present it would be likely that exempt information under Part 1 of Schedule 12A of the Act of the descriptions against each item would be disclosed to them”.

ITEM

DESCRIPTION OF

EXEMPTION

- | | | |
|----|--|--|
| 1. | Minutes of meeting held on 19 th March 2013 | PARAGRAPH 1 OF
PART 1 OF SCHEDULE
12A OF THE LOCAL
GOVERNMENT ACT
1972 |
| 2. | Transition Payroll and Payments report | PARAGRAPH 1 OF
PART 1 OF SCHEDULE
12A OF THE LOCAL
GOVERNMENT ACT
1972 |

IAIN BRITTON
ASSISTANT COMMISSIONER (JUSTICE) & MONITORING OFFICER

NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION

INDEPENDENT AUDIT COMMITTEE

Agenda No: 2

19TH March 2013

(Excluding Exempt Items)

PRESENT: Mr S Schanschieff JP OBE DL (Chairman)
Mrs J Haynes
Ms G Newton CBE
Mr R Wootton

Northamptonshire Police and Crime Commission attendees:

Miss K Buckle	-	Assistant Commissioner – Governance
Mr P Heaton	-	Assistant Commissioner - Public Involvement
Mr J Neilson	-	Strategic Resources Manager
Mr J Raisin	-	Interim Assistant Commissioner – Resources
Mr S McCartney	-	Strategy Adviser

Northamptonshire Police attendees:

Mr M Jelley	-	Deputy Chief Constable
Mrs F Davies	-	Head of Corporate Services
Mr G Jones	-	Head of Finance and Asset Management
Mr A Henson	-	Occupational Health Team
Mr D Williams	-	Head Of Human Resources

Other attendees:

Mrs A Ward	-	RSM Tenon
Mr P Green	-	RSM Tenon
Mr S Stanyer	-	KPMG
Mr J Gorrie	-	KPMG

01/12 APOLOGIES

None were recieved.

03/12 DECLARATION OF INTERESTS

There were none.

04/12 INDEPENDENT AUDIT COMMITTEE MEMBER CODE OF CONDUCT

The Chairman of the Panel introduced the paper after which Mrs G Newton asked for some clarification on a number of points. In response Mr J Raisin explained that the report was drawn up by the previous Chief Executive and that it was in line with other Local Authority Codes of Conduct. Mr. R Wootton noted that the Committee has been appointed on an interim basis and sought further information on its future. Ms G Newton also noted the need to keep as much business as possible on the public agenda, a view that was supported by the Chairman.

RESOLVED:-

That the Interim Assistant Commissioner – Resources will seek further clarification from the Police and Crime Commissioner about the future of the panel.

05/12 NOPCC RISK MANAGEMENT

Mr J Neilson set out the report and noted that it was a work in progress and that he would welcome any views the Committee have on the approach being set out. He also explained that a revised risk register would be circulated at the next meeting. Ms G Newton enquired about the ACPO Risk Register; in response Mr. M Jelley explained that whilst such a document did not exist, there was a lot of joint working being undertaken regarding performance management. Ms G Newton suggested the Force risk register was 'bottom-up' and was lacking a strategic and corporate view of 'performance'. In response Mr. M Jelley explained there was a lot of joint working being undertaken regarding performance management, and 'performance' could be added to the Force's Risk Register. In response to comments about dealing with future challenges, Mr J Neilson suggested holding a number of workshops for Members.

RESOLVED:-

- 1. That a revised risk register would be circulated at the next meeting**
- 2. That performance could be added to the Force's Risk Register**
- 3. That a number of workshops will be held for Members.**

06/12 EXTERNAL AUDIT PLAN 2012-2013

Mr. J Gorrie introduced the plan and set out the background to the plan to Members. He noted the issue of auditing two related organisations was a national issue and that as auditors KPMG will liaise with colleagues nationally to ensure a consistent approach. In response to questions about fees, Mr. J Gorrie explained the fee structure to members and that it was set by the Audit Commission. Ms G Newton enquired whether KPMG could bring together members of Audit Committees together nationally to share best practice; in response Mr. J Gorrie explained that this suggestion would be looked into. At the invitation of the Chairman, Mr. P Green felt a

joint workshop with KPMG would be useful and if possible within the next six months, he also explained that a plan would be drawn up of how RSM Tenon could contribute.

RESOLVED:-

- 1. That the progress of external audit against the plan be noted**
- 2. A joint workshop will be established to update members**

07/12 INTERNAL AUDIT PROGRESS 2012/13

Mrs A Ward introduced their report and briefed Members on the work being undertaken on pensions. The Chairman then asked what progress was being made in relation to the work on the report dealing the Transitional Arrangements- Payroll & Expenses. Members were informed that it was expected that the work would be completed by the end of April. Debate then took place regarding the need to avoid any duplication of work following the Police Control Room scrutiny report.

Mr. Wootton then asked for an update on EMSOU, in response Mrs. A Ward noted that this was being looked into and a report will be presented to the committee.

RESOLVED:-

- 1. That the progress on Pensions and the report on The Transitional Arrangements—Payroll & Expenses be noted**
- 2. An update on EMSOU will be given to members at the next meeting**

09/12 MATTERS OF URGENCY

There were none.

10/12 EXCLUSION OF THE PUBLIC AND PRESS

“That under Section 100(a) of the Local Government Act 1972 the public will be excluded from the meeting for the following item of business on the grounds that, if the public were present it would be likely that such information under part 1 of Schedule 12a if the Act of the description against each item would be disclosed.”

ITEM

DESCRIPTION OF EXEMPTION

- | | | |
|-----------|---|--------------------|
| 1. | Injury Awards Overpayment Update | Paragraph 1 |
|-----------|---|--------------------|

RESUME OF CONFIDENTIAL ITEM

- 1. The Committee received a verbal update in relation to the overpayment of Injury Awards and recovery of overpayments.**



**Joint Audit Committee
27th June 2013
Report by the Assistant Commissioner Resources and the Force Chief
Finance Officer**

Subject: Unaudited Group Accounts for the Office of the Northamptonshire Police and Crime Commission (ONPCC) for 2012-13

Recommendation: That the Statement of Accounts for 2012-13 be released for Audit

1 PURPOSE OF THE REPORT

1.1 This report accompanies the unaudited Group Accounts for the ONPCC for 2012-13, and provides Members with a brief summary of the main points to consider when releasing the accounts for Audit. The final audited accounts will be submitted for approval in September.

2 INTRODUCTION

2.1 Approval of the full audited accounts is required before 30th September, but in the interests of transparency and good governance, the draft accounts are submitted to the Joint Audit Committee for scrutiny prior to the Audit commencing. The accounts have been produced in line with the current Recommended Practice for 2012-13, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and generally accepted accounting policies.

3 BACKGROUND

3.1 For the 2011-12 accounts, the changes required were minimal, with this being a consolidation year following conversion to International Financial Reporting Standards (IFRS) in 2010-11.

3.2 The 2012-13 accounts contain changes required specifically for the Police Service following the approval of the Police Reform and Social Responsibility Act (PRSA) 2011. In particular the formation of 2 corporate soles representing the Office of the Northamptonshire Police and Crime Commission (ONPCC) and the Chief Constable (CC) required the application of merger accounting.

- 3.3 The early recommendation from CIPFA was a single approach by forces using merger accounting provisions under Financial Reporting Standard (FRS) 6 from 1st April 2012, meaning there would be one set of Financial statements for the ONPCC for 2012-13 and no Financial Statements would be required for the Police Authority for that year. Information would need to be provided explaining the nature and circumstances of the transfer of functions. This method was successfully adopted by the Mayor of London's Office, who received an unqualified audit opinion in 2011-12 in respect of the Metropolitan Police Accounts.
- 3.4 Subsequently and following the realisation that the Chief Constable (CC) Corporate Sole was no longer a Local Authority, CIPFA issued a Local Authority Accounting Panel (LAAP) Bulletin (95) in December 2012, proposing an approach B, and calling the above approach A. This would involve the abolishment of Police Authorities as at the appointment date of the PCC and would involve accounting for periods of less than 12 months. LAAP recommended Approach A as the preferred approach for transfers of functions, and this has been adopted for this set of accounts.
- 3.5 Following the LAAP Bulletin, concerns were raised by forces, particularly around what should be included in the PCC's and CC's accounts and how this should be determined. In March 2013 CIPFA issued a briefing note to help practitioners in applying the requirements of the LAAP Bulletin, covering the areas of ownership, control of economic benefit and service potential. The application of this guidance is open to interpretation and has been debated extensively in the region to obtain a consensus that has been followed by Northamptonshire in preparing the accounts.
- 3.6 An ACPO survey of 20 forces has shown that 19 have adopted approach A. 13 of these forces (including Northamptonshire) have used the approach adopted by the Mayor of London's Office last year. 3 Forces are recognising all Assets, liabilities and costs within the PCC's accounts, and 2 are using a hybrid option, with one don't know. The survey demonstrates a level of national divergence on this issue and the debate concerning economic use versus legal control is likely to continue.
- 3.7 The accounts contain 2 comprehensive income and expenditure service (CIES) analyses. All transactions are consolidated into the PCC's CIES (page 27). The PCC's accounts are shown separately for the part year, and all of the Chief Constables (CC) transactions are charged back to the PCC's CIES as a single line. There is then a consolidated CIES with the single line recharge unwound, to present the true group position, comparable to previous year's disclosures (page 28).

4 OUTTURN POSITION AND GENERAL RESERVES

- 4.1 The force reported a final under-spend of £0.61m to the ONPCC. More details are contained in the Explanatory Forward to the accounts on pages 6 to 9. The Authority ended 2012-13 with reserves and balances totalling £21.86m (note 18 on page 52), a decrease of £0.61m. The general fund balance has increased by £0.61m to £4.14m, representing 3.43% of the Forces net budget requirement as against our approved policy of between 2 and 3%.

- 4.2 Although the total level of reserves appear high, £6.80m of the capital reserve will be used in 2013-14 to fund the capital programme, and there are £6.21m of reserves earmarked for transformation and restructuring.

5 THE STATEMENT OF ACCOUNTS

- 5.1 The Statement of Accounts reflects the financial position for the Police and Crime Commission and Force as at 31st March 2013. Significant figures in the accounts include the following:

Comprehensive Income and Expenditure Statement (CIES) – Deficit on Provision of Services on Page 27 of £38.038m.

- 5.2 Note 6 on page 46 to the accounts is crucial, as it demonstrates how the surplus / deficit on service provision reconciles back to the Outturn position of £0.61m reported to the ONPCC in May 2013 and detailed in the explanatory forward.
- 5.2 From this note it can be seen that the reasons for the difference is the notional accounting entries posted at year end above the surplus / deficit on provision line that are subsequently reversed out of the accounts to leave the surplus / deficit on a “funding basis” equivalent to the outturn.
- 5.3 These include depreciation, amortisation, Revenue Funded from Capital Under Statute, Gains and Losses on disposals, IAS 19 Pension adjustments and Joint Venture Income and Expenditure.

6 FINANCIAL IMPLICATIONS

- 6.1 All financial implications have been considered above.

7 CONCLUSION

- 7.1 The Police and Crime Commission and Northamptonshire Police Force have strong stewardship of their finances and are in a prudent financial position, which is evidenced in the final accounts.

John Raisin
Interim Assistant Commissioner
Resources (Section 151 Officer)

Fiona Davies
Chief Finance Officer for the
Chief Constable

EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS

None

HUMAN RESOURCES IMPLICATIONS

None

RISK MANAGEMENT IMPLICATIONS

None

Author: Gary Jones Head of Finance and Asset Management

Chief Officer Portfolio Holder: Fiona Davies – Head of Corporate Services and Chief Finance Officer (CFO) for the Chief Constable

Background Papers: Draft Statement of Accounts 2012/13, and closedown working papers held in the Financial Services Department

NOT PROTECTIVELY MARKED



**Unaudited Group Accounts for the Office
of the Northamptonshire Police and
Crime Commissioner (ONPCC)**

2012-13

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EXPLANATORY FOREWORD

Introduction

The intention of the Statement of Accounts is to give the reader an overall impression of the finances of Office for Northamptonshire Police & Crime Commissioner (ONPCC) and the Group including Northamptonshire Police Force for the financial year ending 31st March 2013.

Under provisions contained in Section 15 & 16 of the Audit Commission Act 1998 and the Accounts and Audit Regulations 2003, the Statement of Accounts for 2012-13 will be available for inspection from 9.00am Friday 8th July 2013 to 5.00pm Friday, 19th July 2013 (excluding weekends).

The Auditors are KPMG LLP.

- (a) Introduction by the Chief Finance Officers (CFO's)** Pages 6-9
- This provides a brief background to the PCC's budget for 2012-13, the final outturn position and an assessment of the PCC's future financial prospects.
- (b) Annual Governance Statement for the Police and Crime Commissioner and the Chief Constable** Pages 10-20
- The ONPCC has adopted the Code of Corporate Governance and this statement explains how the ONPCC has complied with the code and monitored its effectiveness.
- (c) Statement of Responsibilities for the Statement of Accounts** Pages 22-23
- This outlines the PCC's and the CC's and their respective Chief Financial Officers (CFO's) responsibilities.
- (d) Independent Auditors Report** Pages 24-26
- (e) Comprehensive Income and Expenditure Statement** Pages 27
- This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- (f) Balance Sheet** Page 29
- The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the ONPCC. The net assets of the ONPCC (assets less liabilities) are matched by the reserves held by the ONPCC. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the ONPCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the ONPCC is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

(g) Movement in Reserves Statement

Page 30

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

(h) Cash Flow Statement

Page 31

The Cash Flow Statement shows the changes in cash and cash equivalents of the ONPCC during the year. The statement shows how the ONPCC generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the ONPCC are funded by way of taxation and grant income or from the recipients of services provided by the ONPCC. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the ONPCC's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the ONPCC.

(i) Notes on the Core Financial Statements

Page 32-83

Additional information concerning items included within the core financial statements, including additional pension's disclosures as required by IAS 19.

(j) Prior Period Adjustments

Page 78

Information concerning the prior period restatement of the Core Financial Statements

(l) Related Party Transactions

Page 78

Information concerning the ONPCC's transactions with its related parties and outstanding balances.

(l) Joint Associate Non Entity Consolidation Statement

Page 80-81

The Single Entity Comprehensive Income and Expenditure Statement and Balance Sheet.

(l) Police Pension Fund Account

Page 82

The amounts received into and paid out of the police pension fund during the year and a statement of the net current assets and liabilities of the scheme.

(m) Accounting Policies

Page 84

The Accounts are supported by the Statement of Accounting Policies, which identifies the accounting practices adopted in the preparation of the Accounts. Other notes are provided to explain further the information given.

(n) Glossary of Terms

Page 93

Wherever possible, the use of technical phraseology has been avoided, however, the Statement of Accounts does contain some accounting and local Government terminology and a glossary is provided to simplify and explain such terminology.

INTRODUCTION BY THE ASSISTANT COMMISSIONER FOR RESOURCES AND THE HEAD OF CORPORATE SERVICES (CHIEF FINANCE OFFICERS FOR THE PCC AND FORCE)

Background

The ONPCC approved a net revenue budget of £120.55m for 2012-13, a reduction of £2m over 2011-12. The 2012-13 year was the most challenging year of the 4 year Comprehensive Spending Review (CSR) period, with grant cuts of 6.4%. The ONPCC opted for a further one year freeze in Council Tax to take advantage of £1.37m of freeze grant available until 2015-16. Carry forwards of £1.97m were approved.

Balancing the budget for 2012-13 was dependant upon achieving cashable savings of £3.55m, and included a draw down on Reserves of £0.2m. The force, through Operation I Can, had in place a rolling programme to deliver savings over the 4 year CSR period and beyond. The programme included reductions in Police Officer and PCSO establishment of 100 and 25 respectively over the 4 year period, as well as considerable reduction in operational support staff through process reviews following the force restructure in November 2010.

The 2012/3 budget included the 2nd year of a 2 year pay freeze for officers and staff, but did provide for increasing prices and the cost of increments for police staff, with Police Officer increments being frozen for 2 years under the Winsor Review of Pay and Conditions. Local taxpayers continue to be protected against the increasing cost of police pensions as a result of the central arrangements introduced in 2006.

Overview of the Changes to Financial Reporting for the Year

The preparation of the Statement of Accounts for 2012-13 contained few changes compared to changes in recent years such as the introduction of International Financial Reporting Standards (IFRS) for Local Authorities in 2010/11.

Changes to the 2012-13 accounts relate mainly to the introduction of new governance arrangements as a result the Police Reform and Social Responsibility Act (PRSRA) 2011 and the subsequent election of the Police and Crime Commissioners (PCC) in November 2012. The Force has adopted the provisions of Financial Reporting Standard (FRS6), the result of which is there is one set of Financial Statements for the ONPCC for 2012-13 and no Financial Statements are required for the ONPCC for 2012-13. This method is recommended by CIPFA and was successfully adopted by the Mayors Office, who received an unqualified audit opinion in 2011-12.

The accounts contain 2 comprehensive income and expenditure service (CIES) analyses. All transactions are consolidated into the PCC's CIES (page 27). The PCC's accounts are shown separately for the part year, and all of the Chief Constables (CC) transactions are charged back to the PCC's CIES as a single line. There is then a consolidated CIES with the single line recharge unwound, to present the true group position, comparable to previous year's disclosures (page 28).

The Revenue Outturn

The final outturn position and movement on the general fund balance is shown in **table 1** below. The force continued to under-spend significantly during the year in all areas of its business, with a final reported outturn of a £2.15m under-spend before use of reserves. The force over-achieved the savings target required to balance the budget by £1.61m. Further considerable under-spends on Police Pay and Pensions (£1.91m), Operational (£0.37m) and Business Support (£1.10m) Departments and on non-devolved budgets (£1.1m) meant the force was able to contribute £0.5m to invest to save and £4.2m to new restructuring and transformation reserves during the year, agreed by the Police and Crime Panel in it's precept setting meeting of 5th February 2013.

The force required a net transfer from the Safer Roads team reserve of £0.07m to balance the schemes budget, although there remains a healthy balance on this reserve. It was agreed that the pensions under-spend of £0.63m would be returned to the reserve. Due to the relatively high

balance in this reserve, it was agreed that £1m of this reserve, together with £0.78m in an un-required accumulated absence reserve, would be transferred to the restructuring reserve. £0.611m of carry-forwards were agreed to support medium term operational initiatives aligned with the Police and Crime Plan and a further £0.23m was transferred to the transformation reserve. This means that £6.21m of reserves are available for restructuring and transformation moving forward. £0.07m of the £1.97m carry-forward reserve from 2011-12 was not required and was transferred back to General reserves. All reserve movements can be seen on page 52.

With the approved movements on reserves, the final outturn position was a £0.61m under-spend.

Table 1 – Analysis of Final Outturn Position and Movement on Reserves

Area/ Department	£m
	Over/ (Under)
Police Pay	(1.28)
Police Pensions	(0.63)
Operational Commands	(0.37)
Business Support Departments	(1.10)
Operation I Can in Year Surplus	(1.61)
Restructuring Budget	(0.69)
Non Devolved budgets (including PCSO's)	(1.10)
Contribution to Invest to Save PA 26th July	0.50
Tr to Transformation Fund - PCP 5th Feb	1.00
Tr to Redundancy Reserve - PCP 5th Feb	3.20
Net Interest Receivable	(0.08)
Underspend	(2.15)
Use of Reserves	
Net Transfer from Safer Roads Reserve	(0.07)
Proposed Transfer to Pensions Reserve	0.63
Proposed Carry Forwards	0.61
Transfer to Insurance Reserve	0.20
Transfer from Carry Forward Reserve	(0.07)
Transfer from Pensions Reserve	(1.00)
Transfer to Restructuring Reserve	1.00
Transfer from Accumulated Absence Reserve	(0.78)
Transfer to Restructuring Reserve	0.78
Transfer to Transformation Reserve	0.23
Final (inc) / dec on General Reserve	(0.61)

An explanation of the outturn position is aided by the segmental reporting requirement that provides a departmental analysis of the final position on page 42.

Comprehensive Income and Expenditure Account

The Comprehensive Income and Expenditure Account (page 27) shows the ONPCC incurring a deficit of £38.038m, compared to a surplus of £32.935m in 2011-12. *Note 6 on page 46 to the accounts is crucial, as it demonstrates how the surplus on service provision reconciles back to the Outturn position reported to the ONPCC during May of £0.61m, by removing the statutory adjustments of £42.714m which includes Depreciation and IAS19 Pension adjustments.*

From this note it can be seen that the reasons for the difference is the notional accounting entries posted at year end above the surplus / deficit on provision line that are subsequently reversed out of the accounts to leave the surplus / deficit on a "funding basis" equivalent to the outturn.

These include depreciation, amortisation, Revenue Funded from Capital Under Statute, Gains and Losses on disposals, IAS 19 Pension adjustments and Joint Venture Income and Expenditure.

Capital Expenditure and Financing

Total capital spending in 2012-13 was £8.23m against the original agreed programme for the year of 13.74m. The new Criminal Justice Centre (£2.61m) and the Multi Force Shared Service (£2.38m) were the largest items within the 2012-13 capital programme. The CJC build was completed in August with £0.27m of payments currently being withheld pending final alterations to the building. The final expenditure is expected to be £13.30m, £2.25m below the original project budget.

The ONPCC approved the Business Case for the implementation of a Shared Service solution for HR, Finance and Procurement transactional services with Cheshire Police on 27th July 2011. The programme was split into 2 phases and the expenditure re-profiled accordingly. The project is expected to be delivered on budget, despite a small forecast overspend, which will be recovered from the delivery partner due to late implementation of some technical aspects of the programme.

The ONPCC, in its 31st May 2012 meeting, agreed proposals to use £5.8m of general reserve balances to reduce or negate the requirement to borrow for the new CJC that would save the relatively large difference between the lending and borrowing rates, resulting in a healthy opening balance on the capital reserve of £11.04m.

The Home Office Capital grant of £1.09m was used first, followed by £0.25m of external funding. Unused budget for debt charges of £0.52m were transferred into the CJC reserve and used next, together with £4.24m of the topped up capital reserve, with the remaining £2.12m of funding coming from the revenue budget.

Reserves and Balances

The ONPCC ended 2012-13 with reserves and balances totalling £22.2m (pages 52), a decrease of £0.55m, which differs to the Outturn Report by £0.9m, due to adjustments based upon the Employee Benefit Provision, the Insurance Reserve and the CJC debt funding. The general fund balance has increased by £0.61m to £4.14m, representing 3.43% of the forces net budget requirement as against our approved policy of between 2 and 3%. Although the total level of reserves appear high, £6.80m of the capital reserve will be used in 2013-14 to fund the capital programme, and there are £6.21m of reserves earmarked for transformation and restructuring.

Future Outlook

The budget for the financial year 2013/14 has been set at £122.48m, a reduction of £2m over 2011-12. The budget will be split as follows with priorities informed by the community consultation. 2012-13 is the second and most challenging year of the current comprehensive review with total grant cuts of 6.4%.

The force is required to deliver a further £23.1m of savings over the next 5 years, and has a 5 year programme in place to achieve this.

Table 2 – Current and Future years deficits and savings forecast

	We are here →					→ End of CSR			
Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	TOTAL
Budget Deficit £m	21	3.9	3.6	2.9	5.6	7.2	3.8	3.7	23.1
Savings Forecast £m	24	6.4	5.2	2.9	2.6	1.3	0.2	-	7.0
Cumulative (surplus) / deficit	(0.3)	(2.5)	(1.7)	0.0	3.0	8.9	12.4	16.1	

Balancing the budget during 2013/14 is dependant upon achieving cashable savings of £2.9m. There is currently uncertainty over future funding, but austerity is expected to continue for some time.

Investment

The Police and Crime Panel approved a capital programme of £8.95m for 2012-13. £7.15m relates to schemes that started in a previous year, with £1.8m of rolling replacement schemes.

The force continues to invest in technology that will enable it to share more of its infrastructure services in the long term (Project Athena £1.58m and currently the MFSS). The invest to save scheme will continue to add value to the forces savings programme, with investment appraisals undertaken by the Financial Services Department (£0.353m in 2013/14).

The Mobile Data strategy and roadmap is essential to the force both in its quest to increase front line policing, but also in enabling reductions in infrastructure costs in terms of the requirement for accommodation and workstations as the Estate Strategy enables more joined up delivery through co-location with partners and smaller well communicated customer contact points. The force is in the process of switching to a more strategic supplier relationship model and £0.31m is included in the capital programme in 2013-14 for the replacement of the existing Mobile devices with a more flexible solution for operational users.

In terms of compliance with Home Office and PACE requirements, the Police Investigation Centre (PIC or Northern Custody Suite) is anticipated to progress to tender state (£3.53m) in 2013-14. The programme also includes proposals to bring forward Airwave Terminal replacement, to bring the force in line with the equipment used in the region. The PCC has approved the new contract with Sepura. £0.465m is included in the programme for 2013-14.

Further Information

Every effort has been made to ensure that the information provided in this Statement of Accounts is clear and informative. Should you require further information or you have any comments, please contact the Assistant Commissioner for Resources:

- ONPCC, Police Headquarters, Wootton Hall, West Wing, Northampton, NN4 0JQ
- Telephone: 01604 888 113
- E-mail: nick.alexander@northants.pnn.police.uk
- Viewing the ONPCC website at: <http://www.northantspcc.org.uk/>

Chief Finance Officer and Assistant Commissioner for Resources
Office of the Northamptonshire Police and Crime Commissioner

ANNUAL GOVERNANCE STATEMENT OF THE OFFICE OF THE POLICE COMMISSIONER FOR NORTHAMPTONSHIRE

1 Scope of responsibility

Police and Crime Commissioners are corporations sole, created by the Police Reform and Social Responsibility Act 2011.

Under the provisions of that Act, Commissioners must secure the maintenance of a police force for their area, and secure that the police force is efficient and effective. The Commissioner must hold the Chief Constable to account.

The Commissioner must issue a Police and Crime Plan within the financial year of their election [2012-13], and keep that plan under review, produce an annual report on the exercise of the Commissioner's functions and the progress which has been made in the financial year in meeting the police and crime objectives in the Police and Crime Plan.

The Commissioner must maintain a single Police Fund, and must keep accounts of that Fund. Commissioners also have the power, previously conferred upon Police Authorities, to issue a precept, thus allowing council tax to be levied to fund the police.

The Commissioner is responsible for ensuring that the business of the Commission is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Commissioner is responsible for putting in place proper arrangements for the governance of the Commission's affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Commissioner has approved and adopted a Corporate Governance Framework, comprising the Code of Corporate Governance, Scheme of Governance and the Decision Making Policy, which were approved by the Commissioner through his Executive Order 0021 dated 25th April 2013.

This Framework is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

These documents and the Executive Order are published on the Commission's website at northantspcc.org.uk or can be obtained from the Monitoring Officer, Office of the Northamptonshire Police Commissioner, Wootton Hall, Northampton, NN4 0JQ.

This statement explains how the Commissioner has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2 The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Commission is directed and controlled and its activities through which it accounts to, engages with and leads its communities, to achieve success as measured by the delivery

of the outcomes set out in the Police and Crime Plan and the demonstrable confidence of stakeholders.

It enables the Commission to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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 Commission's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

3 The governance framework

The details of the Commission's Corporate Governance Framework are grounded in the six principles of good governance for public services:

1. Developing and promoting the Commission's purpose and vision
2. Leaders, officers and partners working together towards a common purpose
3. Promoting the values of the Commission, demonstrating the values of good governance, upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and risk management
5. Developing the capacity and capability of the Commission to be effective
6. Engaging with local people and other stakeholders to ensure robust public accountability

4 Review of effectiveness

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness will normally be informed by the work of the managers within the Commission who have responsibility for the development and maintenance of the governance environment, Internal Audit's annual assurance report and also by comments made by the external auditors and other review agencies and inspectorates.

However, the Commission is a new organisation which has been operational for a short time. Until 25th April 2013, the Commission was operating under a transitional regime drawing on

the previous governance regime of the former Police Authority and the authority vested in the Commissioner by statute.

The Internal Audit Annual Report presented to the Audit Committee on 27th June 2013 states:

“For the 12 months ended 31 March 2013, based on the work we have undertaken for the Police Authority prior to 22 November 2012 and for the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police Force since this time, in our opinion the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police Force has adequate and effective arrangements for governance, risk management and control.

Some of these arrangements are in the early stages of development and have not yet been subject to audit review. In our experience, systems and controls will be refined and tailored over time to meet the needs of the stakeholders and the organisation, such changes and developments would merit audit review”.

The paragraphs below set out a commentary on the extent to which the Commission’s Code of Corporate Governance has been implemented and its effectiveness.

The key actions to be undertaken during 2013-14 are also set out.

The Police and Crime Plan was published in March 2013 and is available on the Commission’s website. The Plan sets out what the strategic direction and priorities are to be and how they will be delivered.

The Commission has run its first Commissioning process in early 2013. This was specifically to commission services to reduce crime and disorder via Community Safety Partnerships (CSPs).

A pot of £200,000 was set up for this. The process followed set out a framework within which bids from CSPs would be assessed, an evaluation of the bids received and allocation of funding, followed by Service Level Agreements being produced to govern the agreed funding allocations.

In the coming year, the Commission will further develop the commissioning framework ahead of commissioning victims' services in 2014.

The current Police and Crime Plan reflects the largest ever public consultation exercise (in terms of participants), which in turn included a large-scale youth consultation.

Also in 2013-14, the Commission will develop its vision of the partnership landscape, engaging partners from across the community safety and criminal justice sectors, seeking to develop a more cohesive and effective approach to partnering for the 21st century. The intention is to complete this work so that new partnering arrangements will be in place for April 2014.

The Medium Term Financial Plan which was aligned to the Police and Crime Plan was agreed in February 2013.

Financial Regulations were agreed by the Commissioner on 28th March 2013.

The Commission has developed and published on its website policies and arrangements for addressing complaints against the Commissioner and the Chief Constable.

The Commissioner's first Annual Report setting out his key activities and achievements, and financial position and performance, will be presented to the Police and Crime Panel on 2nd July.

The Commissioner has set personal performance objectives for the Chief Constable on an annual basis.

The Act requires the Commissioner to have a Chief Executive and a Chief Finance Officer.

The Chief Executive will be the Head of Paid Service and undertake the responsibilities of Monitoring Officer.

The Assistant Commissioner–Justice has been nominated as Chief Executive and Monitoring Officer, and that appointment has been confirmed following the confirmation hearing of the Police and Crime Panel at its meeting on 4th June 2013.

The Chief Finance Officer role is currently being discharged on an interim basis. An appointment is planned to the post of Assistant Commissioner – Resources. That role includes the Chief Finance Officer responsibilities.

The Commissioner and the Chief Constable meet together on a regular basis, as do their respective senior management teams.

The Commissioner's Transformation Board, with membership including the Chief and Deputy Chief Constable, oversees the development and delivery of a programme designed to deliver the outcomes set out in the Police and Crime Plan.

A joint Task Group, comprising senior officers from the Commission and the Force, supports the Board's work.

The Commissioner has developed, and implemented strategic risk management. The Commission's first Risk Register was presented to the Audit Committee on 27th June 2013.

The Commissioner's Scheme of Governance highlights the parameters for decision making, including the delegations, consents, financial limits for specific matters and standing orders relating to contracts.

Decisions made by the Commissioner through Executive Orders are published on the website.

5 Significant governance issues

It is proposed over the coming year to further enhance the Commission's governance arrangements through the actions set out below.

- a. Establish the joint PCC-Force corporate governance group as stated in the Corporate Governance Framework;
- b. Review the Commission's HR policies, including Whistle Blowing policy and a learning and development strategy;
- c. Further develop the commissioning framework ahead of commissioning victims' services in 2014;
- d. To develop the partnership landscape, engaging partners from across the community safety and criminal justice sectors, seeking to develop a more cohesive and effective approach to partnering for the 21st century
- e. Develop arrangements to publish a public forward notice system of key decisions regarding which the public can engage.
- f. Develop the future model of strategic assessment to underpin both any future refresh and the ongoing delivery of the Police and Crime Plan;
- g. Through discussions with partners, and particularly with the Fire Service, better integrate strategic planning processes.
- h. Extend engagement with stakeholders, including through a large-scale 'Victims Voice' exercise.
- i. Develop the proposed Police Crime and Justice Institute which will provide a majorly enhanced model for developing consultative activity and research to build community insight, with that model of delivery enhancing the independence of such process.
- j. Launch an Office for Faith Based and Community Initiatives which has an aim of massively increasing the scale and diversity of participation in crime and justice activity, particularly prevention.
- k. Take forward plans for youth engagement, and a strategy for rural engagement.

6 Conclusion

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by officers, informed by the views of internal audit and the Audit Committee. Given the short history of the Commission the current governance arrangements and the proposals to develop and further improve them are regarded as appropriate.

The areas already addressed and those to be specifically addressed during the current year are outlined above.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Adam Simmonds
Police and Crime Commissioner for Northamptonshire

Signed

Iain Britton
Chief Executive of the Office of the Police and Crime Commissioner for Northamptonshire



Annual Governance Statement (AGS) of Northamptonshire Police Force

During 2012-13 Northamptonshire Police Authority (NPA) was abolished and replaced by the Office of the Northamptonshire Police and Crime Commissioner (ONPCC). This annual governance statement reflects both the governance framework in place up to 21 November 2012 when NPA was abolished and the new governance framework put in place for the PCC by the Force for the year ended 31 March 2013, including plans for the financial year 2013-14.

This statement is a key corporate document, wider than financial governance alone, and brings together legislative requirements, governance principles and management processes. This Annual Governance Statement (AGS) is based on the CIPFA Delivering Good Governance Framework.

The position is as at 31 March 2013, including plans for financial year 2013/14.

1. SCOPE OF RESPONSIBILITIES

Northamptonshire Police Force ('the Force'), must ensure that its business is conducted legally and that public money is safeguarded, accounted for and used economically, efficiently and effectively. The Force has a legal duty to secure continuous improvement in the way which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Force is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Force has adopted a Code of Corporate Governance, which is consistent with the principles of CIPFA/ SOLACE Framework: *Delivering Good Governance in Local Government*. A copy is on the ONPCC website at www.northantspcc.org.uk or can be obtained from The CFO, Northamptonshire Office of the Police & Crime Commissioner, Force Headquarters, Wootton Hall, Mereway, Northampton, NN4 0JQ. This statement explains how the Force has complied with the Code and also meets the requirements of Accounts and Audit (England) Regulations 2011, Regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the Force is directed and controlled, as well as the activities through which it accounts to, engages with and leads its communities. It enables the Force to monitor the achievement of the strategic objectives, articulated in the Police and Crime Plan, and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of the 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 Force's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework is in place at the Force at the year-end 31 March 2013 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

For the period of 1st April 2012 until 21st November 2012 Northamptonshire Police Authority and Force worked within a tripartite arrangement shared, with the Home Office, and from 22nd November 2012 has worked with the ONPCC as set out under the Police Reform and Social Responsibility Act 2011 (PRSRA) and the Policing Protocol Order 2011. Under the PRSRA the Force became a corporation sole, therefore the Chief Constable continues to be responsible for all operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. The Chief Constable is required by statute to appoint a person to be responsible for the proper administration of the Force financial affairs (S151 officer). The post that holds this responsibility is the Head of Corporate Services. The ONPCC hold the Chief Constable to account for his policing responsibilities and it follows that ONPCC be satisfied that the Force has mechanisms in place for the maintenance of good governance, and that these operate in practice.

The Northamptonshire Police Authority Vision was:

"We will earn the trust and confidence of local communities by protecting the vulnerable from harm, reducing offending and providing excellent policing services"

The ONPCC's vision is:

"Making Northamptonshire the Safest Place in England"

Both complement the Force Vision, which was:

"Putting Communities First"

Objectives and Targets

The Local Policing Plan 2012-13, agreed by the Authority and the Force in February 2012, set out the strategy for policing the area and the fundamental vision and core values of Northamptonshire Police Force and Authority until the ONPCC was elected in November 2012. Between November and March the ONPCC and the Force worked together to agree futures targets based on the Police and Crime Plan that was published in March 2013.

Focusing resources on Northamptonshire Police key strategic themes:

- To earn the trust and confidence of local people
- Enabling discretion and professional judgement
- To protect local communities from harm
- To deliver great policing services

Monitoring Performance

Within Force, the Executive Group (All Chief Officers and the Departmental Commanders), supported by the Strategic Tasking and Coordination Group will shape and coordinate and monitor strategic delivery of both the policing services and organisational development.

Monitoring within the Force is through the Chief Officers' Group (COG) and the supporting meetings chaired by a Chief Officer:

- **Strategic Tasking and Co-Ordination Group** is chaired by the Deputy Chief Constable (DCC).

Both Assistant Chief Constables (ACC's), Departmental Commanders and Department Heads attend these quarterly meetings to examine performance against the organisation's strategic assessment and control strategy, making strategic resourcing decisions based on intelligence and performance and the resources available.

- **Monthly Performance and Tasking** is chaired by the Deputy Chief Constable.

All operational Commanders and Superintendents, Head of Corporate Services, Head of Finance and Asset Management and Head of Organisational Delivery attend these monthly meetings, where performance is scrutinised and issues are tasked to be resolved.

- **Strategic Workforce Planning** is chaired by the Deputy Chief Constable.

Both ACC's, Departmental Commanders, Head of Finance and Asset Management, Head of Organisational Delivery, Head of HR, Unison and the Police Federation attend these meetings. This body scrutinises and leads how the organisation plans and delivers a workforce fit for delivering the policing objectives in the future.

- **Change Delivery Board** is chaired by the Deputy Chief Constable and has oversight of all change programmes in the Force.

Measuring the quality of services for users

The Force carries out telephone surveys with victims of crime and also undertakes a general public attitude survey, which measures the opinions of members of the public about policing across the County. The victim surveys now incorporate all Hate Crimes, in order to get broader feedback on quality of service beyond Racist Incident/Crime victims. The Force has also undertaken programmes of consultation with other groups of service-users, including domestic abuse, child abuse and serious RTC victims and families, in order to provide an insight into quality of service beyond the standard groups normally covered by the telephone surveys. Individual Safer Community Teams are concentrating on priorities set by their local communities. The results of these are monitored by the Monthly Tasking and Performance meeting.

The Force's Professional Standards Department also sends out surveys to complainants and monitors the feedback obtained.

Risk Management

The Force continues to implement and embed risk management arrangements across the organisation.

The Deputy Chief Constable has established a Professional Standards and Security Board to ensure Force risks are monitored and mitigated. All commands and departments maintain their own risk registers.

Roles and Responsibilities

The Force ensures that staff and officers work together, with clearly defined functions and roles, to achieve a common purpose, through the schemes of delegation approved by either the Northamptonshire Police Authority (April 2012 – Nov 2012) or the ONPCC from November 2012.

The Force has in place:

- A framework of statutory and local delegated powers, procedures and regulations
- Officers and staff allocated to PCC meetings to present reports and answer questions as appropriate. For example, the Assistant Commissioner for Resources (ONPCC) and the Head of Corporate Services (Force) meet at least monthly to discuss finance, budget planning, contracts and written reports about Finance are given to the ONPCC bi-monthly.
- A designated liaison officer between the Force and the ONPCC providing a single point of contact
- Effective and professional communications for the Force and the ONPCC via the Communications Department including reactively and proactively representing the ONPCC interests to the media.

- Well publicised codes of conduct for both officers and staff with the code of conduct for officers regulated by police regulations and an effective disciplinary process for breaches of Code of Conduct, managed by the Professional Standards Department.

Compliance

The Force will ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Chief Constable and Force S151 Officer (Head of Corporate Services (CFO)), have legal and professional responsibilities in this respect, assisted by assurances from internal and external audit. The Joint Audit Committee undertakes the core functions of an audit committee as defined by CIPFA.

In 2012-13 the Force received many "substantial assurance" scores on internal audit reports. There are checks and balances built into the financial procedures to ensure that expenditure is lawful, and this is underpinned by financial regulations which apply to each officer and employee of the Force. Departmental Heads and the relevant process groups are responsible for ensuring the Force policies and procedures are lawful.

Having reviewed all of the Internal Audit reports for the year, the Force is actively looking to improve processes where possible. The main focus of work over the forthcoming year will be;

- Improving the Force-wide risk register that takes account of Corporate Scoring methodologies and seeks to analyse significant risks to Force strategies and policies;
- To drive efficiency from the new Enterprise Resource Planning tool, to enable effective cross-cutting departmental work streams and also the automation of processes such as Fixed Asset recording and record management, and produce better management information.
- Ensure pension procedures are robust and new legislation is adhered to.

The Force has internal procedures managed by Professional Services Department for complaints by both officers and staff, and for members of the public to use. The Performance Monitoring Committee will monitor complaints received through the PSD twice yearly. The Force is also regulated by the Independent Police Complaints Commission (IPCC), an external body that has the power to investigate the Force.

A Public Interest Disclosure (whistle-blowing) policy is in place to protect any employee who may wish to raise concerns of public interest.

4. REVIEW OF EFFECTIVENESS

The Force has 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 senior managers within the Force who have responsibility for the development and maintenance of the governance, the head of internal audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

As the governance changed between the Police Authority and the ONPCC in November, the Force Executive group with the ONPCC has continued to refine the Force framework to ensure the governance remains robust and effective. This has included a new Scheme of Consent and a review of leadership and membership of all strategic meetings, and the outcomes being achieved by the Force.

For 2012-13 RSM Tenon (internal audit) concluded:

"For the 12 months ended 31 March 2013, based on the work we have undertaken for the Police Authority prior to 22 November 2012 and for the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police Force since this time, in our opinion the Office of the Police and Crime Commissioner for Northamptonshire and

Northamptonshire Police Force has adequate and effective arrangements for governance, risk management and control.

Some of these arrangements are in the early stages of development and have not yet been subject to audit review. In our experience, systems and controls will be refined and tailored over time to meet the needs of the stakeholders"

We have been advised on the implications through internal and external audit, and through our own internal review by the Executive Group, that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

5. SIGNIFICANT GOVERNANCE ISSUES IN 2012-13

There have been no significant governance issues during 2012-13. However, the Force will continually try to improve the governance framework both within the Force and the linking into the ONPCC governance framework.

Mr Adrian Lee
Chief Constable of Northamptonshire Police Force



Mrs F C Davies
Head of Corporate Services
Northamptonshire Police Force

On behalf of the senior officers Northamptonshire Police Force

ANNUAL GOVERNANCE STATEMENT FOR REGIONAL COLLABORATION

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 and Crime Commissioners (EMPCC) 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, 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.

Reviews of business processes have not identified significant and systemic control failures within the department. Where issues have been identified these are being addressed through defined management action plans.

An Audit of Key Financial Controls was undertaken during 2012, which gave reasonable assurance that the controls upon which the organization relies upon are suitably designed, consistently applied and effectively managed.

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'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's Board. The monthly expenditure reports are shared across the region to provide each force with visibility over expenditure to date.

4. Incorporating good governance arrangements in respect of partnerships.

The EMPCC'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 region to improve performance as well as saving money.

Signed



Peter Goodman
Deputy Chief Constable (East Midlands)

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The PCC's Responsibilities

The ONPCC is responsible for holding the Police Force 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 ONPCC must make arrangements for the proper administration of its financial affairs and to ensure that one of its officers, namely the CFO, has the responsibility for that administration.

The PCC also has a specific responsibility to sign the Statement of Accounts following approval at the appropriate meeting.

The CFO's Responsibilities

The CFO to the PCC is responsible for the preparation of the ONPCC's Group Accounts in line with statutory best practice set out in the CIPFA/LASAAC Code of Practice on Local ONPCC Accounting in Great Britain ("The Code") and the Accounts and Audit Regulations 2003.

The accounts are required to present fairly the financial position of the ONPCC at the accounting date and its income and expenditure for the year ended 31 March 2013.

In preparing this Statement of Accounts, the Assistant Commissioner for Resources has:

- 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 2012-13.

The Assistant Commissioner for Resources has also:

- 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.

Assistant Commissioner for Resources (CFO for the PCC) Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the ONPCC and Northamptonshire Police Force as at 31 March 2013 and the income and expenditure for the year ended 31 March 2013.

John Raisin CPFA

Assistant Commissioner for Resources – Office of Northamptonshire Police and Crime Commissioner

Date:

Chair of the Joint Audit Committee

Date:



Auditors Report 3 pages

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2013 FOR THE POLICE & CRIME COMMISSIONER

This account summarises the resources that have been generated and consumed in providing services and managing the ONPCC 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.

Under the new Police Service Expenditure Analysis (SeRCOP) methodology this account allocates and apportions expenditure and income over 11 service divisions.

Joint Associated Non-Entity (Joint Venture) accounting entries are consolidated in the Comprehensive Income and Expenditure service headings. Note 46 to the accounts gives a separate breakdown of these entries.

	Note	2011-12			2012-13		
		Restated Gross Exp £'000	Gross Income £'000	Net Expenditure £'000	Gross Exp £'000	Gross Income £'000	Net Expenditure £'000
Local Policing		0	0	0	0	0	0
Dealing with the public		0	0	0	0	0	0
CJ Arrangements		0	0	0	0	0	0
Road policing		0	0	0	0	0	0
Specialist operations		0	0	0	0	0	0
Intelligence		0	0	0	0	0	0
Investigations		0	0	0	0	0	0
Investigative support		0	0	0	0	0	0
National policing (Including Counter Terrorism)		0	0	0	0	0	0
Cost of Services	5	0	0	0	0	0	0
ONPCC / Police & Crime Commissioner		140,479	(22,809)	117,670	144,462	(21,432)	123,030
Agrees to Net Cost of Service Subjective Analysis		140,479	(22,809)	117,670	144,462	(21,432)	123,030
Other Operating Expenditure	7			587			605
Financing & Investment Income & Expenditure	8			41,957			41,660
Taxation & Non-Specific Grant Income	9			(123,946)			(120,443)
Intra-Company Adjustment (Surplus)/ Deficit on Provision of Services	6			(3,493)			(6,814)
				32,778			38,038
Revaluation (Gains)/Losses and Impairment Losses on property, plant and equipment	20			0			0
Actuarial (Gains)/Losses on Pension Assets/ Liabilities	40			66,379			103,116
TOTAL COMPREHENSIVE (INCOME) /EXPENSE FOR THE PERIOD				99,154			141,154

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2013 FOR THE GROUP ACCOUNTS

This account summarises the resources that have been generated and consumed in providing services and managing the ONPCC 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.

Under the new Police Service Expenditure Analysis (SeRCOP) methodology this account allocates and apportions expenditure and income over 11 service divisions.

Joint Associated Non-Entity (Joint Venture) accounting entries are consolidated in the Comprehensive Income and Expenditure service headings. Note 46 to the accounts gives a separate breakdown of these entries.

	Note	2011-12			2012-13		
		Restated Gross Exp £'000	Gross Income £'000	Net Expenditure £'000	Gross Exp £'000	Gross Income £'000	Net Expenditure £'000
Local Policing		57,046	(9,568)	47,478	63,808	(10,665)	53,143
Dealing with the public		9,648	(405)	9,243	8,733	(501)	8,232
CJ Arrangements		12,148	(1,129)	11,019	11,530	(1,136)	10,394
Road policing		6,397	(2,378)	4,019	7,630	(2,073)	5,557
Specialist operations		7,727	(1,386)	6,341	8,254	(1,403)	6,851
Intelligence		5,230	(609)	4,621	5,896	(978)	4,918
Investigations		27,352	(3,861)	23,491	31,961	(5,625)	26,336
Investigative support		3,870	(71)	3,799	4,225	(152)	4,073
National policing (Including Counter Terrorism)		6,005	(2,267)	3,738	4,709	(2,345)	2,364
Cost of Services	5	135,423	(21,674)	113,749	146,746	(24,878)	121,868
Non Distributed Costs		1,304		1,304	539		539
ONPCC / Police & Crime Commissioner		699	(1,135)	(436)	945		945
Agrees to Net Cost of Service Subjective Analysis		137,426	(22,809)	114,617	148,230	(24,878)	123,352
Other Operating Expenditure	7			571			605
Financing & Investment Income & Expenditure	8			41,957			41,660
Taxation & Non-Specific Grant Income	9			(124,210)			(127,512)
(Surplus)/ Deficit on Provision of Services	6			32,935			38,105
Revaluation (Gains)/Losses and Impairment Losses on property, plant and equipment	20			(6)			(50)
Actuarial (Gains)/Losses on Pension Assets/ Liabilities	40			66,379			103,116
TOTAL COMPREHENSIVE (INCOME) /EXPENSE FOR THE PERIOD				99,308			141,171

BALANCE SHEET AS AT 31 MARCH 2012

This account shows the overall financial position of ONPCC and the Group at 31 March 2013. It therefore differs from the other financial accounts shown in this statement in that it deals with the position of the ONPCC at the end of the 2012-13 financial year instead of dealing with day-to-day transactions within that financial year.

31 Mar 2012 Re-stated £'000		Note	31 Mar 2013 £'000
	Non-current assets:		
43,064	Property, Plant and Equipment (PPE)	20	42,813
0	Investment Property		0
1,105	Intangible Assets	25	4,895
0	Assets Held for Sale	22	0
11	Long Term Investments		11
3	Associates and Joint Arrangements – Intangible	25	1
1,004	Associates and Joint Arrangements – PPE	46	969
45,187	Total non-current assets		48,689
	Current assets:		
459	Inventories	28	408
10,384	Short Term Investments		14,818
7,985	Short Term Debtors	29	6,131
11,035	Cash and cash equivalents	35	13,107
	Cash and cash equivalents - within Joint Venture		
161		46	419
319	Current Assets within Joint Venture	46	439
0	Assets Held for Sale	22	0
30,343	Total current assets		35,322
	Current liabilities		
(124)	Cash and cash equivalents	35	(1,674)
0	Short Term Borrowings		0
(10,277)	Short Term Creditors	31	(12,984)
(608)	Provisions	30	(338)
(244)	Current Liability within Joint Venture	46	(603)
(11,253)	Total current liabilities		(15,598)
64,277	Total assets less current liabilities		68,412
	Non-current liabilities:		
0	Long Term Creditors		0
(5,799)	Long Term Borrowings	41	(5,799)
(863,902)	Other Long Term Liabilities	40	(1,009,208)
0	Capital Grants Receipts in Advance		0
(869,701)	Total non-current liabilities		(1,015,007)
(805,424)	Net Assets		(946,595)
(10,414)	Usable Reserves	18	(14,981)
(11,045)	Usable Reserves - Capital Reserve	18	(6,880)
828,126	Unusable Reserves	19	969,683
(988)	Joint Venture Unusable Reserves	46	(930)
(255)	Joint Venture Usable Reserves	46	(296)
805,424	TOTAL Reserves		(946,595)

MOVEMENT IN RESERVES STATEMENT 2012-13

This statement shows the movement in the year on the different reserves held by the ONPCC, 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 ONPCC's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken.

Movement in Reserves Statement 2012-13

	Restated General Fund Balance £'000	Earmarked General Fund Balance £'000	Joint Venture Reserves £'000	Earmarked Capital Reserve £'000	Capital Receipts Unapplied £'000	Total Usable Reserves £'000	Employee Benefit Reserve £'000	Capital Adjustment Account £'000	Collection Fund Adjustment Account(CFAA) £'000	Revaluation Reserve £'000	Pension Reserve £'000	Joint Venture Capital Adjustment Account £'000	Unusable Reserves £'000	Total ONPCC Reserves £'000
Opening Balance as at 1st April 2011	(8,685)	(4,925)	(243)	(8,856)	0	(22,709)	1,300	(14,449)	(251)	(13,326)	756,704	(1,153)	728,825	706,116
(Surplus)/ Deficit on provision of Services	32,774	0	161	0	0	32,935	0	0	0	0	0	0	0	32,935
Other Comprehensive (Income) & Expenditure	0	0	0	0	0	0	0	0	0	0	66,379	(6)	66,373	66,373
Total Comprehensive (Income) & Expenditure	32,774	0	161	0	0	32,935	0	0	0	0	66,379	(6)	66,373	99,308
Adjustment between accounting basis & funding basis under regulation(note 6)	(35,381)	0	(171)	0	0	(35,552)	0	(5,368)	(70)	0	40,819	171	35,552	0
Net (Increase)/ Decrease before Transfer to Earmarked Reserves	(2,607)	0	(10)	0	0	(2,617)	0	(5,368)	(70)	0	107,198	165	101,925	99,308
Transfer to/ (from) Earmarked Reserves (Note 18)	7,762	(1,959)	(2)	(2,189)	0	3,612	0	(4,046)	0	434	0	0	(3,612)	0
(Increase)/ Decrease in 2011- 12	5,155	(1,959)	(12)	(2,189)	0	995	0	(9,414)	(70)	434	107,198	165	98,313	99,308
Balance as at 31 Mar 2012 carried forwards	(3,530)	(6,884)	(255)	(11,045)	0	(21,714)	1,300	(23,863)	(321)	(12,892)	863,902	(988)	827,138	805,424
Opening Balance as at 1st April 2012	(3,530)	(6,884)	(255)	(11,045)	0	(21,714)	1,300	(23,863)	(321)	(12,892)	863,902	(988)	827,138	805,424
(Surplus)/ Deficit on provision of Services	38,038	0	67	0	0	38,105	0	0	0	0	0	0	0	38,105
Other Comprehensive (Income) & Expenditure	0	0	0	0	0	0	0	0	0	0	103,116	(50)	103,066	103,066
Total Comprehensive (Income) & Expenditure	38,038	0	67	0	0	38,105	0	0	0	0	103,116	(50)	103,066	141,171
Adjustment between accounting basis & funding basis under regulation(note 6)	(42,606)	0	(108)	0	0	(42,714)	0	329	87	0	42,190	108	42,714	0
Net (Increase)/ Decrease before Transfer to Earmarked Reserves	(4,568)	0	(41)	0	0	(4,609)	0	329	87	0	145,306	58	145,780	141,171
Transfer to/ (from) Earmarked Reserves (Note 18)	3,962	(3,962)	0	4,165	0	4,165	0	(4,500)	0	335	0	0	(4,165)	0
(Increase)/ Decrease in 2012- 13	(606)	(3,962)	(41)	4,165	0	(444)	0	(4,171)	87	335	145,306	58	141,615	141,171
Balance as at 31 Mar 2013 carried forwards	(4,136)	(10,846)	(296)	(6,880)	0	(22,158)	1,300	(28,034)	(234)	(12,557)	1,009,208	(930)	968,753	946,595

CASH FLOW STATEMENT 2012-13

This statement shows a summary of the cash flowing in and out of ONPCC 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.

	2011-12	2012-13
	£'000	£'000
OPERATING ACTIVITIES		
	(Note 36)	
Taxation	(67,259)	(73,326)
Grants	(70,875)	(61,184)
Sales of goods and rendering of services	(7,870)	(11,069)
Interest received	(283)	(267)
Other receipts from operating activities	0	0
Cash inflows generated from operating activities (sub-total)	(146,287)	(145,846)
Cash paid to and on behalf of employees	115,022	112,771
Cash paid to suppliers of goods and services	20,993	20,837
Interest paid	206	205
Other payments for operating activities	0	0
Cash outflows generated from operating activities (sub-total)	136,221	133,813
Net cash flows from operating activities	(10,066)	(12,032)
INVESTING ACTIVITIES		
	(Note 37)	
Purchase of property, plant and equipment, investment property and intangible assets	12,386	8,352
Purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, Joint Arrangements and subsidiaries)	(3,239)	4,434
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(261)	(185)
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, Joint Arrangements and subsidiaries)	0	0
Other receipts from investing activities	(1,340)	(1,349)
Net cash flows from investing activities	7,546	11,252
FINANCING ACTIVITIES		
Cash receipts of short- and long-term borrowing	0	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases and on-Balance Sheet PFI contracts	0	0
Repayments of short- and long-term borrowing	0	0
Other payments for financing activities	0	0
Net cash flows from financing activities	0	0
Net (increase) or decrease in cash & cash equivalents	(2,520)	(781)
Cash & Cash Equivalents at beginning of period	(Note 35)	8,551
Cash & Cash Equivalents at end of period	(Note 35)	11,071
		11,852

NOTES ON THE CORE FINANCIAL STATEMENTS

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 48, the ONPCC 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 police ONPCC's from central government departments
- Possible impairment of investments
- Whether other entities with which the ONPCC has a relationship are subsidiaries, associates or jointly controlled entities
- The potential outcome of legal claims by or against the ONPCC
- The condition of the local and national housing/industrial building market
- The economic standing of significant debtors and creditors

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 ONPCC 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 ONPCC's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Building 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 ONPCC 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 by £355k for every year that useful lives had to be reduced.
Property, Plant and Equipment	Vehicle 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 ONPCC is that vehicles can be driven in extreme conditions, which could result in impairments or reduced useful economic lives; however, historically this was not 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 £1.06m 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 ONPCC is that the Joint Venture's helicopter can be used 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 the helicopter would increase by £63k for every year that useful lives had to be reduced. If the asset were to be fully impaired, this would result in a charge of £3.1m, before insurance

		loss recovery.
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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	The ONPCC requested an external expert assess its liability at the end of the 2012-13 Financial Year and has made a provision of £0.338m for the settlement of insurance claims, based on the number of known claims. It has also included a contingent liability of £0.45m, which is adequately covered by the reserves position of £2.190m. 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 £0.10m to the provision needed.
Pensions Liability	Estimation of the net liability to pay both officer and staff 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 for LGPS. Two firms of consulting actuaries are engaged to provide the ONPCC with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. During 2012-13, the actuaries advised that the net pension's liability had increased by £103.116m as a result of estimates being corrected as a result of experience and increased by £41m attributable to updating of the assumptions. 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 £1.009bn, being the total pension liability.
Arrears	At 31 March 2012, the ONPCC had a balance of sundry debtors for £7.9m. A review of balances suggested that a bad debts provision of £41k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £97k to set aside as an allowance.
Investments	At 31 March 2013, the ONPCC held a balance of investments of £27.8m, before IFRS accounting adjustments for cash & cash equivalents. A review of these investments showed they were all banking institutes that were either <ul style="list-style-type: none"> • Within the top 30 most secure (rating completed by Building Society's Association, ranked by group assets), or • Other institutes are reviewed via a matrix on Long and short term, support & individual ratings. However, in the current economic climate other financial institutes have previously failed.	If one of these institutes were to fail, the maximum liability the ONPCC could face would be £5m.

3 Events after the Balance Sheet Date

Events taking place after 30 June 2013 are not reflected within the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

4 Employee Remuneration for the Police & Crime Commissioner

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:

2011-12		2012-13	2012-13	2012-13
Total	Earnings Bands	Police Officers	Police Staff	Total Employees
2	£50,000 to £54,999	0	0	0
0	£55,000 to £59,999	0	3	3
1	£60,000 to £64,999	0	0	0
0	£65,000 to £69,999	0	0	0
0	£70,000 to £74,999	0	0	0
0	£75,000 to £79,999	0	0	0
0	£80,000 to £84,999	0	0	0
0	£85,000 to £89,999	0	0	0
0	£90,000 to £94,999	0	0	0
0	£95,000 to £99,999	0	1	1
0	£100,000 to £104,999	0	0	0
0	£105,000 to £109,999	0	0	0
0	£110,000 to £114,999	0	0	0
0	£115,000 to £119,999	0	0	0
0	£120,000 to £124,999	0	0	0
0	£125,000 to £129,999	0	0	0
0	£130,000 to £134,999	0	0	0
0	£135,000 to £139,999	0	0	0
3	Total	0	4	4

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

... Note 4 continued from previous page.
Employee Remuneration for the Group Accounts

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:

2011-12		2012-13	2012-13	2012-13
Total	Earnings Bands	Police Officers	Police Staff	Total Employees
52	£50,000 to £54,999	30	9	39
16	£55,000 to £59,999	10	9	19
4	£60,000 to £64,999	2	1	3
2	£65,000 to £69,999	2	1	3
4	£70,000 to £74,999	1	0	1
4	£75,000 to £79,999	3	2	5
1	£80,000 to £84,999	1	1	2
0	£85,000 to £89,999	0	1	1
1	£90,000 to £94,999	0	0	0
1	£95,000 to £99,999	2	1	3
2	£100,000 to £104,999	0	0	0
0	£105,000 to £109,999	0	0	0
0	£110,000 to £114,999	0	0	0
0	£115,000 to £119,999	0	0	0
0	£120,000 to £124,999	0	0	0
1	£125,000 to £129,999	1	0	1
0	£130,000 to £134,999	0	0	0
0	£135,000 to £139,999	0	0	0
88	Total	52	25	77

... Note 4 continued from previous page

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

2012-13

Post holder information	Starting Date	Leaving Date	Salary including fees and Allowances	Bonus*	Expense Allowances	Loss of Office	Benefits in Kind	Other	Total Excluding Pension	Employers Contribution	Total Including Pension
Adam Simmonds Police & Crime Commissioner	22/11/2012		25,083						25,083	1,925	27,008
Assistant Commissioner - Engagement	22/11/2012			28,344					28,344	0	28,344
Assistant Commissioner - Governance	22/11/2012		23,292	170					23,462	1,788	25,250
Assistant Commissioner - Justice	22/11/2012		18,905						18,905	3,119	22,024
Assistant Commissioner - Resources	22/11/2012		17,919	263					18,182	2,957	21,139
Chief Executive	08/07/2002	31/01/2013	60,938	560	48,631				110,129	10,055	120,184
Treasurer	01/11/2002		55,400	1,843					57,243	9,141	66,384
Total ONPCC			201,537	31,180	48,631				281,348	28,895	310,333
Adrian Lee Chief Constable	12/10/2009		133,068	833				9,813	143,714	32,201	175,915
Deputy Chief Constable	09/08/2010	03/02/2013	92,465	287			3,625	3,625	96,377	22,376	118,753
Deputy Chief Constable	01/02/2013		18,297	118			890	890	19,305	4,428	23,733
Assistant Chief Constable	12/10/2009	31/01/2013	83,165	1,481			7,602	7,602	92,248	20,125	112,373
Assistant Chief Constable	01/09/2010		96,780	503			7,975	7,975	105,258	23,420	126,678
Assistant Chief Officer (Resources)	01/10/1999	31/10/2012	58,658	0			3,634	0	62,292	9,679	71,971
Head of Corporate Services	01/02/2001		82,215	2,876			0	0	85,091	13,565	98,657
Total Northamptonshire Police			564,648	6,099	48,631		3,634	29,905	604,285	125,794	730,079
Total Group			766,184	37,279	48,631		3,634	29,905	885,633	154,779	1,040,412

2011-12

Post holder information	Starting Date	Leaving Date	Salary including fees and allowances	Allowances	Bonus*	Expense Allowances	Benefits In Kind	Other	Total Excluding Pension	Employers Contribution	Total Including Pension
Adrian Lee Chief Constable			133,068			503	0	9,104	142,675	32,201	174,876
Deputy Chief Constable			109,782			1,392	0	4,304	115,478	26,566	142,044
Assistant Chief Constable			98,200			657	5,728	8,335	112,920	23,763	136,683
Assistant Chief Constable			95,519			521	0	6,586	102,626	23,114	125,740
Assistant Chief Officer (Resources)			100,557			0	6,230	0	106,787	16,089	122,876
Chief Executive			69,750			651	0	0	70,401	11,160	81,561
Treasurer			55,400			2,434	0	0	57,834	8,864	66,698
Total			662,276			6,158	11,958	28,365	708,721	141,757	850,478

*Whilst throughout 2011-12 and 2012-13 the Chief Officers have all held bonus compliant positions, none have either sought or been paid performance related bonuses.

5 Amounts Reported for Resource Allocation Decisions for the Police & Crime Commissioner

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the ONPCC on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the ONPCC's principal departments are recorded in the budget reports for the year is as follows:

2012-13	Police & Crime Commissioner	Non Devolved	Total
Portfolio Income and Expenditure			
Fees Charges & Other Service Income	0	0	
Government Grants	(871)	299	(572)
Total Income	(871)	299	(572)
Employee Expenses	544	0	544
Other Service Expenses	373	5,867	6,240
Support Service Recharge	0	0	0
Total Expenditure	917	5,867	6,784
Net Income/ Expenditure (Surplus)/ Deficit	46	6,166	6,212

2011-12

	Police & Crime Commissioner	Non Devolved	Total
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Portfolio Income and Expenditure

Fees Charges & Other Service Income	(4)	(1,911)	(1,915)
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Government Grants	(755)	11,398	10,643
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Total Income	(759)	9,487	8,728
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Employee Expenses	302		302
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Other Service Expenses	397	(779)	(382)
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Support Service Recharge			
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Total Expenditure	699	(779)	(80)
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Net Income/ Expenditure (Surplus) / Deficit	(60)	8,708	8,648
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Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement (CIES)

This reconciliation shows how the figures in the analysis of Income and Expenditure relate to the amounts included in the CIES.

	2012-13 £'000	2011-12 £'000
Net Expenditure in the Portfolio Analysis	6,212	8,648
Net Expenditure of Services & Support Departments not included in the Analysis*	38,711	27,780
Amounts in the CIES not reported to management in the Analysis		0
Amounts included within the Analysis not included within the CIES		0
(Surplus) / Deficit on the Provision of Services	44,923	36,428

* These include adjustments between Accounting Basis and Funding Basis under Regulations, such as depreciation, amortisation, revenue funded from capital under statute, gains and losses on disposals, IAS 19 pension adjustments and joint venture income and expenditure.

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Income and Expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Portfolio Analysis £'000	Services & Support Services not in Analysis £'000	Amounts not reported to mgmt £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
2012-13								
Employees - Police Pay and Allowances			932			932		932
Police Pensions			(100)			(100)		(100)
- Civilian Pay and Allowances	547		1,367			1,914		1,914
- Other Pay and Allowances	0		61			61		61
Premises	16		164			180		180
Transport	14		341			355		355
Supplies and Services	220		398			618		618
Agency Expenses (Third Party payments)	135		27			162		162
Other Expenditure	138,556		0			138,556		138,556
Pensions - Non Distributed Past Service Cost	0		539			539		539
Depreciation and Impairments	0		3,905			3,905		3,905
Amortisation of intangible fixed assets	0		812			812		812
Minimum Revenue Provision for Capital Financing	297		(297)			0		0
Revenue Expenditure Funded from Capital Resources	0		0			0		0
(Gain) / Loss on Disposal of Fixed Assets	(59)		184			125		125
Levies to national Police Services	480		0			480		480
Interest Payable and Similar Charges	205		0			205		205
Pensions Interest Cost and Return on Pensions Assets	0		41,722			41,722		41,722
Exceptional Item	0		0			0		0
	140,411	0	50,055			190,466		190,466
Service Income	(4,342)		(3,189)			(7,531)		(7,531)
Specific Grants (Including Loan Charges)	(8,321)		0			(8,321)		(8,321)
Home Office - Police Pensions Top Up Grant	(8,769)		0			(8,769)		(8,769)
Interest and Investment Income	(267)		0			(267)		(267)
Precept Demand on Council Tax Collection Funds	(45,862)		0			(45,862)		(45,862)
Council Tax income and residual community adjustment	0		0			87		87
Non domestic Rates distribution	(27,551)		0			(27,551)		(27,551)
Revenue Support Grant	(534)		0			(534)		(534)
General Police Grants	(45,234)		(255)			(45,489)		(45,489)
Revenue Contribution to Capital	2,719		(2,719)			(0)		(0)
Capital Grants & Contributions	0		(1,348)			(1,348)		(1,348)
Net Transfer to or (from) earmarked reserves	3,962		(3,920)			42		42
	(134,199)	0	(11,344)			(145,543)		145,543
Surplus/ Deficit on the Provision of Services	6,212	0	38,711			44,923		44,923

Reconciliation to Subjective Analysis continued

Comparative 2011-12 movement:

	Portfolio Analysis £'000	Services & Support Services not in Analysis £'000	Amounts not reported to mgmt £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
2011-12								
Employees - Police Pay and Allowances	0		409			409		409
Police Pensions	(268)		(2,252)			(2,520)		(2,520)
- Civilian Pay and Allowances	570		275			845		845
- Other Pay and Allowances	0		36			36		36
Premises	35		143			178		178
Transport	18		291			309		309
Supplies and Services	334		213			557		557
Agency Expenses (Third Party payments)	0		51			51		51
Other Expenditure	136,152		0			136,152		136,152
Pensions - Non Distributed Past Service Cost	0		1,304			1,304		1,304
Depreciation and Impairments	0		3,144			3,144		3,144
Amortisation of intangible fixed assets	0		445			445		445
Minimum Revenue Provision for Capital Financing	309		(309)			0		0
Revenue Expenditure Funded from Capital Resources	0		5			5		5
(Gain) / Loss on Disposal of Fixed Assets	(39)		262			223		223
Levies to national Police Services	347		0			347		347
Interest Payable and Similar Charges	206		0			206		206
Pensions Interest Cost & Return on Pensions Assets	0		42,034			42,034		42,034
	137,674	0	46,051	0	0	183,725	0	183,725
Service Income	(7,110)		(1,455)			(8,565)		(8,565)
Specific Grants (Including Loan Charges)	(5,453)		0			(5,453)		(5,453)
Home Office - Police Pensions Top Up Grant	(8,789)		0			(8,789)		(8,789)
Interest and Investment Income	(283)		0			(283)		(283)
Precept Demand on Council Tax Collection Funds	(45,178)		0			(45,178)		(45,178)
Council Tax income and residual community adjustment	0		(70)			(70)		(70)
Non domestic Rates distribution	(22,011)		0			(22,011)		(22,011)
Revenue Support Grant	(6,803)		0			(6,803)		(6,803)
General Police Grants	(48,560)		(257)			(48,817)		(48,817)
Revenue Contribution to Capital	7,401		(7,411)			(10)		(10)
Capital Grants & Contributions	0		(1,330)			(1,330)		(1,330)
Net Transfer to or (from) earmarked reserves	7,760		(7,748)			12		12
	(129,026)	0	(18,271)	0	0	(147,297)	0	(147,297)
Surplus/ Deficit on the Provision of Services	8,648	0	27,780	0	0	36,428	0	36,428

.... **Note 5 Amounts Reported for Resource Allocation Decisions for the Group Accounts**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the ONPCC on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the ONPCC's principal departments are recorded in the budget reports for the year is as follows:

2012-13	Police & Crime Commissioner	Non Devolved	Crime & Justice	Territorial	Support Dept's	Police Pay	Police Pensions	PSCO's	Total
Portfolio Income and Expenditure									
Fees Charges & Other Service Income	0	(1,658)	(2,265)	(2,184)	(1,374)	(1,846)	(8,769)	(379)	(16,629)
Government Grants	(871)	(58,566)	(15,823)	(8,158)	(23,403)	(23,130)	(11,937)	(4,260)	(572)
Total Income	(871)	(60,224)	(18,088)	(10,342)	(24,777)	(24,976)	(20,706)	(4,6390)	(139,647)
Employee Expenses	544	107,828	12,172	7,809	10,407	(53,141)	20,041	4,727	110,387
Other Service Expenses	373	60,065	5,743	2,338	13,271	(53,169)	33	0	28,654
Support Service Recharge	0	0	0	0	0	0	0	0	0
Total Expenditure	917	167,893	17,915	10,147	23,678	(106,310)	20,074	4,727	139,041
Net Income/ Expenditure (Surplus)/ Deficit	46	132,645	(173)	(195)	(1,099)	(131,286)	(632)	88	(606)

2011-12	Police & Crime Commissioner	Non Devolved	Crime & Justice	Territorial Departments	Support Departments	Police Pay	Police Pensions	PCSO's	Total
Portfolio Income and Expenditure									
Fees Charges & Other Service Income	(4)	(3,109)	(2,449)	(2,313)	(703)	(1,357)	(8,789)	(461)	(19,185)
Government Grants	(755)	8,254	(17,095)	(9,274)	(20,812)	(53,273)	(12,092)	(4,794)	(109,841)
Total Income	(759)	5,145	(19,544)	(11,587)	(21,515)	(54,630)	(20,881)	(5,255)	(129,026)
Employee Expenses	302	3,286	13,849	8,583	11,214	53,395	20,472	5,279	116,380
Other Service Expenses	397	248	5,088	2,315	9,628	56	44	25	17,801
Support Service Recharge	0	0	0	0	0	0	0	0	0
Total Expenditure	699	3,534	18,937	10,898	20,842	53,451	20,516	5,304	134,181
Net Income/ Expenditure	(60)	8,679	(607)	(689)	(673)	(1,179)	(365)	49	5,155

Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement (CIES)

This reconciliation shows how the figures in the analysis of Income and Expenditure relate to the amounts included in the CIES.

	2012-13	2011-12
	£'000	£'000
Net Expenditure in the Portfolio Analysis	(606)	5,155
Net Expenditure of Services & Support Departments not included in the Analysis*	38,711	27,780
Amounts in the CIES not reported to management in the Analysis	0	0
Amounts included within the Analysis not included within the CIES	0	0
(Surplus)/ Deficit on the Provision of Services	38,105	32,935

* These include adjustments between Accounting Basis and Funding Basis under Regulations, such as depreciation, amortisation, revenue funded from capital under statute, gains and losses on disposals, IAS 19 pension adjustments and joint venture income and expenditure.

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Income and Expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Portfolio Analysis £'000	Services & Support Services not in Analysis £'000	Amounts not reported to mgmt £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
2012-13								
Employees - Police Pay and Allowances	66,212		932			67,144		67,144
Police Pensions	9,214		(100)			9,114		9,114
- Civilian Pay and Allowances	34,920		1,367			36,287		36,287
- Other Pay and Allowances	0		61			61		61
Premises	3,953		164			4,117		4,117
Transport	2,372		341			2,713		2,713
Supplies and Services	9,854		398			10,252		10,252
Agency Expenses (Third Party payments)	6,145		27			6,172		6,172
Other Expenditure	138,556		0			138,556		138,556
Pensions - Non Distributed Past Service Cost	0		539			539		539
Depreciation and Impairments	0		3,905			3,905		3,905
Amortisation of intangible fixed assets	0		812			812		812
Minimum Revenue Provision for Capital Financing	297		(297)			0		0
Revenue Expenditure Funded from Capital Resources (Gain) / Loss on Disposal of Fixed Assets	(59)		184			125		125
Levies to national Police Services	480		0			480		480
Interest Payable and Similar Charges	205		0			205		205
Pensions Interest Cost and Return on Pensions Assets	0		41,722			41,722		41,722
Exceptional Item	0		0			0		0
	272,149	0	50,055	0	0	322,204	0	322,204
Service Income	(4,342)		(3,189)			(7,531)		(7,531)
Specific Grants (Including Loan Charges)	(8,321)		0			(8,321)		(8,321)
Home Office - Police Pensions Top Up Grant	(8,769)		0			(8,769)		(8,769)
Interest and Investment Income	(267)		0			(267)		(267)
Precept Demand on Council Tax Collection Funds	(184,418)		0			(184,418)		(184,418)
Council Tax income and residual community adjustment	0		87			87		87
Non domestic Rates distribution	(27,551)		0			(27,551)		(27,551)
Revenue Support Grant	(534)		0			(534)		(534)
General Police Grants	(45,234)		(255)			(45,489)		(45,489)
Revenue Contribution to Capital	2,719		(2,719)			(0)		(0)
Capital Grants & Contributions	0		(1,348)			(1,348)		(1,348)
Net Transfer to or (from) earmarked reserves	3,962		(3,920)			42		42
	(272,755)	0	(11,344)	0	0	(284,099)	0	(284,099)
Surplus/ Deficit on the Provision of Services	(606)	0	38,711	0	0	38,105	0	38,105

Reconciliation to Subjective Analysis continued
Comparative 2011-12 movement:

	Portfolio Analysis £'000	Services & Support Services not in Analysis £'000	Amounts not reported to mgmt £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
2011-12								
Employees - Police Pay and Allowances	54,829		409			55,238		55,238
Police Pensions	20,472		(2,252)			18,220		18,220
- Civilian Pay and Allowances	37,206		275			37,481		37,481
- Other Pay and Allowances	2,658		36			2,694		2,694
Premises	3,834		143			3,977		3,977
Transport	2,547		291			2,838		2,838
Supplies and Services	7,907		213			8,120		8,120
Agency Expenses (Third Party payments)	3,905		51			3,956		3,956
Other Expenditure	136,152		0			136,152		136,152
Pensions - Non Distributed Past Service Cost	0		1,304			1,304		1,304
Depreciation and Impairments	0		3,144			3,144		3,144
Amortisation of intangible fixed assets	0		445			445		445
Minimum Revenue Provision for Capital Financing	309		(309)			0		0
Revenue Expenditure Funded from Capital Resources	0		5			5		5
(Gain) / Loss on Disposal of Fixed Assets	(39)		262			223		223
Levies to national Police Services	347		0			347		347
Interest Payable and Similar Charges	206		0			206		206
Pensions Interest Cost and Return on Pensions Assets	0		42,034			42,034		42,034
Exceptional Item	0		0			0		0
	270,333	0	46,051	0	0	316,384	0	316,384
Service Income	(7,110)		(1,455)			(8,565)		(8,565)
Specific Grants (Including Loan Charges)	(5,453)		0			(5,453)		(5,453)
Home Office - Police Pensions Top Up Grant	(8,789)		0			(8,789)		(8,789)
Interest and Investment Income	(283)		0			(283)		(283)
Precept Demand on Council Tax Collection Funds	(181,330)		0			(181,330)		(181,330)
Council Tax income and residual community adjustment	0		(70)			(70)		(70)
Non domestic Rates distribution	(22,011)		0			(22,011)		(22,011)
Revenue Support Grant	(6,803)		0			(6,803)		(6,803)
General Police Grants	(48,560)		(257)			(48,817)		(48,817)
Revenue Contribution to Capital	7,401		(7,411)			(10)		(10)
Capital Grants & Contributions	0		(1,330)			(1,330)		(1,330)
Net Transfer to or (from) earmarked reserves	7,760		(7,748)			12		12
	(265,178)	0	(18,271)	0	0	(283,449)	0	(283,449)
Surplus/ Deficit on the Provision of Services	5,155	0	27,780	0	0	32,935	0	32,935

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 ONPCC in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the ONPCC, to meet future capital and revenue expenditure.

2012-13	General Fund Balance	Collection Fund Adjustment Account	Capital Grants Unapplied	Movement in Unusable Reserves
Description	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES)</u>				
Charges for depreciation and impairment of non current assets	3,904			(3,904)
Revaluation losses on Property Plant and Equipment	0			0
Movements in the market value of Investment Properties	0			0
Amortisation of intangible assets	812			(812)
Capital grants and contributions applied	(1,349)			1,349
Movement in the Donated Assets Account	0			0
Revenue expenditure funded from capital under statute	0			0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	185			(185)
Write down of deferred charges to be financed from Capital Resources				0
				0
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	(297)			297
Capital expenditure charged against the General Fund	(2,839)			2,839
				0
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 47)				0
Employer's pensions contributions and direct payments to pensioners payable in the year				0
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	87	(87)		0
Adjustment involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	21			(21)
Total Adjustments	42,714	(87)	0	(42,627)

Reconciliation of total adjustments within CIES to the ONPCC's (Surplus)/ Deficit for the Accounting Period

Statutory Adjustments from within CIES (Opposite of above)	(42,714)
Transfers to/ From Reserves	3,943
ONPCC Surplus/ Deficit	606
Removal Of Joint Venture (Surplus)/ Deficit	60
CIES/ Surplus deficit	38,105

2011-12 comparative figures

Description	General Fund Balance	Collection Fund Adjustment Account	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES)</u>				
Charges for depreciation and impairment of non current assets	3,145	0	0	(3,145)
Revaluation losses on Property Plant and Equipment	0	0	0	0
Movements in the market value of Investment Properties	0	0	0	0
Amortisation of intangible assets	445	0	0	(445)
Capital grants and contributions applied	(1,330)	0	0	1,330
Movement in the Donated Assets Account	0	0	0	0
Revenue expenditure funded from capital under statute	5	0	0	(5)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	283	0	0	(283)
Write down of deferred charges to be financed from Capital Resources	0			0
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	(309)	0	0	309
Capital expenditure charged against the General Fund	(7,443)	0	0	7,443
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 47)	65,971	0	0	(65,971)
Employer's pensions contributions and direct payments to pensioners payable in the year	(25,152)		0	25,152
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(70)	70	0	0
Adjustment involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	7	0	0	(7)
Total Adjustments	35,552	70	0	(35,622)
Reconciliation of total adjustments within CIES to the ONPCC's (Surplus)/ Deficit for the Accounting Period				
Statutory Adjustments from within CIES (Opposite of above)	(35,552)			
Transfers to/ From Reserves	7,797			
ONPCC Surplus/ Deficit	(5,155)			
Removal Of Joint Venture (Surplus)/ Deficit	(26)			
CIES/ Surplus deficit	32,935			

7 Other Operating Expenditure

Other Operating Expenditure includes levies; gains or losses on the disposal of non-current assets in the CIES for 2012-13.

2011-12		2012-13
£'000	Description	£'000
0	Parish council precepts	0
347	Levies	480
223	Gains/ losses on the disposal of non current assets	125
570	Total	605

8 Financing and Investment Income and Expenditure

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

2011-12		2012-13
£'000	Description	£'000
206	Interest payable and similar charges	205
42,034	Pensions interest cost and expected return on pensions assets	41,722
(283)	Interest receivable and similar income	(267)
41,957	Total	41,660

9 Taxation and Non-Specific Grant Income

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

2011-12		2012-13
£'000s	Description	£'000s
(45,248)	Council tax income	(45,775)
(22,012)	Non domestic rates	(27,551)
(55,620)	Non-ring fenced government grants	(46,023)
(1,330)	Capital grants and contributions	(1,349)
(124,210)	Total	(120,698)

10 Material Items of Income and Expense

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

2011-12		2012-13
£'000	Description	£'000
541	Insurance Provision	338
541	Total	338

11 Trading Operations

The ONPCC does not have any trading operations. All commercial activities have been outsourced. In completing this review, the following were considered;

- The Design and Printing Department. This department is expected to generate income from internal and external customers; however, it is not ultimately required to balance this budget by these sales.
- The Transport Department is now a fully centralised function, with no requirement to recover costs.
- The Recovered Vehicles Department generates income from the recovery of abandoned vehicles. Posts within this department are funded by the Force and although income generation targets are set, the department can neither influence nor guarantee when cars will be abandoned. Furthermore, as an organisation it is statutorily required to recover these vehicles and as such would recover these even if it was not an income generating function.

12 Agency Services

The Forensic Science Service is one of the Government Quangos that are no longer in existence. This means that we no longer pay just the one service provider, but rather several smaller amounts are paid to several suppliers.

Expenditure relating to Forensic Services:

2011-12		2012-13
£'000	Description	£'000
67	Forensic Science Services	0
314	Key Forensic Services LTD	420
106	Cellmark	133
137	LGC Forensic	250
0	Environmental Scientifics Group Ltd	24
624	Total	827

13 Members' Allowances

During 2012-13 a total of £84,250.49 was paid in Allowances and Reimbursements for former Police Authority members (2011-12 £145,944)

2011-12		2012-13
£'000	Description	£'000
144	Allowances and Re-imbursements	83
2	Other Expenses (including travel)	1
146	Total	84

14 External Audit Costs

During the year the ONPCC incurred external audit fees for the Audit of the Accounts, amounting to £85,526 (£67,292 in 2011/2012)

2011-12		2012-13
£'000	Description	£'000
67	Fees for External Audit	84
0	EMSOU Audit share*	1
1	NFI Audit	1
68	Total	86

16 Grant Income

The ONPCC credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012-13.

2011-12 £'000	Credited to Taxation and Non-Specific Grant Income	2012-13 £'000
230	Counter Terrorism Grant	248
294	Drug Intervention Programme	249
197	Loan Charges Grant	186
48	Ministry of Justice Funding	0
500	Non Government PCSO Funding	0
8,789	Pension Top Up Grant	8,769
3,050	Police Community Support Officers	3,033
3	Tackling Knives Action Programme	0
1,131	Council Tax Freeze Grant	1,397
0	Capital Grants	1,092
14,242	Total	13,882
	Service Income	
1,701	Partner Income	2,301
2,284	Fees and Charges	2,810
563	Sales (Third Parties)	521
1,427	Reimbursements	1,375
992	Agency Income	329
3	Sponsorship and Donations	0
142	Mutual Aid	471
7,112	Total	7,807
1,455	Joint Venture Income	3,189
22,809	Total Income	24,878

17 Related Parties

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

Central Government has effective control over the general operations of the ONPCC. It is responsible for providing the statutory framework within which the ONPCC operates, and provides the majority of funding in the form of general or specific grants. Details of government grants are set out in note 16 to the Core Financial Statements.

Members of the ONPCC have direct control over the ONPCC's financial and operating policies. Chief Officers might also be in a position to influence significantly the policies of the ONPCC.

ONPCC members 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 ONPCC during the financial year. The Police Service maintain a register of business interests, and has a Business Interest Policy which sets out the criteria for deciding whether the Business Interest is compatible with the individuals role within the organisation. These were all reviewed and no significant transactions were found.

The disclosure requirements of key personnel under IAS 24 are satisfied by the disclosure requirements for officer remuneration and members' allowances.

Companies and Joint Venture – The ONPCC has a significant interest in Joint Arrangements, (EMASU, EMSOU, EMTSU, Major Crime, EMSCU, Occupational Health, Learning & Development & Legal Regional arrangement). This is disclosed in a subsequent note to the Accounts (Note 46).

18 Transfers to/from Earmarked Reserves

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

The adequacy of reserves is assessed as part of the annual budget process where the strategic, operational and financial risks facing the ONPCC are considered. The Reserve Policy is published annually in the Budget Report and included in the Budget Book where the rationale for each Reserve is clearly stated. On 31 March 2013 total reserves stood at £22.16m. These were made up as follows:

Description	Balance at 31 March 2011	Transfers Out 2011-12	Transfers In 2011-12	Balance at 31 March 2012	Transfers Out 2012-13	Transfers In 2012-13	Balance at 31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked General Fund:							
Expenditure Transferred to							
Future Years	442	(442)	1,966	1,966	(1,966)	611	611
Insurance	1,716	0	0	1,716	0	474	2,190
Pensions (Ill Health and Injury							
Awards)	2,136	(300)	0	1,836	(1,200)	633	1,269
Copy Bureau	49	0	0	49	0	0	49
PCC Reserve	25	0	0	25	0	0	25
Safety Camera Reserve	0	0	513	513	(513)	447	447
Restructuring Reserve	283	(283)	0	0	0	4,979	4,979
Employee Benefit Reserve	274	0	505	779	(779)	45	45
Transformation Reserve	0	0	0	0	0	1,230	1,230
Total	4,925	(1,025)	2,984	6,884	(4,458)	8,419	10,845
General Fund Balance	8,685	(5,155)	0	3,530	0	606	4,136
Usable Reserves - Revenue	13,610	(6,180)	2,984	10,414	(4,458)	9,025	14,981
Future Capital Spending	8,856	(3,612)	5,801	11,045	(6,884)	2,719	6,880
Total Capital Reserves	8,856	(3,612)	5,801	11,045	(6,884)	2,719	6,880
Total	22,466	(9,792)	8,785	21,459	(11,342)	11,744	21,861
ONPCC Share of JV Reserves	243	(13)	25	255	(19)	60	296
Total Usable Reserves	22,709	(9,805)	8,810	21,714	(11,361)	11,804	22,157

PCC operates a devolved financial management policy. Carry forward of under/over spends on budgets were considered by the PCC and at the end of 2012-13 a net £1.355m was transferred out of the carry-forward reserve, leaving £0.611m to fund revenue expenditure identified in 2013/14.

The pensions reserve is maintained for those liabilities relating to Police Officers pension payments that still fall to be met by the ONPCC. These include one-off lump sum payments due when an officer retires on ill health and payments of injury awards. A budgeted

transfer of £0.2m was taken from the reserve and a £1m transfer to the Restructuring Reserve, which was approved by the PCC in February 2013.

The Copy Bureau is a rechargeable department, and a Reserve was created to smooth surpluses and deficits generated by the department and where possible, to fund replacement equipment.

The Insurance reserve is designed to meet potential future claims.

The Restructuring reserve is to be used to cover the costs of restructuring as the Force goes through the business transformation programme. An in year £3.2m transfer was completed to meet liabilities relating to future restructuring.

The Employee Benefit reserve has been created to mitigate fluctuations within the Accumulated Absence Reserve, which the ONPCC set up as a result of the adoption of IAS 19 as outlined within the Accounting Policies. The £779k was transferred out to the restructuring reserve and the value of the reduction in the accrual was transferred into the reserve.

The reserve for future capital spending has been created to ensure the ONPCC can continue to fund its capital programme at the planned levels.

The Safety Camera Reserve is designed to allocate funding for future costs of running the safety camera team, including replacement vehicles in the future years.

The Transformation Reserve of £1.23m was created to meet the funding required for a strategic change programme to deliver radical solutions to meet funding shortfalls.

After taking account of transfers to and from reserves and the required provisions, the ONPCC generated a surplus of £0.606m that was transferred to the General Fund Balance.

19 Unusable Reserves

31 Mar 12		31 Mar 13
£'000	Description	£'000
(12,892)	Revaluation Reserve	(12,557)
(23,863)	Capital Adjustment Account	(28,034)
863,902	Pensions Reserve	1,009,208
(321)	Collection Fund Adjustment Account	(234)
1,300	Accumulated Absences Account	1,300
828,126	Total Unusable Reserves	969,683

Revaluation Reserve

The Revaluation Reserve contains the gains made by the ONPCC 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

2011-12		2012-13
£'000	Description	£'000
(13,326)	Balance at 1 April	(12,892)
0	Upward revaluation of assets	0
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
0	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	0
434	Difference between fair value depreciation and historical cost depreciation	335
0	Accumulated gains on assets sold or scrapped	0
0	Amount written off to the Capital Adjustment Account	0
(12,892)	Balance at 31 March	(12,557)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting, for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the 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 ONPCC 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 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.

2011-12	Description	2012-13
£'000		£'000
(14,449)	Balance at 1 April	(23,863)
2,942	Charges for depreciation and impairment of non current assets	3,698
(101)	Revaluation losses on Property, Plant and Equipment	0
445	Amortisation of intangible assets	812
0	Revenue expenditure funded from capital under statute	0
278	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	184
(10,885)		(19,169)
(333)	Adjusting amounts written out of the Revaluation Reserve	(335)
(11,218)		(19,504)
(1,324)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(1,349)
(3,612)	Capital Financing Applied in Year	(4,165)
(309)	Statutory provision for the financing of capital investment charged against the General Fund	(297)
0	Deferred Government Grants Amortised	0
(7,400)	Capital expenditure charged against the General Fund balances	(2,719)
(23,863)		(28,034)
0	Movements in the market value of Investment Properties debited or credited to the CIES	0
0	Movement in the Donated Assets Account credited to the CIES	0
(23,863)	Balance at 31 March	(28,034)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The ONPCC 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 ONPCC 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 ONPCC 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.

2011-12	Description	2012-13
£'000		£'000
756,704	Balance at 1 April	863,902
66,379	Actuarial gains or losses on pensions assets and liabilities	103,116
65,971	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	65,753
(25,152)	Employer's pensions contributions and direct payments to pensioners payable in the year	(23,563)
863,902	Balance at 31 March	1,009,208

Collection Fund Adjustment Account

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

2011-12		2012-13
£'000	Description	£'000
(251)	Balance at 1 April	(321)
	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	87
(321)	Balance at 31 March	(234)

Accumulated Absences Account

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

2011-12		2012-13
£'000	Description	£'000
1,300	Balance at 1 April	1,300
0	Settlement or cancellation of accrual made at the end of the preceding year	0
0	Amounts accrued at the end of the current year	0
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
1,300	Balance at 31 March	1,300

20 Property, Plant and Equipment

Movements in 2012-13:

	Land & Buildings £'000	Vehicles £'000	Equipment & IT Equip £'000	Consolidated Joint Arrangements £'000	Non Op Assets Assets Under Const'n £'000	Land £'000	Total £'000
Net book Value 01 Apr 2012	27,777	2,210	847	1,004	11,330	900	44,068
Cost or Valuation							
At 1 April 2012	31,519	6,834	3,778	2,166	11,330	900	56,527
Additions	427	826	1,476	120	5,504	0	8,353
Additions to Assets Under Construction	1,851					(1,851)	0
Transfer out to Fixed Assets	11,185	325	25	0	(16,136)*	0	(4,601)
Disposals	0	(1,295)	(2,004)	(1)	0	0	(3,300)
Accumulated Impairments	(951)	0	0	0	0	951	0
Revaluations/ Restatements	0	0	0	50	0	0	50
At 31 March 2013	44,031	6,690	3,275	2,335	698	0	57,029
Accumulated Depreciation and Impairment							
At 1 April 2012	3,742	4,624	2,932	1,162	0	0	12,460
Depreciation charge	1,435	1,019	1,244	206	0	0	3,904
Disposals	0	(1,109)	(2,004)	(1)	0	0	(3,114)
Depreciation as at 31 March 2013	5,177	4,534	2,172	1,367	0	0	13,250
Net Book Value as at 31 Mar 2012	27,777	2,210	847	1,004	11,330	900	44,068
Net Book Value as at 31 Mar 2013	38,854	2,156	1,103	1,004	698	900	43,779

*£4,601k transferred to Intangible Fixed Assets

Movements in 2011-12:

	Land & Buildings £'000	Vehicles £'000	Equipment & IT Equip £'000	Consolidated Joint Arrangements £'000	Non Op Assets Under Const'n £'000	Land £'000	Total £'000
Net book Value 01 Apr 2011	28,402	2,281	1,323	1,167	1,379	900	35,452
Cost or Valuation							
At 1 April 2011	31,193	6,363	4,679	2,129	1,379	900	46,643
Additions	481	706	692	52			1,931
Additions to Assets Under Construction					10,221		10,221
Transfer out to Fixed Assets	42	127			(270)*		(101)
Disposals	(197)	(362)	(1,592)	(21)			(2,172)
Revaluations/ Restatements				6			6
At 31 March 2012	31,519	6,834	3,779	2,166	11,330	900	56,528
Depreciation							
At 1 April 2011	2,791	4,082	3,356	962			11,191
Depreciation charge	965	809	1,168	205			3,147
Disposals	(14)	(267)	(1,592)	(5)			(1,878)
Depreciation as at 31 March 2012	3,742	4,624	2,932	1,162	0	0	12,460
Net Book Value as at 31 Mar 2012	27,777	2,210	847	1,004	11,330	900	44,068

*£101k, transferred out to Intangible Assets

The ONPCC's final capital expenditure figure in note 26 to the Accounts, of £8.23m, was made up of additions to intangible assets in note 25 (£2.423m), expenditure in year on assets under construction (£1.851m - see above), additions in to ONPCC assets (£8.353m), less the additions for the Consolidated Joint Arrangements shown above (0.12m).

21 Impairment Losses

For the Financial period 2012-13 there were no impairments, therefore no adjustments were required.

22 Assets Held for Sale

The ONPCC, during 2012-13, does not hold any assets that are classified as Assets Held for Sale.

23 Investment Properties

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

24 Leases

Operating Leases

The ONPCC holds premises on an operating lease basis and was committed at 31st March 2013 to making lease payments of £452,000 in 2012-13, comprising of the following elements:

31 Mar 12		31 Mar 13
£'000	Description	£'000
119	Leases expiring in 2012-13	194
243	Leases expiring between 2012-13 and 2015/16	214
98	Leases expiring 2016/17 and after	44
460	Total	452

In preparation for the implementation of the new International Accounting Standards, the ONPCC completed a comprehensive review of all its leases during 2008/09, 2009/10 and 2010/11. All leases held were shown to be Operating Leases. Along with this, new leases are reviewed when they are taken out.

	2012-13	2013/14	2013/14	2013/14	2013/14
	£'000	£'000	£'000	£'000	£'000
	B/f	Land	Buildings	Equipment	Total
Leases expiring in 2012-13	194	62	99	0	161
Leases expiring between 2013/14 & 2016/17	214	78	124	14	216
Leases expiring 2017/18 and after	44	17	28	0	45
Total	452	157	251	14	422

The obligation for 2012-13 under the operating leases is £422,000.

25 Intangible Assets

The ONPCC 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 ONPCC.

The carrying amount of intangible assets is amortised on a straight-line basis over three years or where appropriate over the asset life, such as the Multi Force Shared Service (MFSS) which is ten years. Amortisation of £812k was charged to revenue in 2012-13. The amortisation for MFSS system was £460k.

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

2011-12		2012-13
£'000	Description	£'000
	Balance at 1st April	
1,212	Net carrying amounts	1,108
	Additions:	
236	Internal Development	4,601
0	Acquired Separately	0
101	Assets Under Construction (Note 27)	0
(1,118)	Disposals	(367)
(445)	Amortisation to the Comprehensive Income & Expenditure Statement*	(814)
1,119	Depreciation on Disposals	366
3	Joint Venture Intangible Assets	1
1,108	Net carrying amount at 31st March	4,895
	This comprises of:	
2,070	Net carrying Amount	6,305
3	Joint Venture Net Carry Amount	2
(965)	Accumulated amortisation	(1,412)
1,108	Total	4,895

* 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.

26 Capital Expenditure and Capital Financing

The capital financing requirement measures the ONPCC's need to borrow for a capital purpose. The following statement shows the effect of the ONPCC's capital investment decisions in 2012-13 upon the capital financing requirement. The capital financing requirement reduced by £0.297m, this was due to the ONPCC providing for a repayment of borrowing through revenue. There was no further borrowing to finance capital expenditure during the year.

2011-12 £'000		2012-13 £'000
7,723	Opening Capital Financing Requirement	7,414
	Capital Investment	
481	Building	2,924
706	Vehicles	826
692	Equip & IT Equip	1,476
236	Intangibles	2,423
10,221	Assets Under Construction	583
0	Revenue Expenditure Funded from Capital Under Statute	
	Sources of Finance	
(140)	Capital Receipts	0
(1,174)	Government Grants and Other Contributions	(1,348)
(3,612)	Capital Reserves	(4,765)
	Sums set aside from revenue	
(309)	MRP	(297)
(7,410)	Revenue Contributions	(2,119)
7,414	Closing Capital Financing Requirement	7,117
	Explanation of Movements in Year	
309	Decrease in underlying need to borrow (supported)	297
0	Increase in underlying need to borrow (unsupported)	0
309	Decrease in Capital Financing Requirement	297

27 Construction Contracts

At 31 March 2013 the ONPCC had no construction contracts in progress

28 Inventories

The following stocks were held as available for issue as at 31 March 2013:

2011-12		2012-13
£'000	Description	£'000
117	Vehicle Fuel	109
133	Vehicle Parts & operational Equipment	125
160	Uniforms	174
28	Printing & Stationery	0
21	Other	0
459	Total	408

29 Short-Term Debtors

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

2011-12		2012-13
£'000	Description	£'000
3,136	Central Government Bodies	2,575
943	Other Local Authorities	1,311
8	NHS Bodies	64
1,300	Public Corporations and trading funds	87
2,598	Bodies external to general government	2,094
7,985	As at 31 Mar	6,131

30 Provisions

An independent evaluation of the Insurance Provision as at 31 March 2013 has identified a requirement of £0.338m for future year's potential claims, a reduction of £0.270m.

	Balance As at 31-Mar-11 £'000	Amounts Used In Period £'000	Amounts Reversed Unused £'000	Additional Amounts £'000	Balance As at 31-Mar-12 £'000
Insurance Provision	(1,150)	542	0	0	(608)
PSC Lease Provision	(90)	0	90	0	0
Total	(1,240)	542	90	0	(608)

	Balance As at 31-Mar-12 £'000	Amounts Used In Period £'000	Amounts Reversed Unused £'000	Additional Amounts £'000	Balance As at 31-Mar-13 £'000
Insurance Provision	(608)	270	0	0	(338)
Total	(608)	270	0	0	(338)

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 ONPCC's Insurance assessor (Heath Lambert) report uses the Chain Ladder (link ratio) 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 Chain Ladder method 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 were 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 losses predicted in this report.
- The recommended provision for future losses is based on the projected ultimate claims under the Chain Ladder Method with a margin added for prudence.

31 Short-Term Creditors

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

2011-12		2012-13
£'000	Description	£'000
2,870	Central Government Bodies	326
828	Other Local Authorities	2,813
0	NHS Bodies	3
1,456	Public Corporations and trading funds	5
5,123	Bodies external to general government	9,837
10,277	As at 31 Mar	12,984

32 Capitalisation of Borrowing Costs

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

33 Contingent Liabilities

Our insurance consultants, Heath Lambert, suggested the ONPCC should make the following Contingent Liability for 2012-13.

Description	Balance at 31 March 2012 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 March 2013 £'000
Insurance Provision	453	(32)	110	531
Total	453	(32)	110	531

This Contingent Liability is for:

Residual Incurred But Not Reported	- £125k (25% of Public Liability Provision)
Emerging Claims	- £156k (20% of Public Liability Provision)
Fidelity Guarantee	- £50k (Single Claim)
Public Liability	- £100k (Single Claim)
OI /L&S reserve	- £100k (Single Claim)

The above liabilities are based upon factors from the overall insurance provision or assumed costs of claims from our insurance consultants. These are assumed to be estimated costs, based on the history of the ONPCC's Self Insurance or previous claims for slander, libel etc. As these are contingent in nature, we cannot reasonably assess as to when these claims could occur within 2013/14, however, as a 24 hour a day, 7 day a week Force, which interacts continuously with the public, the press and also criminal activities, these claims are likely to have equal chance of occurring evenly throughout the year.

34 Contingent Assets

As at 31 March 2013, there were no assets that arose from past events, either where their existence has not been confirmed by the occurrence or non-occurrence of one or more uncertain future events.

35 Cash and Cash Equivalents

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

31 Mar 2012		31 Mar 2013
£'000	Description	£'000
24	Cash held by the ONPCC	24
160	Cash held by Joint Venture	419
11,011	Short Term Investment Realised within three months	13,083
(124)	Bank Overdraft	(1,674)
11,071	Total Cash and Cash Equivalents	11,852

36 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2011-12		2012-13
£'000	Description	£'000
(45,178)	Precept income	(45,862)
(22,011)	Non domestic Rates distribution income	(27,551)
(6,803)	Revenue Support Grant	(534)
(48,560)	Police Grant	(45,234)
(5,453)	Specific Grants	(8,321)
(8,789)	Police Officer Pensions Top Up Grant	(8,769)
(1,455)	Joint Venture Income	(3,189)
(992)	Agency Income	(329)
(2,283)	Fees & Charges	(2,810)
(1,427)	Reimbursements	(1,375)
(323)	Sales (Third Parties)	(521)
72,514	Police Officer Pay	76,194
37,474	Police Staff Pay	35,008
2,658	Other Staff Costs	1,447
3,834	Premises Costs	3,953
2,547	Transport Costs	2,372
1,751	Communications	3,373
1,135	IT Maintenance	489
315	Miscellaneous	344
1,895	Professional Services	360
3,905	Agency Costs (Third Party Payments)	6010
5,180	Other Operating Activities	2,913
(10,066)	Net Cash Flow from Operating Activities	(12,032)

37 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2011-12		2012-13
£'000	Description	£'000
8,071	Land & Buildings related capital expenditure	2,924
706	Purchase of Vehicles	954
3,373	Purchase of Equipment	2,051
236	Purchase of Intangible Assets	2,423
(3,239)	Purchase of short-term and long-term investments	4,434
(261)	Proceeds from the sale of property, plant and equipment	(185)
(950)	Proceeds from Capital Grant	(1,092)
(250)	Proceeds from External Capital contributions	(257)
(140)	Proceeds from Capital Receipts	0
7,546	Net cash flows from investing activities	11,252

38 Termination Benefits

The ONPCC has taken account of termination benefits in accordance of IAS 19. The termination benefits are dealt with separately from other employee benefits because the event which gives rise to an obligation is the termination rather than employee service. The ONPCC would have incurred costs if the termination was either a decision to terminate an employee's employment prior to their retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

The ONPCC terminated the contracts of a number of employees in 2012-13, incurring liabilities of £0.543m, of which £0.508m relates to the Chief Constables account. The previous years total was £1.54m.

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	
	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12 £'000	2012-13 £'000
PCC Accounts								
£0 -£20,000	0	3	0	0	0	3	0	35
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
TOTAL	0	3	0	0	0	3	0	35
Group								
£0 -£20,000	58	43	6	0	64	43	785	287
£20,001 - £40,000	10	4	1	1	11	5	336	140
£40,001 - £60,000	2	0	0	0	2	0	92	0
£60,001 - £80,000	2	0	0	0	2	0	138	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	1	1	0	0	1	1	107	116
TOTAL	73	45	7	1	80	46	1,458	543

39 Pensions

a) Participation in Pension Schemes

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

The ONPCC 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 ONPCC and 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.
- The Police Pension Scheme for police officers, which includes two pension schemes; the Police Pension Scheme (PPS) and the New Police Pension Scheme (NPPS). Both schemes are unfunded and administered by Xafinity Paymaster on behalf of the ONPCC, meaning that there are no investment assets built-up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. 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 ONPCC. However, the ONPCC's contribution is met by Home Office Pensions Top Up Grant. If there is a surplus it is paid to the ONPCC 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

In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change has been adjusted for in the 2012-13 accounts and is shown as an exceptional item on the face of the CIES. It is estimated that this change will reduce the value of an average employer's IAS 19 liabilities in the fund by around 6-8%.

* The current service costs contained in the table, below, are within the following values contained within the the Comprehensive Income and Expenditure Statement, forming part of note 6, the reconciliation to the subjective analysis

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

Pensions Revenue Items

	Local Government Pension Scheme		Police Pension Scheme		TOTAL	
	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13
<u>Comprehensive Income and Expenditure</u>	£'000	£'000	£'000	£'000	£'000	£'000
Net Cost of Services						
Current service cost	(4,423)	(3,937)	(18,210)	19,550	13,787	15,613
Past service cost	(1,194)	(539)	(110)	0	(1,304)	(539)
Net Operating Expenditure						
Interest Costs**	(5,621)	(5,556)	(41,720)	(40,730)	(47,341)	(46,286)
Expected return on employers assets**	5,307	4,559	0	0	5,307	4,559
Net Charge to the Income and Expenditure Account	(5,931)		(60,040)		(29,551)	(26,653)
<u>Movement In Reserves</u>						
Movement on Pensions Reserve (Reversal of net charges made for retirement benefits in accordance with IAS 19)	5,931	5,473	60,040	60,280	65,971	65,753
<u>Actual amount charged against Council Tax (General Fund Balance) for pensions</u>						
Employers contributions to the Scheme	4,691	3,908	11,672	10,881	16,363	14,789
Additional contributions to the Police Pensions Fund Account			8,789	8,789		

** The net of interest costs and return on assets is £41.722m, which reconciles to the amount included within financing and investment income and expenditure on the face of the CIES, as detailed in note 8

In addition to the recognised gains and losses included in the CIES, actuarial gains and losses of £103.116m (£66.38m in 2011-12) were included within other Comprehensive Income & Expenditure.

The estimated 2013/14 pension scheme contributions for the Police Pension Scheme are £11.0m and £4.04m 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.

40 Defined Benefit Pension Schemes

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of the Present Value of the Schemes Liabilities

	Funded Liabilities Local Govt. Scheme		Unfunded Liabilities Police Pension Scheme	
	31 Mar 2012 £'000	31 Mar 2013 £'000	31 Mar 2012 £'000	31 Mar 2013 £'000
Opening Defined Benefit Obligation - 1 April	(99,758)	(114,061)	(733,030)	(831,350)
Current Service Cost (Grossed up for employee contributions)	(4,423)	(3,937)	(23,060)	(24,850)
Interest Cost	(5,621)	(5,556)	(41,720)	(40,730)
Contributions by Scheme Participants	(1,673)	(1,436)	4,850	5,300
Actuarial (Gains)/ Losses	(3,747)	(14,751)	(58,740)	(95,780)
Past Service (Costs)/ Gains	0	0	(110)	0
(Loses)/ Gains on Curtailments	(1,194)	(539)	0	0
Estimated Unfunded Benefits Paid	5	5	0	0
Estimated Benefits Paid	2,350	2,510	20,460	19,650
Closing Defined Benefit Obligation 31st March	(114,061)	(137,765)	(831,350)	(967,760)

Reconciliation of the Fair Value of the Schemes Assets

Pension Asset – Local Government Pension Scheme Only

	31 Mar 2012 £'000	31 Mar 2013 £'000
Pensions Asset 1 April	76,084	81,509
Expected Return on Assets	5,307	4,559
Contributions by Members	1,673	1,436
Employers Contributions (Incl Injuries) - excluding Top-Up Grant	4,691	3,908
Contributions in Respect of Unfunded Benefits	5	5
Actuarial Gains	(3,896)	7,415
Estimated Unfunded Benefits paid	(5)	(5)
Estimated Benefits Paid	(2,350)	(2,510)
Fair Value of Pensions Asset 31 March	81,509	96,317

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 £4,559,000 (£5,307,000 in 2011-12).

Scheme History

	2008/09	2009/10	2010/11	2011-12	2012-13
	Restated	Restated			
Present Value of Liabilities					
Local Government Pension Scheme	(68,665)	(125,551)	(99,758)	(114,061)	(137,765)
Police Pension Scheme	(541,649)	(830,140)	(733,030)	(831,350)	(967,760)
Fair Value of Assets LGPS	52,416	67,181	76,084	81,509	96,317
Surplus/ (Deficit) in the Scheme					
Local Government Pension Scheme	(23,695)	(58,370)	(23,674)	(32,552)	(41,448)
Police Pension Scheme	(541,649)	(830,140)	(733,030)	(831,350)	(967,760)
Total	(597,532)	(888,510)	(756,704)	(863,902)	(1,009,208)

The ONPCC's total pension liability of £1,009.028m, reconciles to the Unusable Reserves within the Balance Sheet of £969.683m, by adding back the figures within the Movement in Reserves Statement of the Capital Adjustment Account (£28.034m), the Collection Fund Adjustment Account (£0.234m), the Revaluation Reserve (£12.557m) to the Unusable Reserves total and then subtracting the Employee Benefit Reserve (£1.3m)

The ONPCC 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 ONPCC has in the long run to pay retirement benefits. The total liability of £1,009.028m has a substantial impact on the net worth of the ONPCC as recorded in the balance sheet, resulting in a negative overall balance of £946.595m. However, statutory arrangements for funding the deficit mean that the financial position of the ONPCC 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 ONPCC with Home Office Top-Up Grant payable to cover the ONPCC'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:

	Local Govt. Pension Scheme		Police Pension Scheme	
	2011-12	2012-13	2011-12	2012-13
Expected Return on Assets by Category	%	%	%	%
Equity Investments	6.2	4.5	n/a	n/a
Bonds	3.5	4.5	n/a	n/a
Property	4.4	4.5	n/a	n/a
Cash and Liquidity	3.5	4.5	n/a	n/a
Mortality Assumptions	yrs	yrs	yrs	yrs
Longevity at 65 for current pensioners				
Men	21.4	21.4	23.3	23.4
Women	23.3	23.3	25.7	25.8
Longevity at 65 for future pensioners				
Men	23.4	23.4	25.6	25.7
Women	25.5	25.5	27.8	27.9
Financial Assumptions	%	%	%	%
Rate of Inflation	2.5	2.8	2.5	2.5
Rate of Increase in Salaries	4.8	5.1	4.7	4.75
Expected Return on Assets	5.5	4.5	n/a	n/a
Rate for Discounting Scheme Liabilities (Gross)	4.8	4.5	4.9	5.7
Take up Option to Convert annual Pension into retirement Lump Sum	50	50	n/a	n/a

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries, we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the ONPCC'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:

31.03.12		31.03.13	
%	Description	%	
71.00%	Equity Investments	73.00%	
21.00%	Bonds	22.00%	
6.00%	Property	5.00%	
2.00%	Cash and Liquidity	2.00%	
100.00%	Total	100.00%	

Pensions Reserve - History of Experience Gains / Losses

The actuarial gains identified as movements on the Pensions Reserve for 2012-13, can be analysed into the following categories, measured as percentages of assets or liabilities as at 31 March 2013.

	2009/ 10		2010/ 11		2011-12		2012-13	
	£m	%	£m	%	£m	%	£m	%
Local Government Pension Scheme								
Differences between expected and actual return on assets	14.28	21.25%	(0.74)	(0.97)	(3.90)	(4.78%)	7.42	7.70%
Differences between actuarial assumptions about Liabilities and actual experience.	0.01	0.01%	14.43	14.46%	(0.96)	(0.84%)	0.12	0.09%
Police Pension Schemes								
	2009/ 10		2010/ 11		2011-12		2012-13	
	£m	%	£m	%	£m	%		
Differences between actuarial assumptions about Liabilities and actual experience.	7.22	0.92%	6.27	0.90%	(32.32)	(4.66%)	22.66	3.27%
New Police Pension Scheme								
	2009/ 10		2010/ 11		2011-12		2012-13	
	£m	%	£m	%	£m	%		
Differences between actuarial assumptions about Liabilities and actual experience.	(0.37)	(3.76%)	(1.25)	(10.02%)	(1.4)	(11.22%)	0.86	6.89%
Injury Awards Police Pension Scheme								
	2009/ 10		2010/ 11		2011-12		2012-13	
	£m	%	£m	%	£m	%		
Differences between actuarial assumptions about Liabilities and actual experience.	(3.3)	(9.56%)	2.21	8.17%	(3.02)	(11.16%)	(0.42)	(1.55%)

41 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 ONPCC 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 ONPCC has reviewed its contractual arrangements and it has no contracts that could be classified as derivatives.

The ONPCC 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 ONPCC has the following financial instruments held in its balance sheet as at 31 March 2013.

	2011-12	2012-13
	£'000	£'000
Financial Liabilities		
Amortised Cost		
Borrowing	5,799	5,799
Financial Assets		
Fair Value through Profit and Loss		
Managed Portfolio	7,444	7,480
Loans and Receivables		
Debtors and Prepayments	7,985	6,131
Cash in Hand	24	24
Money Market Investments	13,940	20,337

Gains on Financial Assets at Fair Value through the CIES were £62k during 2012-13.

The ONPCC's fixed-rate borrowings are structured significantly within the operational boundaries of the ONPCC's prudential indicators, (£7.116m for 2012-13 and £10,080 for 2013/14) as defined by CIPFA's Prudential Code.

The ONPCC 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 £5.799m) as at 31 March are held by the Public Works Loans Board and, therefore, represents negligible risk to default of the debt holder.

As approved within the ONPCC's Treasury Management Strategy, the limits for fixed and variable debts are as follows:

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

	2010/11	2011-12	2012-13
Fixed Rate – maximum limit	100%	100%	100%
Variable Rate – maximum limit	80%	80%	80%

Liquidity Risk

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

The ONPCC 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 ONPCC 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 (PWL) provides access to longer term funds, it also acts as a lender of last resort to ONPCC's (although it will not provide funding to an ONPCC whose actions is unlawful). The ONPCC 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 2012 -13	Lower Limit
Under 12 months	50%	25.85%	0%
12 months to 10 years	80%	51.73%	0%
10 years and above	80%	22.42%	0%

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

Whilst the current credit crisis in international markets has raised the overall possibility of default, the ONPCC maintains strict credit criteria for investment counterparties. No breaches of the ONPCC's counterparty criteria occurred during the reporting period and the ONPCC 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 ONPCC's risk to investments, the Treasury Management Strategy sets the limits to which principals are invested for greater than one year. However, the ONPCC is within these limits as no investment was greater than 364 days as at 31st March in either 2011-12 or 2012-13.

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 ONPCC only invests in highly rated bodies, which hold smaller risk levels than some higher yield institutes. The maximum risk the ONPCC held in one institute within 2012-13 was £5m.

The managed portfolio is designed to achieve greater results than the ONPCC 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.

Therefore, the maximum risk the ONPCC could be liable for the loss of is £740k (10% of the £7.4m holdings) as at 31 March.

Developed major government bonds – Seek higher yielding assets.

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

Short positions using derivatives

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

The Target Return Fund has further aspects including:

Corporate Bond Exposure

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

For high yield corporate bonds, the issuer limit is less than 0.5%. An example of a high yield bond would be William Hill or Avis (car rental firm).

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.

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 ONPCC's goods and services are assessed for their ability to pay in accordance with parameters set by the ONPCC. The ONPCC 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	31.03.13 (£'000)	31.03.12 (£'000)
0-14 Days	528	(1)
15-30 Days	59	532
31-60 Days	109	38
61-90 Days	94	41
91+ days Days	97	36
Total	887	646

Whilst reviewing its debtors portfolio the ONPCC has provided against £95.9k within 2012-13 and £40.9k in 2011-12.

The highest debt holder as at 31 March was £96.7k held by the HMCS Estates Midland Region. The ONPCC see negligible prospect of this debt being unrecoverable. Therefore, the highest debt held by a non-governmental or public body was £81.2k within 2012-13 and only 31% of the £887k debtor portfolio was held by a non-public body. Therefore, the maximum single risk the ONPCC holds is the full bad-debt provision of £81.2k.

Cash In Hand

The ONPCC's cash-in-hand position of £24k within 2011-12 and £24k at 2012-13 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 ONPCC.

Interest rate risk

The ONPCC is exposed to interest rate movements on its borrowings which have a complex impact on the ONPCC, 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 ONPCC currently has no variable rate borrowings, therefore, changes in interest rates will have no impact on the carrying value of the ONPCC's borrowings. However, the impact of a 1% increase in interest rates would reduce the fair value of fixed rate borrowings by £0.6m.

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

Foreign exchange risk

The ONPCC 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 ONPCC 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 ONPCC 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 on page 25. Interest on Investments of £0.283m was earned during the year, and interest on loans of £0.206m 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 ONPCC's Treasury Management Strategy. The ONPCC 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 national banking crisis that occurred during 2008/09, the ONPCC's Policies on Treasury Management came under scrutiny. The, below, is an extract from the ONPCC's Treasury Management Policy Statement (S6.1) that refers to the type of instruments the ONPCC is permitted to invest in:

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

The ONPCC 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

This is the risk that a party will be unable to raise funds to meet its commitments associated with financial instruments. As the ONPCC currently has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the ONPCC 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 ONPCC has limited risk. PWLB interest rates are a mix of fixed and variable rates. Investments are only temporarily invested (less than a year). The ONPCC does not invest in equity shares and has no financial assets or liabilities in foreign currencies.

43 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

Northamptonshire Police has adopted all applicable standards that have so far been issued with regards to the Code of Practice and SORP 2012.

The requirement for recognition of the Carbon Reduction Scheme has been reviewed and in accordance with the standard, the ONPCC's Accounting Policies and materiality, it was agreed that as our usage was under the 6,000 megawatt hour requirement that we did not need to recognise any accounting arrangements under the new IFRS.

The adoption by the Code of amendments to IFRS 7 Financial Instruments Disclosures – offsetting financial assets and liabilities (December 2011 amendments) will take effect for the accounting period beginning 1 April 2013. The standard focuses on the significance of offsetting financial instruments. Offsetting takes place when entities present their rights and obligations to each other as a net amount in their statement of financial position. The impact of the policy on the financial statements of the PCC Group is not expected to be material.

The adoption by the Code of amendments to IAS 19 Employee Benefits (June 2011 amendments) will also take effect for the accounting period beginning 1 April 2013. These amendments will make it easier for users of financial statements to understand how defined benefit plans affect an entity's financial position, financial performance and cash flows. There will be no changes to pension liabilities of the PCC. Assets in the Local Government Pension Scheme will be affected. The effect of the change will be adopted retrospectively as per IAS8 leading to an increase in £663k on the income statement to 31 March 2013.

44 Prior Period Adjustment

A summary of the non-IAS changes and the most material adjustments made are included below:

- Restatement of all primary statements and disclosures for the introduction of the PCC's office.

45 Related Party Transactions

Central Government has effective control over the general operations of the Police and PCC's powers - it is responsible for providing the statutory framework within which the ONPCC operates and provides the majority of its funding in the form of grants. Details of significant transactions with government departments are disclosed elsewhere in the Statement of Accounts.

The material transactions are all disclosed within notes 10, 16, 29, 31 and within the Financial Instrument note.

The East Midlands forces operate seven Joint Arrangements, East Midlands Air Support Unit (EMASU), East Midlands Special Operations Unit (EMSOU), Major Crime & East Midlands Technical Support Unit, East Midlands Strategic Commercial Unit (EMSCU), Regional Occupational Health, Regional Learning & Development & Regional Legal all of which are fully incorporated into the Statement of Accounts throughout this document. These are fully covered by Section 23 Agreements and all outstanding balances are fully recorded and disclosed within the appropriate Statements and Notes to these accounts.

Members and Chief Officers are required to declare whether they, or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the ONPCC during the financial year. The ONPCC has written to all members and chief officers to collect this information. The outcome is that, in his opinion, there are no material related party transactions to disclose in 2012-13.

The Police Pension Top Up Grant was £8,769,100 within 2012-13 and is paid in arrears by the Home Office. This value was accrued for within the Financial Statements and will be received within July 2012. By the point of our post balance sheet review, the ONPCC had received confirmation of the intended payment from the Home Office.

There are no other material outstanding transactions requiring disclosure as at 31 March 2013.

Joint Associated Non Entity Statement (Note 46)

Comprehensive Income & Expenditure Statement

	2011-12				2012-13									
	Major Crime	EMTSU	EMSOU	EMASU	Total	Major Crime	EMTSU	EMSOU	EMASU	Regional Occupational Health	Regional Learning & Development	Regional Legal Services	EMSCU	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees - Police Pay and Allowances	113	20	276	0	409	174	50	484	0	0	159	0	0	867
- Police Pay	0	149	286	109	544	10	176	450	114	126	222	89	259	1,446
- Civilian Pay & Allowances	1	7	7	21	36	5	5	20	0	4	19	1	7	61
- Other Pay & Allowances	0	0	128	15	143	0	4	141	16	0	4	0	0	165
Premises	1	0	57	233	291	3	5	98	231	1	0	3	0	341
Transport	0	27	176	10	213	3	29	188	10	123	33	12	0	398
Supplies and Services	0	1	31	19	51	0	0	16	11	0	0	0	0	27
Agency Expenses	0	0	43	161	204	0	2	42	162	0	0	0	0	206
Depreciation & Amortisation														
Revenue Expenditure Funded from Capital Resources	0	0	5	0	5	0	0	0	0	0	0	0	0	0
Cost of Services	115	204	1,009	568	1,896	195	271	1,439	544	254	437	105	266	3,511
Income from fees & charges	0	(7)	(7)	(2)	(16)	0	(1)	(23)	(93)	0	(13)	(13)	0	(143)
Profit & Loss on Disposal of Assets	0	0	5	(21)	(16)	0	0	0	0	0	0	0	0	0
NET OPERATING EXPENDITURE	115	197	1,007	545	1,864	195	270	1,416	451	254	424	92	266	3,368
Income from Government Grants	0	0	(257)	0	(257)	0	0	(255)	0	0	0	0	0	(255)
Contribution from Partners	(106)	(231)	(748)	(355)	(1,440)	(194)	(301)	(1,169)	(353)	(253)	(420)	(91)	(265)	(3,046)
Capital Grants & Contributions	0	0	(6)	0	(6)	0	0	0	0	0	0	0	0	0
NET OPERATING EXPENDITURE	9	(34)	(4)	190	161	1	(31)	(8)	98	1	4	1	1	67
(Surplus) / Deficit on revaluation of non current assets	0	0	0	(5)	(5)	0	0	0	(50)	0	0	0	0	(50)
Total Comprehensive Income and Expenditure	9	(34)	(4)	185	156	1	(31)	(8)	48	1	4	1	1	17

Adjustments under Statute

	2011-12						2012-13					
	Major Crime	EMTSU	EMSOU	EMASU	EMASU	Total	Major Crime	EMTSU	EMSOU	EMASU	EMASU	Total
Depreciation & Impairments	0	0	(43)	(161)	(204)		0	(2)	(42)	(162)	0	(206)
Net Gain/(Loss) on Sale Assets	0	0	(5)	0	(5)		0	0	(1)	0	0	(1)
Revaluation of non-current assets	0	0	0	5	5		0	0	0	0	0	0
Capital Exp charged in year to the General Fund Balance	0	12	31	0	43		0	32	88	0	0	120
Revenue Expenditure Funded Capitalised Under Statute	0	0	(5)	0	(5)		0	0	0	0	0	0
Employee Benefit	(8)	(3)	5	0	(6)		(1)	(2)	(10)	(1)	(4)	(22)
Revaluation Reserve	0	0	0	0	0		0	0	0	50	0	50
Capital grants & contributions	0	0	6	0	6		0	0	0	0	0	0
Net Transfer to/ (from) reserves	0	25	12	0	37		0	2	(20)	0	0	(18)
(Surplus)/ Deficit	1	0	(3)	29	27		0	(1)	7	(65)	0	(60)

Balance Sheet

	2011-12						2012-13					
	Major Crime	EMTSU	EMSOU	EMASU	EMASU	Total	Major Crime	EMTSU	EMSOU	EMASU	EMASU	Total
Property Plant & Equipment	0	12	81	911	1,004		0	41	128	800	0	969
Intangible Assets	0	0	3	0	3		0	0	1	0	0	1
Total Non-Current Assets	0	12	84	911	1,007		0	41	129	800	0	970
Cash & Cash Equivalent	(89)	30	148	71	160		36	0	207	67	131	419
Current Assets	106	0	176	37	319		15	29	201	136	0	439
Total Current Assets	17	30	324	108	479		51	29	408	203	131	858
Current Liabilities	(16)	(5)	(168)	(35)	(224)		(51)	(3)	(276)	(65)	(131)	(562)
Empl Benefits	(8)	(3)	(8)	0	(19)		(10)	(4)	(17)	(1)	(5)	(41)
Total Current Liabilities	(24)	(8)	(176)	(35)	(243)		(61)	(7)	(293)	(66)	(136)	(603)
Net Assets	(7)	34	232	984	1,243		(10)	63	244	937	(5)	1,225
Capital Adjustment Account	0	12	84	911	1,007		0	41	129	799	0	969
Employee Benefit Reserve	(8)	(3)	(8)	0	(19)		(10)	(4)	(17)	0	(5)	(40)
Useable Reserves	0	25	157	73	255		0	27	131	138	0	296
Total Reserves	(8)	34	233	984	1,243		(10)	64	243	937	(5)	1,225

47 POLICE PENSION FUND ACCOUNT

This statement shows movements of funds related to police officer pensions. The ONPCC is required to operate a Police Officer Pension Fund from 1st 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 two pension schemes. These are the Police Pensions Scheme which was set up in 1987 and the New Police Pensions Scheme, which was created under the Police Pension Regulations 2006, which applies to new recruits from 1 April 2006.

The Police Officer Pension Schemes are unfunded, which means there are no investment assets. Under these arrangements the Pension Fund Account balances to nil at the year end by either receiving a contribution from the ONPCC or by paying over to the ONPCC. There are certain exceptions to these arrangements such as injury awards, which will continue to be charged directly to the ONPCC's Income and Expenditure Account.

	Note	2011-12 £'000	2012-13 £'000
Contributions Receivable	1		
ONPCC			
From Employer			
normal		(10,779)	(10,882)
early retirements		0	(1)
From members		(4,851)	(5,304)
Transfers in	3		
Individual Transfers in from other schemes		(35)	(59)
Benefits Payable	2		
Pensions		18,807	20,146
Commutations and lump sum retirement benefits		5,457	4,796
Lump Sum death benefits		0	0
Payments to and on account of leavers			
Refunds of Contributions		43	4
Individual transfers out to other schemes		276	68
Other		0	0
Sub-total for the year before transfer from the ONPCC of an amount equal to the deficit		8,918	8,769
Additional funding payable by the ONPCC to fund the deficit for the year		(8,918)	(8,769)
Net amount payable/ receivable for the year		0	0

Details of the long-term pension obligation can be found within Note 40.

Net Asset Statement

There were no unpaid pensions due or recoverable overpayments of pensions as at 31 March 2013.

Notes to the Police Pension Fund Account

1. 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	
Pension Scheme	11%
New Pension Scheme	9.5%

3. Transfer Values

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

4. 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 ONPCC Core Financial Statements and can be referred to in notes 39 to 40.

5. Accounting Policies

Accounting Policies conform to those in the Statement of Accounts (from page 84 onwards).

6. Home Office Pensions Top-Up Grant

The Home Office Grant is received by the ONPCC to cover the ONPCC'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 ONPCC, 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 ONPCC 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 ONPCC's are concerned. ONPCC's no longer meet the pension liability directly: instead we pay an employer's contribution based on a percentage of pay into the Pension Fund. Each ONPCC 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.

48 ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Accounts have been prepared in accordance with the 2012-13 Code of Practice on Local ONPCC Accounting: A Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the CIPFA guidance notes on Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRS) and with regard to the introduction of International Financial Reporting Standards (IFRS) and related International Accounting Standards (IAS) relevant to Police ONPCC's. Any exceptions are disclosed below.

The key accounting changes for the current financial year are:

1. The introduction of the accounting for Police & Crime Commissioners, which has resulted in single entity (Chief Constable) accounts, being drafted separately and then amalgamated into the PCC Group Accounts, as both organisations are separate legal entities.

1 Recognition of Income and Expenditure

The ONPCC 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 (see note 30).

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

2 Financial Instruments

2.1 Financial Liabilities

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

2.2 Financial Assets

Although the ONPCC invests reserve balances and has actively managed financial instruments, they are held for re-investment by the ONPCC, not for speculative motives, they are not equity investments and are not, therefore, "available for sale". The ONPCC 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 ONPCC.

Note 41 to the Accounts covers the recommended classification of Financial Assets and Liabilities contained within the Accounts.

3 Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipts have been complied with and there is reasonable assurance that the grant or contribution will be received. Capital grants and contributions are credited to the Comprehensive Income and Expenditure Statement pending its application to finance capital expenditure, when it is removed from the General Fund balances and transferred to the Capital Adjustment Account. Amounts are then written off to the Comprehensive Income and Expenditure Statement over the useful life of the asset to offset any depreciation on assets to which it relates. As these write-offs are not an

allowable charge against Council Tax, it is neutralised by adjustment between Accounting Basis and Funding Basis under Regulation, with the corresponding entry to the Capital Adjustment Account.

Revenue grants and contributions are credited to the Comprehensive Income and Expenditure Statement in the same period as the expenditure to which they relate. 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.

4 Intangible Fixed Asset

Intangible assets include software licences and agreements that are capitalised at cost. Intangible assets are amortised on a straight-line basis over the useful life of the asset (between three and five 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.

5 Tangible Fixed Assets

5.1 Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised in accordance with IAS 16 (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.

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

5.2 Measurement

Land and buildings are revalued at five yearly intervals by Lambert Smith Hampton, Saddlers House, Cutter Lane, Cheapside, London. The latest revaluation was on 31 March 2009; the previous revaluation was on 31 March 2008. All valuations are in accordance with Royal Institute of Chartered Surveyors Appraisal and Valuation Standards.

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 Paragraph 5.4 – Impairment Losses.

Land, operational properties and other operational assets are valued in the Balance Sheet at the lower of net current replacement cost or net realisable value.

Vehicles, IT and Communication Equipment, and other equipment continue to be valued at historic costs net of depreciation.

5.3 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 (50 years)
Vehicles	Over the life of the asset (2-10 years with some specialist vehicles over 3-20 years)
IT Hardware	3 years
Other Plant & Equipment	5 years

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

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

5.4 Impairment Losses

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

5.5 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 recognises 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 2012-13 the ONPCC only recognises a profit on disposal if the asset disposed of is more than £10,000.

6 Redemption of Debt

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

7 Capital Receipts

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

8 Stocks and Stores

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

9 Reserves

Reserves are maintained to finance expenditure on projects that will be carried out in future years and to protect the ONPCC 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 ONPCC.

10 Provisions

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

11 Investments

Investments are shown in the Balance Sheet at cost, less any provision required for loss in value. Note 41 covers how the ONPCC's investments are disclosed in relation to recently introduced Financial Reporting Standards covering Financial Instruments.

12 Transactions relating to Retirement Benefits

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

The ONPCC participates in two pension schemes:

i) The Police Pension Scheme for Police Officers

The Police Pension Scheme (PPS) is an unfunded defined benefit final salary scheme administered by Xafinity Paymaster on behalf of ONPCC, 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).

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

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

Also from 1 April 2006, each ONPCC was required by legislation to operate a Pension Fund Account (shown on page 71). 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 ONPCC 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 ONPCC, which then must repay the amount to central government.

ii) The Local Government Pension Scheme for civilian employees

The Local Government Pension Scheme for civilian employees, administered locally by Northamptonshire County Council, is a funded defined benefit final salary scheme, meaning that the ONPCC 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 ONPCC to the pension fund during the year, an appropriation is made with the pension's reserve which equals the net change in the pensions 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 ONPCC's net liability in relation to retirement benefits. The figures are based on the Actuary's latest estimate.

Notes 39, 40 to 47 to the Core Financial Statements provide further information about the pension schemes.

13. Leasing

These Accounts have been prepared in accordance with IAS 17. Rentals paid under operating leases have been accrued and accounted for in the period to which they relate. Further information on Operating Leases is available in note 24 to the Accounts.

14. Overheads and Support Services

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

15. Joint Arrangements

The ONPCC has an interest in two Joint Arrangements; the East Midlands Air Support Unit (EMASU) and the East Midlands Special Operations Unit (EMSOU). Leicestershire Police acts as lead ONPCC for both Joint Associate Non-Entity (JANE) schemes.

The ONPCC contributes to the running costs of:

EMSOU

A collaboration between the five Forces in the East Midlands region (Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire). The Unit works exclusively on serious and organised crime, focusing on firearms criminality, drug trafficking, money laundering and other types of organised crime.

EMTSU

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

Major Crime

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

EMASU

A collaboration between three Forces in the East Midlands region (Leicestershire, Warwickshire and ourselves) to provide the best possible aerial support, to its operational Police colleagues and other Partner Agencies. The aerial support is in the form of a helicopter and is available 24 hours a day 7 days a week to assist in all forms of operational performance.

The ONPCC share is 1/3rd EMASU and 14.7% for all of EMSOU, EMTSU and the Major Crime Collaborations.

All of these collaborations are governed by formal Section 23 Agreements and the ONPCC shares are fully incorporated in the Comprehensive Income & Expenditure Statement, Balance Sheet, Movement in Reserves Statement and the Cash Flow Statement.

16. Value Added Tax

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

17. Contingent Assets and Contingent Liabilities

They are not recognised in the accounting statements but disclosed in the notes to Core Statements. The ONPCC has £0.453m of Contingent Liabilities relating to Insurance related claims.

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 ONPCC.

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

19 Events After The Balance Sheet Date

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

20 Accounting Convention

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

21 Estimation Techniques Used

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

- Capital Creditors – quantity surveyors estimate of the value of the work undertaken Payroll Creditors i.e. overtime – average overtime rates;
- IAS 19 Valuation – actuarial valuations of future pension's liabilities are provided by independent actuaries.

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 ONPCC'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 ONPCC. 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 ONPCC 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.

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 ONPCC or public body where the agent is reimbursed for the cost of work done.

Budget

A statement of the ONPCC's plans in financial terms. A budget is prepared and approved by the ONPCC 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 ONPCC'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 (e.g. members allowances).

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 ONPCC 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 ONPCC 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 requires compliance of these Standards or disclosures in the notes if there are any material departures from those standards.

Fixed Assets

This consists of: -

Tangible: These are assets that yield benefits to the ONPCC 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 ONPCC 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 ONPCC.

IAS 19 Retirement Benefits

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

Impairment

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

Interest Income

The money earned from the investment of surplus cash.

Net Book Value

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

Non-Distributed Costs

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

Operating Lease

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

Outturn

The actual amount spent in the financial year.

Payments in Advance

These represent payments made prior to supplies and services received.

Pension – Defined Benefit Scheme

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

Pension Assets – Expected Rate of Return

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

Pension – Interest Costs

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

Pension – Past Service Costs

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

Pension Fund

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

Pensions Top-Up Grant (PTUG)

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

Precept

The method by which the ONPCC obtains the income it requires from council tax via the collection ONPCC's (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 ONPCC'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 ONPCC'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 ONPCC.

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.

Revenue Expenditure

Expenditure to meet the continuing cost of services including wages and salaries, purchase of materials and capital financing charges.



Report to the Audit Committee

27th June 2013

**Report of the Interim Assistant Commissioner Resources
and the Head of Corporate Services**

TREASURY MANAGEMENT OUTTURN 2012-13

RECOMMENDATION

The Committee is recommended to note this report.

1 PURPOSE OF THE REPORT

- 1.1 This report provides an update on the final outturn position on Treasury Management Performance for the Office of the Northamptonshire Police and Crime Commissioner (ONPCC) for the financial year 2012-13.

2 BACKGROUND

- 2.1 The Bank of England base rate has remained at 0.50% for over 4 years, and as forecast when the budget was set, remained at this level throughout the year. The Table on the following page summarises the Budget, Actual and Variance in respect of Treasury Management income and expenditure for the year 2012-13.

APRIL - MARCH

	Budget	Actual £'000s	Sums (Invested) Borrowed £'000s	Average Return / Cost %	Variance
Net Interest (Receivable)					
Managed Funds-Investec	(133)	(80)	(7,480)	1.07%	53
Short-term fixed deposits	(62)	(219)	(25,125)	0.87%	(157)
Total	(195)	(300)	(32,606)	0.92%	(104)
Net Interest Payable					
PWLB - fixed	195	195	4,300	4.54%	0
PWLB - variable	11	9	1,499	0.59%	(2)
Short-term loans	5	0			(5)
Current Account	20	20			0
Total	231	224	5,799	3.52%	(7)
Net Interest - (Rec) / Pay	36	(76)	(26,807)		(111)

- 2.2 Investec had forecast that interest earned on it's managed fund would be 1.75%. Table 1 above shows that it actually earned 1.07%, resulting in an under-achievement of £53,000, although the performance picked up significantly in the final two quarters.
- 2.3 In terms of interest earned, the Investec portfolio out performed internally managed fixed term deposits, which earned an average of 0.87% during the year. When the budget was set cash reserves were expected to reduce significantly during the year and it was expected that internal borrowing would be required to support the capital programme.
- 2.4 In reality the force significantly under spent during the year and as a result provided over £6m to the transformation and restructuring reserves moving forward. Final Capital expenditure was only £8.23m, against a budget of £13.95m.
- 2.5 Therefore although Treasury Management investment options have been limited by the financial environment, the force has had surplus cash balances to invest throughout the year over and above what was expected when the budget was set, resulting in an over achievement on interest earned of £157,000 on internally managed fixed term deposits.
- 2.6 All lending has been maintained within the maximum criteria for amounts and days as defined within our approved investment criteria. Additionally, no investments are made in instruments whose capital value may fluctuate in order to comply with the objective of principal security first.

Long-term borrowing

- 2.7 No long term borrowing has been required during 2012/13, there being sufficient capital reserves, capital grant and the revenue budget available.

Short-term borrowing activities

- 2.6 During 2012-13, it has not been necessary to borrow any short-term funds.

Conclusion

- 2.8 The force over achieved against it's forecast on Treasury Management Activity for 2012-13, resulting in an under-spend of £111,000 compared to Budget.

JOHN RAISIN, Interim Assistant Commissioner Resources

FIONA DAVIES, Head of Corporate Services

Author: Gary Jones- Head of Finance and Asset Management

Background Papers: None



NORTHAMPTONSHIRE POLICE AND CRIME COMMISSIONER

Report to the Audit Committee

27th June 2013

Report of the Interim Assistant Commissioner Resources

RISK REGISTER OF THE OFFICE OF THE POLICE AND CRIME COMMISSIONER

RECOMMENDATIONS

The Audit Committee is **RECOMMENDED** to note and comment on the Commissioner's Risk Register dated 20th June 2013 attached to this report.

* * * * *

1 BACKGROUND

- 1.1 Risks are threats to the success and the achievement of the objectives of the Police Commissioner.
- 1.2 Risk and Opportunity Management [ROM] is a structured systematic approach to managing risks which also identifies and thus encourages the exploitation of opportunities to achieve success more quickly, more efficiently and comprehensively.
- 1.3 The key features of ROM include:
 - key assumptions
 - capability
 - risk indicators
 - risk appetite
 - mitigating actions
 - contingency plans

- 1.4 The Police and Crime Plan sets out the Commissioner's programme and highest priority objectives.
- 1.5 It is therefore essential the Commissioner is assured that the assumptions that are being made are reasonable, and that effective governance and plans are in place, together with the necessary capability to deliver those objectives.
- 1.6 Risk and Opportunity Management [ROM] is a key part of providing that assurance.
- 1.7 Attached to this report is the Commissioner's Risk Register as at 20th June 2013. A summary of the approach taken and the key issues arising from the Register is set out below.

2 THE COMMISSIONER'S APPROACH TO RISK AND OPPORTUNITY MANAGEMENT

- 2.1 The Commissioner's Police and Crime Plan is predicated on a series of **key assumptions**. It is essential to ensure these assumptions remain valid as time passes; and if not, to change the assumptions and amend strategic plans accordingly.
- 2.2 At this stage these assumptions include:
 - Police Commissioners are 'going concerns' until at least 2016 and probably for two terms – i.e. to 2020;
 - For Northamptonshire, funding deficits as set out in the Budget and Medium Term Financial Plan 2013- 2018 to the Police and Crime Panel in February 2013; i.e. an anticipated shortfall of at least some £9m by 2015-16 rising to some £16m in 2017-18.
- 2.3 The second key feature of the proposed ROM framework is the assessment of the capabilities that are in place across the Office of the Commissioner, the Force and other partners and suppliers to deliver the Police and Crime Plan.
- 2.4 Capabilities include:
 - **governance** arrangements to track delivery and to authorise any necessary changes
 - **plans** to deliver agreed outcomes and targets
- 2.5 The outcomes of effective risk management are that key assumptions are tested, the implications of change and error are understood and planned for, and that risks are recognised, prioritised and managed.

- 2.6 Consequently, the only 'unavoidable' surprises are those that could not have been recognised, prioritised and managed.
- 2.7 The high level ONPCC Risk Register at the appendix sets out the key high level risks related to these assumptions and capabilities.
- 2.8 The Risk Register comprises the following elements:
- The assumptions and capability risks – categorised as:
 - Political
 - Strategic
 - Operational
 - Compliance
 - Financial
 - Risk indicators – these are key data and intelligence that the Commissioner closely monitors which might indicate that a risk may crystallise and become an issue for management attention and action;
 - The level of the risk [R] is expressed within a range **0 to 25**:
 - The risk level is calculated as the product of probability of the risk crystallising [**P**] and the consequential Impact [**I**]; each ranging between 0 and 5.
 - The highest possible risk level is therefore 25; the lowest is 0.
 - Risks scored at **0 to 6 are GREEN** – indicating no further action is warranted currently;
 - Risks scored at **7 to 14 are AMBER** – indicating management may wish to review current assumptions, governance and capability and take action as necessary;
 - Risks scored at **15 to 25 are RED** – indicating significant and senior management action is urgently required to reduce the risk of non delivery of the relevant objective.

- Mitigations – these are management actions intended to manage the risks effectively; key managers at Assistant Commissioner level are identified, as follows:
 - **CE** = Chief Executive; currently the Assistant Commissioner (Justice) – Iain Britton;
 - **ACs** = Assistant Commissioners – see below
 - **ACJ** = Assistant Commissioner (Justice) –see above;
 - **ACG** = Assistant Commissioner (Governance) – Kathryn Buckle;
 - **ACPI** = Assistant Commissioner (Public Involvement) – Peter Heaton;
 - **ACR** = (Interim) Assistant Commissioner (Resources) - John Raisin
- Contingency – briefly sets out actions that would be taken by management should the risk crystallise.
- Comments – a brief summary of relevant current context and the current view and expectations of how the risk might change over the course of the year.

3 KEY POINTS ARISING FROM THE RISK REGISTER

3.1 Of the eight high level risks identified:

- None are rated RED
- Three are rated AMBER
- Five are rated GREEN

3.2 The three **AMBER** risks are:

- Risk 5 We are confident that the PCC priorities will be delivered on time
- Risk 7 We meet all legal and good governance requirements
- Risk 8 Stable sustainable and deliverable PCC Budget and MTFP

- 3.3 Taking these in turn. Regarding **Risk 5**, it is clearly essential that the Commissioner is confident of the capability of his office and others to deliver his stated priorities. He has a radical and ambitious agenda that will require transformational change in organisational operating models, practice and culture.
- 3.4 The scale of these changes is such that the Commissioner has established a Board to oversee the creation of a Transformation Programme to deliver that agenda.
- 3.5 The Board has held two intensive working sessions which brought together key players from the Commissioner's office and the Force, most recently on 13th June. It is currently anticipated the Board will agree a Programme in August, to deliver the stated outcomes by May 2016. The risk is rated AMBER reflecting that plans are not yet at the time of writing formally agreed.
- 3.6 Regarding **Risk 7**, Code of Corporate Governance has been approved by the Commissioner and has been published on website. The statutorily required Annual Governance Statement has been drafted and will be improved over the next few weeks. It recognises the Commission is a new and small organisation, with a big agenda, brought into being from a 'standing start', and therefore inevitably there is further work to do to ensure the full requirements set out in the Code are fully understood and complied with by Commission staff. The AMBER rating reflects this need.
- 3.7 Regarding **Risk 8**, the MTFP shows increasing deficits from 2014-15 onwards to 2017-18. The government will announce the outcomes of its Spending Review 2014 on 26th June 2013 which is widely expected to reduce further public spending, and thus potentially increase these forecast deficits. The change programmes noted above include a programme of activity specifically intended to reduce costs and thus achieve balanced budgets to 2018.
- 3.8 The risk is rated AMBER at this time, rather than red, in recognition of firstly, the work in progress noted above at paragraph 3.5, and secondly, the reasonable expectation that the 2014-15 budget can be balanced by the use of reserves if absolutely necessary [though clearly that would be highly undesirable].

4 CONCLUSION

- 4.1 This report set out the current view of the high level risks which are being addressed by the Commissioner.
- 4.2 Significant work is currently being undertaken to ensure the currently identified 'amber' risks are effectively controlled. A further report will be made to the Committee at its September meeting and six monthly thereafter.

JOHN RAISIN
Interim Assistant Commissioner - Resources

Author: John Neilson – Strategic Resources Manager

Background Papers: None

COMMISSIONER'S RISK REGISTER AT 20th June 2013

POLITICAL Assumptions and Capability Risks	RISK INDICATORS	RISK			MITIGATIONS	CONTINGENCY	COMMENTS
		P	I	R			
1 Police Commissions are 'going-concerns'	Government announcements Informed commentators suggest changes in prospect	0	5	0	Ensure PCC 'intelligence' is broadly based and current. CE	Re-shape priorities and plan transition if and when alternative arrangements emerge.	No change expected in 2013
2 Commissioner serves full term	Rising adverse criticism at Police & Crime Panel Commissioner signals change in intent	1	4	4	Robust plans of delivery and success CE	Succession plans in place consistent with Police Reform and Social Responsibility Act 2011	No change expected in 2013

STRATEGIC Assumptions and Capability Risks	RISK INDICATORS	RISK			MITIGATIONS	CONTINGENCY	COMMENTS
		P	I	R			
3 Government agenda understood and stable	Indications of significant policy shift by government	1	4	4	Ensure PCC 'intelligence' is broadly based and current. CE	Re-shape priorities appropriately	No change expected in 2013
		2	3	6	Ensure PCC 'intelligence' is broadly based and current. CE Ensure performance management is fully effective CE	Re-shape priorities appropriately	No reason to change priorities at this stage
4 Continuing appropriateness of PCC priorities	Indications of significant policy shift by government Adverse stakeholder feedback In addition to above any change in relevant local drivers Changes in current performance	2	5	10	Ensure an agreed process and timescales are in place to develop effective plans CE	Secure external capacity; consider changes in leadership	Transformation Programme is currently being developed in collaboration with the Chief Constable. Plans need to be delivered over first term
		5	5	10			

OPERATIONAL Assumptions and Capability Risks	RISK INDICATORS	RISK			MITIGATIONS	CONTINGENCY	COMMENTS
		P	I	R			
6 Roles and responsibilities of staff and their priorities are fully understood across the ONPCC	Evidence of confusion / stress / overload	1	4	4	Staff performance management approach including setting of key objectives to individuals ACs Regular management meetings of PCC with his Assistant Commissioners ACs	Direct intervention by PCC to resolve	PCC has agreed AC objectives for 2012-13.
	Failure to deliver any specific priority objective and / or statutory requirement						
	Absence of agreed staff objectives						

COMPLIANCE Assumptions and Capability Risks	RISK INDICATORS	RISK			MITIGATIONS	CONTINGENCY	COMMENTS
		P	I	R			
7 We meet all legal and good governance requirements	Adverse stakeholder feedback particularly from HMIC and internal and external audit	2	4	8	<p>Ensure PCC 'intelligence' is broadly based and current. CE</p> <p>We have a robust local Scheme of Corporate Governance in place ACG</p> <p>That Scheme is complied with and effective as evidenced by the annual review ACG</p>	<p>We secure expert legal advice to minimise the impact of any breach.</p> <p>We rectify the consequences of any breach as quickly as is reasonably possible.</p>	<p>Code of Corporate Governance has been approved by the Commissioner and has been published on website.</p> <p>Internal Audit have reported their opinion that the Commission 'has adequate and effective arrangements for governance, risk management and control' at 31st March 2013.</p> <p>The Code will be fully embedded in day to day practice during the current year.</p>

FINANCIAL Assumptions and Capability Risks	RISK INDICATORS	RISK			MITIGATIONS	CONTINGENCY	COMMENTS
		P	I	R			
8 Stable sustainable and deliverable PCC Budget and MTFP	Government announcements and / or Informed commentators suggest material changes in prospect	2	5	10	Ensure PCC 'intelligence' is broadly based and current ACR Latest Economic forecasts are understood and acted upon ACR	At minimum Year 1 budget must be balanced, using Reserves if absolutely necessary	The MTFP shows increasing deficits from 2014-15 onwards to 2017-18. The government will announce the outcomes of the Spending Review 2014 on 26 June 2013 which is widely expected to reduce further public spending.
	Forecast deficits Extent of one off financing of recurrent spending				Effective MTFP and Budget processes ACR	S151 Officer powers under s114 etc.	The Transformation programme being developed is designed to ensure financial stability over the medium term.



Office of Northamptonshire Police & Crime Commissioner &
Northamptonshire Police

Internal Audit Annual Report
Year ended 31 March 2013

Presented at the Audit Committee meeting of: 27th June 2013

Patrick Green
Head of Internal Audit

1 INTERNAL AUDIT OPINION

1.1 Context

As the provider of the internal audit services to the Office of Northamptonshire Police & Crime Commissioner & Northamptonshire Police we are required to provide the Section 151 Officer and the Audit Committee an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

In line with the Financial Management Code of Practice published by the Home Office, both the Office of the Police and Crime Commissioner (OPCC) and the Chief Constable must have an internal audit service, and there must be an Audit Committee in place (which can be a joint committee). This annual report is therefore addressed to both the PCC and the Chief Constable, and summarises the work undertaken during 2012/2013 which saw the abolition of the Police Authority and the creation of the PCC.

As your internal audit provider, the assurance and advisory reviews that RSM Tenon provides during the year are part of the framework of assurances that assist the PCC and Chief Constable prepare an informed annual governance statement.

1.2 Internal Audit Opinion 2012/2013

For the 12 months ended 31 March 2013, based on the work we have undertaken for the Police Authority prior to 22 November 2012 and for the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police Force since this time, in our opinion the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police Force has adequate and effective arrangements for governance, risk management and control.

Some of these arrangements are in the early stages of development and have not yet been subject to audit review. In our experience, systems and controls will be refined and tailored over time to meet the needs of the stakeholders and the organisation, such changes and developments would merit audit review.

1.3 The Basis of the Opinion

1.3.1 Governance

Earlier in 2012/13, we attended the HMIC meeting where the transitional arrangements to the Police and Crime Commissioner were reviewed. We were satisfied that the Authority (at that time) had arrangements in place and had appropriately addressed the feedback, following the HMIC visit.

We completed a specific advisory review of Transitional Governance – Interim and Permanent appointments (post 22 November 2012), since the PCC has been in place. We are aware of the plans in place to progress governance arrangements and recommendations were included in relation to the development of a formal governance framework.

1.3.2 Risk Management

Although a specific review of Risk Management has not been completed during 2012/13, our previous attendance at the Resources Committee (Authority) and regular liaison with the Treasurer, Risk Manager and senior management team of the Force identified that risk management was embedded and drives decision making processes at all levels, with risk implications being considered at the highest level. It was confirmed that the Risk Register was reviewed and challenged by the Resources Committee (Authority), on a regular basis.

We are aware of the plans in place to progress risk management arrangements, certainly within the OPCC and it is therefore intended to complete a Risk Management review, during 2013/14.

1.3.3 Control

The Organisation has received a substantial level of assurance for Estate Management, Payroll & Expenses (pre 22 November 2012) General Ledger & Reporting* and Treasury Management*. The review of Asset Management* received adequate assurance. Whilst our review of Pension Administration (Xafinity) resulted in limited assurance, we are satisfied by Management that they are addressing the recommendations made.

In addition, we have undertaken four specific advisory audits (Governance – Transition, Shared Services, Microsoft Licensing and Transitional Governance – Interim and Permanent Appointments (post 22 November 2012)).(*Indraft)

1.3.4 All of the recommendations made during the year were accepted by management.

1.3.5 Progress made with previous internal audit recommendations

Our follow up of the recommendations, including those that were outstanding from previous years, showed that the organisation had made good progress in implementing the agreed recommendations.

1.3.6 Reliance Placed Upon Work of Other Assurance Providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

2 OUR PERFORMANCE

2.1 Conformance with Internal Audit Standards

RSM Tenon affirms that our internal audit services are designed to comply with the CIPFA Code of Practice for Internal Audit and the International Standards published by the Global Institute of Internal Auditors (IIA).

Under the standards, internal audit services are required to have an external quality and review at least once every five years. During 2011 RSM Tenon commissioned an external independent review of our internal audit services to provide assurance whether our approach meets the requirements set out in the International Professional Practices Framework (IPPF) published by the IIA.

The external review concluded that *“the design and implementation of systems for the delivery of internal audit provides **substantial assurance** that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”*.

In this year we have reviewed our processes to ensure we will be conformant with the Public Sector Internal Auditing Standards when they are introduced in 2013/2014.

2.2 Conflicts of Interest

We (RSM Tenon) have not undertaken any work or activity during 2012/2013 that would lead us to declare any conflict of interests.

APPENDIX A: INTERNAL AUDIT OPINIONS AND RECOMMENDATIONS 2012/2013

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)		
			Fundamental	Significant	Merits Attention
Pension Administration	Management Concern. Inefficient & Ineffective management of the Pension Fund.	Limited	0	4	3
Governance – Transition	Management Concern.	Advisory	0	0	2
Follow Up	To meet the IIA Standards and to provide management with ongoing assurance regarding implementation of recommendations.	Good Progress	0	0	0
Review of Shared Services Project – Part One	Management Concern.	Advisory	0	0	0
Estate Strategy	Changing needs of the Organisation are considered, whilst also ensuring that the estate is being run in an efficient and cost effective way.	Substantial	0	0	1
Payroll & Expenses (pre 22 November 2012)	Financial control. External audit will wish to place reliance on testing undertaken by internal audit.	Substantial	0	0	1
Treasury Management (draft)	Financial control. External audit will wish to place reliance on testing undertaken by internal audit.	Substantial	0	0	0
Asset Management (draft)	Financial control. External audit will wish to place reliance on testing undertaken by internal audit.	Adequate	0	2	0
General Ledger (draft)	Financial control. External audit will wish to place reliance on testing undertaken by internal audit.	Substantial	0	1	2

Microsoft Licensing	Financial penalty or possible litigation by Microsoft for under licensing. Poor value for money achieved from under-utilised software. Poor value for money due to the use of an inefficient licensing model.	Advisory*	n/a	n/a	n/a
Transitional Governance – Interim and Permanent Appointments (post 22 November 2012)	Management Concern	Advisory*	n/a	n/a	n/a
Total			0	7	9

*Advisory Recommendations were included within these reports

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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