

**OFFICE OF THE NORTHAMPTONSHIRE POLICE AND CRIME COMMISSIONER  
&  
NORTHAMPTONSHIRE POLICE**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**10<sup>th</sup> September 2014 at 10.00am to 12.30pm**

**Greenwell Room, Wootton Hall, Northampton, NN4 0JQ**

**If you should have any queries in respect of this agenda, please contact John Neilson on 03000 111 222 Ext 346662**

Members of the public, with the permission of the Chair of the Committee, may ask questions of members of the Committee, or may address the Committee, on an item on the public part of the agenda.

***Further details regarding the process for asking questions or making an address to the Committee are set out at the end of this agenda notice***

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## AGENDA

### Chief Constable to attend

1	Apologies for non- attendance	GN
2	Declarations of Interests	Members
3	Announcements from the Chair	GN
4	Minutes and Matters Arising	GN
5	Matters Arising Action Log	GN
6	Appointment of Chair and Succession Arrangements	GN
7	Implementation of Audit recommendations a. Force b. OPCC	FD JR
8	Internal Audit Charter [verbal]	Baker Tilly
9	Revised Internal Audit Annual Report	Baker Tilly
10	Internal Audit Progress Report	Baker Tilly
11	Accounts 2013-14 a. Annual Governance Statements i. OPCC ii. Force  b. Statement of Accounts i. Group Accounts ii. Chief Constable Accounts	JN FD  GJ
12	External Audit  ISA 260 Report including Management Representation Letters	  KPMG
13	Finance Dashboard	GJ
14	Performance Dashboard	MJ
15	Force Strategic Risk Register	MJ / RB
16	HMIC Reports – verbal update [Valuing the Police 4 and Crime Reporting] see <i>www.hmic.gov.uk</i>	MJ
17	Items for escalation to the Commissioner and / or the Chief Constable	GN
18	Agenda Plan for the next four meetings	GN
19	Date and venue of next meeting	JN

Continued overleaf ...

### AGENDA (continued)

20	Such other business by reason of the special circumstances to be specified, the Chair is of the opinion is of sufficient urgency to warrant consideration.  <i>(Members who wish to raise urgent business are requested to inform the Chairman beforehand).</i>	GN
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21	Resolution to exclude the public	GN
	Items for which the public be excluded from the meeting:  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:  <i>“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”.</i>	

22	Minutes of the private meeting held June 2014	GN
23	OPCC Risk Register	JN
24	HMIC Reviews [verbal]	MJ
25	PSD presentation	MJ

	Private Meeting of Committee Members with the Auditors (if required)	GN
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Continued overleaf ...

***Further details regarding the process for asking questions or making an address to the Committee***

**i. General**

Members of the public, with the permission of the Chair of the Committee, may ask questions of members of the Committee, or may address the Committee, on an item on the public part of the agenda.

**ii. Notice of questions and addresses**

A question may only be asked or an address given if notice has been given by delivering it in writing or by electronic mail to the Monitoring Officer no later than noon two working days before the meeting.

**Notice of questions or an address to the Committee should be sent to:**

John Neilson  
Office of the Police and Crime Commissioner  
West Wing  
Police HQ  
Wootton Hall  
NORTHAMPTON  
NN4 0JQ

*Or by email to:*

[john.neilson@northantspcc.pnn.police.uk](mailto:john.neilson@northantspcc.pnn.police.uk)

***by 12 noon 8<sup>th</sup> September 2014***

Each notice of a question must give the name and address of the questioner and must name the person to whom it is to be put, and the nature of the question to be asked. Each notice of an address must give the name and address of the persons who will address the meeting and the purpose of the address.

**iii. Scope of questions and addresses**

The Chair of the Committee may reject a question or address if it:

- Is not about a matter for which the Committee has a responsibility or which affects Northamptonshire;
- is defamatory, frivolous, offensive or vexatious;
- is substantially the same as a question which has been put or an address made by some other person at the same meeting of the Committee or at another meeting of the Committee in the past six months; or
- requires the disclosure of confidential or exempt information.

***Further details regarding the process for asking questions or making an address to the Committee (continued)***

- iv. Asking the question or making the address at the meeting**  
The Chair of the Committee will invite the questioner to put the question to the person named in the notice. Alternatively, the Chair of the Committee will invite an address to the Committee for a period not exceeding three minutes. Every question must be put and answered without discussion but the person to whom the question has been put may decline to answer it or deal with it by a written answer. Every address must be made without discussion.

- v. The Members of the Committee are:**

Ms G Newton CBE (Chair of the Committee)

Mrs J Haynes

Mr M Pettitt

Mr A Knivett

**IAIN BRITTON**

**CHIEF EXECUTIVE & MONITORING OFFICER**

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## **AGENDA ITEM 7a**

### **Report to the Independent Audit Committee**

**10 September 2014**

### **Audit Recommendations Update Report**

#### **RECOMMENDATION**

The Committee is asked to note this report.

#### **1 PURPOSE OF THE REPORT**

- 1.1 This report provides the Audit Committee with an update on the implementation of internal audit recommendations.

#### **2 OVERVIEW**

##### **2.1 2013/14 Audits**

- 2.2 Thirteen audits were conducted by Baker Tilly during the financial year 2013-14.

- 2.3 Final reports have been received for the following twelve audits:

- Collaboration
- Equiniti Pensions Administration
- Governance
- Operational Areas- Seized Property or Lost and Found Property
- Business Continuity
- Operational Areas- Vetting
- Monitoring and Delivery of the Police and Crime Plan
- Procurement
- Change Management Programme
- Key Financial Controls
- Risk Management
- Data Security

- 2.4 Draft reports have been received for the remaining audit:

- Follow Up

## 2.5 **2014/15 Audits**

2.6 Final Reports have been received for the following audits:

- Stock Management
- Firearms Licensing

2.7 Draft reports have been received for the following audits:

- Medium Term Financial Planning and Budget Setting
- Risk Management
- Estates Strategy / Management

2.8 The attached audit dashboards show the recommendations made in the final reports for each audit together with updates received on the implementation of those recommendations.

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**FIONA DAVIES**  
**Head of Corporate Services**

### **EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS**

None

### **HUMAN RESOURCES IMPLICATIONS**

None

### **RISK MANAGEMENT IMPLICATIONS**

None

### **ENVIRONMENTAL IMPLICATIONS**

None

**Author:** Richard Baldwin,  
Force Risk and Business Continuity Advisor

**Chief Officer Portfolio Holder:** Martin Jelley, Deputy Chief Constable

**Background Papers:** Northamptonshire Police Summary of Internal  
Audit Recommendations 10.09.14

## INTERNAL AUDITS DASHBOARD 2014/15

Audits are graded as Red, Amber, Amber/Green or Green. Some thematic audits are advisory only and not graded. Recommendations are prioritised as High, Medium or Low to reflect the assessment of risk associated with the control weaknesses.

### SUMMARY OF AUDIT PROGRESS AND OUTCOMES

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			High	Medium	Low
Operational Areas – Stock Management – 1.14/15	02 July 2014	Green	0	0	0
Firearms Licensing – 2.14/15	18 August 2014	Green	0	0	2
Medium Term Financial Planning and Budget Setting - 3.14/15	15 August 2014 - Draft	Green	0	0	1
Risk Management – 4.14/15	20 August 2014 – Draft	Amber/Green	0	2	6
Estates Strategy / Management 5.14/15	21 August – Draft	Amber/Green	0	1	0
Force Control Room Business Continuity					
IT Licenses					
Volunteers – Strategy, recruitment and training					
Follow up					
Collaboration – Efficiency Savings Plans					
Key Financial Controls					
Human Resources – Workforce and Succession Planning					
Governance					
Commissioning					

## DETAILS OF RECOMMENDATIONS FROM EACH AUDIT

### Operational Areas- Stock Management – 1.14/15 No Recommendations

### Firearms Licensing – 2.14/15

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1.1	The Firearms Licensing Unit Policy should be uploaded to the Force Policy Library within Forcenet.	Low		The Firearms Licensing Policy was on the Force Policy Library, the paper referred to here by the Auditor was the internal SLA for FLU which has now been renamed to ensure no future confusion. All Force Policies are held centrally on FPL not on staff intranet as at 3.1.1.	10 June 2014	Bridget Hodgson	
1.2	The FLU should determine an appropriate length of time, during which FEOs attempt to meet with applicants to discuss refusal of their application and refund their application fee. Upon expiry of this period, refunds should be made by alternative means, such as posting a cheque.	Low		There was 6 month time limit as the refusal/revocation records are audited after this time and archived and any outstanding items are actioned, this was not shown on the process maps at the time of the audit and this has been rectified. The outstanding refunds referred to by the Auditor were within this 6 month period	10 June 2014	Bridget Hodgson	

### Medium Term Financial Planning and Budget Setting – 3.14/15 - Draft

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1.1	In order to ensure that all information within the Medium Term Financial Strategy is valid and up to date the Police and Crime Plan should be issued in a timely manner and the Strategy updated as required.	Low					

### Risk Management – 4.14/15 - Draft

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1.1	As a result of the findings of this audit and in recognition of the internal restructures the following should be included in the next revision of the Risk Management Policy and or Risk Management Procedures: Include a section relating to the identification, management and reporting on assurances to validate that controls are being effectively managed. <ul style="list-style-type: none"> <li>Enhance the relevant sections to include the fact that medium priority risks are also included within the risk reporting and</li> </ul>	Low	Y	The suggested revisions will be incorporated into the policy and procedures at the next review which is due to be completed by 01 January 2015.	31 December 2014	R Baldwin	

	<p>monitoring by the various Groups/Boards</p> <ul style="list-style-type: none"> <li>Enhance the procedures to included reference against the Strategic Tasking and Co-ordination Group and the Information Assurance Board as to the frequency of risk monitoring.</li> <li>Once the Joint Independent Audit Committee have determined their future reporting requirements an appropriate inclusion within the Review and Reporting Risks section of the Procedures should be made.</li> <li>Once completed we would recommend that the Risk Management Policy is submitted to the Joint Independent Audit Committee for noting.</li> </ul>						
1.2	<p>Following the changes made to the database as a result of the previous Internal Audit report there is a need to address these through to other areas:</p> <ul style="list-style-type: none"> <li>The on-line risk notification form needs enhancing to include reference to recording strategic risk and also to split and differentiate between controls and intended responses, i.e. actions to be taken to further manage the risk.</li> <li>Splitting controls from response measures and recording these in their correct sections.</li> </ul>	Low	Y	<p>A change request has been raised to modify the risk reporting e-form but it is not yet known how long it will take for ISD to complete the changes.</p> <p>Splitting of controls from response measures will be retrospectively applied to all open risks in IPSO.</p>	TBC 30 September 2014	R Baldwin / ISD R Baldwin	
1.3	<p>The Terms of Reference for the Strategic Tasking and Co-ordination Group, Information Assurance Board and Chief Officers Group should be reviewed to ensure that all contain appropriate inclusion as to their responsibilities for reviewing associated risks and the frequency when this is undertaken.</p>	Low	Y	<p>Revised wording will be prepared for the Chairs of the respective meetings</p>	30 September 2014	R Baldwin	
1.4	<p>Work to continue to revisit risks to ensure that there is an effective split between actual controls and identified response measures on the database for each risk. This should be actioned by risk owners at their next review date.</p>	Low	Y	<p>As per action 1.2 IPSO will be amended accordingly. Where necessary risk owners will be asked to provide the required information.</p>	31 December 2014	R Baldwin	
1.5	<p>Whilst assurance sources and types of assurance outputs are being captured there is no formal process whereby 'actual' assurance outputs are being recorded and used to inform/validate current controls risks assessments and scores. We would recommend that outputs can be recorded in the existing box where the assurance source is recorded but just need these to be clearly detailed.</p>	Medium	Y	<p>This will be raised with the owners of each respective risk at the next review date.</p>	31 December 2014	R Baldwin	
1.6	<p>To ensure standardisation and the ability to verify that effective risk management processes are being followed at departmental level all departments should use the IPSO risk management database as prescribed within the Risk Management procedures. This would enable the Force Risk and Business Continuity Advisor, as manager of the database, to oversee inclusion of a risk and to ensure the integrity of key areas such as:</p> <ul style="list-style-type: none"> <li>Controls are recorded appropriately.</li> <li>Risk descriptors are sufficient.</li> <li>Sources of assurance are identified.</li> <li>Actual assurance sources identified.</li> </ul> <p>This issue should be discussed by the Chief Officers Group and a</p>	Medium	Y	<p>This issue will be raised with the Chief Officers Group at the next meeting where risk is due to be discussed.</p>	31 October 2014	R Baldwin	

	formal decision made to enforce all departments to use IPSO for all risk management functions. Where use continues by Departments of their own risk management spreadsheets/ databases there is a danger that by allowing this there is a loss of oversight by the Force Risk and Business Continuity Advisor. Whilst we accept that responsibility for managing risks are departmental level remains with the relevant Head of Department and Risk Co-ordinator we would nevertheless comment that there should be a form of overview by the Force Risk and Business Continuity Advisor to ensure compliance and that there is an effective mechanism operating that engenders a bottom up approach to identifying and managing risk. This overview should also be used to ensure the 'correct' recording of risks within the system.						
1.7a	Once the Joint Independent Audit Committee have determined their future reporting requirements from both the Force and OPCC consideration should be given to including these within their Terms of Reference.	Low	Y	A recommendation will be made to the Chair of the Committee once the reporting requirements have been agreed.	TBC	R Baldwin	
1.7b	To inform and feed the Annual Governance Statement we would recommend that an end of year synopsis report on risk management is produced and submitted to the Joint Independent Audit Committee. (This would mirror the process being proposed by the OPCC)	Low	Y	An end of year report will be produced for the Committee once the required format and content has been agreed with the Chair.	31 May 2015	R Baldwin	

### Estates Strategy / Management – 5.14/15 - Draft

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1.1	<p>Whilst we accept that the decision to continue using Pick Everard given their history, expertise and knowledge of the estate, in accordance with Contract Standing Orders the fact that despite Pick Everard being on the framework agreement with 'Scape' there is nevertheless the requirement to either:</p> <ul style="list-style-type: none"> <li>Undertake a mini tender using suppliers listed on the framework, or</li> <li>In this instance given, if the organisations decides it is appropriate to continue using Pick Everard then completion of a Single Tender Approval (STA) Request form and approval in line with stated financial authorisation limits should have been undertaken. We would recommend that to cover future usage of Pick Everard an STA Request form is completed with an 'estimated' value of work and that this is then approved as required and used as a 'call off' agreement.</li> </ul>	Low					

## INTERNAL AUDITS DASHBOARD 2013/14

Audits are graded as Red, Amber, Amber/Green or Green. Some thematic audits are advisory only and not graded. Recommendations are prioritised as High, Medium or Low to reflect the assessment of risk associated with the control weaknesses.

### SUMMARY OF AUDIT PROGRESS AND OUTCOMES

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			High	Medium	Low
Collaboration	July 2013				
Equiniti Pensions Administration – 1.13/14	11 September 2013	n/a	0	2	3
Governance – 2.13/14	17 December 2013	Green	0	0	3
Operational Areas- Seized Property or Lost and Found Property – 3.13/14	28 February 2014	Amber	0	8	6
Business Continuity – 4.13/14	28 January 2014	Amber/Green	0	3	1
Operational Areas – Vetting – 5.13/14	13 February 2014	Amber/Green	0	0	6
Monitoring & Delivery of Police and Crime Plan – 6.13/14	26 February 2014	Green	0	0	1
Procurement – 7.13/14	12 February 2014	Green	0	1	0
Risk Management – 8.13/14	11 June 2014	Amber/Green	1	2	1
Change Management Programme – 9.13/14	05 June 2014	n/a	1	4	6
Follow Up -10.13/14	18 March 2014 - Draft	n/a	0	3	1
Key Financial Controls - 11.13/14	01 April 2014	Amber/Green	0	7	3
Data Security – 12.13/14	11 June 2014	Amber/Green	0	1	2

## DETAILS OF RECOMMENDATIONS FROM EACH AUDIT

**Status Key:** ■ Recommendations implemented      ■ Recommendations ongoing      ■ Recommendations overdue

### Collaboration – Regional Response

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1	<p>The principles of collaborative activity should be reviewed to ensure that they remain appropriate, given the governance changes and funding cuts that have taken place within the sector, over the last few years. Ideally, there should be some measurable objectives and outcomes for collaborative activity, in order for the achievement of the unit to be transparent and for the regional Forces and Police and Crime Commissioners to clearly understand the benefits that have been received, by collaboration.</p> <p>As the forces across the region, as indeed nationally, have developed local policing plans, there should be something similar for the collaboration. The document (Corporate Plan) could be used to include the Vision, Values, Priorities (opportunity to link to the regional objectives set by Commissioners and any other objectives) and Delivery (sets out how reporting will take place, performance against targets, measures and effective actions).</p>	Medium		Does not relate specifically to Northants			
2	To streamline the process, consideration should be given to having a Joint Chief Constable & PCC Board, not necessarily at each meeting, but if there are a few scheduled during the year that are held jointly, this would provide for some efficiencies within the existing governance framework and decision making.	Low		Does not relate specifically to Northants			
3	<p>The same format should be used for each Business Case, clearly stating the author, to assist consistent scrutiny and challenge. The Business Plan should include specific objectives and priorities of the project. For each objective the following should be detailed;</p> <ul style="list-style-type: none"> <li>a) Details / Purpose (why / high risk on risk registers)</li> <li>b) Cost improvements</li> <li>c) Capital Funding</li> <li>d) Key risks and management (taken from key risks)</li> <li>e) Summary financial plan</li> <li>f) Impact on Workforce</li> <li>g) Summarised capacity plans</li> </ul> <p>The Business Plan, sections e, f &amp; g need to be completed by the individual forces, using a set definition for all costings and savings, to ensure there is consistent approach in reporting the comparative data. The data that is included should be robustly verified to</p>	Medium		Does not relate specifically to Northants			

	provide assurance that the basis for the Business Plan or project is robust, to benefit all those involved in the collaboration.						
4	The benefits that are included within the Business Plan should be Specific, Measurable, Achievable, Relevant and Timely. There should be specific measurable deliverables, with a target date to be able to ascertain if the benefit originally identified has been realised	Medium		Does not relate specifically to Northants			
5	The actual costs that are recorded within the Business Case should be broken down to provide clarity and transparency. Furthermore, it would be useful to include a definition of the costs that are being collated, to ensure consistency and understanding across all the forces to provide assurances that each force is including the correct cost requirements. In addition, the costs that are included within the Business Plan should be robustly checked and confirmed. This check and confirmation should be documented as part of the process.  Furthermore, as part of this consideration, it may be beneficial to review the funding formula that is used as part of the business case and confirm that it remains appropriate. Other forces utilise a formula that also considers the demand impact and this may be something that could be considered and reviewed, moving forward.	Medium		Does not relate specifically to Northants			
6	The responsibilities outlined in section 3 of the s23 agreements, around the previous EMPAJC, should be reviewed and assurances sought that the responsibilities listed remain appropriate, given the changes to the sector and are being captured elsewhere within the governance framework and structure.	Low		Does not relate specifically to Northants			
7	It is considered to be beneficial to establish an overarching collaboration agreement, with a specific governance reporting framework for the collaborative projects. Other forces that we work with, that collaborate, have devised an overarching agreement that enables the efficient sign off to collaborative projects	Low		Does not relate specifically to Northants			
8	It is an essential part of the project management process to complete a final closure report, ultimately a 12 month review. The report will provide assurances that the project has met its original objectives and continues to provide for an effective and efficient approach. Where this is not the case, the report provides the opportunity to highlight any issues and provides the option to reassess and realign operations (including officers in kind) accordingly.	Medium		Does not relate specifically to Northants			
9	Consideration should be given to reporting on the various performance indicators and measures that have been highlighted as beneficial for inclusion, within the main body of our report, within the East Midlands PCC Performance Report. This will provide clear linkage to the Business Case measures to ensure	Low		Does not relate specifically to Northants			

success can be effectively measured.						
The Performance Report could also be adapted to include linkage with any overarching objectives and measures, for the Collaborative Unit, as a whole. (Refer to comments made at Recommendation 1)						

### Equiniti Pensions Administration – 1.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
3.1.1	Schedule 2 of the contract between the Office of the Police and Crime Commissioner for Northamptonshire (formerly Northamptonshire Police Authority) and Equiniti (formerly Xafinity) should be revised and updated to ensure that responsibilities regarding the sending / receiving of information and notification of updates to legislation are clearly defined. Operationally, it would be useful to introduce a mechanism to provide a cross check between the information forwarded to Equiniti from Northamptonshire for action and vice versa.	Medium	Y	<p>It has been agreed that whilst legal proceedings are lodged against Xafinity over injury award overpayments, amendments to the contract in this area would not be prudent</p> <p>Update Nick Alexander – on behalf of Gary Jones No new updates, the situation remain the same. It is the Forces positions that whilst legal proceedings are unresolved changing any boundaries on service delivery/checking etc would not be prudent as it could be potentially misinterpreted by the forthcoming proceedings as something we agree we should always have been doing.</p>  <p>EP 2013 AAF 0106 Report Final.pdf</p>	Undetermined	Gary Jones	
3.1.2	In discussion with the Equiniti Service Team Leader it was agreed that explanatory narrative to explain outcomes outside of expected performance targets will be included with the next set of quarterly performance statistics which will be reported in Oct 2013 (Qtr 2)	Low	Y	<p>These will be checked for assurance in the next quarterly review meeting on 18/11/13</p> <p>Update Nick Alexander – Unfortunately there is not enough time for Equiniti to implement the advice within the days before the accepted audit recommendation and the service meeting. As such It is expected Equiniti will answer in their data pack and will I will be questioning at our next service review in March 2014.</p> <p>Update Nick Alexander - All matters outside of agreed SLA are now routinely discussed &amp; including within the agenda as per of the quarterly review &amp; East Mids procurement now also attend the meeting to consider how that impacts upon the contract.</p>	Complete	Nick Alexander	

3.1.4	<p>Assurances need to be provided that all work completed is being appropriately reviewed and authorised. Where the Senior Pensions Administrator has completed the work, then the officer reviewing the work should be of the same position or within the appropriate hierarchy. To clearly demonstrate the accountability and segregation of duties, it is recommended that a fully prescriptive checklist be introduced on each file, so that the final sign off and review is evident. (Equiniti are currently working on such a checklist)</p>	Medium	Y	<p>Agree – and progress on this will be requested in the Quarterly review meetings with Xafinity</p> <p>Update Nick Alexander – Unfortunately there is not enough time for Equiniti to implement the advice within the days before the accepted audit recommendation and the service meeting. As such It is expected Equiniti will answer in their data pack and will I will be questioning at our next service review in March 2014.</p> <p>Update Nick Alexander – During the last service review meeting, it was confirmed that internally the checklist has been finalised &amp; that internal audit (IA) will report on it's application during the outcomes from the IA work, as this is not some NPA can verify other than verbal confirmation from our offices &amp; we do not have the ability to audit this type of check.</p> <p>Also, with the checklist/ processes there will be a clear audit trail &amp; as such, it is expected that this will be also tested during the next outcomes from the IA visit. Also as per the first point, we are now receiving written information where data is outside of the agreed SLA each review meeting &amp; as such, it is expected any exceptions would also be raised there.</p>	Nov 2013	Nick Alexander	
3.1.5	<p>It should be ensured that an appropriate audit trail of all validation exercises is maintained by Equiniti) and assurance provided to Northamptonshire that any exceptions have been appropriately amended.</p>	Low	Y	<p>Exceptions will be requested in quarterly review meetings</p> <p>Update Nick Alexander – Unfortunately there is not enough time for Equiniti to implement the advice within the days before the accepted audit recommendation and the service meeting. As such It is expected Equiniti will answer in their data pack and will I will be questioning at our next service review in March 2014.</p> <p>Update Nick Alexander – During the last service review meeting, it was confirmed that internally the checklist has been finalised &amp; that internal audit (IA) will report on it's application during the outcomes from the IA work, as this is not some NPA can verify other than verbal confirmation from our offices &amp; we do not have the ability to audit this type of check.</p>	Nov 2013	Nick Alexander	

				Also, with the checklist/ processes there will be a clear audit trail & as such, it is expected that this will be also tested during the next outcomes from the IA visit. Also as per the first point, we are now receiving written information where data is outside of the agreed SLA each review meeting & as such, it is expected any exceptions would also be raised there.			
3.1.6	As part of the quarterly client meetings, a specific item should be introduced for the formal consideration of any feedback from internal audit reviews (both positive and negative) together with assurances that any required actions have been appropriately addressed.	Low	Y	<p>This will be followed up in the quarterly review meetings Update Nick Alexander – Unfortunately there is not enough time for Equiniti to implement the advice within the days before the accepted audit recommendation and the service meeting. As such It is expected Equiniti will answer in their data pack and will I will be questioning at our next service review in March 2014.</p> <p>Update Nick Alexander – As per the above, whilst we discussed IA, there has not been an outcome for subsequent reviews &amp; as such, we are not able to effectively consider any additional measures/ requirements above or beyond the existing work (above) until more is known or any additional concerns are raised.</p>	Nov 2013	Nick Alexander	

### Governance – 2.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
2.1	<p><b>Force</b> At the next revision of the Governance Framework the following areas should be addressed:</p> <p>Amend the Change Delivery Board to the Aspire Programme Board.</p> <p>Enhance the connections between Board/Groups to indicate reporting line.</p>	Low	Y	The changes will be made and approved at the scheduled meetings of the Aspire Board and other Groups	Complete	Fiona Davies	
2.2	<p><b>Force</b> We would recommend that as part of the revision of the Governance Framework the opportunity is taken to review all Group/Board Terms of Reference. As part of this:</p> <p>Revise and update COG to include the revised membership.</p> <p>Enhance existing Terms of other bodies to indicate where any</p>	Low	Y	<p>Amendments to the COG ToR will be recommended at the November meeting.</p> <p>Update: John Chatley – This has now been completed</p> <p>ToR of other meetings will be reviewed as recommended according to the schedule of</p>	Complete	John Chatley	

	recommendations should be submitted.			meetings.  <a href="#">Update John Chatley- ToR have been updated</a>			
2.3	<b>Force</b> It is recognised that there is a need to strengthen /formalise performance reporting between the Force and the PCC and this could be achieved through the proposed new monthly meetings between the newly appointed Performance Officer in the PCC and the Deputy Chief Constable. We would recommend that a decision record or notes should be kept from these meetings.	Low	Y	The recommendation is accepted and will be taken into consideration as the format of the meetings between the DCC and the Performance Officer formalised.  <a href="#">Update: John Chatley – a decision record is maintained by the OPCC</a>	Complete	John Chatley	

### Operational Areas- Seized Property or Lost and Found Property – 3.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
<b>Detained ( Seized ) Property</b>							
1.1	In respect of the planned introduction of electronic training on detained property procedures we would recommend that records are maintained to ensure that all relevant parties do complete the training	Low	Yes	Supt Sean Bell has already agreed that this NCALT training be mandatory for all Officers/Staff who access property. <a href="#">Update - NCALT package should be complete by end of July but roll out is dependent on a linked Crime NCALT module.</a>	01 Aug 2014	L&D	
1.2	Officers must ensure that in accordance with procedures any cash detained must be: <ul style="list-style-type: none"> <li>Counted by Two officers</li> <li>The value of cash recorded and not quantity of cash</li> <li>Double bagged</li> <li>The outer bag signed by the two officers involved</li> </ul> Consideration to be given to central stores imposing a much stricter regime in not accepting non –compliant value packages	Medium	Yes	Force Order will be put out as a reminder regarding the packaging of cash.  Non-compliance regime suggestion would require additional resources / review of current job descriptions. This can be considered as part of the planned resource review in 2014.  Update: Once additional resources have been recruited into the team, this will be implemented, likely go live June 2014  <a href="#">Update – The additional resource has been agreed and recruitment is now underway</a>	Complete  Mid 2014	Vicky French	
1.3a	Station EDOs to be reminded that Temporary Stores are to be cleared daily and the relevant PMS report/notification sent to Central Stores.	Medium	Yes	To be managed by EDO Managers. Memo to be sent to EDO managers and Sector Commanders.  <a href="#">Update – The guidance has been issued and best practice guidance is being prepared to be rolled out across the county which should be complete by 01 September.</a>	Guidance to be issued by 1st April 2014	Ch Insp Thompson	
1.3b	A review should be undertaken of all items showing as still be in Temporary Stores to ensure that the entries are updated to reflect the items current location/status. Once the review has been	Medium	Yes	To be managed by EDO Managers. Memo to be sent to EDO managers and Sector Commanders.	Guidance to be issued by 1st	Ch Insp Thompson	

	completed and the items cleared then in future EDOs should run a full report of items and not just items logged in the last 24 hours to ensure that no further build-up of entries occurs			Update – The guidance has been issued and best practice guidance is being prepared to be rolled out across the county which should be complete by 01 September.	April 2014		
1.3c	A review should be undertaken of all items showing as still held in Interim Stores to ensure that the entries being reported relate to actual items held and that these are within the 28 day holding rule pending collection by Central Stores.	Medium	Yes	This is already in place as part of the DP Audits of the Interim Stores	In Place	Detained Property Team Leader	
1.3d	A review should be undertaken concerning the number of items, pre and post centralisation, that have been logged onto PMS as 'awaiting entry', which indicates that the item has never been through a Station store or Central Stores and has been 'retained or dealt with' direct by the Officer who has then not updated PMS.	Medium	Yes	This piece of work will require additional resources. This can be considered as part of the planned resource review in 2014	Mid 2014	Vicky French	
1.4	Current records indicate that on the PMS there are some 4,500 (pre and post centralisation) items that according to the system have been 'booked out to Officers'. Whilst records indicate that chasing has been undertaken this we are informed has not been strictly in accordance with requirements due to resource issues. A review should be undertaken to establish the most effective and resource capable way of managing down the number of items.	Medium	Yes	This can be considered as part of the planned resource and process review in 2014	Mid 2014	Vicky French	
1.5	Future cash sheets should be signed by 2 persons to confirm the amount being banked	Low	Yes	Will be put in place immediately	Complete	Vicky French	
<b>Found Property</b>							
2.1	A flowchart, or similar, should be developed indicating the key processes to be followed that specifically included guidance on where items should be booked on in the property management system to ensure consistency.	Low	Yes	To be tasked out to appropriate person and compiled, before dissemination.  Update – The procedures have been written and are being quality checked prior to roll out across the county which should be complete by 01 September.	Bearing in mind the possible complexity and variance in practice this should be targeted at 1st June for dissemination	Ch Insp Thompson	
2.2	Guidance to be issued on how items are to be held, i.e. for 'value items, including cash, we would recommend that these are deposited in a standard evidence bag and sealed. With regard to cash we would then recommend that the bag is signed by the 2 members of staff/Officers validating the contents.	Low	Yes	Memo to be sent to all EDOs and sector commanders  Update – The guidance has been issued and best practice guidance is being prepared to be rolled out across the county which should be complete by 01 September.	Guidance to be issued by 1 <sup>st</sup> April 2014	Ch Insp Thompson	
2.3a	Staff should be reminded of the need to ensure that found property should be disposed of after 28 days.	Low	Yes	Memo to be sent to all EDOs and Sector commanders  Update – The guidance has been issued and best practice guidance is being prepared to be rolled out across the county which should be complete by 01 September.	Guidance to be issued by 1 <sup>st</sup> April 2014	Ch Insp Thompson	

2.3b	A review should be undertaken of reports available from the Property Management System to ensure that these are 'cleansed' as there are numerous items reported that still show that they are 'found property still held' and where the update position has not been effectively recorded/changed.	Medium	Yes	This is, on the face of it, a significant administrative task. The Performance Team will assess reports circulated regarding all property to assist with this audit process.  <i>Update – Once the new process has been rolled out ISD will be asked to remove all records that are greater than 28 days old.</i>	Scoping to be completed by 1 <sup>st</sup> April 2014	Ch Insp Thompson	
2.3c	EDO staff should be reminded that in accordance with the Policy all perishable food and drink items should be disposed immediately.	Low	Yes	Memo to be sent to all EDOs and sector commanders	Complete	Ch Insp Thompson	
2.4	Management of disposals requires strengthening, in particular <ul style="list-style-type: none"> <li>When returning items to owner a formal receipt should always be used rather than just signing the listing</li> <li>When destroying items details of the officer undertaking these, the date and method should be recorded</li> <li>Ensure there is a consistent method adopted for filing disposal documentation as testing identified two cases where the required documents could not be located.</li> </ul>	Medium	Yes	Memo to be sent to all EDOs and sector commanders  <i>Update – The guidance has been issued and best practice guidance is being prepared to be rolled out across the county which should be complete by 01 September.</i>	Guidance to be issued by 1 <sup>st</sup> April 2014	Ch Insp Thompson	

## Business Continuity – 4.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
3.1A	The department Business Impact Assessments (BIA) should be analysed to provide a Force wide BIA that identifies and ranks the Force's activities in order to ensure that all mission critical activities are correctly ranked and will receive the correct priority of recovery support. The overall ranking and criticality should be reviewed and approved by Senior Management	Medium	Y	RB will analyse the BIA's and produce a single prioritised list of MCA's.	Complete	Richard Baldwin	
3.1B	Crime and Justice Command should provide Recovery Time Objectives for activities ranked 3 and above.	Low	Y	RB will review with the plan owners and agree the missing RTO's <i>Update- Richard Baldwin – The identified RTO's have now been updated.</i>	Complete	Richard Baldwin	
3.2	A test strategy should be developed by the Force that ensures that a rolling programme of testing of the department Business Continuity Plans is introduced including testing of technology systems.	Medium	Y	Based on the analysis that will be undertaken for action 3.1A RB will produce a recommended exercise schedule for approval by senior management. ISD would advocate that any ICT system DR tests are done as part of wider Force or department level Business Continuity or Disaster Recovery exercises to get the maximum benefit from the exercise. ICT DR testing is highly disruptive to the Force, to minimise that disruption tests should form part of a wider planned exercise. ISD will support the Force and Departments in the Business Continuity Plan tests and advise how ICT systems can be incorporated in to those tests. ISD do not propose to come up with a test plan in isolation as this would cause disruption that would impact the day-to-day operation of the Force. <i>Update – Richard Baldwin – Work to produce an exercise schedule is ongoing.</i>	31 Mar 2014	Richard Baldwin	
3.3	A communication programme should be designed to ensure that all employees understand the Business Continuity Management Policy, business continuity priorities and what their individual responsibilities are in respect of business continuity management.	Medium	Y	As the report states an NCALT training package for all employees is being developed as part of the national BC strategy and is expected to be delivered in 2014. Once this has been delivered we can review the content to see if any further material is needed.	tbc	Richard Baldwin	

### Operational Areas - Vetting – 5.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1.2	The MOU sponsor should be contacted in order to acquire a signed copy of the MOU and confirmation of whether the SLA has been drafted and is in operation.	Low	Y	Sponsor has been contacted still awaiting signed MOU April 2014. Update – Yvonne Mason – Notts have confirmed that the MOU was signed off in May2012 by the DCC's Programme Board but there is no physical copy of the signed off MOU. Each SLA is an individual agreement between forces so there is no generic SLA in place.	Complete	Yvonne Mason	
1.4	The Information Assurance Team leader should complete the safe muster list and conduct monthly musters of the safe contents in the presence of an independent witness. Additionally the questionnaires and application forms if leavers should be destroyed/shredded.	Low	Y	Agreed- this is already a work in progress	Complete	Jo Gent	

### Monitoring & Delivery of Police and Crime Plan – 6.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1.1	Whilst recognising that the OPCC initial High level action plan is still in development and as yet only covers January and February 2014 we would comment that as part of its continuing development recommend that <ul style="list-style-type: none"> <li>Enhance the current format to include a column to record more clearly timescales for completion</li> <li>Possibly include a column to record progress/completion</li> <li>Develop the Plan further to include maybe the remainder of the calendar year or until the end of the 2014/15 year</li> <li>Consider using the action plan as a monitoring tool which can be used to inform future progress reporting to the Police and Crime Panel</li> </ul>	Low	Y	Accepted. Update Kathryn Buckle 20/03/14 – This has been actioned.	Complete	Kathryn Buckle – Assistant Commissioner Governance	

### Procurement – 7.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1	A review of Oracle privileges should be undertaken to ensure that users cannot raise purchases and approve invoices for payment.	Medium	Y	Review has been carried out by Chief Accountant and suitable amendments approved by the Head of Finance and Asset Management – Update Nick Alexander – Nick and Christine Pitcher have reviewed all Buying rights, approving rights and procurement card limits. Update Nick Alexander – We have reviewed all rights, updated some access & also have	Complete	Nick Alexander- Chief accountant	

				<p>introduced a new approval process for application of new responsibilities for staff.</p> <p>There was one instance of some being allocated buying and approving rights &amp; this &amp; the cause of this (resulted in the change mentioned above) have been reviewed &amp; altered, to ensure that this should not happen again.</p> <p>We also reviewed all Purchase Card limits &amp; queried with relevant budget holders limits/ rights etc , however, no irregular accesses or limits were identified.</p>			
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### Risk Management – 8.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1.1	<p><b>OPCC</b></p> <p>The draft Risk Management Policy should be supported by an implementation plan detailing a target date for finalising the Policy and implementation each area of the risk management process.</p>	High	Y	Agreed. The draft Policy will be taken to the Audit Committee in June 2014 for comment with a view to the Commissioner approving the Policy shortly thereafter. That report will include details of an implementation plan to embed the approach across the Commission	25 Jun 2014	John Raisin	
2.1	<p><b>Force</b></p> <p>In respect of risk registers:</p> <ul style="list-style-type: none"> <li>The risk register should record existing controls to manage the risk.</li> <li>All register should be in the same format to ensure consistent recording</li> <li>Risk should be adequately defined so it is clear what the untoward event may be.</li> </ul>	Medium	Y	<p>Changes will be made to IPSO to include existing controls as well as mitigating actions. Additional training will be provided to Risk Coordinators to ensure that the standard template is used for risk registers.</p> <p>Additional training will be provided to Risk Coordinators to ensure that risk descriptions are recorded using the agreed 'XYZ' format. Existing risk descriptions will be rewritten where required.</p> <p>Update Richard Baldwin – Recommended changes to IPSO have been implemented and changes made to the guidance procedures to ensure that risk co-ordinators are aware of the requirements.</p>	Complete	Richard Baldwin	
2.2	<p><b>Force</b></p> <p>The Force should have a set period at which risks should be reviewed.</p>	Low	N	<p>The review period for each risk is agreed with the risk owner and is dependent on the nature of the risk and the timescale for implementing any mitigating actions. This can vary considerably from one risk to another and it is therefore not practical to have a set period for reviewing risks.</p> <p>Internal Audit Comment</p> <p>We acknowledge management's responses,</p>	n/a	Richard Baldwin	

				however, testing identified a medium risk which had not been reviewed for 6 months, and therefore we would recommend a minimum period to be set.			
2.3	<b>Force</b> There should be a link between the Force objectives and risk to meeting those objectives within the risk registers, with assurances to demonstrate that controls and actions are mitigating the risk.	Medium	Y	The link between risk and the Force's strategic objectives is already reviewed by the Strategic Tasking and Coordination Group. If possible an additional field will be created in IPSO to record the link between each risk and the Force's objectives.	Complete	Richard Baldwin	

### Change Management – 9.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1.3a	An enhancement to the Portfolio Management Framework in relation to Gate 2 is required to reflect working practices. Currently it indicates that in addition to the Programme Mandate a Project Initiation Document (PID) and Equality Impact Assessment are required for approval; however we are advised that the latter two documents are only required to be submitted to the Transformation Portfolio Manager for review and approval. In addition we are advised that a PID will only require submission to the Board in cases where 'additional investment' is required, however this is not detailed in the Framework nor are there details as to what constitutes 'additional investment'.	Low	Y	PIDs are for programme boards to decide and therefore this needs to be reflected in the Portfolio Management Framework. The Transformation Board will be interested in any cases where additional investment is required from the Transformation Fund i.e. the money is not already in allocated budgets of one of the partner organisations across the portfolio.	Complete	Paul Bullen	
1.3b	In respect of Gate 3 approval within the Portfolio Management Framework inclusion should be made as to how and in what format a Programme should submit to the Transformation Board to seek Gate 3 approval. The PCC should determine whether retrospective Gate 3 approval should be sought for Programmes/Projects that are now into their delivery mode.	Medium	Y	Gate 3 approval refers primarily to programmes of the portfolio. It is agreed that additional information could be added to the Framework to make clearer how programmes progress passed this. In effect this is through having in place a clear Blueprint for the future, plans in place for the programme, including clear resource plans, and clearly identified costs, risks and benefits. Retrospective approval is not needed for programmes and projects that have already progressed beyond this point (Institute for example). Aspire's projects that are underway already are forming part of the first tranche of the programme and these will be given approval at the March Transformation Board.	Complete	Paul Bullen	

1.5	<p>A Project Management Guide/Toolkit should be developed to provide advice and guidance to Project Managers on the key areas of project management that should be addressed and the associated documentation that should be held. Areas to be included should be:</p> <ul style="list-style-type: none"> <li>• PID development, content and approval requirements.</li> <li>• Project plan development.</li> <li>• Identification of the benefits of the project and how these can be measured.</li> <li>• Identification of key risks, the mapping and management of these.</li> <li>• Reporting requirements.</li> <li>• Establishment of sub or working groups as required, including documentation of Terms of Reference (or a remit) and who should approve these.</li> <li>• Change controls and approval.</li> <li>• Whether there should be any stage reviews (possibly in line with the Gates?)</li> <li>• Identification and recording of issues that may have occurred and have been managed.</li> <li>• Lessons learnt log.</li> <li>• Project closure review and report.</li> </ul> <p>Given that projects will vary in stature, complexity and 'cost' consideration could be given to developing a risk based matrix approach to determining the governance of a project depending on the above.</p>	Medium	Y	<p>Guidance is needed both at programme and project level. The Portfolio Manager is producing guidance at programme level for all programmes. The Aspire team are producing a project toolkit to agree with the Portfolio Management and to subsequently be used across all programmes. Consideration will be given as part of this to the risk based matrix approach – this is a fundamental principle of MSP and PRINCE2 in any case.</p>	31 October 2014	Paul Bullen / Fiona Davies	
1.6a	The Programme Mandate for the Aspire Programme should be presented to the March 2014 Board for approval of Gate 2.	Low	Y	Approval for the Vision which fulfils much of the role of the Mandate will be given at the March 2014 Board. The May Board approved the Blueprint.	Complete	Fiona Davies	
1.6b	A record management system should be created by the Transformation Portfolio Manager to record submission of and approval of the Programme Mandates, Project Initiation Documents and Equality Impact Assessments. The record should also include meeting dates when the four Gates have been approved by the Transformation Board.	Low	Y	Agreed	Complete	Paul Bullen	
1.6c	Once negotiations have been concluded on the 'Better Working' element of the Agile Working project there will be a need to address the issue of a Project Initiation Document. The Force could either enhance and expand the existing Mobile Working PID or produce a separate and linked PID just for the Better Working element.	Low	Y	A new PID will be needed and approved by the Programme Aspire Board.	TBC	Fiona Davies	

1.7	In respect of Project Plans we would recommend the guide / toolkit includes: <ul style="list-style-type: none"> <li>Start and Finish dates are colour coded or similar to indicate if they are planned or actual dates.</li> <li>A column is included to annotate any key information on delays to start or finish dates.</li> <li>Project Plans are included as an appendix to the high level progress reports submitted to Programme Boards.</li> </ul>	Medium	Y	This will be picked up in a project plan guide as part of the project toolkit described in 1.5.	31 October 2014	Paul Bullen	
1.8	A full review of risk management across the Transformation Programme is required to produce a more cohesive and inclusive approach. To this end we would recommend: <ul style="list-style-type: none"> <li>There should be a structured approach to identifying and capturing risk through the use of standard registers.</li> <li>The registers should include details of actions to be taken to further manage a risk.</li> <li>For each Programme there should be a high level (strategic) risk register.</li> <li>For each Project there should be an operational risk register.</li> <li>An overarching Transformation risk register maintained by the Transformation Portfolio Manager.</li> <li>Project risk registers should accompany highlight reports to Programme Boards.</li> <li>Programme risks should be included in the Transformational Portfolio Progress Reports (these are being introduced).</li> <li>Inclusion of key risks in the master Portfolio Progress Report that will be going to the Transformation Board</li> </ul>	High	Y	The recommendation is agreed but things are much further on than the report suggests: <ul style="list-style-type: none"> <li>Standard registers are in place and being rolled out.</li> <li>Each programme is beginning to develop their risk registers.</li> <li>Projects have not yet go their own risk register but it is agreed they should have.</li> <li>A Transformation portfolio risk register is in place and being presented to the Transformation Board in March.</li> <li>It is agreed that key risks at each level of the portfolio should be captured in highlight reports (rather than all risks in each project being presented to a programme board)</li> </ul>	Complete	Paul Bullen	
1.9a	We would recommend that any Sub Board or Working Group have Terms of Reference (or similar) developed, which are subject to approval by its parent Board.	Low	Y	Agreed	Complete	Fiona Davies	
1.9b	Project Managers should be reminded that to ensure that salient points from Sub Board/Group meetings are captured we would recommend that at least action points are formally documented.	Low	Y	Agreed	Complete	Fiona Davies	
1.10	Gate 4 within the Portfolio Management Framework, which seeks approval to formally close a programme/project, should be enhanced to indicate guidance on what documentation, and in what format, should be submitted when applying for approval. Consideration could be given to developing a standard closure report template.	Medium	Y	Now updated in Portfolio Management Framework and standard closure report is in place.	Complete	Paul Bullen	

### Follow Up - 10.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
3.1.30	<b>New Recommendation</b> The Force should identify areas of non-compliance and through review, determine whether there are extenuating circumstances. If no explanation can be determined, further action should be	Medium	N	The Force does not have a no purchase order no pay policy. This recommendation needs to be removed.	n/a	Gary Jones	

	undertaken to prompt compliance with the Forces 'No Purchase Order, No Pay' Policy.			The force strategy is to work towards a No PO no Pay policy and we are currently achieving a 50-60% success rate however we are aware that further improvements are required.			
3.1.31	<b>Recommendation Revised</b> Once the Force restructure has been fully completed and the service lines established, the Force Planning Unit should consider creating a demand management strategy which sets out the aims and objectives for the unit and the plans to achieve these including outlining any particular links to associated policies / regulations.	Medium	Y	No longer relevant – demand management now sits with Supt Hill.	n/a	Vicki Bradshaw	
3.1.34	<b>New Recommendation</b> The Force (or Local Resilience Forum) should include a risk assessment for each probable emergency event highlighting possible dangers to staff and identifying clear controls to mitigate the risk of them materialising.	Medium	Y	The Local Resilience Forum has a Risk Group chaired by the County Council who prepare a Northamptonshire risk register assessing the local impact of those risks identified on the National Risk Register.	Already in place	Insp Neil Dorothy	
3.1.26	<b>Recommendation Restated</b> Northamptonshire Police should develop an environmental policy which clearly documents how it intends to deliver the areas identified within the regional environmental policy.	Medium	Y	It is accepted that the Force needs to adopt an environmental policy applicable to its own aims and objectives. The overarching regional policy needs to be reviewed and updated and no target has been set for this piece of work. Northants Police will complete and publish its own policy by the end of September 2014. The policy will take account of the OPCC needs as the owner of the estate assets. It will also closely link with the Transport and Travel Carbon Management plan.	30 September 2014	Stuart Bonner	

### Key Financial Controls - 11.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
<b>Budgetary Control</b>							
1.1	The Office of the Police and Crime Commissioner should ensure that all links to budget documents are working on their website	Low	Yes	Agreed	30th April 2014	Richard Edmondson	
1.2	The OPCC should review the budgetary information being presented to the Police and Crime Panel and ensure that it is consistent with the management information presented to them by the Finance Team.	Medium	Yes	The OPCC has always strived to ensure the information presented to the Police and Crime Panel is correct and will continue to do so.	31st March 2014	John Raisin	
<b>Payroll</b>							
3.2	The Force should review the employee 'leaver' process and ensure that appropriate leaver forms are received by the Payroll Team in a timely manner so that they can be handled within the processing deadlines.	Low	Yes	MFSS will review the leaver forms to ensure that these are suitable for use for all types of leavers. Update Pam Rourke -The forms for leavers have been reviewed and are suitable in most instances. It has been agreed that in some instances a form may not be appropriate (e.g. redundancy &	Complete	Pam Rourke	

				dismissal) and in these cases a signed letter from HR is used in place of a form.			
3.3a	The Payroll team should reconcile the expenses file exported from Oracle to the restructured file which is uploaded to CGI prior to the payroll.	Medium	Yes	Payroll Procedures will be updated to include a check on the total value of the original expenses file against the restructured file. Update Pam Rourke -This check has now been incorporated into the process with effect from April 2014.	Complete	Pam Rourke	
3.3b	The Payroll team should undertake a random sample test of claims to evidentiary documentation to confirm their validity providing assurance on the control provided by the expense claims process.	Medium	Yes	Receipts should be scanned in for the claims, therefore as part of the random audit function this would be part of the audit review & as such this is already completed. Update Pam Rourke -The payroll team check a sample of claims each month which have been randomly selected by the system. The audit process is carried out within the system and there is an audit trail to support this.	Complete	Pam Rourke	
3.4	A formal delegation from the Chief Constable, or alternatively Financial Regulations are amended, to specify delegated responsibility to Senior Payroll staff to provide authorisation to Logica to process payroll runs.	Medium	Yes	The Chief Accountant, will implement this within the Financial Regulations.	01 Apr 2014	Nick Alexander	
<b>Income and Debt Management</b>							
4.1	The Force should formally document the debt write off and disposal limits that have been delegated by the Chief Constable and ensure that they are communicated to the relevant staff.	Medium	Yes	Agreed, this will be completed within the new 2014/15 Financial Regulations. Update Nick Alexander – The new Financial Regulations have not yet been issued by the OPCC but the write off limits will be included within the new version. Update Gary Jones - I have agreed with the OPCC that with, the exception of Land and Buildings, both corporation soles can determine their own delegated authorities and we will therefore have our own standing orders and Fin Regs. This arrangement will be included in the new scheme of consent	01 Apr 2014	Nick Alexander	
<b>Asset Management</b>							
5.1	Reconciliation should be undertaken on a periodic basis between the LANDesk system and the Fixed Asset register to ensure that accurate records are maintained. Periodic verifications should be undertaken against the items held in the LANDesk system to ensure the accuracy of records is maintained. This could be done on a sample basis to identify the highest value items.	Medium	Yes	Once the personal issue of equipment has been completed upon Oracle, we will look to issue unique reference no's within LANDesk for these within Oracle to allow a reconciliation between the two. Budget managers will be surveyed to ask for physical verification of assets.	01 Sep 2014	Nick Alexander	
5.2	The Force should ensure that the Fixed Asset Register encompasses all vehicles owned at the year end.	Low	Yes	A review of vehicles is being completed with the Head of Transport to ensure the vehicles are fully reconciled. Processes for disposal of vehicles will be explicitly	Complete	Nick Alexander	

				<p>outlined within the Financial Regulations. Update Nick Alexander – The review of vehicles is being completed once the outturn is known &amp; the financial year end is in progress (late April). Update Nick Alexander – The year end Fixed Asset (FA) reconciliation has included a full reconciliation from Tranman data to the audited file &amp; both now contain the same numbers of vehicles &amp; all non vehicle related equipment/ expenditure has either been transferred to another PPE (Fixed Asset) category or has been appropriately removed from the FA register.</p> <p>The reconciliations for computers is not yet due, however, this will be considered as part of the VfM review on accountability &amp; if appropriate &amp; there are enough resources will be completed.</p>			
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**Treasury Management**

6.1	The Treasury Management Strategy should be enhanced to include more explicit guidance around making investments in institutions, both UK and Overseas, which are in excess of either, or both, the stated maximum value and term of deposit. The Strategy should state who has authority to approve such investments and a written record of such approvals should be maintained with the investment paperwork.	Medium	Yes	<p>Agreed, the description of this within the Treasury Management Strategy has been re-drafted to make this point more explicit &amp; it is already part of the 2014/15 TM strategy being signed off by the OPCC on 1st April 2014. Update Nick Alexander – The new Treasury Management strategy is complete and we are waiting for this to be published by the OPCC, however, these are included within the new TM strategy. Update Nick Alexander – The new Treasury Management (TM) policy which has been signed by the OPCC &amp; published has been updated for the latest requirements &amp; also to cover any IA concerns.</p>	Complete	Nick Alexander	
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**Data Security - 12.13/14**

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
3.1	<p>Management should undertake the following:</p> <ul style="list-style-type: none"> <li>Identify and agree with the SIRO and the Information Assurance Board as to the required retention period for the Blackberry audit logs, paying due regard to the risks of not retaining the logs for a given period as against any negative impact on performance and network storage capacity.</li> <li>Identify, design and implement methods of extracting and reporting on the information required from the Blackberry</li> </ul>	Low	Y	In the absence of any formal guidance or Best Practice on the retention of audit logs, we will review our approach after consulting with peers and in the context of other risk mitigations deployed to avoid duplication of effort.	31 Dec 2014	Head of Professional Standards	

	audit logs for investigative purposes, seeking external consultancy advice if appropriate.						
3.2	Management should ensure that the successful deployment of Safend software updates is checked on a regular basis for all machines within the Force's network infrastructure. Moreover, any unsuccessful deployments should be investigated in full to confirm whether the machines concerned are still in live use and whether the lack of deployment needs to be remedied accordingly.	Low	Y	We will use the opportunity of our corporate 'XP upgrading project' during 2014 to ensure the future deployment of Safend incorporates all networked assets, albeit we are confident that any current risk is negligible.	31 Dec 2014	ISD Operations Manager	
3.3	Management should ensure that a process is implemented for the periodic and regular identification of unused user accounts at the network level and for promptly disabling all accounts that are no longer required, including email accounts, e.g. because the users concerned have left the Force, are on an approved period of medium to long term absence or have changed duties.	Medium	Y	The pending Change Request, at the time of the audit, has been reprioritised to support more effective management of User Accounts.  We will periodically review our overall approach to Account Management and report findings and recommendations to the Force Information Assurance Board.	31 Dec 2014	ISD Operations Manager	

**INTERNAL AUDIT DASHBOARD – NORTHAMPTONSHIRE OPCC**  
**DETAILS OF OUTSTANDING RECOMMENDATIONS FROM FINAL AUDITS**  
**JUNE 2014**

**Governance Report 17<sup>th</sup> December 2013**

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
1.6	<b>OPCC</b> We would recommend that as soon as possible a definitive list of HR related policies required for the OPCC is agreed and a timetable approved for their development and implementation. Approval of such policies should be through a formal PCC Decision.	Medium	Y	HR related policies have been prepared and consulted upon with all staff within the OPCC and the recognised Trade Union. Most policies have been formally issued – a few remain so to be approved	Revised to September from June 2014	John Raisin

**Change management Report 5<sup>th</sup> June 2014**

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
1.5	A Project Management Guide / Toolkit should be developed to provide advice and guidance to Project Managers on the key areas of project management that should be addressed and the associated documentation that should be held. Areas to be included should be: <ul style="list-style-type: none"> <li>PID development, content and approval requirements</li> </ul>	Medium	Y	Guidance is needed both at programme and project level.  The Portfolio Manager is producing guidance at programme level for all programmes.	31 <sup>st</sup> October 2014	Paul Bullen & Fiona Davies

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
	<ul style="list-style-type: none"> <li>• Project Plan development</li> <li>• Identification of the benefits of the project and how these can be measured</li> <li>• Identification of the key risks, the mapping and management of these</li> <li>• Reporting requirements</li> <li>• Establishment of sub or working groups as required, including documentation of Terms of Reference (or a remit) and who should approve these</li> <li>• Change controls and approval</li> <li>• Whether there should be any stage reviews (possibly in line with the Gates?)</li> <li>• Identification and recording of issues that may have occurred and have been managed</li> <li>• Lessons learnt log</li> <li>• Project closure review and report</li> </ul> <p>Given the projects will vary in stature, complexity and 'cost' consideration could be given to developing a risk based matrix approach to the governance of a project depending on the above</p>			<p>The Aspire team are producing a project toolkit to agree with the Portfolio Manager and subsequently to be used across all programmes.</p> <p>Consideration will be given as part of this to the risk based matrix approach – this is a fundamental principle of MSP and PRINCE2 in any case.</p>		

1.7	<p>In respect of Project Plans we would recommend the guide / toolkit includes:</p> <ul style="list-style-type: none"> <li>• Start and finish dates are colour coded or similar to indicate if they are planned or actual dates</li> <li>• A column is included to annotate any key information on delays to start or finish dates</li> <li>• Project Plans are included as an appendix to the high level progress reports submitted to Programme Boards</li> </ul>	Medium	Y	This will be picked up in a project plan guide as part of the project toolkit described in 1.5	31 <sup>st</sup> October 2014	Paul Bullen
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### Risk Management Review August 2014

As this report has been issued very recently, all recommendations are currently outstanding as noted in the Internal Audit Annual report elsewhere on the agenda

**END**

# **Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police**

**Internal Audit Annual Report – Year ended 31 March 2014**

Presented at the Joint Audit Committee meeting of: 10 September  
2014

Patrick Green

Baker Tilly Risk Advisory Services LLP

# 1 Internal Audit Opinions

## 1.1 Context

As the provider of the internal audit service to the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police we are required to provide the Section 151 Officers and the Joint 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 Police and Crime Commissioner (OPCC) and the Chief Constable (CC) 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 CC, and summarises the work undertaken during 2013/14.

As your internal audit provider, the assurance and advisory reviews that Baker Tilly Risk Advisory Services LLP (Baker Tilly) provides during the year are part of the framework of assurances that assist the PCC and CC prepare an informed annual governance statement.

## 1.2 Internal Audit Opinions 2013/14

### Office of the Northamptonshire Police and Crime Commissioner

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Office of the Northamptonshire Police and Crime Commissioner's arrangements for risk management, control and governance.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 the Office of the Northamptonshire Police and Crime Commissioner has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

### Northamptonshire Police

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Northamptonshire Police arrangements for risk management, control and governance.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 Northamptonshire Police has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

## 1.3 The Basis of the Opinions

### 1.3.1 Governance

#### OPCC

We found that the OPCC could take reasonable assurance that the controls upon which the organisation relied to manage this area were suitably designed, consistently applied and effective. We concluded that appropriate roles and responsibilities had been documented within the Scheme of Governance, and adequate governance arrangements were in place both internally within the OPCC and externally which includes the Police & Crime Panel. We did however, find that the OPCC had not developed their own range of HR related policies and procedures and we considered the openness and transparency could have been more clearly demonstrated including holding the chief constable to account and reporting of performance and financial information to the public.

## **Force**

We found that the Force could take substantial assurance that the controls upon which the organisation relied to manage this area were suitably designed, consistently applied and effective. We concluded that the Force were also subject to governance through the Scheme of Governance. This was supported by the Chief Officers Group and various operational Boards / Groups were established to support this. In addition, performance reporting was undertaken at varying levels. We found that the controls had been effectively applied and complied with.

We concluded that the governance arrangements in place for both the OPCC and the Force were adequate and effective.

### **1.3.2 Risk Management**

#### **OPCC**

The Police and Crime Commissioner (PCC) had produced a draft Risk Management Strategy, however further work was required to arrive at a defined policy ready for formal approval. Reporting was undertaken to the Independent Joint Audit Committee on the proposed risk management methodology and this was adopted. A risk register had been established and this was submitted to the Independent Joint Audit Committee at regular intervals, although it was accepted that enhancements to the register were required and would be undertaken once the Risk Management Policy had been finalised. Responsibility had been established within the PCC with the Assistant Commissioner – Resources for risk management, with delegated responsibility to the Strategic Resources Manager for the development of the Strategy. As risk management within the PCC is currently under development this part of the audit had been reported as advisory.

We have concluded that whilst it was too early in the development of the PCC risk management process to form an opinion of the operation of the system, it was clear that developments completed to the date of our review gave confidence on the proposed design of the system. It was recognised by the OPCC that there was a need to enhance and co-ordinate risk management between the OPCC and the Force and proposals to undertake this had been submitted to the Independent Joint Audit Committee.

#### **Force**

The Force had its own Risk Management Policy and Procedure documents with operational management of the risk management process resting with the Force Risk and Business Continuity Advisor within the Corporate Development Department. The Force was using IPOS to manage their risk registers which was a project management software with an additional module designed for risk management purposes. This contained the departmental registers, and the corporate risk register to which high risks were escalated. The Force had an internal structure for the review, monitoring and reporting of risk with the corporate risk register being reported to the Independent Joint Audit Committee.

We concluded after taking account of the issues identified, the Force could take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

We concluded that the risk management arrangements in place for both the OPCC and the Force were adequate and effective.

### **1.3.3 Control**

We undertook eight assurance reports, of which all provided positive opinions. This included two Green (substantial) assurances, four Amber / Green (reasonable) assurances and two Amber / Red (some) assurance reports. The Amber / Red assurances were in the areas of Detained (Seized) and Found Property and the Joint East Midlands Collaboration - Governance & Financial Framework. In addition, we undertook an advisory review of Change Management.

We concluded that the controls arrangements in place for both the OPCC and the Force were adequate and effective.

### 1.3.4 Acceptance of Recommendations

All except four recommendations made during the year were accepted by management. For the four recommendations disagreed, this included two Medium and two Low priority recommendations. In each case we have accepted management responses and reported this to the Joint Audit Committee.

### 1.3.5 Progress made with previous internal audit recommendations

Our main follow up of the recommendations made previously, including those that were outstanding from previous years, showed that the Force had made adequate progress in implementing the agreed recommendations, as summarised below:

Recommendation Priority	Number followed up	Of which:	
		Addressed	Not implemented or still in progress
High	0	0	0
Medium	8	2	6
Low	14	12	2
<b>Totals</b>	22	14	8

In addition, we followed up the recommendations made with our 2012/13 Pensions Administration audit and found the Little Progress had been made, these recommendations have been taken forward with the Pensions Provider to ensure implementation and a revised action plan agreed.

### 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 Wider value-adding delivery

As part of our client service commitment, during 2013/14 we have:

- Issued client updates and general briefings during the year.
- Provided benchmarking within our reports on the number and category of recommendations and assurance opinions across organisations similar to yourselves.
- Undertaken joint reviews with your collaborative partners to provide a joint assurance opinion including the Governance Framework.
- Undertaken both advisory and assurance reviews across both Corporations Sole as part of the establishment of the new Governance and Risk Management arrangements. This included sharing best practice across the sector through our work.
- We have made suggestions throughout our audit reports based on our knowledge and experience in the public and private sector to provide areas for consideration.
- Regular contact including Joint Audit Committee pre-meets and ad-hoc telephone calls and queries as required.

### 2.2 Conformance with Internal Audit Standards

Baker Tilly affirms that our internal audit services to the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police are designed to conform with the Public Sector Internal Audit Standards (PSIAS) which came in to effect from 1 April 2013.

Under the standards, internal audit services are required to have an external quality assessment at least once every five years. During 2011 our Risk Advisory service line 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 Global Institute of Internal Auditors (IIA). The PSIAS are based upon the IPPF, and therefore we are confident that the results of this review apply to our continuing services in the sector.

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”*.

### 2.3 Conflicts of Interest

We (Baker Tilly) have not undertaken any work or activity during 2013/14 that would lead us to declare any conflict of interests.

**Appendix A: Internal Audit Opinions and Recommendations 2013/14**

Audit <i>(Associated risk where relevant)</i>	Opinion	Actions Agreed (by priority)		
		High	Medium	Low
<b>Audits to address specific risks</b>				
Change Management <i>Failure to develop an appropriate change management plan and to then deliver this.</i>	Advisory	1	4	6
Monitoring & Delivery of the Police & Crime Plan <i>Failure to deliver the Police and Crime Plan through an inability to engage and effectively work across partnerships to deliver outcomes and ensure that the Force achieves performance targets.</i>	Green	0	0	1
Data Security Review <i>The security of IT systems is compromised and/or data is lost, damaged, unavailable or disclosed to unauthorised persons.</i>	Amber / Green	0	1	2
Business Continuity <i>A loss to the continuity of critical business operations.</i>	Amber / Green	0	3	1
Collaboration - Governance & Financial Framework (Completed as joint review with East Midlands with allocation from each audit plan)	Amber / Red	0	5	3
<b>Core Assurance</b>				
Governance - OPCC	Amber / Green	0	4	2
Governance – Force	Green	0	0	3
Risk Management – OPCC	Advisory	1	0	0
Risk Management – Force	Amber Green	0	2	1
<b>Financial Controls</b>				
Key Financial Controls	Amber / Green	0	7	3
<b>Other Internal Audit Coverage</b>				
Follow Up of 2012/13 audit on Pensions Administration	Little Progress	0	2	3
Procurement	Green	0	1	0
Operational Areas – Detained (Seized) and Found Property	Amber / Red	0	8	6
Operational Areas - Vetting	Amber / Green	0	0	6
Follow Up	Adequate Progress	0	2	1
	<b>Total</b>	<b>2</b>	<b>39</b>	<b>38</b>

We use the following levels of opinion classification within our internal audit reports:

Red	Amber / Red	Amber / Green	Green
<p>Taking account of the issues identified, the OPCC and Force cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, whilst the OPCC and Force can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, the OPCC and Force can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.</p>	<p>Taking account of the issues identified, the OPCC and Force can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p>

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from Baker Tilly Risk Advisory Services LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, Baker Tilly Risk Advisory Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Baker Tilly Risk Advisory Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

### INTERNAL AUDITS DASHBOARD 2014/15

Audits are graded as Red, Amber, Amber/Green or Green. Some thematic audits are advisory only and not graded. Recommendations are prioritised as High, Medium or Low to reflect the assessment of risk associated with the control weaknesses.

#### SUMMARY OF AUDIT PROGRESS AND OUTCOMES

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			High	Medium	Low
Operational Areas – Stock Management – 1.14/15	02 July 2014	Green	0	0	0
Firearms Licensing – 2.14/15	18 August 2014	Green	0	0	2
Medium Term Financial Planning and Budget Setting - 3.14/15	20 November 2014	Green	0	0	1
Risk Management – 4.14/15	02 September 2014	Amber/Green	0	2	6
Estates Strategy / Management 5.14/15	24 November 2014	Amber/Green	0	1	0
Force Control Room Business Continuity 6.14/15	10 December 2014	Amber	0	3	3
Key Financial Controls 7.14/15	05 February 2015	Green	0	1	0
IT Licenses					
Volunteers – Strategy, recruitment and training					
Follow up					
Collaboration – Efficiency Savings Plans					
Human Resources – Workforce and Succession Planning					
Governance					
Commissioning					

**DETAILS OF RECOMMENDATIONS FROM EACH AUDIT**

**Operational Areas- Stock Management – 1.14/15 - No recommendations**

**Firearms Licensing – 2.14/15 - All recommendations complete**

**Medium Term Financial Planning and Budget Setting – 3.14/15 - Draft**

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1.1	In order to ensure that all information within the Medium Term Financial Strategy is valid and up to date the Police and Crime Plan should be issued in a timely manner and the Strategy updated as required.	Low	Y	Police and Crime Plan has recently been refreshed and published (September 2014) The financial strategy will be updated accordingly and formally approved in February 2015	February 2015	John Neilson	

**Risk Management – 4.14/15**

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1.1	As a result of the findings of this audit and in recognition of the internal restructures the following should be included in the next revision of the Risk Management Policy and or Risk Management Procedures: Include a section relating to the identification, management and reporting on assurances to validate that controls are being effectively managed. <ul style="list-style-type: none"> <li>Enhance the relevant sections to include the fact that medium priority risks are also included within the risk reporting and monitoring by the various Groups/Boards</li> <li>Enhance the procedures to included reference against the Strategic Tasking and Co-ordination Group and the Information Assurance Board as to the frequency of risk monitoring.</li> <li>Once the Joint Independent Audit Committee have determined their future reporting requirements an appropriate inclusion within the Review and Reporting Risks section of the Procedures should be made.</li> <li>Once completed we would recommend that the Risk Management Policy is submitted to the Joint Independent Audit Committee for noting.</li> </ul>	Low	Y	The suggested revisions will be incorporated into the policy and procedures at the next review which is due to be completed by 01 January 2015. Update RB- Policy and Procedures updated and approved 11/02	Complete	R Baldwin	
1.2	Following the changes made to the database as a result of the previous Internal Audit report there is a need to address these	Low	Y	A change request has been raised to modify the risk reporting e-form but it is not yet known how	TBC	R Baldwin / ISD	

	<p>through to other areas:</p> <ul style="list-style-type: none"> <li>The on-line risk notification form needs enhancing to include reference to recording strategic risk and also to split and differentiate between controls and intended responses, i.e. actions to be taken to further manage the risk.</li> <li>Splitting controls from response measures and recording these in their correct sections.</li> </ul>			<p>long it will take for ISD to complete the changes.</p> <p>Splitting of controls from response measures will be retrospectively applied to all open risks in IPSO.  Update RB – IPSO updated.  Awaiting ISD to confirm when e-form can be amended.</p>	Complete	R Baldwin	
1.3	<p>The Terms of Reference for the Strategic Tasking and Co-ordination Group, Information Assurance Board and Chief Officers Group should be reviewed to ensure that all contain appropriate inclusion as to their responsibilities for reviewing associated risks and the frequency when this is undertaken.</p>	Low	Y	<p>Revised wording will be prepared for the Chairs of the respective meetings</p>	Complete	R Baldwin	
1.4	<p>Work to continue to revisit risks to ensure that there is an effective split between actual controls and identified response measures on the database for each risk. This should be actioned by risk owners at their next review date.</p>	Low	Y	<p>As per action 1.2 IPSO will be amended accordingly. Where necessary risk owners will be asked to provide the required information.  Update RB – IPSO updated.</p>	Complete	R Baldwin	
1.5	<p>Whilst assurance sources and types of assurance outputs are being captured there is no formal process whereby 'actual' assurance outputs are being recorded and used to inform/validate current controls risks assessments and scores. We would recommend that outputs can be recorded in the existing box where the assurance source is recorded but just need these to be clearly detailed.</p>	Medium	Y	<p>This will be raised with the owners of each respective risk at the next review date.  Update RB – IPSO updated.</p>	Complete	R Baldwin	
1.6	<p>To ensure standardisation and the ability to verify that effective risk management processes are being followed at departmental level all departments should use the IPSO risk management database as prescribed within the Risk Management procedures. This would enable the Force Risk and Business Continuity Advisor, as manager of the database, to oversee inclusion of a risk and to ensure the integrity of key areas such as:</p> <ul style="list-style-type: none"> <li>Controls are recorded appropriately.</li> <li>Risk descriptors are sufficient.</li> <li>Sources of assurance are identified.</li> <li>Actual assurance sources identified.</li> </ul> <p>This issue should be discussed by the Chief Officers Group and a formal decision made to enforce all departments to use IPSO for all risk management functions. Where use continues by Departments of their own risk management spreadsheets/ databases there is a danger that by allowing this there is a loss of oversight by the Force Risk and Business Continuity Advisor. Whilst we accept that responsibility for managing risks at departmental level remains with the relevant Head of Department and Risk Co-ordinator we would nevertheless comment that there should be a form of overview by the Force Risk and Business Continuity Advisor to ensure compliance and that there is an effective mechanism operating that engenders a bottom up approach to identifying and managing risk. This overview should also be used to ensure the</p>	Medium	Y	<p>This issue will be raised with the Chief Officers Group at the next meeting where risk is due to be discussed.</p> <p>Update RB – Provision of a centralised system for managing risk registers is being considered as part of the Corporate Services review that is scheduled to be completed during 2015.</p>	31 May 2015	R Baldwin	

	'correct' recording of risks within the system.						
1.7a	Once the Joint Independent Audit Committee have determined their future reporting requirements from both the Force and OPCC consideration should be given to including these within their Terms of Reference.	Low	Y	A recommendation will be made to the Chair of the Committee once the reporting requirements have been agreed.	TBC	R Baldwin	
1.7b	To inform and feed the Annual Governance Statement we would recommend that an end of year synopsis report on risk management is produced and submitted to the Joint Independent Audit Committee. (This would mirror the process being proposed by the OPCC)	Low	Y	An end of year report will be produced for the Committee once the required format and content has been agreed with the Chair.	31 May 2015	R Baldwin	

### Estates Strategy / Management – 5.14/15

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1.1	<p>Whilst we accept that the decision to continue using Pick Everard given their history, expertise and knowledge of the estate, in accordance with Contract Standing Orders the fact that despite Pick Everard being on the framework agreement with 'Scape' there is nevertheless the requirement to either:</p> <ul style="list-style-type: none"> <li>Undertake a mini tender using suppliers listed on the framework, or</li> <li>In this instance given, if the organisations decides it is appropriate to continue using Pick Everard then completion of a Single Tender Approval (STA) Request form and approval in line with stated financial authorisation limits should have been undertaken. We would recommend that to cover future usage of Pick Everard an STA Request form is completed with an 'estimated' value of work and that this is then approved as required and used as a 'call off' agreement.</li> </ul>	Low	Y	Agreed	October 2014	S Bonner	

### Force Control Room Business Continuity – 6.14/15

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
3.1	<p>The Force should consider documenting the missing information to improve the BCP:</p> <ul style="list-style-type: none"> <li>A workflow of activities to clearly identify the action to take.</li> <li>Key contact information for both staff and third parties should be clearly documented</li> </ul>	Low	Y	The new plan is far more detailed than the previous version. Activity workflow is individually documented in contrast to the reviewed document. Key contact information is documented on the plan.	Complete	Steve Herbert	
3.2	A business impact analysis should be undertaken to determine recovery priorities and required resources and timeframes to recover business operations following a disruption.	Medium	Y	When the plan is finalised I will liaise with Richard Baldwin and discuss it to ensure compliance and compatibility with other force contingency. I will	28 February 2015	Steve Herbert	

Agenda Item 11(a)

	The BCP and backup arrangements should be reviewed upon completion of the business impact analysis to ensure recovery arrangements meet business objectives.			discuss business impact analysis with him.			
3.3	The Force should ensure that the Control Room Business Continuity Plan is reviewed and updated to ensure that the plan reflects the significant change to the department's telephony systems.	Low	Y	The new plan reflects the significant changes.	Complete	Steve Herbert	
3.4	To ensure that staff are aware of their business continuity responsibilities, these should be clearly documented within the business continuity plan.	Low	Y	Awareness of business continuity responsibilities will commence when the plan is confirmed and accepted by relevant parties. It is my intention to complete awareness through continuous professional development days with a presentation to all FCR staff. This will commence in the new year. Detailed communication to managers will commence shortly to reflect changes.	28 February 2015	Steve Herbert	
3.5	Upon completion of the Business Impact analysis exercise: The Force Control Room Business Continuity Plan should be reviewed for compatibility and alignment with the IT Disaster Recovery Plan.	Medium	Y	Compatibility and alignment with the IT disaster Recovery Plan will be considered prior to acceptance.	28 February 2015	Steve Herbert	
3.6	The Force should define a testing strategy and a future schedule for periodic testing of the FCR Business Continuity Plan.	Medium	Y	I have consulted with C/Insp Tennet and have agreed that testing of the plan should commence during January /February. Impact on normal business operations are considered inappropriate prior to this time. This will include the testing of contingency areas including Silver 3, Campbell Square and Wellingborough. All sites have been checked for operability within the last month with ISD professionals and deemed to be suitable for contingency use at this time. This testing will be ongoing to cover all relevant staff and test all parts of the FCR spectrum.	28 February 2015	Steve Herbert	

**Key Financial Controls – 7.14/15**

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
5.1	<b>Restated recommendation 2013/14</b> Reconciliation should be undertaken on a periodic basis between the IT items on the Fixed Asset register back to local inventory records to ensure that it represents an accurate view of the assets held. Periodic verifications should be undertaken against the items held in the LANDesk system to ensure the accuracy of records is maintained. This could be done on a sample basis to identify the highest value items.	Medium	Yes accept a process is required	Unlikely to be implemented in the next 12 months.	2016/17	Nick Alexander	





COMMUNITY JUSTICE SECURITY

**Draft**  
**Group Statement of Accounts for the**  
**Office of the Northamptonshire Police**  
**and Crime Commissioner**

**2013-14**



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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 2014.

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 2013-14 will be available for inspection from 9.00am Friday 25<sup>th</sup> July 2014 to 5.00pm Friday, 8<sup>th</sup> August 2014 (excluding weekends).

The Auditor is KPMG LLP.

**(a) Introduction by the Chief Finance Officers (CFO's)** Pages 7-12

This provides a brief background to the PCC's budget for 2013-14, 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 13-35

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** Page 36

This outlines the PCC's and the CC's and their respective Chief Financial Officers (CFO's) responsibilities.

**(d) Independent Auditor's Report** Pages 37-39

**(e) Comprehensive Income and Expenditure Statement** Pages 40-41

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 42

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 43

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 44

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 45-89

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 90

Information concerning the prior period restatement of the Core Financial Statements

**(l) Related Party Transactions** Page 90

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

**(l) Joint Associate Non Entity Consolidation Statement** Page 91-94

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

**(l) Police Pension Fund Account** Page 95

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 97

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 106

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 £122.48m for 2013-14. The Force over achieved its savings target in 2013-14 by £1.667m. The ONPCC opted for a further one year freeze in Council Tax to take advantage of £0.46m of freeze grant available. Carry forwards of £0.611m were approved.

Balancing the budget for 2013-14 was dependant upon achieving cashable savings of £2.996m. No use of reserves was proposed. The 2013-14 year was the first full year in office of the Northamptonshire Police and Crime Commissioner (NOPCC). The Commissioner pledged to maintain officer numbers at the strength when he took office (1,220) and to maintain PCSO base funded posts at 112 for the term of his Office. This meant revising the previous change programme targeted officer reductions from 100 to 75 Officers (1,295 down to 1,220). In addition by the end of 2013-14, 427 Police Staff roles had been removed from the organisation in the previous 4 years.

The 2013/14 budget included a 1% pay award for officers and staff following on from a 2 year pay freeze, but did provide for increasing prices and the cost of increments for police staff and for officers following a 2 year freeze imposed to comply with the Winsor Review of Police Officer 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**

As of 2012-13 & all subsequent accounts the Force adopted the provisions of Financial Reporting Standard (FRS6), the result of which is there is one set of Financial Statements for the NOPCC and one set of Financial Statements for the CC, each with a separate audit opinion completed on the basis of merger accounting.

As well as the acts referred to in the introduction above, the accounts have also been prepared with reference to other key legislation including:

- The Police Reform and Social Responsibility Act (PRSA) 2011
- The Financial Management Code of Practice (FMCOP) 2012
- Local Authority Accounting Panel (LAAP) Bulletin 95
- Local Authority Accounting Panel (LAAP) Bulletin 98A
- Audit Commission Policy Briefing (APB) 04-2014

Under guidance issued since the previous guidance was issued in LAAP 95, the status of Chief Constables (CC) has changed under the PRSA 2011 (Transitional Provision) Order 2013, which permits them to apply Sections 21 and 22 of the Local Government Act 2003 (accounts) to their transactions as they would apply in relation to a local authority.

The explanatory note to the orders states that the "*... Order modifies Schedules 2 and 4 to the 2011 Act, with the effect that chief constables and the Commissioner are treated as though they were subject to various local government enactments concerning accounting practices, and particularly the charging of expenditure to a revenue account. The purpose is to ensure that staff pension liabilities are treated in accordance with accepted practices in the accounts of chief constables and the Commissioner*".

The Police Reform and Social Responsibility Act 2011 not only provided for the introduction of the two corporations sole but also provided flexibility to police bodies to put in place local arrangements as to how responsibilities and delegations would be managed between the Police and Crime Commissioner (PCC) and CC in their local areas. Consequently, it was anticipated that this might lead to significant variations in the accounts of the individual bodies due to the need to reflect their local arrangements.

The main amendment by CIPFA to the provision in LAAP 95 contained in LAAP 98A is that with all accounting transactions, Police and Crime Commissioners (and Chief Constables) need to consider the **substance of transactions in determining whether to recognise income, expenditure, assets, liabilities and reserves and not solely their legal form**. It needs to be satisfied that it is able to recognise the asset through control of future economic benefits or service potential that are expected to flow from it as a result of past events.

Although initially mandating the Principle / Agent arrangement (IFRS10) adopted successfully by the Mayor's Office and followed by the majority of forces under the stage 1 transfer of all assets and staff to PCC's upon appointment, the Audit Commission have now confirmed their support of the CIPFA approach in APB04. Although assets and staff may have transferred back to the CC under the Stage 2 arrangements as at 01.04.14, substance over form will also apply retrospectively under the stage 1 arrangements as at 31<sup>st</sup> March 2013. This means the forces that followed the Principle / agent arrangement for the 2012-13 accounts, will have to restate their accounts to reflect substance over form.

The requirements to restate the accounts for 2012-13 apply to the single entity statements of the CC and PCC and the group accounts contained in these statements. The Stage 2 transfer arrangements submitted and approved by the Home Office in March 2014, were constructed to broadly reflect the economic reality of what the CC and PCC control in terms of staff, assets and liabilities.

The Force has had to make some significant judgements as to where costs sit, and for some services this required a recharging of costs for services provided by the CC to the PCC and vice versa. Where the decisions made have a material impact on the financial statements, the PCC and CC have disclosed these as required by IAS 1 (see paragraph 3.4.2.81 of the Code).

## **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, reporting a final area / departmental under-spend of £2.58m. The force under-spent significantly in Operational areas (£0.49m) and Business Support (£0.64m), and over achieved the savings target required to balance the budget (£0.50m).

The under-spends meant the force was able to contribute £1.21m to the capital programme to support the Regional ISD Convergence Programme. The NOPCC approved carry-forwards of £1.54m for the Force, including £1.01m for the Volunteers and Specials Programme.

With the approved movements on reserves, the final outturn position was a £0.07m over spend, less than 0.1% of the net budget.

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

<b>Area/ Department</b>	<b>Over/ (Under)</b> £m
Police Pay	0.03
PCSO Pay	(0.43)
Police Pensions	(0.07)
Operational Policing (inc Specials & Volunteers)	(0.49)
Business Support Departments	(0.64)
Police and Crime Commissioner	(0.23)
Savings Target	(0.50)
Net Interest Receivable	(0.25)
<b>Sub-Total (Under) / Overspend</b>	<b>(2.58)</b>
Revenue Contribution - ISD Regional Convergence	1.21
<b>Total (Under) / Overspend</b>	<b>(1.37)</b>
Application of Carryforward Reserve	(0.61)
Application of Transformation Reserve	(0.10)
Transfer from Pensions Reserve	(0.07)
Transfer to Insurance Reserve	0.09
Transfer to Safer Roads Team Reserve	0.17
Transfer to Carryforward Reserve - Force	1.54
Transfer to Carryforward Reserve - NOPCC	0.43
<b>FINAL OUTTURN Over / (Under) Spend</b>	<b>0.08</b>

An explanation of the outturn position is aided by the segmental reporting requirement that provides a departmental analysis of the final position on page 52.

### **Comprehensive Income and Expenditure Account**

The Comprehensive Income and Expenditure Account (page 41) shows the ONPCC incurring a deficit of £45.911m, compared to a surplus of £45.965m in 2012-13. *Note 6 on page 56 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 £0.071m, by removing the statutory adjustments of £2.734m 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 £6.61m against the original agreed programme for the year of 9.52m. There were £3.77m of new approvals for the year and £6.68m of slippage into future years. A large proportion of this slippage will be required for future transformation Projects (IS Transformation Regional Project, Innovation Fund Community Hubs, Invest to Save Scheme and Mobile Data Investment).

Other key points to note during the year were the purchase of Titan House, that was agreed at a cost of £1.128m (including stamp duty). The purchase date was the 12<sup>th</sup> December 2013. The whole of Project Athena slipped for another year as the Force now seeks a collaborative solution under the Regional Justice piece of work.

Together with the NOPCC the Force finance department undertook a series of capital star chamber sessions to aid understanding and challenge the assumptions behind current forecasts, during November and December. This process resulted in the re-profiling of almost £1.75m of Capital expenditure at the three quarter year point.

The capital programme for 2014-5 was agreed at £13.905m. The additional slippage in quarter 4 (£2.71m) means that the 2014-15 programme will now total £16.61m.

The force will be required to borrow £17.71m over the next 2 years (£23.58m over 4 years). Based on the current proposed capital programme and current forecast interest rates on PWLB borrowing, additional permanent interest and revenue provision charges of £1m+ will accrue by 2016-17.

### **Reserves and Balances**

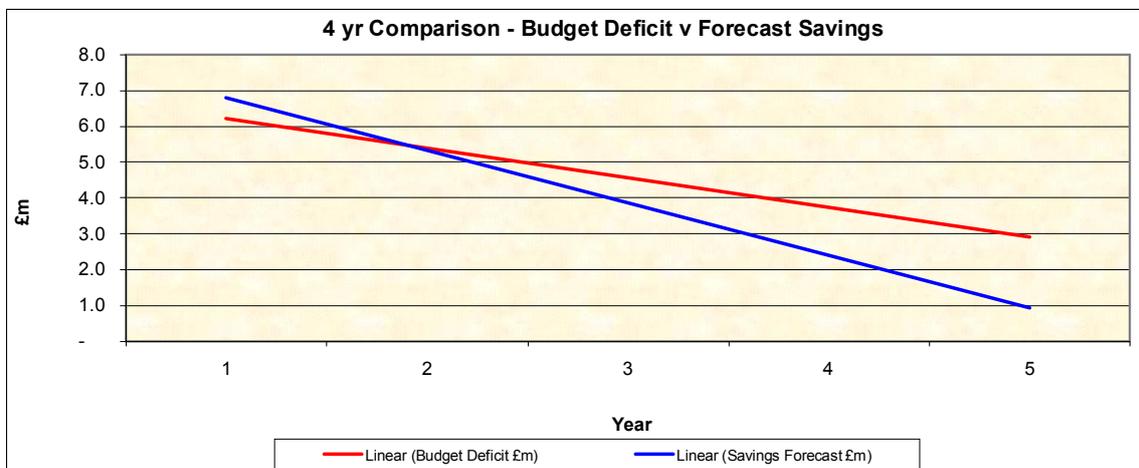
The ONPCC ended 2013-14 with reserves and balances totalling £21.02m (pages 62), a decrease of £0.84m. Which differs to the Outturn Report, as a result of statutory adjustments for Employee Benefit Provision £1.099m, the prior period accounting of which is yet to be finalised with external audit and £0.18m being a change in the required provision for insurance claims, being returned to the Insurance Reserve. The general fund balance has decreased by £0.073m to £4.06m, representing 3.31% of the forces net budget requirement as against our approved policy of between 2 and 3%. Although the total level of reserves appear high, £3.40m of the capital reserve will be used in 2013-14 to fund the capital programme, and there are £6.11m of reserves earmarked for transformation and restructuring.

### **Future Outlook**

Although modest recovery has started, the Institute for Fiscal Studies (IFS) has forecast that based on economic growth forecasts, in order to achieve its deficit reduction targets, the average reduction in public spending between 2011 and 2016 of 2.3% p.a in cash terms will be required to accelerate to 3.7% for the 3 years up to 2019.

Due to the top-slicing of grants for various central initiatives such as the College of Policing and the IPCC, the actual grant cut in 2014-15 was 4.8%, not the 3.3% announced in CSR 2013. The good news was that a ministerial statement in early January 2014 confirmed CT Grants for 2011-12 (£1.132m) and 2013-14 (£0.459m) would be rolled into base funding, meaning an improved funding position in 2016-17, when it was assumed the grants would drop out (£1.591m). Taking these savings into account and the savings plan described later, the Force current MTFs and savings plan are summarised in the table below.

		We are here →				←	← End of CSR 2010			
					-4.80%	-3.20%	-2%	-2%	-2%	
Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	TOTAL
Budget Deficit £m	2.1	3.9	3.6	3.0	5.8	6.2	4.4	3.2	3.2	22.8
Savings Forecast £m	2.4	6.4	5.2	3.0	6.1	5.8	4.5	2.4	0.5	19.3
Cumulative (surplus) / deficit	(0.3)	(2.5)	(1.7)	-	(0.3)	0.1	(0.1)	0.8	3.5	4.0



The consolidated net budget of the NOPCC and the Force for 2014-15 is £121.03m, a reduction of £1.46m. It can be seen that the force is required to save £5.8m in 2014-15 to balance the budget and £6.2m in 2015-16. There is currently no settlement beyond this but the scenario includes further 2% cash cuts (5% real terms) for the next 3 years to make up the 5 year period up to 2018-19 during which the force is expected to have to achieve savings of £22.8m.

## Investment

Nearly 80% the expenditure in the next 2 years will be in **3 key areas.**

### 21<sup>st</sup> Century Estate

The programme includes proposals for £13.0m of expenditure on the 21<sup>st</sup> Century Estate Programme. This includes £5.2m on the already approved Police Investigation Centre (PIC) in the North of the County and £7.8m of further Estates investment, including £5.5m for a Northern Accommodation Option.

A business case is being developed for the Estate that will include an Estates scenario master-plan. The strategy is inextricably linked to agile working and mobile data investment. It will include proposals for the whole of the Estate, integrated with the Fire and Rescue Service (FRS). In the meantime, the fall back option of the Northern Accommodation option, agreed with the NOPCC in the Estates Programme Board is included in the programme.

The Estates Programme Board also agreed to facilitate the northern accommodation solution by entering into negotiations to purchase available land adjacent to the PIC site and therefore secured an option to purchase the land. The Force and NOPCC have agreed to exercise the option.

## **Agile Working (Business Case approved)**

The capital programme also includes proposals to invest £3.12m in Mobile Data Technology over the next 4 years. The investment will be focused on enabling flexible (agile) and field working through the use of laptops and tablet devices, as well as the use of thin client desktop technology. Efficiency savings from an increase in visible officer time and cashable savings in desktop replacement and estates running costs are identified in the full Business case.

## **Replacement of Crime, Custody and Case Systems**

A reassessment of the delivery timescales for Project Athena resulted in further slippage in this project. All of the expenditure (£2.89m) is now expected in 2015-16 and 2016-17. This is now an area of business where the three Force and OPCC board have commissioned work on looking to move to a single operational IT platform in the Region.

## **Innovation Fund Bids**

The force has been successful in a bid for innovation funds. The Force has £300k and £900k in 2013-14 and 2014-15 for the development of Joint Police and Fire Community Hubs.

A further £300k has been secured for Process and demand modelling through Triaster and Process evolution that will allow the force to catalogue and cost all its key processes from end to end and measure any time savings in processes. The cost saved from demand prevention campaigns will be measurable and create a virtuous circle through re-investment in more prevention.

## **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](mailto:nick.alexander@northants.pnn.police.uk)
- Viewing the ONPCC website at: <http://www.northantspcc.org.uk/>

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, 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, including the management of risk, and facilitating the effective exercise of its functions.

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 21 dated 25<sup>th</sup> 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](http://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**

CIPFA in its document 'delivering good governance in local government: Guidance Note for Police' states:

*"Good governance is about how those responsible for the service ensure they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner"*

Governance comprises the systems and processes, culture and values by which the Commission is directed and controlled and the 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 Commission's Corporate Governance Framework is grounded in the *Good Governance Standards for Public Services*, which in turn build on the *Nolan Principles*. Six principles of good governance for public services are set out in the CIPFA / SOLACE Good Governance Framework:

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**

### Background

The Commissioner 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 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.

### Internal Audit's Annual Assurance Report

The Annual Report of the Internal Auditor, presented to the Audit Committee on 25<sup>th</sup> June 2014, states:

*We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Office of the Northamptonshire Police and Crime Commissioner's arrangements for risk management, control and governance.*

*In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 the Office of the Northamptonshire Police and Crime Commissioner has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.*

### Details of the Review and Conclusions

This is the Commissioner's second Annual Governance Statement.

The Commissioner's governance arrangements are intended to deliver successful delivery of the planned outcomes set out the Police and Crime Plan.

The Police and Crime Plan is focussed on prevention, change and transformation.

2013-14 has been a year of significant progress and achievement.

The Commissioner has continued to promote his vision, strengthen networks and partnerships and enhance capability across the Commission, Force and partners.

Some notable examples of progress are set out below.

The Commissioner has continued to protect uniformed Police numbers, increased the number of Special Constables and pursued greater levels of Police – Fire

integration and inter-operability. The Office of Faith Based and Community Initiatives and the Institute for Public Safety, Crime and Justice were launched and are now operational. The Commissioner has also re-designed Commissioning arrangements.

The Commissioner chairs the Local Criminal Justice Board, and is Vice-Chairman of the Health and Wellbeing Board. Following the ground breaking 'Victims Voice' exercise, plans are well advanced to create the Victims and Witness Service, from October 2014.

Regional collaboration with other PCCs and Forces has been extended; a neighbouring Force and Commission are preparing to join the Multi-Force Shared Service.

The Commissioner has approved a balanced medium term financial plan to 2018, and secured significant funding from the government's Innovation Fund.

An Estates Master Plan and a pilot scheme in part of the county to test the Commissioner's transformative proposals will also be taken forward in 2014.

Effective governance has made all this possible. Senior managers have drafted and secured approval to the governance framework in November 2012. They ensure compliance across the Commission, and junior managers' understanding has been developed through practical experience rather than formalised briefing and training. These latter approaches will be taken forward in 2014-15.

Set out below is the outcome of a review of the Commissioner's governance arrangements, cross referenced to the six principles of good governance, including proposals to strengthen further these arrangements to deliver greater success in 2014-15 and beyond.

The review considered the extent of compliance of the Commission with each of the six principles set out above, by:

- Assessing the completeness and timeliness of the formally approved documentation comprising the Commission's Corporate Governance framework;
- Confirming actions previously identified to strengthen the framework have been implemented;
- Identifying gaps and weaknesses that need to be addressed; and ensuring plans are in place so to do;
- Establishing the extent of the understanding of the framework of the managers responsible for working with it;
- Reviewing the adequacy of the assurances that are in place from both internal and external sources regarding the framework
- Assessing the extent to which success has been achieved in terms of the outcomes set out in the Police and Crime Plan

- Assessing the confidence of stakeholders in the Commission

## **Principle 1**

### **Developing and promoting the Commission's purpose and vision**

#### ***Overview***

The Commissioner's purpose is set out in statute – as noted in paragraph 1, above. His vision for Northamptonshire is set out in the Police and Crime Plan, approved in March 2013. That is currently being reviewed and a refreshed draft Plan will be shared with the Police and Crime Panel, and others, in the autumn, and thereafter formally approved by the Commissioner.

As noted last year, the current Police and Crime Plan reflected a large public consultation exercise (in terms of participants), which in turn included a large-scale youth consultation. The Plan is the bedrock underpinning the Commissioner's activity and has been widely shared internally and externally.

The aspirations set out in the Plan are the starting point for the more detailed programme and project mandates, project initiation documents and detailed delivery plans for the Transformation Portfolio considered by the Commissioner's Board for Transformation and Delivery. That Board includes representatives of key partners such as the Force, the County Council and the Fire and Rescue Service, as well as two independent non-executive directors.

Those aspirations are grounded in base-lined evidence at the time the Commissioner took office in November 2012 – such as the aim to reduce violent crime by 40%. Delivery plans are tested against the aspirations set out in the Police and Crime Plan.

A number of major activities to promulgate the Plan to the community and stakeholders, its aspirations and key objectives were undertaken during the year:

- Through the Commission's website and social media
- Force seminars
- Violent crime seminar – a call to action seminar held 21<sup>st</sup> January 2014 to enable further partnership development toward the 40% reduction target in violence. 50 key individuals invited including lead councillors, heads of service from Health and Social Care, third sector organisations and private/corporate businesses. Presented with key themes to tackle focusing on young people, domestic violence and alcohol related violence to support the Safest Place agenda.
- Commissioner speaking engagements at national, regional and local events;
- Engagement with a wide range of stakeholder groups

### ***Assessment of the completeness and timeliness of the formally approved documentation***

The Commission's formal documentation has been assessed against that suggested for this principle set out in CIPFA's document *Delivering Good Governance in Local Government* published in 2007 and the *Addendum* published in 2012.

The Commission has in place all the recommended policies and documents.

As noted above the prime document is *The Police and Crime Plan*. This is supported by a number of internal documents and processes – such as the *Commission's Action Plan*, the Chief Constable's objective setting process, the regular monitoring by the Commission of the Force's performance, and the Commission's Forward Planning process.

The recommendation to have a *Partnership Protocol* is met by the Commission's *Commissioning Protocol* and the *Local Solutions Fund*.

The Transformation Portfolio is effectively the Commission's *Resourcing Plan for Improvement and Performance Plans* and measurement of *Value for Money* are addressed through Business Cases for each programme considered by the Transformation Board, together with compliance with the Commission's Procurement Policies.

### ***Confirming actions previously identified to strengthen the framework have been implemented***

Summarised below are the actions proposed in last year's Annual Governance Statement together with the current position.

1. Establish the joint PCC-Force corporate governance group as stated in the Corporate Governance Framework.

*This has not been established as the Commissioner recognises the Commission and the Force are distinct corporations sole. So such a group is not deemed necessary, although of course officers of the Commission maintain a close and effective relationship with the appropriate senior Police officers and Police staff.*

2. Develop the future model of strategic assessment to underpin both any future refresh and the ongoing delivery of the Police and Crime Plan.

*The Commission has in place a process for strategic policy scanning, as well as a large-scale rolling programme of community consultation which is being further expanded. The process of refreshing the Police and Crime Plan is being underpinned by workshops across the Force and the Commission based on this strategic assessment and public consultation.*

3. Extend engagement with stakeholders, including through a large-scale 'Victims Voice' exercise.

*This was completed and recommendations are now being implemented.*

4. 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.

*This has been established. The Director has set up extensive networks and is currently assessing a range of bids for financial support from a wide range of faith-based and community organisations and groups to undertake activities and projects to reduce crime and increase community safety. The Office encourages creative and new approaches to crime prevention, aspiring to generate self sufficiency in the organisations it works with and supports evaluations to identify 'what works' in making communities safe.*

5. Take forward plans for youth engagement, and a strategy for rural engagement.

'Youth Circles' are one of the ways in which the Commission has engaged with younger citizens.

In May 2014 the Commission undertook 'Rural Launch' launch with the aims of promoting safety and wellbeing in rural communities. The initiative has a particular focus on improving visibility and communication and on tackling issues that matter most to those who live and work in rural areas. The profile of the initiative will be developed through engagement activity with a range of stakeholders and rural communities throughout 2014.

### **Conclusions on effectiveness governance on this principle**

The Commissioner has made a major effort to communicate his vision to the community and partners, and the Commission's strategy and planning processes are grounded in that vision and the Police and Crime Plan.

Significant progress on delivery has been achieved, although progress with key aspects of the Transformation Portfolio has been slower than originally planned.

There is a wide range of feedback and consultative mechanisms in place through which the Commissioner is informed of stakeholders' views which informs decision-making.

### **Identifying gaps and weaknesses that need to be addressed; and ensuring plans are in place so to do;**

The following actions are proposed in 2014-15 to strengthen further the Commissions' governance arrangements:

1. Refresh the Police and Crime Plan – by the Autumn of 2014;
2. Publish a separate Medium Term Financial Plan [MTFP] for the Commission as distinct from the overall MTFP for the Commission and Force;

## **Principle 2**

### **Leaders, officers and partners working together towards a common purpose**

#### ***Overview***

Effective relationships with the Force were strengthened further in the year – for example performance monitoring arrangements were improved, and two non Executive Directors joined the Commissioner’s Board for Transformation and Delivery.

The Commissioner has been a strong advocate of closer regional collaboration with neighbouring Commissions / Forces and the Commission is now working closely with two East Midlands Commissions to explore the benefits of closer integration of back and middle office support functions.

Significant work was undertaken in 2013-14 to prepare separate HR Policies for the Commission and these will be approved shortly and become operational in 2014-15.

A new Commissioning framework was developed through which the Commission will secure priority outcomes through working with a wide range of partner organisations.

#### ***Assessment of the completeness and timeliness of the formally approved documentation***

Appropriate formal documentation as suggested by CIPFA is in place.

#### ***Confirming actions previously identified to strengthen the framework have been implemented***

1. Further develop the commissioning framework ahead of commissioning victims' services in 2014;

##### *Implemented*

2. 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

*Significant progress made in regional context on back and middle office; and through the launch of the Office for Faith Based and Community Initiatives and the Institute for Public safety, Crime and Justice*

3. Through discussions with partners, and particularly with the Fire Service, better integrate strategic planning processes.

*Work has continued but progress has been limited and integration of strategic planning processes has not yet been achieved. This work will continue in 2014.*

### **Conclusions on effectiveness of governance on this principle**

The Commission is seeking to deliver a wide ranging and aspirational agenda. Much of this agenda is ground breaking and has therefore required significant advocacy and negotiation at political and top management levels.

Consequently it is inevitable that partners may have different views and interpretation of vision and objectives. There have been a number of examples of mis-alignment across the agenda over the last year. A key focus in 2014-15 will be to continue to strive to clarify, sharpen and agree vision and objectives and to strengthen strategies and plans to deliver real benefits.

### **Identifying gaps and weaknesses that need to be addressed; and ensuring plans are in place so to do;**

The following actions are proposed in 2014-15 to strengthen further the Commissions' governance arrangements:

1. Strengthen the effectiveness of the Commissioner's Board for Transformation and Delivery informed by a fundamental review of all aspects of governance of the Transformation Portfolio – by Autumn 2014;

Ensure the regional initiative on middle and back office functions is effectively governed – by Autumn 2014

### **Principle 3**

### **Promoting the values of the Commission, demonstrating the values of good governance, upholding high standards of conduct and behaviour**

#### **Overview**

The Commissioner and the Chief Executive aspire to lead an organisation that is passionate about delivering real and sustainable transformational change across the Criminal Justice System, and an organisational that works day to day the highest standards of integrity.

### **Assessment of the completeness and timeliness of the formally approved documentation**

Most of the suggested documentation is in place – although the Commission has effectively been working to the Force’s Anti-fraud and Corruption policies. Those will be reviewed this year and Commission policies developed and put in place.

***Confirming actions previously identified to strengthen the framework have been implemented***

N / A

***Conclusions on effectiveness on this governance principle***

There is always room for improvement on these issues. The Commission adopts a continual questioning and self-challenging approach – for example by seeking to minimise the number of confidential items on Audit Committee agenda, continually pressing for improved governance arrangements across arrangements with partners and stakeholders and seeking to be as open as possible on information disclosure.

***Identifying gaps and weaknesses that need to be addressed; and ensuring plans are in place so to do;***

1. A new approach to the management and development of Commission staff will be developed [the Commission’s People Strategy].
2. The Chief Executive has established a new officer group within the Commission to take responsibility for improvements to the governance framework and processes and delivery of agreed changes.
3. A greater focus on Anti-fraud and Corruption, including the approval of a revised policy for the Commission.

**Principle 4**

**Taking informed and transparent decisions which are subject to effective scrutiny and risk management**

***Overview***

The Commission agreed a Scrutiny programme with the Force and the report on Performance Management was completed earlier this year. A new Chair of the Audit Committee was appointed during the year, together with two new members.

The Committee reviewed its Terms of Reference and ways of working – for example members now attend meetings of the Transformation Board and Estates Programme Board as observers; and informal meetings with officers

have been introduced. The need to strengthen Decision making protocols has been identified and this will be addressed this year. Risk management arrangements at a strategic level have been working well during 2013-14; a draft policy has been prepared and will be consulted upon in 2014.

***Assessment of the completeness and timeliness of the formally approved documentation***

The recommended documentation is in place other than a formally approved Risk Management Policy. The Commission has been working to an approach first reported to the Audit Committee in March 2013. There is a need however to put in place a formal policy.

***Confirming actions previously identified to strengthen the framework have been implemented***

1. Develop arrangements to publish a public forward notice system of key decisions regarding which the public can engage.

*This will be taken forward in 2014.*

2. Develop the proposed Police Crime and Justice Institute which will provide an enhanced model for developing consultative activity and research to build community insight, with that model of delivery enhancing the independence of such process.

*Done – the formal launch of the Institute for Public Safety, Crime and Justice was on 29<sup>th</sup> April 2014.*

***Conclusions on effectiveness on this governance principle***

The effectiveness of the Commission improved significantly during the year, but is not yet fully mature.

***Identifying gaps and weaknesses that need to be addressed; and ensuring plans are in place so to do;***

1. Audit Committee Terms of Reference will be reviewed at the meeting of the Committee in June 2014, and recommendations will be made to the Commissioner and Chief Constable for approval;
2. A formal Risk Management policy will be developed and approved during 2014;
3. Further work to develop a comprehensive 'Assurance Map' will be shared with the Audit Committee during 2014.

## **Principle 5**

### **Developing the capacity and capability of the Commission to be effective**

#### **Overview**

This principle is focussed on the building both internal and external capacity and capability to take forward the Commission's agenda.

Good progress has been made – the Institute and the Office for Faith Based and Community Initiatives [OFBCI] are now operational; the Commissioner and Chief Constable agreed to the creation of a joint Communications team, two non-Executive directors were appointed to the Transformation Board, and Audit Committee members act as Observers on key Boards relating to the transformation agenda.

The Commission has developed a wide ranging network of stakeholder arrangements which both inform his strategies and provide opportunities to promulgate his vision and plans. These arrangements include Youth Circles, the OFBCI Advisory Group, a number of Independent Advisory Groups, representative of specific communities, and a wider programme of public consultation including specific themed consultations on issues such as online risk and exploitation etc.

The Chief Executive has reviewed and strengthened internal management arrangements designed to increase focus and coherence of effort across the Commission, and further improvements will be taken forward in 2014.

There remains a need to develop and implement a formal Training, Development and Succession Plan, and Induction Programme for the Commission.*n.*

#### **Assessment of the completeness and timeliness of the formally approved documentation**

The Commission does not currently have in place a formal Training, Development and Succession Plan, nor a formal Induction Programme.

#### **Confirming actions previously identified to strengthen the framework have been implemented**

1. Review the Commission's HR policies, including Whistle Blowing policy and learning and development strategy;

*Significant work was undertaken to develop a comprehensive range of HR policies for the Commission. These have been consulted upon and will be approved and implemented in 2014. A Whistle Blowing Policy was published in July 2013.*

### ***Conclusions on effectiveness on this governance principle***

The Commission has made very significant progress in 2013-14; but effectiveness can be further enhanced through more formally approved and implemented strategies of making best use of its staff, as noted above.

### ***Identifying gaps and weaknesses that need to be addressed; and ensuring plans are in place so to do;***

1. Develop a comprehensive "People Strategy", embracing Training, Development and Succession Planning, and a formal Induction Programme.

### **Principle 6**

### **Engaging with local people and other stakeholders to ensure robust public accountability**

#### ***Overview***

The Commissioner is ultimately accountable to the public. He has set out his vision and aspirations and priorities in the Police and Crime Plan, which was widely consulted upon across stakeholders. He provides regular reports on progress to the Police and Crime Panel, and as noted above the Commission has in place and continues to develop a wide range of stakeholder networks and use of the widest possible range of media channels to engage and inform.

The Commissioner strives to take decisions using high quality relevant information in a transparent manner to reduce risk and deliver value for money.

The Commission is a new entity in the public policy and service landscape and both the Commission and stakeholders continue to explore and better understand their respective spheres of influence and to develop more effective working relationships.

### ***Assessment of the completeness and timeliness of the formally approved documentation***

The formally approved Police and Crime Plan is in place. The Commissioner published his *Decision Making Policy* on 25<sup>th</sup> April 2013.

The *Transparency Index* on the Commission's website gives links to a comprehensive range of documentation including the *Decision Making Policy*.

### ***Confirming actions previously identified to strengthen the framework have been implemented***

N / A

**Conclusions on effectiveness on this governance principle** The formal infrastructure and documentation has now been established. Effectiveness in the future will be further enhanced through improving further key relationships with stakeholders through the leadership of the Commissioner and his staff.

**Identifying gaps and weaknesses that need to be addressed; and ensuring plans are in place so to do;**

1. Develop further the leadership capacity of the Commission in conjunction with the over-arching People Strategy [noted above]

## **5 Significant governance issues**

It is proposed over the coming year to further enhance the Commission's governance arrangements through the actions set out above, which for convenience are set out below:

### Principle 1

- a. Refresh the Police and Crime Plan – by the Autumn of 2014;
- b. Publish a separate Medium Term Financial Plan [MTFP] for the Commission as distinct from the overall MTFP for the Commission and Force;

### Principle 2

- c. Strengthen the effectiveness of the Commissioner's Board for Transformation and Delivery informed by a fundamental review of all aspects of governance of the Transformation Portfolio – by Autumn 2014;
- d. Ensure the regional initiative on middle and back office functions is effectively governed – by Autumn 2014

### Principle 3

- e. A new approach to the management and development of Commission staff will be developed [the Commission's People Strategy].
- f. The Chief Executive has established a new officer group within the Commission to take responsibility for improvements to the governance framework and processes and delivery of agreed changes.
- g. A greater focus on Anti-fraud and Corruption, including the approval of a revised policy for the Commission.

### Principle 4

- h. Audit Committee Terms of Reference will be reviewed at the meeting of the Committee in June 2014, and recommendations will be made to the Commissioner and Chief Constable for approval;

- i. A formal Risk Management policy will be developed and approved during 2014;
- j. Further work to develop a comprehensive 'Assurance Map' will be shared with the Audit Committee during 2014.

#### Principle 5

- k. Develop a comprehensive "People Strategy", embracing Training, Development and Succession Planning, and a formal Induction Programme.

#### Principle 6

- l. Develop further the leadership capacity of the Commission in conjunction with the over-arching People Strategy [noted above]

### **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. 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) for Northamptonshire Police Force

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 2014, including plans for financial year 2014/15.

### 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](http://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.

Throughout the period the organisation also ensured that its management arrangements conformed with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010) and its assurance arrangements are in line with the CIPFA statement on the Role of the Chief Internal Auditor (2010). This also includes having effective arrangements in place for the function of the Monitoring Officer.

### 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 2014 and up to the date of approval of the Statement of Accounts.

### **3. THE GOVERNANCE FRAMEWORK**

For the period of 1<sup>st</sup> April 2013 until 31 March 2014 Northamptonshire Police 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 Joint Audit Committee oversees the governance arrangements to ensure robustness and transparency of the frameworks.

**Our vision is:**

***"To Make Northamptonshire the Safest Place in the Country"***

#### **Objectives and Targets**

The Police and Crime plan published in March 2013, set out the strategy for policing the area and the vision for Northamptonshire Police Force. The strategic outcomes we desire are:

- **A reduction of at least 40% in violent crime**
- **There will be a focus on eradicating drugs and reducing acquisitive crime**
- **Anti-social behaviour will be robustly and intelligently tackled**
- **Northamptonshire will have a more visible police force**
- **Northamptonshire will be a secure place**
- **Northamptonshire will have the safest roads**

These outcomes enabled the Force to focus our resources on the key strategic themes:

- Reducing all Crime
- Increase our resolution rate
- Reduce Violence against the person
- Reduce Serious and Acquisitive crime volumes
- Protecting Vulnerable People

#### **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.
- **Aspire Board** is chaired by the Deputy Chief Constable and has oversight of the transformational change programmes in the Force.
- **Interoperability Board** is chaired by the Assistant Chief Constable, to deliver the integration of the force and Northamptonshire Fire and Rescue, improving our service to our community.

Her Majesty's Inspectorate of Constabulary (HMIC) also continuously monitors the force performance against other forces and carries out inspections of the force for themes agreed with the Home Secretary.

### **Measuring the quality of services for users**

The ONPCC 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. The corporate risk register is presented to the Chief Officer Group on a quarterly basis, for discussion and awareness, and at every meeting of the Joint Audit Committee for independent oversight and assurance.

### **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 the ONPCC.

#### **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 regularly to discuss finance, budget planning, the Force change programme, 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.

During 2013-14 the Force had 8 assurance reviews of which 6 gave us substantial or reasonable assurances of control and 2 gave only some assurance. These will be the areas of improvement for 2014/15. 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;

- Continuing to embed the Force-wide risk register that takes account of Corporate Scoring methodologies and seeks to analyse significant risks to Force strategies and policies;
- Improve the control mechanism in Detained (Seized) and found property
- Work with the East Midlands region to ensure the Governance and financial framework is improved
- Ensure pension procedures are robust and new legislation is adhered to
- Have thorough review of the governance arrangement within force to they are able to support the strategic direction of the force in a more timely fashion.

Officers and staff employed by the force are expected to adhere to the highest standards of conduct and personal behaviour. The requirements of officers are set out in Schedule 2 of the Police (Conduct) Regulations 2012. The requirements of Police staff are set out in the Police Staff Council Standards of Professional Behaviour document.

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 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.

The governance between the Force and the ONPCC has continued to be refined as has the Force framework to ensure the governance remains robust and effective. This has included the Scheme of Consent and a review of leadership and membership of all strategic meetings, and the outcomes being achieved by the Force.

For 2013-14 Baker Tilley (internal audit) concluded:

"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Northamptonshire Police arrangements for risk management, control and governance.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 Northamptonshire Police has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives."

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 2013-14

There have been no significant governance issues during 2013-14. However, the Force will continually try to improve the governance framework both within the Force and the linking into the ONPCC, and the regional governance framework.



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Mr Adrian Lee  
Chief Constable of Northamptonshire Police Force



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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.

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

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

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

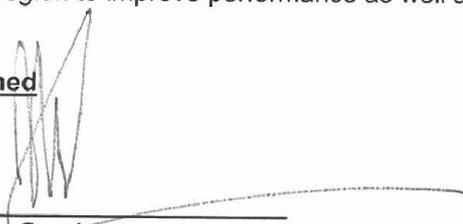
A budget is approved each year at the EMPCC's Board which defines the expenditure targets for each area of policing within regional collaboration. Each force actively supports the budget allocation and sets its own precept accordingly.

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. Monthly expenditure reports are shared across the region to provide each force with visibility over expenditure to date and projected outturn position.

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

The EMPCC'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



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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 2014.

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 2013-14.

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 2014 and the income and expenditure for the year ended 31 March 2014.

Adam Simmonds  
Police and Crime Commissioner

John Neilson  
Assistant Commissioner for Resources Office  
of Northamptonshire PCC

Date: 26<sup>th</sup> September 2014

Date: 26<sup>th</sup> September 2014

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**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2014 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 43 to the accounts gives a separate breakdown of these entries.

	2012-13			2013-14		
	Restated Gross Exp £'000	Gross Income £'000	Net Expenditure £'000	Gross Exp £'000	Gross Income £'000	Net Expenditure £'000
Local Policing	469	(465)	4	1,609	(1,543)	66
Dealing with the public	66	(66)	0	91	(87)	4
CJ Arrangements	87	(87)	0	127	(122)	5
Road policing	57	(57)	0	148	(142)	6
Specialist operations	601	(502)	99	207	(198)	9
Intelligence	313	(344)	(31)	109	(105)	4
Investigations	1,855	(1,606)	249	961	(922)	39
Investigative support	33	(32)	1	22	(21)	1
National policing (Including Counter Terrorism)	32	(32)	0	31	(29)	2
<b>Cost of Services</b>	<b>3,513</b>	<b>(3,191)</b>	<b>322</b>	<b>3,305</b>	<b>(3,169)</b>	<b>136</b>
Non Distributed Costs	19	0	19			
ONPCC / Police & Crime Commissioner	865	(1,396)	(531)	2,757	(981)	1,776
<b>Net Cost of Service</b>	<b>4,397</b>	<b>(4,587)</b>	<b>(190)</b>	<b>6,062</b>	<b>(4,150)</b>	<b>1,912</b>
Other Operating Expenditure			125			688
Financing & Investment Income & Expenditure			(27)			83
Taxation & Non-Specific Grant Income			(7,451)			(2,835)
<b>(Surplus)/ Deficit on Provision of Services</b>			<b>(7,543)</b>			<b>(152)</b>
Revaluation (Gains)/Losses and Impairment Losses on property, plant and equipment			0			2,547 5*
Actuarial (Gains)/Losses on Pension Assets/ Liabilities			259			291
<b>TOTAL COMPREHENSIVE (INCOME) /EXPENSE FOR THE PERIOD</b>			<b>(7,284)</b>			<b>2,691</b>

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2014 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 43 to the accounts gives a separate breakdown of these entries.

	2012-13			2013-14		
	Restated Gross Exp £'000	Gross Income £'000	Net Expenditure £'000	Gross Exp £'000	Gross Income £'000	Net Expenditure £'000
Local Policing	60,510	(10,069)	50,441	63,850	(11,145)	52,705
Dealing with the public	8,554	(410)	8,144	7,353	(629)	6,724
CJ Arrangements	11,283	(1,017)	10,266	10,344	(880)	9,464
Road policing	7,366	(1,999)	5,367	5,286	(1,025)	4,261
Specialist operations	7,794	(1,330)	6,464	7,738	(1,431)	6,307
Intelligence	5,719	(924)	4,795	5,812	(755)	5,057
Investigations	30,158	(5,080)	25,078	40,169	(6,657)	33,512
Investigative support	4,214	(106)	4,108	3,903	(154)	3,749
National policing (Including Counter Terrorism)	4,158	(2,290)	1,868	1,413	(212)	1,201
<b>Cost of Services</b>	<b>139,756</b>	<b>(23,225)</b>	<b>116,531</b>	<b>145,868</b>	<b>(22,888)</b>	<b>122,980</b>
Non Distributed Costs	539	0	539	2	0	2
ONPCC / Police & Crime Commissioner	865	(1,396)	(531)	2,757	(981)	1,776
<b>Agrees to Net Cost of Service Subjective Analysis</b>	<b>141,160</b>	<b>(24,621)</b>	<b>116,539</b>	<b>148,627</b>	<b>(23,869)</b>	<b>124,758</b>
Other Operating Expenditure			605			1,240
Financing & Investment Income & Expenditure			41,660			43,529
Taxation & Non-Specific Grant Income			(120,699)			(122,169)
<b>(Surplus)/ Deficit on Provision of Services</b>			<b>38,105</b>			<b>47,358</b>
Revaluation (Gains)/Losses and Impairment Losses on property, plant and equipment			(50)			1,159
Actuarial (Gains)/Losses on Pension Assets/ Liabilities			103,116			(36,403)
<b>TOTAL COMPREHENSIVE (INCOME) /EXPENSE FOR THE PERIOD</b>			<b>141,171</b>			<b>12,114</b>

## BALANCE SHEET AS AT 31 MARCH 2013

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 2013-14 financial year instead of dealing with day-to-day transactions within that financial year.

31 Mar 2013			31 Mar 2014	
OPCC £'000	Group £'000	Note	OPCC £'000	Group £'000
		<b>Non-current assets:</b>		
42,813	42,813	Property, Plant and Equipment (PPE)	19 41,436	41,436
0	0	Investment Property	0	0
4,895	4,895	Intangible Assets	24 4,393	4,393
0	0	Assets Held for Sale	21 0	0
11	11	Long Term Investments	11	11
0	1	Joint Arrangements – Intangible	24 0	0
0	969	Joint Arrangements–PPE	47 0	358
<b>47,719</b>	<b>48,689</b>	<b>Total non-current assets</b>	<b>45,840</b>	<b>46,198</b>
		<b>Current assets:</b>		
408	408	Inventories	28 574	574
14,818	14,818	Short Term Investments	7,558	7,558
6,131	6,131	Short Term Debtors	27 8,338	6,573
13,107	13,107	Cash and cash equivalents	34 15,815	15,815
0	419	Cash and cash equivalents - within Joint Venture	47 0	665
0	439	Current Assets within Joint Venture	47 0	358
0	0	Assets Held for Sale	21 140	140
<b>34,464</b>	<b>35,322</b>	<b>Total current assets</b>	<b>32,425</b>	<b>31,683</b>
		<b>Current liabilities</b>		
(1,674)	(1,674)	Cash and cash equivalents	34 (62)	(62)
(1,499)	(1,499)	Short Term Borrowings	40 (3,000)	(3,000)
(12,984)	(12,984)	Short Term Creditors	29 (12,723)	(12,887)
(338)	(338)	Provisions	28 (468)	(468)
0	(603)	Current Liability within Joint Venture	47 0	(527)
<b>(16,495)</b>	<b>(17,098)</b>	<b>Total current liabilities</b>	<b>(16,253)</b>	<b>(16,944)</b>
<b>65,688</b>	<b>69,913</b>	<b>Total assets less current liabilities</b>		
		<b>Non-current liabilities:</b>		
0	0	Long Term Creditors	0	0
(4,300)	(4,300)	Long Term Borrowings	40 (1,300)	(1,300)
(1,461)	(1,009,208)	Other Long Term Liabilities	39 (1,807)	(1,018,348)
0	0	Capital Grants Receipts in Advance		
<b>(5,761)</b>	<b>(1,013,508)</b>	<b>Total non-current liabilities</b>	<b>(3,107)</b>	<b>(1,019,648)</b>
<b>61,226</b>	<b>(946,595)</b>	<b>Net Assets</b>	<b>58,905</b>	<b>(958,709)</b>
(14,982)	(14,982)	Usable Reserves	17 (17,623)	(17,623)
(6,880)	(6,880)	Usable Reserves - Capital Reserve	17 (3,400)	(3,400)
(39,364)	969,683	Unusable Reserves	18 (37,882)	980,586
0	(930)	Joint Venture Unusable Reserves	47 0	(305)
0	(296)	Joint Venture Usable Reserves	47 0	(549)
<b>(61,226)</b>	<b>946,595</b>	<b>TOTAL Reserves</b>	<b>(58,905)</b>	<b>958,709</b>

## OPCC MOVEMENT IN RESERVES STATEMENT 2013-14

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 2013-14

	Restated General Fund Balance £'000	Earmarked General Fund Balance £'000	Earmarked Capital Reserve £'000	Capital Receipts Unapplied £'000	Total Usable Reserves £'000	Capital Adjustment Account £'000	Fund Adjustment Account(CFAA) £'000	Collection Revaluation Reserve £'000	Pension Reserve £'000	Total Unusable Reserves £'000	Total ONPCC Reserves £'000
<b>Opening Balance as at 1<sup>st</sup> April 2012</b>	<b>(3,530)</b>	<b>(6,884)</b>	<b>(11,045)</b>	<b>0</b>	<b>(21,459)</b>	<b>(23,863)</b>	<b>(321)</b>	<b>(12,892)</b>	<b>1,148</b>	<b>(35,928)</b>	<b>(57,387)</b>
(Surplus)/ Deficit on provision of Services	(4,097)	0	0	0	(4,097)	0	0	0	0	0	(4,097)
Other Comprehensive (Income) & Expenditure					0			259	259	259	259
<b>Total Comprehensive (Income) &amp; Expenditure</b>	<b>(4,097)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,097)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>259</b>	<b>259</b>	<b>(3,838)</b>
Adjustment between accounting basis & funding basis under regulation( <b>note 6</b> )	(471)	0	0	0	(471)	329	87	55	471	0	0
<b>Net (Increase)/ Decrease before Transfer to Earmarked Reserves</b>	<b>(4,568)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,568)</b>	<b>329</b>	<b>87</b>	<b>0</b>	<b>314</b>	<b>730</b>	<b>(3,838)</b>
Transfer to/ (from) Earmarked Reserves ( <b>Note 18</b> )	3,962	(3,962)	4,165	0	4,165	(4,500)	0	335	0	(4,165)	0
<b>(Increase)/ Decrease in 2012- 13</b>	<b>(606)</b>	<b>(3,962)</b>	<b>4,165</b>	<b>0</b>	<b>(403)</b>	<b>(4,171)</b>	<b>87</b>	<b>335</b>	<b>314</b>	<b>(3,435)</b>	<b>(3,838)</b>
<b>Balance as at 31 Mar 2013 carried forwards</b>	<b>(4,136)</b>	<b>(10,846)</b>	<b>(6,880)</b>	<b>0</b>	<b>(21,862)</b>	<b>(28,034)</b>	<b>(234)</b>	<b>(12,557)</b>	<b>1,462</b>	<b>(39,363)</b>	<b>(61,225)</b>
<b>Opening Balance as at 1<sup>st</sup> April 2013</b>											
(Surplus)/ Deficit on provision of Services	877	0	0	0	877	0	0	0	0	0	877
Other Comprehensive (Income) & Expenditure	0	0	0	0	0	1,154	0	0	291	2,838	2,838
<b>Total Comprehensive (Income) &amp; Expenditure</b>	<b>877</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>877</b>	<b>1,154</b>	<b>0</b>	<b>0</b>	<b>291</b>	<b>2,838</b>	<b>2,321</b>
Adjustment between accounting basis & funding basis under regulation( <b>note 6</b> )	(3,518)				(2,124)		2,337	(269)		56	2,124
<b>Net (Increase)/ Decrease before Transfer to Earmarked Reserves</b>	<b>(2,641)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,641)</b>	<b>4,884</b>	<b>(269)</b>	<b>0</b>	<b>347</b>	<b>4,962</b>	<b>4,884</b>
Transfer to/ (from) Earmarked Reserves ( <b>Note 18</b> )	2,718	(2,718)	3,480		3,480	(5,988)		2,508		(3,480)	(7,381)
<b>(Increase)/ Decrease in 2013- 14</b>	<b>77</b>	<b>(2,718)</b>	<b>3,480</b>	<b>0</b>	<b>839</b>	<b>(1,103)</b>	<b>(269)</b>	<b>2,508</b>	<b>347</b>	<b>(2,497)</b>	<b>2,321</b>
<b>Balance as at 31 Mar 2013 carried forwards</b>	<b>(4,059)</b>	<b>(13,564)</b>	<b>(3,400)</b>	<b>0</b>	<b>(21,023)</b>	<b>(29,137)</b>	<b>(503)</b>	<b>(10,049)</b>	<b>1,809</b>	<b>(30,531)</b>	<b>(58,904)</b>

## GROUP MOVEMENT IN RESERVES STATEMENT 2013-14

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 2013-14

	Restated General Fund	Earmarked General Fund	Joint Venture Reserves	Earmarked Capital Reserve	Capital Receipts Unapplied	Total Usable Reserves	Employee Benefit Reserve	Capital Adjustment Account	Collection Fund Adjustment(CFAA)	Revaluation Reserve	Pension Reserve	Joint Venture Capital Adjustment Account	Unusable Reserves	Re
	Balance £'000	Balance £'000	£'000	£'000	£'000	£'000							£'000	
<b>Opening Balance as at 1<sup>st</sup> April 2012</b>	<b>(3,530)</b>	<b>(6,884)</b>	<b>(255)</b>	<b>(11,045)</b>	<b>0</b>	<b>(21,714)</b>	<b>1,300</b>	<b>(23,863)</b>	<b>(321)</b>	<b>(12,892)</b>	<b>863,902</b>	<b>(988)</b>	<b>827,138</b>	<b>863,902</b>
(Surplus)/ Deficit on provision of Services	38,038	0	67	0	0	38,105	0	0	0	0	0	0	0	0
Other Comprehensive (Income) & Expenditure						0					103,116	(50)	103,066	103,066
<b>Total Comprehensive (Income) &amp; Expenditure</b>	<b>38,038</b>	<b>0</b>	<b>67</b>	<b>0</b>	<b>0</b>	<b>38,105</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>103,116</b>	<b>(50)</b>	<b>103,066</b>	<b>103,066</b>
Adjustment between accounting basis & funding basis under regulation( <b>note 6</b> )	(42,606)		(108)			(42,714)		329	87		42,190	108	42,714	42,714
<b>Net (Increase)/ Decrease before Transfer to Earmarked Reserves</b>	<b>(4,568)</b>	<b>0</b>	<b>(41)</b>	<b>0</b>	<b>0</b>	<b>(4,609)</b>	<b>0</b>	<b>329</b>	<b>87</b>	<b>0</b>	<b>145,306</b>	<b>58</b>	<b>145,780</b>	<b>145,780</b>
Transfer to/ (from) Earmarked Reserves ( <b>Note 18</b> )	3,962	(3,962)	0	4,165	0	4,165	0	(4,500)	0	335	0	0	(4,165)	(4,165)
<b>(Increase)/ Decrease in 2012- 13</b>	<b>(606)</b>	<b>(3,962)</b>	<b>(41)</b>	<b>4,165</b>	<b>0</b>	<b>(444)</b>	<b>0</b>	<b>(4,171)</b>	<b>87</b>	<b>335</b>	<b>145,306</b>	<b>58</b>	<b>141,615</b>	<b>141,615</b>
<b>Balance as at 31 Mar 2013 carried forwards</b>	<b>(4,136)</b>	<b>(10,846)</b>	<b>(296)</b>	<b>(6,880)</b>	<b>0</b>	<b>(22,158)</b>	<b>1,300</b>	<b>(28,034)</b>	<b>(234)</b>	<b>(12,557)</b>	<b>1,009,208</b>	<b>(930)</b>	<b>968,753</b>	<b>968,753</b>
<b>Opening Balance as at 1<sup>st</sup> April 2013</b>														
(Surplus)/ Deficit on provision of Services	46,994	0	366	0	0	47,360	0	0	0	0		6	47,366	47,366
Other Comprehensive (Income) & Expenditure								1,153			(36,403)		(33,851)	(33,851)
<b>Total Comprehensive (Income) &amp; Expenditure</b>	<b>46,994</b>	<b>0</b>	<b>366</b>	<b>0</b>	<b>0</b>	<b>47,360</b>	<b>0</b>	<b>1,153</b>	<b>0</b>	<b>0</b>	<b>(36,403)</b>	<b>6</b>	<b>(33,851)</b>	<b>(33,851)</b>
Adjustment between accounting basis & funding basis under regulation( <b>note 6</b> )	(49,005)	0	(610)	0	0	(49,615)	0	3,731	0	0	45,543	610	48,221	48,221
<b>Net (Increase)/ Decrease before Transfer to Earmarked Reserves</b>	<b>(2,012)</b>	<b>0</b>	<b>(244)</b>	<b>0</b>	<b>0</b>	<b>(2,256)</b>	<b>0</b>	<b>4,883</b>	<b>0</b>	<b>0</b>	<b>9,140</b>	<b>616</b>	<b>14,370</b>	<b>14,370</b>
Transfer to/ (from) Earmarked Reserves ( <b>Note 18</b> )	2,089	(2,718)	(9)	3,480	0	2,842	629	(5,998)	(269)	2,508	0	9	(2,842)	(2,842)
<b>(Increase)/ Decrease in 2013- 14</b>	<b>77</b>	<b>(2,718)</b>	<b>(253)</b>	<b>3,480</b>	<b>0</b>	<b>586</b>	<b>1,929</b>	<b>(1,104)</b>	<b>(269)</b>	<b>2,508</b>	<b>9,140</b>	<b>625</b>	<b>11,528</b>	<b>11,528</b>
<b>Balance as at 31 Mar 2013 carried forwards</b>	<b>(4,059)</b>	<b>(13,564)</b>	<b>(549)</b>	<b>(3,400)</b>	<b>0</b>	<b>(21,572)</b>	<b>1,929</b>	<b>(29,139)</b>	<b>(503)</b>	<b>(10,049)</b>	<b>1,018,348</b>	<b>(305)</b>	<b>980,281</b>	<b>980,281</b>

## OPCC CASH FLOW STATEMENT 2013-14

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.

	<b>2012-13</b>	<b>2013-14</b>
	<b>£'000</b>	<b>£'000</b>
<b>OPERATING ACTIVITIES</b>		
		<b>(Note 36)</b>
Taxation	(73,326)	(76,542)
Grants	(45,235)	(45,104)
Sales of goods and rendering of services	(196)	(182)
Interest received	(267)	(182)
Other receipts from operating activities	0	0
<b>Cash inflows generated from operating activities (sub-total)</b>	<b>(119,024)</b>	<b>(122,010)</b>
Cash paid to and on behalf of employees	4,281	1,401
Cash paid to suppliers of goods and services	1,055	1,367
Interest paid	205	199
Other payments for operating activities	101,828	115,131
Cash outflows generated from operating activities (sub-total)	<b>107,369</b>	<b>118,099</b>
<b>Net cash flows from operating activities</b>	<b>(11,655)</b>	<b>(3,912)</b>
<b>INVESTING ACTIVITIES</b>		
		<b>(Note 37)</b>
Purchase of property, plant and equipment, investment property and intangible assets	8,352	6,608
Purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, Joint Arrangements and subsidiaries)	4,434	(7,259)
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(184)	(131)
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	(1,349)	(1,125)
<b>Net cash flows from investing activities</b>	<b>11,133</b>	<b>(1,907)</b>
<b>FINANCING ACTIVITIES</b>		
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	1,499
Other payments for financing activities	0	0
<b>Net cash flows from financing activities</b>	<b>0</b>	<b>1,499</b>
<b>Net (increase) or decrease in cash &amp; cash equivalents</b>	<b>(522)</b>	<b>(4,320)</b>
Cash & Cash Equivalents at beginning of period	<b>(Note 33)</b> 10,911	11,433
Cash & Cash Equivalents at end of period	<b>(Note 33)</b> 11,433	15,753

## GROUP CASH FLOW STATEMENT 2013-14

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.

	<b>2012-13</b>	<b>2013-14</b>
	<b>£'000</b>	<b>£'000</b>
<b>OPERATING ACTIVITIES</b>		
	<b>(Note 34)</b>	
Taxation	(73,326)	(76,541)
Grants	(61,184)	(60,785)
Sales of goods and rendering of services	(11,069)	(5,288)
Interest received	(267)	(182)
Other receipts from operating activities	0	0
<b>Cash inflows generated from operating activities (sub-total)</b>	<b>(145,846)</b>	<b>(142,796)</b>
Cash paid to and on behalf of employees	112,771	114,900
Cash paid to suppliers of goods and services	20,837	23,491
Interest paid	205	199
Other payments for operating activities	0	0
Cash outflows generated from operating activities (sub-total)	<b>133,813</b>	<b>138,590</b>
<b>Net cash flows from operating activities</b>	<b>(12,033)</b>	<b>(4,206)</b>
<b>INVESTING ACTIVITIES</b>		
	<b>(Note 35)</b>	
Purchase of property, plant and equipment, investment property and intangible assets	8,352	6,608
Purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, Joint Arrangements and subsidiaries)	4,434	(7,259)
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(185)	(79)
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	(1,349)	(1,130)
<b>Net cash flows from investing activities</b>	<b>11,252</b>	<b>(1,860)</b>
<b>FINANCING ACTIVITIES</b>		
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	1,499
Other payments for financing activities	0	0
<b>Net cash flows from financing activities</b>	<b>0</b>	<b>1,499</b>
<b>Net (increase) or decrease in cash &amp; cash equivalents</b>	<b>(781)</b>	<b>(4,567)</b>
Cash & Cash Equivalents at beginning of period	<b>(Note 33)</b>	11,071
Cash & Cash Equivalents at end of period	<b>(Note 33)</b>	11,852
		16,418

# NOTES ON THE CORE FINANCIAL STATEMENTS

## 1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 45, 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 2014 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 £62k 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 £1.85m 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 £58k

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	<p>The ONPCC requested an external expert assess its liability at the end of the 2013-14 Financial Year and has made a provision of £0.160m 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 £1.715m. As none of these claims have yet been settled the extent of the liability is still unknown.</p>	<p>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 £0.05m to the provision needed.</p>
Pensions Liability	<p>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.</p>	<p>The assumptions interact in complex ways. During 2013-14, the actuaries advised that the net pension's liability had increased by £72.362m as a result of estimates being corrected as a result of experience and increased by £36.4m attributable to updating of the assumptions.</p> <p>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 £1,018.348m, being the total pension liability.</p>
Arrears	<p>At 31 March 2014, 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.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £46k to set aside as an allowance.</p>
Investments	<p>At 31 March 2014, the ONPCC held a balance of investments of £22.6m, before IFRS accounting adjustments for cash &amp; cash equivalents. A review of these investments showed they were all banking institutes that were either</p> <ul style="list-style-type: none"> <li>• Within the top 30 most secure (rating completed by Building Society's Association, ranked by group assets), or</li> <li>• Other institutes are reviewed via a matrix on Long and short term, support &amp; individual ratings.</li> </ul> <p>However, in the current economic climate other financial institutes have previously failed.</p>	<p>If one of these institutes were to fail, the maximum liability the ONPCC could face would be £8m.</p>

### 3 Events after the Balance Sheet Date

Events taking place after 30 June 2014 are not reflected within the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, 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:

All employees within 2013-14 are all Senior Officers continued within note 4, no other employees within 2013-14 met the criteria for disclosure. 2012-13 Seperates employees include within Note 4 Senior Officers

2012-13 Total	2012-13 Total Inc Senior Officers	Earnings Bands	2013-14 Police Officers	2013-14 Police Staff	2013-14 Total Employees
0	0	£50,000 to £54,999	0	2	2
1	3	£55,000 to £59,999	0	0	0
0	0	£60,000 to £64,999	0	3	3
0	0	£65,000 to £69,999	0	1	1
0	0	£70,000 to £74,999	0	0	0
0	0	£75,000 to £79,999	0	0	0
0	0	£80,000 to £84,999	0	0	0
0	0	£85,000 to £89,999	0	0	0
0	0	£90,000 to £94,999	0	0	0
0	1	£95,000 to £99,999	0	0	0
0	0	£100,000 to £104,999	0	0	0
0	0	£105,000 to £109,999	0	0	0
0	0	£110,000 to £114,999	0	0	0
0	0	£115,000 to £119,999	0	0	0
0	0	£120,000 to £124,999	0	0	0
0	0	£125,000 to £129,999	0	0	0
0	0	£130,000 to £134,999	0	0	0
0	0	£135,000 to £139,999	0	0	0
<b>0</b>	<b>4</b>	<b>Total</b>	<b>0</b>	<b>6</b>	<b>6</b>

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:

**Figures excluding Senior Officers from Note 4 continued;**

2012-13		2013-14		2013-14	2013-14
Total	Earnings Bands	Police Officers	Police Staff	Police Staff	Total Employees
39	£50,000 to £54,999	25	3		28
16	£55,000 to £59,999	7	0		7
3	£60,000 to £64,999	2	0		2
3	£65,000 to £69,999	3	0		3
1	£70,000 to £74,999	0	1		1
5	£75,000 to £79,999	1	0		1
0	£80,000 to £84,999	1	0		1
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	0		0
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
<b>67</b>	<b>Total</b>	<b>39</b>	<b>4</b>		<b>43</b>

**Figures including Senior Officers from Note 4 continued below;**

2012-13		2013-14		2013-14	2013-14
Total	Earnings Bands	Police Officers	Police Staff	Police Staff	Total Employees
39	£50,000 to £54,999	25	5		30
19	£55,000 to £59,999	7	0		7
3	£60,000 to £64,999	2	3		5
3	£65,000 to £69,999	3	1		4
1	£70,000 to £74,999	0	1		1
5	£75,000 to £79,999	1	1		2
2	£80,000 to £84,999	1	0		1
1	£85,000 to £89,999	1	0		1
0	£90,000 to £94,999	1	0		1
3	£95,000 to £99,999	0	0		0
0	£100,000 to £104,999	1	0		1
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
<b>77</b>	<b>Total</b>	<b>43</b>	<b>11</b>		<b>54</b>

**... 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:

**2013-14**

<b>Post holder information</b>	<b>Starting Date</b>	<b>Leaving Date</b>	<b>Salary including fees and Allowances</b>	<b>Bonus*</b>	<b>Expense Allowances</b>	<b>Loss of Office</b>	<b>Benefits in Kind</b>	<b>Other</b>	<b>Total Excluding Pension</b>	<b>Employers Contribution</b>	<b>Total Including Pension</b>
Adam Simmonds Police & Crime Commissioner	22/11/2012		70,000	0	310		0	0	70,310	11,900	82,210
Assistant Commissioner – Public Engagement	22/11/2012		61,305	0	412		0	0	61,717	10,422	72,139
Assistant Commissioner – Governance	22/11/2012		68,116	0	456		0	0	68,572	11,580	80,152
Assistant Commissioner – Justice	22/11/2012		70,981	0	0		0	0	70,981	12,067	83,048
Assistant Commissioner – Resources	22/11/2012		57,205	0	530		0	0	57,735	9,725	67,460
Treasurer	01/11/2002	07/02/2014	30,961	0	78	128,817	0	0	159,856	8,086	167,942
<b>Total ONPCC</b>			<b>358,568</b>	<b>0</b>	<b>1,786</b>	<b>128,817</b>	<b>0</b>	<b>0</b>	<b>489,171</b>	<b>63,780</b>	<b>552,951</b>
Adrian Lee Chief Constable	12/10/2009		133,845	0	1,419		0	10,096	145,360	32,839	178,199
Deputy Chief Constable	09/08/2010	03/02/2013	0		166		0	0	166	0	166
Deputy Chief Constable	01/02/2013		110,423		397		0	8,737	119,557	26,721	146,278
Assistant Chief Constable	01/09/2010		97,345		318		0	8,530	106,193	23,556	129,749
Assistant Chief Constable	03/06/2013		78,154	0	739		2,561	3,521	84,975	18,912	103,887
Head of Corporate Services	01/02/2001		82,695	0	2,968		0	0	85,663	14,058	99,721
<b>Total Northamptonshire Police</b>			<b>502,462</b>	<b>0</b>	<b>6,007</b>	<b>0</b>	<b>2,561</b>	<b>30,884</b>	<b>541,914</b>	<b>116,086</b>	<b>658,000</b>
<b>Total Group</b>			<b>861,030</b>	<b>0</b>	<b>7,793</b>	<b>128,817</b>	<b>2,561</b>	<b>30,884</b>	<b>1,031,085</b>	<b>179,866</b>	<b>1,210,951</b>

**2012-13**

<b>Post holder information</b>	<b>Starting Date</b>	<b>Leaving Date</b>	<b>Salary including fees and Allowances</b>	<b>Bonus*</b>	<b>Expense Allowances</b>	<b>Loss of Office</b>	<b>Benefits in Kind</b>	<b>Other</b>	<b>Total Excluding Pension</b>	<b>Employers Contribution</b>	<b>Total Including Pension</b>
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
<b>Total ONPCC</b>			<b>201,537</b>		<b>31,180</b>	<b>48,631</b>			<b>281,348</b>	<b>28,985</b>	<b>310,333</b>
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	96,377	22,376	118,753
Deputy Chief Constable	01/02/2013		18,297		118			890	19,305	4,428	23,733
Assistant Chief Constable	12/10/2009	31/01/2013	83,165		1,481			7,602	92,248	20,125	112,373
Assistant Chief Constable	01/09/2010		96,780		503			7,975	105,258	23,420	128,678
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	85,091	13,565	98,656
<b>Total Northamptonshire Police</b>			<b>564,648</b>		<b>6,098</b>		<b>3,634</b>	<b>29,905</b>	<b>604,285</b>	<b>125,794</b>	<b>730,079</b>
<b>Total Group</b>			<b>766,185</b>		<b>37,278</b>	<b>48,631</b>	<b>3,634</b>	<b>29,905</b>	<b>885,633</b>	<b>154,779</b>	<b>1,040,412</b>

\*Whilst throughout 2012-13 and 2013-14 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 Statement of Recommended Practices. 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:

<b>2013-14</b>	<b>Police &amp; Crime Commissioner</b>	<b>Chief Constable</b>	<b>Total</b>
<b>Portfolio Income and Expenditure</b>			
Fees Charges & Other Service Income	(980)	(19,717)	(20,697)
Government Grants	(2,178)	(119,421)	(121,599)
<b>Total Income</b>	<b>(3,158)</b>	<b>(139,138)</b>	<b>(142,296)</b>
Employee Expenses	1,544	110,240	111,784
Other Service Expenses	1,712	28,877	30,589
Support Service Recharge	0	0	0
<b>Total Expenditure</b>	<b>3,256</b>	<b>139,117</b>	<b>142,373</b>
<b>Net Income/ Expenditure (Surplus)/ Deficit</b>	<b>98</b>	<b>(21)</b>	<b>77</b>

**2012-13**

	<b>Police &amp; Crime Commissioner</b>	<b>Non Devolved</b>	<b>Chief Constable</b>	<b>Total</b>
<b>Portfolio Income and Expenditure</b>				
Fees Charges & Other Service Income	0	(1,396)	(20,034)	(21,430)
Government Grants	0		(122,958)	(122,958)
<b>Total Income</b>	<b>0</b>	<b>(1,396)</b>	<b>(142,992)</b>	<b>(144,388)</b>
Employee Expenses	544		113,764	114,308
Other Service Expenses	386	6,674	22,414	29,474
Support Service Recharge				
<b>Total Expenditure</b>	<b>930</b>	<b>6,674</b>	<b>136,178</b>	<b>143,782</b>
<b>Net Income/ Expenditure (Surplus)/ Deficit</b>	<b>930</b>	<b>5,278</b>	<b>(6,814)</b>	<b>(606)</b>

**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.

	<b>2013-14 £'000</b>	<b>2012-13 £'000</b>
Net Expenditure in the Portfolio Analysis	77	(606)
Net Expenditure of Services & Support Departments not included in the Analysis*	47,160	38,644
Amounts in the CIES not reported to management in the Analysis	121	0
Amounts included within the Analysis not included within the CIES	0	0
<b>(Surplus)/ Deficit on the Provision of Services</b>	<b>47,358</b>	<b>38,038</b>

\* 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
<b>2013-14</b>								
Employees - Police Pay and Allowances	65,032		3,750			68,782		68,782
Police Pensions	11,371		0			11,371		11,371
- Civilian Pay and Allowances	34,098		1,308			35,406		35,406
- Other Pay and Allowances	1,285		49			1,334		1,334
Premises	4,388		84			4,472		4,472
Transport	2,335		250			2,585		2,585
Supplies and Services	11,040		445			11,485		11,485
Agency Expenses (Third Party payments)	6,050		24			6,074		6,074
Other Expenditure	0		0			0		0
Pensions - Non Distributed Past Service Cost	0		2			2		2
Depreciation and Impairments	0		7,116			7,116		7,116
Amortisation of intangible fixed assets	0		0			0		0
Minimum Revenue Provision for Capital Financing	335		(335)			0		0
Revenue Expenditure Funded from Capital Resources	0		0			0		0
(Gain) / Loss on Disposal of Fixed Assets	(53)		741			688		688
Levies to national Police Services	552		0			552		552
Interest Payable and Similar Charges	199		0			199		199
Pensions Interest Cost and Return on Pensions Assets	0		43,512			43,512		43,512
Exceptional Item	0		0			0		0
	<b>136,632</b>	<b>0</b>	<b>56,946</b>	<b>0</b>	<b>0</b>	<b>193,578</b>	<b>0</b>	<b>193,578</b>
Service Income	(4,412)		(3,170)			(7,582)		(7,582)
Specific Grants (Including Loan Charges)	(5,572)		(375)			(5,947)		(5,947)
Home Office - Police Pensions Top Up Grant	(10,715)		0			(10,715)		(10,715)
Interest and Investment Income	(182)		0			(182)		(182)
Precept Demand on Council Tax Collection Funds	(40,915)		(269)			(41,184)		(41,184)
Council Tax income and residual community adjustment	0		0			0		0
Non domestic Rates distribution	(35,357)		0			(35,357)		(35,357)
Revenue Support Grant	0		0			0		0
General Police Grant	(44,124)		0			(44,124)		(44,124)
Revenue Contribution to Capital	2,003		(2,003)			0		0
Capital Grants & Contributions	0		(1,129)			(1,129)		(1,129)
Net Transfer to or (from) earmarked reserves	2,719		(2,719)			0		0
Income (Intra-Organisational Adjustment)								0
	<b>(136,555)</b>	<b>0</b>	<b>(9,665)</b>	<b>0</b>	<b>0</b>	<b>(146,220)</b>	<b>0</b>	<b>(146,220)</b>
<b>Surplus/ Deficit on the Provision of Services</b>	<b>77</b>	<b>0</b>	<b>47,281</b>	<b>0</b>	<b>0</b>	<b>47,358</b>	<b>0</b>	<b>47,358</b>

## Reconciliation to Subjective Analysis continued

### Comparative 2012-13 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
<b>2012-13</b>								
Employees - Police Pay and Allowances	0		64			64		64
Police Pensions	0		(100)			(100)		(100)
- Civilian Pay and Allowances	545		(140)			405		405
- Other Pay and Allowances	0		61			61		61
Premises	16		0			16		16
Transport	14		0			14		14
Supplies and Services	220		0			220		220
Agency Expenses (Third Party payments)	135		0			135		135
Other Expenditure	138,554		0			138,554		138,554
Pensions - Non Distributed Past Service Cost	0		539			539		539
Depreciation and Impairments	0		3,699			3,699		3,699
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 & Return on Pensions Assets	0		41,722			41,722		41,722
Exceptional Item	0		0			0		0
	<b>140,407</b>	<b>0</b>	<b>46,544</b>	<b>0</b>	<b>0</b>	<b>186,951</b>	<b>0</b>	<b>186,951</b>
Service Income	(4,342)		0			(4,342)		(4,342)
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			87			87		87
Non domestic Rates distribution	(27,551)		0			(27,551)		(27,551)
Revenue Support Grant	(534)		0			(534)		(534)
General Police Grant	(45,234)		0			(45,234)		(45,234)
Revenue Contribution to Capital	2,719		(2,719)			(0)		(0)
Capital Grants & Contributions			(1,348)			(1,348)		(1,348)
Net Transfer to or (from) earmarked reserves	3,962		(3,920)			42		42
Income (Intra-Organisational Adjustment)	(6,814)		0			(6,814)		(6,814)
	<b>(141,013)</b>	<b>0</b>	<b>(7,900)</b>	<b>0</b>	<b>0</b>	<b>(148,913)</b>	<b>0</b>	<b>(148,913)</b>
<b>Surplus/ Deficit on the Provision of Services</b>	<b>(606)</b>	<b>0</b>	<b>38,644</b>	<b>0</b>	<b>0</b>	<b>38,038</b>	<b>0</b>	<b>38,038</b>

## 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.

2013-14	General Fund Balance	Collection Fund Adjustment Account	Capital Grants Unapplied	Movement in Unusable Reserves
Description	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<b><u>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES)</u></b>				
Charges for depreciation and impairment of non current assets	3,872			(3,872)
Revaluation losses on Property Plant and Equipment	2,508			(2,508)
Movements in the market value of Investment Properties	0			0
Amortisation of intangible assets	735			(735)
Capital grants and contributions applied	(1,129)			1,129
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	742			(742)
Write down of deferred charges to be financed from Capital Resources				0
<b><u>Insertion of items not debited or credited to the CIES:</u></b>				
Statutory provision for the financing of capital investment	(335)			335
Capital expenditure charged against the General Fund	(2,057)			2,057
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 47)	72,593			(72,593)
Employer's pensions contributions and direct payments to pensioners payable in the year	(27,049)			27,049
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
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	(269)	269		0
<b>Adjustment involving the Accumulated Absences Account</b>				
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	633			(633)
<b>Total Adjustments</b>	<b>47,458</b>	<b>269</b>		<b>(47,727)</b>
Reconciliation of total adjustments within CIES to the ONPCC's (Surplus)/ Deficit for the Accounting Period				
Statutory Adjustments from within CIES (Opposite of above)	(47,458)			
Transfers to/ From Reserves	3,083			
ONPCC Surplus/ Deficit	(77)			
Removal Of Joint Venture (Surplus)/ Deficit	(121)			
<b>CIES/ Surplus deficit</b>	<b>47,359</b>			

## 2012-13 comparative figures

Description	General Fund Balance	Collection Fund Adjustment Account	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<b><u>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES)</u></b>				
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
<b><u>Insertion of items not debited or credited to the CIES:</u></b>				
Statutory provision for the financing of capital investment	(297)			297
Capital expenditure charged against the General Fund	(2,839)			2,839
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 47)	65,753			(65,753)
Employer's pensions contributions and direct payments to pensioners payable in the year	(23,563)			23,563
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
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
<b>Adjustment involving the Accumulated Absences Account</b>				
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)
<b>Total Adjustments</b>	<b>42,714</b>	<b>(87)</b>	<b>0</b>	<b>(42,627)</b>
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			
<b>CIES/ Surplus deficit</b>	<b>38,105</b>			

## 7 Other Operating Expenditure

Other Operating Expenditure includes levies; gains or losses on the disposal of non-current assets in the CIES for 2013-14.

2012-13			2013-14	
OPCC £'000	GROUP £'000	Description	OPCC £'000	GROUP £'000
0	0	Parish council precepts		
480	480	Levies	552	552
125	125	Gains/ losses on the disposal of non current assets	78	688
<b>605</b>	<b>605</b>	<b>Total</b>	<b>630</b>	<b>1,240</b>

## 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.

2012-13		2013-14
£'000	Description	£'000
205	Interest payable and similar charges	199
41,722	Pensions interest cost and expected return on pensions assets	43,512
(267)	Interest receivable and similar income	(182)
<b>41,660</b>	<b>Total</b>	<b>43,529</b>

## 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.

2012-13			2013-14	
OPCC £'000s	GROUP £'000	Description	OPCC £'000s	GROUP £'000
(45,775)	(45,775)	Council tax income	(41,183)	(41,183)
(27,551)	(27,551)	Non domestic rates	(26,365)	(26,365)
		Council Tax Burden Grant	(5,303)	(5,303)
(45,768)	(46,024)	Non-ring fenced government grants	(47,814)	(48,189)
(1,349)	(1,349)	Capital grants and contributions	(1,125)	(1,129)
<b>(120,443)</b>	<b>(120,699)</b>	<b>Total</b>	<b>(121,790)</b>	<b>(122,169)</b>

## 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:

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
338	Insurance Provision	160
0	Property dilapidations provisions	308
<b>338</b>	<b>Total</b>	<b>468</b>

## 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:

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
0	University of Leicester	59
420	Key Forensic Services LTD	577
133	Cellmark	177
250	LGC Forensic	240
24	Environmental Scientifics Group Ltd	72
<b>827</b>	<b>Total</b>	<b>1,124</b>

## 13 Members' Allowances

During 2013-14 a total of £11,025.08 was paid in Allowances and Reimbursements for ONPCC members (2012-13 £84,250.49)

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
83	Allowances and Re-imburements	11
1	Other Expenses (including travel)	0
<b>84</b>	<b>Total</b>	<b>11</b>

#### **14 External Audit Costs**

During the year the ONPCC incurred external audit fees for the Audit of the Accounts, amounting to £35,250 (£85,526 in 2012/2013)

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
84	Fees for External Audit	33
1	EMSOU Audit share*	1
1	NFI Audit	1
<b>86</b>	<b>Total</b>	<b>35</b>

#### **15 Grant Income**

The ONPCC credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013-14.

<b>2012-13</b>	<b>2012-13</b>	<b>Grants credited to Service Income</b>	<b>2013-14</b>
<b>OPCC</b>	<b>GROUP</b>		<b>OPCC</b>
<b>£'000</b>	<b>£'000</b>		<b>GROUP</b>
			<b>£'000</b>
	248	Counter Terrorism Grant	0
	249	Drug Intervention Programme	280
	186	Loan Charges Grant	197
	8,769	Pension Top Up Grant	10,715
	3,033	Police Community Support Officers	0
	0	Community Support Funding (CSF)	949
1,397	1,397	Council Tax Freeze Grant	1,326
0	0	Capital Grants	0
<b>1,397</b>	<b>13,882</b>	<b>Total</b>	<b>2,275</b>
			<b>13,467</b>
		<b>Other Service Income</b>	
	2,301	Partner Income	31
	2,810	Fees and Charges	2,709
	521	Sales (Third Parties)	2,625
	1,375	Reimbursements	392
	329	Agency Income	1,081
	471	Mutual Aid	88
<b>0</b>	<b>7,807</b>	<b>Total</b>	<b>31</b>
			<b>7,232</b>
	3,189	Joint Venture Income	3,170
<b>1,397</b>	<b>24,878</b>	<b>Total Income</b>	<b>2,306</b>
			<b>23,869</b>

## 16 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.

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.

The ONPCC 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 (for the part year of the defunct Police Authority).

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).

## 17 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 2013-14.

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 2012 £'000	Transfers Out 2012-13 £'000	Transfers In 2012-13 £'000	Balance at 31 March 2013 £'000	Transfers Out 2013-14 £'000	Transfers In 2013-14 £'000	Balance at 31 March 2014 £'000
<b>Earmarked General Fund:</b>							
Expenditure Transferred to Future Years	1,966	(1,966)	611	611	(611)	1,971	1,971
Insurance	1,716	0	474	2,190	(166)	429	2,453
Pensions (Ill Health and Injury Awards)	1,836	(1,200)	633	1,269	(74)	0	1,195
Copy Bureau	49	0	0	49	0	0	49
PCC Reserve	25	0	1	26	0	0	25
Safety Camera Reserve	513	(513)	447	447	0	174	621
Restructuring Reserve	0	0	4,979	4,979	0	0	4,979
Employee Benefit Reserve	779	(779)	45	45	0	1,099	1,144
Transformation Reserve	0	0	1,230	1,230	(103)	0	1,127
<b>Total</b>	<b>6,884</b>	<b>(4,458)</b>	<b>8,420</b>	<b>10,846</b>	<b>(954)</b>	<b>3,673</b>	<b>13,564</b>
General Fund Balance	3,530	0	606	4,136	(77)	0	4,059
<b>Usable Reserves - Revenue</b>	<b>10,414</b>	<b>(4,458)</b>	<b>9,026</b>	<b>14,982</b>	<b>(1,031)</b>	<b>3,673</b>	<b>17,623</b>
Future Capital Spending	11,045	(6,884)	2,719	6,880	(3,480)	0	3,400
Total Capital Reserves	11,045	(6,884)	2,719	6,880	(3,480)	0	3,400
<b>Total</b>	<b>21,459</b>	<b>(11,342)</b>	<b>11,745</b>	<b>21,862</b>	<b>(4,511)</b>	<b>3,673</b>	<b>21,023</b>
ONPCC Share of JV Reserves	255	(19)	60	296	0	253	549
<b>Total Usable Reserves</b>	<b>21,714</b>	<b>(11,361)</b>	<b>11,805</b>	<b>22,158</b>	<b>(4,511)</b>	<b>3,926</b>	<b>21,572</b>

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 2013-14 a net £1.36m was transferred in the carry-forward reserve, leaving £1.971m 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.

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 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 £1.099m was transferred into 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.

After taking account of transfers to and from reserves and the required provisions, the ONPCC generated a reduction of £0.77k that was transferred from the General Fund Balance.

## 18 Unusable Reserves

31 Mar 13		31 Mar 14
£'000	Description	£'000
(12,557)	Revaluation Reserve	(10,049)
(28,034)	Capital Adjustment Account	(29,139)
1,009,208	Pensions Reserve	1,018,348
(234)	Collection Fund Adjustment Account	(503)
1,300	Accumulated Absences Account	1,929
<b>969,683</b>	<b>Total Unusable Reserves</b>	<b>980,586</b>

### 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:

- Revalue 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

2012-13		2013-14
£'000	Description	£'000
<b>(12,892)</b>	<b>Balance at 1 April</b>	<b>(12,557)</b>
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	2,508
0	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	0
<b>(12,892)</b>		<b>(10,049)</b>
335	Difference between fair value depreciation and historical cost depreciation	0
0	Accumulated gains on assets sold or scrapped	0
0	Amount written off to the Capital Adjustment Account	0
<b>(12,557)</b>	<b>Balance at 31 March</b>	<b>(10,049)</b>

### 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.

<b>2012-13</b>	<b>Description</b>	<b>2013-14</b>
<b>£'000</b>		<b>£'000</b>
<b>(23,863)</b>	Balance at 1 April	<b>(28,034)</b>
3,698	Charges for depreciation and impairment of non current assets	6,327
0	Revaluation losses on Property, Plant and Equipment	(1,355)
812	Amortisation of intangible assets	735
0	Revenue expenditure funded from capital under statute	0
184	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	131
<b>(19,169)</b>		<b>(22,196)</b>
(335)	Adjusting amounts written out of the Revaluation Reserve	0
<b>(19,504)</b>		<b>(22,196)</b>
(1,349)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(1,125)
(4,165)	Capital Financing Applied in Year	(3,481)
(297)	Statutory provision for the financing of capital investment charged against the General Fund	(335)
0	Deferred Government Grants Amortised	0
(2,719)	Capital expenditure charged against the General Fund balances	(2,003)
<b>(28,034)</b>		<b>(29,139)</b>
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
<b>(28,034)</b>	<b>Balance at 31 March</b>	<b>(29,139)</b>

## 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.

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
<b>863,902</b>	<b>Balance at 1 April</b>	<b>1,009,208</b>
103,116	Actuarial gains or losses on pensions assets and liabilities	(36,403)
65,753	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	72,593
(23,563)	Employer's pensions contributions and direct payments to pensioners payable in the year	(27,050)
<b>1,009,208</b>	<b>Balance at 31 March</b>	<b>1,018,348</b>

#### **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.

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
(321)	<b>Balance at 1 April</b>	(234)
87	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	(269)
<b>(234)</b>	<b>Balance at 31 March</b>	<b>(503)</b>

#### **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.

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
<b>1,300</b>	<b>Balance at 1 April</b>	<b>1,300</b>
0	Settlement or cancellation of accrual made at the end of the preceding year	(1,300)
0	Amounts accrued at the end of the current year	1,929
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
<b>1,300</b>	<b>Balance at 31 March</b>	<b>1,929</b>

## Movements in 2013-14:

	Land & Buildings £'000	Vehicles £'000	Equipment & IT Equip £'000	Consolidated Joint Arrangements £'000	Assets Under Const'n £'000	Non Op Assets Assets Held for Sale £'000	Total £'000
<b>Net book Value 01 Apr 2013</b>	<b>38,854</b>	<b>2,156</b>	<b>1,103</b>	<b>968</b>	<b>698</b>	<b>0</b>	<b>43,779</b>
<b>Cost or Valuation</b>							
<b>At 1 April 2013</b>	<b>44,031</b>	<b>6,691</b>	<b>3,275</b>	<b>2,335</b>	<b>698</b>	<b>0</b>	<b>57,030</b>
Additions	578	740	2,285	59	2,772	0	<b>6,434</b>
Additions from Assets Under Construction	0	105	289	0	(394)	0	<b>0</b>
Transfer out to Fixed Assets	0	0	0	0	0	0	<b>0</b>
Re-categorisation of Assets Held for Sale	(105)	0	0	0	0	105	<b>0</b>
Disposals	0	(809)	(1,486)	(1)	0	0	<b>(2,296)</b>
Accumulated Impairments	0	0	0	0	0	0	<b>0</b>
Revaluations/ Restatements	1,163	0	0	0	0	35	<b>1,188</b>
<b>At 31 March 2014</b>	<b>45,667</b>	<b>6,727</b>	<b>4,363</b>	<b>2,393</b>	<b>3,076</b>	<b>140</b>	<b>62,366</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2013</b>	<b>5,177</b>	<b>4,534</b>	<b>2,172</b>	<b>1,367</b>	<b>0</b>	<b>0</b>	<b>13,250</b>
Depreciation charge	1,461	1,123	1,172	53	0	0	<b>4,493</b>
Re-categorisation of Depreciation of Assets Held for Sale	(16)	0	0	0	0	16	<b>0</b>
Impairment Losses through CIES	1,061	0	0	616	0	0	<b>1,677</b>
Impairment Losses in Revaluation Reserve	13,845	0	0	0	0	0	<b>13,845</b>
Accumulated Depreciation on Revaluations	(6,501)	0	0	0	0	(16)	<b>(6,517)</b>
Revaluations/Restatements	0	(1,189)	0	0	0	0	<b>(1,189)</b>
Disposals	0	(677)	(1,486)	(1)	0	0	<b>(2,164)</b>
<b>Depreciation as at 31 March 2014</b>	<b>15,027</b>	<b>3,791</b>	<b>1,858</b>	<b>2,035</b>	<b>0</b>	<b>0</b>	<b>22,457</b>
<b>Net Book Value as at 31 Mar 2013</b>	<b>38,854</b>	<b>2,156</b>	<b>1,103</b>	<b>968</b>	<b>698</b>	<b>0</b>	<b>43,779</b>
<b>Net Book Value as at 31 Mar 2014</b>	<b>32,919</b>	<b>2,936</b>	<b>2,505</b>	<b>358</b>	<b>3,076</b>	<b>140</b>	<b>41,934</b>

## Movements in 2012-13:

	Consolidated				Non Op Assets		
	Land & Buildings £'000	Vehicles £'000	Equipment & IT Equip £'000	Joint Arrangements £'000	Assets Under Const'n £'000	Land £'000	Total £'000
<b>Net book Value 01 Apr 2012</b>	<b>27,777</b>	<b>2,210</b>	<b>847</b>	<b>1,004</b>	<b>11,330</b>	<b>900</b>	<b>44,068</b>
<b>Cost or Valuation</b>							
At 1 April 2012	31,519	6,834	3,779	2,166	11,330	900	<b>56,528</b>
Additions	427	806	1,476	120	5,504	0	<b>8,353</b>
Additions to Assets Under Construction	900					(900)	<b>0</b>
Transfer out to Fixed Assets	11,185	325	25	0	(16,136)*	0	<b>(4,601)</b>
Disposals	0	(1,295)	(2,004)	(1)	0	0	<b>(3,300)</b>
Revaluations/Restatements	0	0	0	50	0	0	<b>50</b>
<b>At 31 March 2013</b>	<b>44,031</b>	<b>6,690</b>	<b>3,276</b>	<b>2,335</b>	<b>698</b>	<b>0</b>	<b>57,030</b>
Depreciation							
At 1 April 2012	<b>3,742</b>	<b>4,624</b>	<b>2,932</b>	<b>1,162</b>	<b>0</b>	<b>0</b>	<b>12,460</b>
Depreciation charge	1,435	1,019	1,245	206	0	0	<b>3,905</b>
Disposals	0	(1,109)	(2,004)	(1)	0	0	<b>(3,114)</b>
<b>Depreciation as at 31 March 2013</b>	<b>5,177</b>	<b>4,534</b>	<b>2,173</b>	<b>1,367</b>	<b>0</b>	<b>0</b>	<b>13,251</b>
<b>Net Book Value as at 31 Mar 2013</b>	<b>38,854</b>	<b>2,156</b>	<b>1,103</b>	<b>968</b>	<b>698</b>	<b>0</b>	<b>43,779</b>

\*£101k, transferred out to Intangible Assets

The ONPCC's final capital expenditure figure in note 25 to the Accounts, of £6.61m, was made up of additions to intangible assets in note 24

(£233k), expenditure in year on assets under construction (£6.434m - see above).

## 20 Impairment Losses

For the Financial period 2013/14 there was an impairment loss of £2.455m charged to the Comprehensive Income and Expenditure Statement.

## 21 Assets Held for Sale

The ONPCC, during 2013-14, holds 1 asset that is classified as Assets Held for Sale, this is Thrapston Police Station.

## 22 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.

## 23 Leases

### Operating Leases

The ONPCC holds premises on an operating lease basis and was committed at 31<sup>st</sup> March 2014 to making lease payments of £364,000 in 2013-14, comprising of the following elements:

<b>31 Mar 13</b>		<b>31 Mar 14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
194	Leases expiring in 2013/14	118
214	Leases expiring between 2014/15 and 2017/18	147
44	Leases expiring 2018/19 and after	99
<b>452</b>	<b>Total</b>	<b>364</b>

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.

	<b>2013-14</b>	<b>Future Years</b>			
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>B/f</b>	<b>Land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Total</b>
Leases expiring in 2013/14	118	3	4	14	21
Leases expiring between 2014/15 & 2017/18	147	58	92	0	150
Leases expiring 2018/19 and after	99	37	60	0	97
<b>Total</b>	<b>364</b>	<b>98</b>	<b>156</b>	<b>14</b>	<b>268</b>

The obligation for 2013-14 under the operating leases is £268k.

## 24 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 £735k was charged to revenue in 2013-14. The amortisation for MFSS system was £460k.

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

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
	<b>Balance at 1st April</b>	
1,108	Net carrying amounts	4,895
	<b>Additions:</b>	
4,601	Internal Development	233
0	Acquired Separately	
0	Assets Under Construction <b>(Note 27)</b>	
(367)	<b>Disposals</b>	(365)
(814)	Amortisation to the Comprehensive Income & Expenditure Statement*	(735)
366	Depreciation on Disposals	365
<b>4,894</b>	<b>OPCC Net Carrying amount at 31 March</b>	<b>4,393</b>
1	Joint Venture Intangible Assets	0
<b>4,895</b>	<b>Group Net carrying amount at 31st March</b>	<b>4,393</b>
	<b>This comprises of:</b>	
6,306	Net carrying Amount	6,174
1	Joint Venture Net Carry Amount	0
(1,412)	Accumulated amortisation	(1,781)
<b>4,895</b>	<b>Total</b>	<b>4,393</b>

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

## 25 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 2013-14 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.

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>		<b>£'000</b>
<b>7,414</b>	<b>Opening Capital Financing Requirement</b>	<b>7,117</b>
	<b>Capital Investment</b>	
2,924	Building	578
826	Vehicles	740
1,476	Equip & IT Equip	2,285
2,423	Intangibles	233
583	Assets Under Construction	2,772
	Revenue Expenditure Funded from Capital Under Statute	
	<b>Sources of Finance</b>	
0	Capital Receipts	0
(1,348)	Government Grants and Other Contributions	(1,125)
(4,765)	Capital Reserves	(3,480)
	Sums set aside from revenue	
(297)	MRP	(335)
(2,119)	Revenue Contributions	(2,003)
<b>7,117</b>	<b>Closing Capital Financing Requirement</b>	<b>6,783</b>
	<b>Explanation of Movements in Year</b>	
297	Decrease in underlying need to borrow (supported)	335
0	Increase in underlying need to borrow (unsupported)	
<b>297</b>	<b>Decrease in Capital Financing Requirement</b>	<b>335</b>

## 26 Construction Contracts

At 31 March 2014 the ONPCC had no construction contracts in progress

## 27 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.

2012-13		2013-14
£'000	Description	£'000
2,575	Central Government Bodies	485
1,311	Other Local Authorities	1,181
64	NHS Bodies	0
87	Public Corporations and trading funds	109
2,094	Bodies external to general government	4,798
<b>6,131</b>	<b>As at 31 Mar</b>	<b>6,573</b>

## 28 Inventories

The following stocks were held as available for issue as at 31 March 2014:

2012-13		2013-14
£'000	Description	£'000
109	Vehicle Fuel	102
125	Vehicle Parts & operational Equipment	110
174	Uniforms	362
<b>408</b>	<b>Total</b>	<b>574</b>

## 28 Provisions

An independent evaluation of the Insurance Provision as at 31 March 2014 has identified a requirement of £0.160m for future year's potential claims, a reduction of £0.178m. A provision of £0.308m has been set aside for specific property dilapidations likely to arise in 2014-15.

	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)
PSC Lease Provision	0				
<b>Total</b>	<b>(608)</b>	<b>270</b>	<b>0</b>	<b>0</b>	<b>(338)</b>
	Balance As at 31-Mar-13 £'000	Amounts Used In Period £'000	Amounts Reversed Unused £'000	Additional Amounts £'000	Balance As at 31-Mar-14 £'000
Insurance Provision	(338)	178	0	0	(160)
Property Dilapidations	0	0	0	(308)	(308)
<b>Total</b>	<b>(338)</b>	<b>178</b>		<b>(308)</b>	<b>(468)</b>

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

- This 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.

## 29 Short-Term Creditors

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

2012-13		2013-14
£'000	Description	£'000
326	Central Government Bodies	126
2,813	Other Local Authorities	710
3	NHS Bodies	88
5	Public Corporations and trading funds	0
9,837	Bodies external to general government	11,963
<b>12,984</b>	<b>As at 31 Mar</b>	<b>12,887</b>

## 30 Capitalisation of Borrowing Costs

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

## 31 Contingent Liabilities

Our insurance consultants, Heath Lambert, suggested the ONPCC should make the following Contingent Liability for 2013-14.

Description	Balance at 31 March 2012 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 March 2013 £'000
Insurance Provision	531	(61)		470
<b>Total</b>	<b>531</b>	<b>(61)</b>	<b>0</b>	<b>470</b>

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.

### 32 Contingent Assets

As at 31 March 2014, 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.

### 33 Cash and Cash Equivalents

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

<b>31 Mar 2013</b>		<b>31 Mar 2014</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
24	Cash held by the ONPCC	2
419	Cash held by Joint Venture	665
13,083	Short Term Investment Realised within three months	15,813
(1,674)	Bank Overdraft	(62)
<b>11,852</b>	<b>Total Cash and Cash Equivalents</b>	<b>16,418</b>

### 34 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
(45,862)	Precept income	(40,915)
(27,551)	Non domestic Rates distribution income	(35,357)
(534)	Revenue Support Grant	0
(45,234)	Police Grant	(44,499)
(8,321)	Specific Grants	(5,572)
(8,769)	Police Officer Pensions Top Up Grant	(10,715)
(3,189)	Joint Venture Income	(3,170)
(329)	Agency Income	(88)
(2,810)	Fees & Charges	(2,625)
(1,375)	Reimbursements	(1,081)
(521)	Sales (Third Parties)	(3,562)
76,194	Police Officer Pay	81,940
35,008	Police Staff Pay	35,805
1,447	Other Staff Costs	967
3,953	Premises Costs	4,388
2,372	Transport Costs	2,335
3,373	Communications	3,820
489	IT Maintenance	672
344	Miscellaneous	962
360	Professional Services	849
6,010	Agency Costs (Third Party Payments)	0
2,912	Other Operating Activities	11,640
<b>(12,033)</b>	<b>Net Cash Flow from Operating Activities</b>	<b>(4,206)</b>

### 35 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
2,924	Land & Buildings related capital expenditure	2,618
954	Purchase of Vehicles	867
2,051	Purchase of Equipment	2,285
2,423	Purchase of Intangible Assets	838
4,434	Purchase of short-term and long-term investments	(7,259)
(185)	Proceeds from the sale of property, plant and equipment	(79)
(1,092)	Proceeds from Capital Grant	(984)
(257)	Proceeds from External Capital contributions	(146)
<b>11,252</b>	<b>Net cash flows from investing activities</b>	<b>(1,860)</b>

### 36 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 2013-14, incurring liabilities of £0.172m, of which £0.058m relates to the Chief Constables account.

The previous year's total was

£0.543m. Exit package

Cost Band (including special payments)	Number of compulsory redundancies		Number of Other Departures Agreed		Total No of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13 £'000	2013-14 £'000
<b>PCC Accounts</b>								
<b>£0 -£20,000</b>	3	1	0	0	3	1	35	2
<b>£20,001 - £40,000</b>	0	0	0	0	0	0	0	0
<b>£40,001 - £60,000</b>	0	0	0	0	0	0	0	0
<b>£60,001 - £80,000</b>	0	0	0	0	0	0	0	0
<b>£80,001 - £100,000</b>	0	0	0	0	0	0	0	0
<b>£100,001 - £150,000</b>	0	1	0	0	0	1	0	112
<b>TOTAL</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>35</b>	<b>114</b>
<b>Group</b>								
<b>£0 -£20,000</b>	43	8	0	0	43	8	287	60
<b>£20,001 - £40,000</b>	4	0	1	0	5	0	140	0
<b>£40,001 - £60,000</b>	0	0	0	0	0	0	0	0
<b>£60,001 - £80,000</b>	0	0	0	0	0	0	0	0
<b>£80,001 - £100,000</b>	0	0	0	0	0	0	0	0
<b>£100,001 - £150,000</b>	1	1	0	0	1	1	116	112
<b>TOTAL</b>	<b>48</b>	<b>9</b>	<b>1</b>	<b>0</b>	<b>49</b>	<b>9</b>	<b>543</b>	<b>172</b>

## **37 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**

\* The current service costs contained in the table, below, are within the following values contained within the Comprehensive Income and Expenditure Statement, forming part of note 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	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
<u>Comprehensive Income and Expenditure</u>	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Cost of Services</b>						
Current service cost	(3,937)	(4,704)	19,550	24,370	15,613	19,666
Past service cost	(539)	(2)	0	0	(539)	(2)
<b>Net Operating Expenditure</b>						
Interest Costs**	(5,556)	(6,268)	(40,730)	(41,660)	(46,286)	(47,928)
Expected return on employers assets**	4,559	4,411	0	0	4,559	4,411
<b>Net Charge to the Income and Expenditure Account</b>	(5,473)	(6,563)	(21,180)	(17,290)	(26,653)	(23,853)
<b><u>Movement In Reserves</u></b>						
Movement on Pensions Reserve (Reversal of net charges made for retirement benefits in accordance with IAS 19)	5,473	6,563	60,280	66,030	65,753	72,593
<b><u>Actual amount charged against Council Tax (General Fund Balance) for pensions</u></b>						
Employers contributions to the Scheme	3,908	4,975	10,886	11,355	14,789	16,330
Additional contributions to the Police Pensions Fund Account			8,769	10,715		

\*\* The net of interest costs and return on assets is £43.512m, 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 £36.403m (£103.116m in 2012-13) were included within other Comprehensive Income & Expenditure.

The estimated 2014/15 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.

### 38 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 2013 £'000	31 Mar 2014 £'000	31 Mar 2013 £'000	31 Mar 2014 £'000
<b>Opening Defined Benefit Obligation - 1 April</b>	<b>(114,061)</b>	<b>(137,765)</b>	<b>(831,350)</b>	<b>(967,760)</b>
Current Service Cost (Grossed up for employee contributions)	(3,937)	(4,704)	(24,850)	(30,070)
Interest Cost	(5,556)	(6,268)	(40,730)	(41,660)
Contributions by Scheme Participants	(1,436)	(1,400)	5,300	5,700
Actuarial (Gains)/ Losses	(14,751)	(7,289)	(95,780)	44,650
Past Service (Costs)/ Gains	0	0	0	0
(Loses)/ Gains on Curtailments	(539)	(2)	0	
Estimated Unfunded Benefits Paid	5	5	0	
Estimated Benefits Paid	2,510	2,802	19,650	22,070
<b>Closing Defined Benefit Obligation 31st March</b>	<b>(137,765)</b>	<b>(154,621)</b>	<b>(967,760)</b>	<b>(967,070)</b>

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

Pension Asset – Local Government Pension Scheme Only

	31 Mar 2013 £'000	31 Mar 2014 £'000
<b>Pensions Asset 1 April</b>	<b>81,509</b>	<b>96,317</b>
Expected Return on Assets	4,559	4,411
Contributions by Members	1,436	1,400
Employers Contributions (Incl Injuries) - excluding Top-Up Grant	3,908	4,975
Contributions in Respect of Unfunded Benefits	5	5
Actuarial Gains	7,415	(958)
Estimated Unfunded Benefits paid	(5)	(5)
Estimated Benefits Paid	(2,510)	(2,802)
<b>Fair Value of Pensions Asset 31 March</b>	<b>96,317</b>	<b>103,343</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The estimated return on scheme assets in the year was £4,411,000 (£4,559,000 in 2012-13).

## Scheme History

	2009-10 Restated	2010-11	2011-12	2012-13	2013-14
<b>Present Value of Liabilities</b>					
Local Government Pension Scheme	(125,551)	(99,758)	(114,061)	(137,765)	(154,621)
Police Pension Scheme	(830,140)	(733,030)	(831,350)	(967,760)	(1,056,370)
<b>Fair Value of Assets LGPS</b>	67,181	76,084	81,509	96,317	110,863
<b>Surplus/ (Deficit) in the Scheme</b>					
Local Government Pension Scheme	(58,370)	(23,674)	(32,552)	(41,448)	(43,758)
Police Pension Scheme	(830,140)	(733,030)	(831,350)	(967,760)	(1,056,370)
<b>Total</b>	<b>(888,510)</b>	<b>(756,704)</b>	<b>(863,902)</b>	<b>(1,009,208)</b>	<b>(1,100,128)</b>

The ONPCC's total pension liability of £1,100.128m, reconciles to the Unusable Reserves within the Balance Sheet of £980.587m, by adding back the figures within the Movement in Reserves Statement of the Capital Adjustment Account (£30.532m), the Collection Fund Adjustment Account (£0.503m), the Revaluation Reserve (£8.656m) to the Unusable Reserves total and then subtracting the Employee Benefit Reserve (£1.929m)

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 £1,100.128m has a substantial impact on the net worth of the ONPCC as recorded in the balance sheet, resulting in a negative overall balance of £958.710m. 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:

	<b>Local Govt. Pension Scheme</b>		<b>Police Pension Scheme</b>	
	<b>2012-13</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2013-14</b>
<b><i>Expected Return on Assets</i></b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Investments	7.0	8.1	n/a	n/a
<b><i>Mortality Assumptions</i></b>	<b>yrs</b>	<b>yrs</b>	<b>yrs</b>	<b>yrs</b>
Longevity at 65 for current pensioners				
Men	21.4	22.3	23.4	23.4
Women	23.3	24.3	25.8	25.6
Longevity at 65 for future pensioners				
Men	23.4	24.0	25.7	25.9
Women	25.5	26.6	27.9	28.0
<b><i>Financial Assumptions</i></b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Rate of Inflation	2.8	2.5	2.5	2.5
Rate of Increase in Salaries	5.1	4.6	4.75	4.5
Expected Return on Assets	4.5	2.8	n/a	2.5
Rate for Discounting Scheme Liabilities (Gross)	4.5	4.3	5.7	4.4
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:

<b>31.03.13</b>		<b>31.03.14</b>	
<b>%</b>	<b>Description</b>	<b>%</b>	
71.00%	Equity Investments	74.00%	
22.00%	Bonds	19.00%	
5.00%	Property	5.00%	
2.00%	Cash and Liquidity	2.00%	
<b>100.00%</b>	<b>Total</b>	<b>100.00%</b>	

## **Pensions Reserve - History of Experience Gains / Losses**

The actuarial gains identified as movements on the Pensions Reserve for 2013-14, 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		2013-14	
	£m	%								
<b>Local Government Pension Scheme</b>										
Differences between expected and actual return on <b>assets</b>	14.28	21.25%	-0.74	-0.97	-3.9	-4.78%	7.42	7.70%	0.96	0.87%
Differences between actuarial assumptions about <b>Liabilities</b> and actual experience.	0.01	0.01%	14.43	14.46%	-0.96	-0.84%	0.12	0.09%	7.29	-4.72%
<b>Police Pension Schemes</b>										
Differences between actuarial assumptions about <b>Liabilities</b> and actual experience.	7.22	0.92%	6.27	0.90%	32.32	-4.66%	22.66	3.27%	37.23	4.15%
<b>New Police Pension Scheme</b>										
Differences between actuarial assumptions about <b>Liabilities</b> and actual experience.	-0.37	-3.76%	-1.25	10.02%	-1.4	11.22%	0.86	6.89%	3.84	11.77%
<b>Injury Awards Police Pension Scheme</b>										
Differences between actuarial assumptions about <b>Liabilities</b> and actual experience.	-3.3	-9.56%	2.21	8.17%	-3.02	11.16%	-0.42	-1.55%	3.58	9.87%

### 39 Financial Instruments

Northamptonshire Police has implemented a seven-step approach to considering financial instruments, as illustrated in the recommended practice, and has updated its accounting policies in recognition of the introduction of the three new reporting standards. The 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 2014.

		<b>2012-13</b>		<b>2013-14</b>	
		<b>£'000</b>		<b>£'000</b>	
	Long Term	Current	Long Term	Current	
<b>Financial Liabilities</b>					
Amortised Cost					
Borrowing	4,300	1,499	1,300	3,000	
Fair Value through Profit and Loss					
Borrowing	0	0	0	0	
Creditors					
Amortised Cost	0	9,837		13,728	
<b>Financial Assets</b>					
Fair Value through Profit and Loss					
Managed Portfolio	0	7,480		7,558	
Loans and Receivables					
Debtors and Prepayments	0	2,094		4,239	
Cash in Hand	0	24		2	
Money Market Investments	0	20,337		15,809	

Gains on Financial Assets at Fair Value through the CIES were £344k during 2013-14.

The ONPCC's fixed-rate borrowings are structured significantly within the operational boundaries of the ONPCC's prudential indicators, £10,080 for 2013-14 and £11,623 for 2014/15) 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 £4.300m) 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:

## Income, Expense, Gains and Losses

2012-2013

2013-2014

	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss		Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	
	£'000	£'000	£'000	£'000	<b>Total</b>	£'000	£'000	£'000	£'000	<b>Total</b>
Interest expense	-	-	-	205	<b>205</b>	-	-	-	199	<b>199</b>
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-	-	-
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	-	-	-	<b>205</b>	<b>205</b>	-	-	-	<b>199</b>	<b>199</b>
Interest income	-	-	-	267	<b>267</b>	-	-	-	-182	<b>-182</b>
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases in fair value	-	-	-	-	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-	-	-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	-	-	<b>267</b>	<b>267</b>	-	-	-	<b>-182</b>	<b>-182</b>
Gains on revaluation	-	-	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	2,547	-	-	-	<b>2,547</b>
Surplus/deficit arising on revaluation of financial assets in Other CIES	-	-	-	103,116	<b>103,116</b>	<b>2,547</b>	-	-	<b>(36,403)</b>	
<b>Net gain/(loss) for the year</b>	-	-	-	<b>103,116</b>	<b>103,116</b>	<b>2,547</b>	-	-	<b>(36,403)</b>	

## Fair Values of Assets and Liabilities

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

- estimated interest rates at 31 March 2014 5.25% to 6% for loans from the PWLB and 3% to 4% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount less cost of collection by third party agency if applicable.

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

	2012-13		2013-14	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Loans	5,799	6,494	4,300	4,815

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

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

Long term assets are held at face value as a reflection of a fair approximation of fair value as at 31<sup>st</sup> March.

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

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

	<b>2010/11</b>	<b>2012-13</b>	<b>2013-14</b>
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 (PWLB) 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**

<b>Period</b>	<b>Upper Limit</b>	<b>Actual 2013-14</b>	<b>Lower Limit</b>
Under 12 months	100%	69.77%	0%
12 months to 10 years	100%	0.00%	0%
10 years and above	50%	30.23%	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 31<sup>st</sup> March in either 2012-13 or 2013-14.

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 2013-14 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 £756k (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.

The organisations maximum exposure to credit risk in relation to its investments in banks and building societies of £15,815 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the organisations deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

The organisations potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions is £7.52m.

#### 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:

<b>31.03.14</b>	<b>31.03.13</b>
<b>(£'000)</b>	<b>(£'000)</b>

### **Age of Trade Debts**

0-14 Days	360	528
15-30 Days	29	59
31-60 Days	8	109
61-90 Days	0	94
91+ days Days	72	97
<b>Total</b>	<b>469</b>	<b>887</b>

Whilst reviewing its debtors portfolio the ONPCC has provided against £95.9k within 2013-14 and £40.9k in 2012-13.

Inter governmental organisational debt has been accessed with negligible prospect of this debt being unrecoverable. Therefore, the highest debt held by a non-governmental or public body was £57.6k within 2013-14 and only 44% of the £469k debtor portfolio was held by a non-public body. Therefore, the maximum single risk the ONPCC holds is the full bad-debt provision of £72k.

### **Cash In Hand**

The ONPCC's cash-in-hand position of £2k within 2013-14 and £24k at 2012-14 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 £0.182m was earned during the year, and interest on loans of £0.199m 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**

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

This is the risk that a party will be unable to raise funds to meet its commitments associated with financial instruments. As the 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.

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

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

According to this assessment strategy, at 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	(6)
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	11
Impact on Surplus or Deficit on the Provision of Services	<u>5</u>
Decrease in fair value of fixed rate investment assets	<u>(11)</u>
Impact on Other Comprehensive Income and Expenditure	<u>(11)</u>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(6)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### 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 2014. 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 2014. 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 2014.

#### **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 2013-14.

The Police Pension Top-Up Grant was £10,714,813 within 2013-14 and is paid in arrears by the Home Office. This value was accrued for within the Financial Statements and will be received within July 2014. 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 2014.

**Joint Associated Non Entity Statement (Note 46)**

**Comprehensive Income & Expenditure Statement**

	2012-13 TOTALS	2013-14									
		Major Crime	EMTSU	EMSOU	TITAN ADJ	EMASU	Regional Occupational Health	Regional Learning & Development	Regional Legal Services	EMSCU	Total
	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees - Police Pay and Allowances											
- Police Pay	867	172	22	523		0	0	104	0	0	821
- Civilian Pay & Allowances	1,446	15	225	502		42	117	260	161	257	1,579
- Other Pay & Allowances	61	3	6	26		0	0	12	1	1	49
Premises	165	0	0	76		8	0	0	0	0	84
Transport	341	5	4	102		112	2	10	5	10	250
Supplies and Services	398	9	41	215		6	121	35	8	10	445
Agency Expenses	27	7	0	10		7	0	0	0	0	24
Depreciation & Amortisation	206	0	8	51	(11)	5	0	0	0	0	53
Revenue Expenditure Funded from Capital Resources	0										
	3,511	211	306	1,505	(11)	180	240	421	175	278	3,305
<b>Cost of Services</b>	(143)										
Income from fees & charges	0	0	0	(29)		0	(10)	(8)	(14)	0	(61)
Profit & Loss on Disposal of Assets	3,368	0	0	0		610	0	0	0	0	610
<b>NET OPERATING EXPENDITURE</b>	<b>3,368</b>	<b>211</b>	<b>306</b>	<b>1,476</b>	<b>(11)</b>	<b>780</b>	<b>240</b>	<b>413</b>	<b>161</b>	<b>278</b>	<b>3,854</b>
Income from Government Grants	(255)	0	0	(375)		0	0	0	0	0	(375)
Contribution from Partners	(3,046)	(212)	(322)	(2,416)	980	(45)	(238)	(416)	(164)	(276)	(3,109)
Capital Grants & Contributions	0	0	0	(153)	149	0	0	0	0	0	(4)
<b>NET OPERATING EXPENDITURE</b>	<b>67</b>	<b>(1)</b>	<b>(16)</b>	<b>(1,468)</b>	<b>1,118</b>	<b>735</b>	<b>2</b>	<b>(3)</b>	<b>(3)</b>	<b>2</b>	<b>366</b>
(Surplus) / Deficit on revaluation of non current assets	(50)	0	0	487	(481)	0	0	0	0	0	6
<b>Total Comprehensive Income and Expenditure</b>	<b>17</b>	<b>(1)</b>	<b>(16)</b>	<b>(981)</b>	<b>637</b>	<b>735</b>	<b>2</b>	<b>(3)</b>	<b>(3)</b>	<b>2</b>	<b>372</b>

**Adjustments under Statute**

	2012-13 TOTALS	2013-14									
		Major Crime	EMTSU	EMSOU	TITAN ADJ	EMASU	Regional Occupational Health	Regional Learning & Development	Regional Legal Services	EMSCU	Total
Charges for Amortisation	0	0	0	(1)		0	0	0	0	0	(1)
Depreciation & Impairments	(206)	0	8	(51)	11	(5)	0	0	0	0	(53)
Net Gain/(Loss) on Sale Assets	(1)	0	0	(1)		0	0	0	0	0	(1)
Revaluation of non-current assets	0	0	0								
Capital Exp charged in year to the General Fund Balance	120	0	0	153	(149)	0	0	0	0	0	4
Revenue Expenditure Funded Capitalised Under Statute	0	0	0	0		0	0	0	0	0	0
Employee Benefit	(22)	1	0	2		1	0	(5)	0	(2)	(3)
Revaluation Reserve	50	0	0	(487)	481	(610)	0	0	0	0	(616)
Capital grants & contributions	0	0	20	1,014	(980)	0	0	0	0	0	54
Net Transfer to/ (from) reserves	(18)	0	4	352		0	(2)	8	3	0	365
<b>(Surplus)/ Deficit</b>	<b>(60)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>121</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>121</b>

**Balance Sheet**

	2013-14										
	Major Crime	EMTSU	EMSOU	TITAN ADJ	EMASU	Regional Occupational Health	Regional Learning & Development	Regional Legal Services	EMSCU	Total	
Property Plant & Equipment	969	0	54	756	(637)	185	0	0	0	0	358
Intangible Assets	1	0	0	0		0	0	0	0	0	0
<b>Total Non-Current Assets</b>	<b>970</b>	<b>0</b>	<b>54</b>	<b>756</b>	<b>(637)</b>	<b>185</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>358</b>
Cash & Cash Equivalent	419	46	36	332		151	61	61	4	(26)	665
Current Assets	439	0	0	353		3	1	1	0	0	358
<b>Total Current Assets</b>	<b>858</b>	<b>46</b>	<b>36</b>	<b>685</b>		<b>154</b>	<b>62</b>	<b>62</b>	<b>4</b>	<b>(26)</b>	<b>1,023</b>
Current Liabilities	(562)	(46)	(5)	(202)		(138)	(54)	(54)	(1)	26	(474)
Empl Benefits	(41)	(9)	(4)	(15)		0	(10)	(10)	(1)	(4)	(53)
<b>Total Current Liabilities</b>	<b>(603)</b>	<b>(55)</b>	<b>(9)</b>	<b>(217)</b>		<b>(138)</b>	<b>(64)</b>	<b>(64)</b>	<b>(2)</b>	<b>22</b>	<b>(527)</b>
<b>Net Assets</b>	<b>1,225</b>	<b>(9)</b>	<b>81</b>	<b>1,224</b>	<b>(637)</b>	<b>201</b>	<b>(2)</b>	<b>(2)</b>	<b>2</b>	<b>(4)</b>	<b>854</b>
Capital Adjustment Account	969	0	(54)	(756)	637	(185)	0	0	0	0	(358)
Employee Benefit Reserve	(40)	9	4	15		0	10	10	1	4	53
Useable Reserves	296	0	(31)	(483)		(16)	(8)	(8)	(3)	0	(549)
<b>Total Reserves</b>	<b>1,225</b>										

**Comprehensive Income & Expenditure Statement**

	2012-13								
	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
Employees - Police Pay and Allowances	174	50	484	0	0	159	0	0	<b>867</b>
- Police Pay	10	176	450	114	126	222	89	259	<b>1,446</b>
- Civilian Pay & Allowances	5	5	20	0	4	19	1	7	<b>61</b>
- Other Pay & Allowances	0	4	141	16	0	4	0	0	<b>165</b>
Premises	3	5	98	231	1	0	3	0	<b>341</b>
Transport	3	29	188	10	123	33	12	0	<b>398</b>
Supplies and Services	0	0	16	11	0	0	0	0	<b>27</b>
Agency Expenses	0	2	42	162	0	0	0	0	<b>206</b>
Depreciation & Amortisation	0	0	0	0	0	0	0	0	<b>0</b>
Revenue Expenditure Funded from Capital Resources	0	0	0	0	0	0	0	0	<b>0</b>
<b>Cost of Services</b>	<b>195</b>	<b>271</b>	<b>1,439</b>	<b>544</b>	<b>254</b>	<b>437</b>	<b>105</b>	<b>266</b>	<b>3,511</b>
Income from fees & charges	0	(1)	(23)	(93)	0	(13)	(13)	0	<b>(143)</b>
Profit & Loss on Disposal of Assets	0	0	0	0	0	0	0	0	<b>0</b>
<b>NET OPERATING EXPENDITURE</b>	<b>195</b>	<b>270</b>	<b>1,416</b>	<b>451</b>	<b>254</b>	<b>424</b>	<b>92</b>	<b>266</b>	<b>3,368</b>
Income from Government Grants	0	0	(255)	0	0	0	0	0	<b>(255)</b>
Contribution from Partners	(194)	(301)	(1,169)	(353)	(253)	(420)	(91)	(265)	<b>(3,046)</b>
Capital Grants & Contributions	0	0	0	0	0	0	0	0	<b>0</b>
<b>NET OPERATING EXPENDITURE</b>	<b>1</b>	<b>(31)</b>	<b>(8)</b>	<b>98</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>67</b>
(Surplus) / Deficit on revaluation of non current assets	0	0	0	(50)	0	0	0	0	<b>(50)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>1</b>	<b>(31)</b>	<b>(8)</b>	<b>48</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>17</b>

**Adjustments under Statute**

2012-13									
Major Crime	EMTSU	EMSOU	EMASU	Regional Occupational Health	Regional Learning & Development	Regional Legal Services	EMSCU	Total	
Depreciation & Impairments	0	(2)	(42)	(162)	0	0	0	0	(206)
Net Gain/(Loss) on Sale Assets	0	0	(1)	0	0	0	0	0	(1)
Revaluation of non-current assets	0	0	0	0	0	0	0	0	0
Capital Exp charged in year to the General Fund Balance	0	32	88	0	0	0	0	0	120
Revenue Expenditure Funded Capitalised Under Statute	0	0	0	0	0	0	0	0	0
Employee Benefit	(1)	(2)	(10)	(1)	(1)	(4)	(1)	(2)	(22)
Revaluation Reserve	0	0	0	50	0	0	0	0	50
Capital grants & contributions	0	0	0	0	0	0	0	0	0
Net Transfer to/ (from) reserves	0	2	(20)	0	0	0	0	0	(18)
<b>(Surplus)/ Deficit</b>	<b>0</b>	<b>(1)</b>	<b>7</b>	<b>(65)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>(60)</b>

**Balance Sheet**

2012-13									
Major Crime	EMTSU	EMSOU	EMASU	Regional Occupational Health	Regional Learning & Development	Regional Legal Services	EMSCU	Total	
Property Plant & Equipment	0	41	128	800	0	0	0	0	969
Intangible Assets	0	0	1	0	0	0	0	0	1
<b>Total Non-Current Assets</b>	<b>0</b>	<b>41</b>	<b>129</b>	<b>800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>970</b>
Cash & Cash Equivalent	36	0	207	67	18	131	1	(41)	419
Current Assets	15	29	201	136	13	0	0	45	439
<b>Total Current Assets</b>	<b>51</b>	<b>29</b>	<b>408</b>	<b>203</b>	<b>31</b>	<b>131</b>	<b>1</b>	<b>4</b>	<b>858</b>
Current Liabilities	(51)	(3)	(276)	(65)	(31)	(131)	(1)	(4)	(562)
Empl Benefits	(10)	(4)	(17)	(1)	(1)	(5)	(1)	(2)	(41)
<b>Total Current Liabilities</b>	<b>(61)</b>	<b>(7)</b>	<b>(293)</b>	<b>(66)</b>	<b>(32)</b>	<b>(136)</b>	<b>(2)</b>	<b>(6)</b>	<b>(603)</b>
<b>Net Assets</b>	<b>(10)</b>	<b>63</b>	<b>244</b>	<b>937</b>	<b>(1)</b>	<b>(5)</b>	<b>(1)</b>	<b>(2)</b>	<b>1,225</b>
Capital Adjustment Account	0	41	129	799	0	0	0	0	969
Employee Benefit Reserve	(10)	(4)	(17)	0	(1)	(5)	(1)	(2)	(40)
Useable Reserves	0	27	131	138	0	0	0	0	296
<b>Total Reserves</b>	<b>(10)</b>	<b>64</b>	<b>243</b>	<b>937</b>	<b>(1)</b>	<b>(5)</b>	<b>(1)</b>	<b>(2)</b>	<b>1,225</b>

## 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 1<sup>st</sup> 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	2012-13 £'000	2013-14 £'000
<b>Contributions Receivable</b>	<b>1</b>		
<b>ONPCC</b>			
From Employer			
normal		(10,882)	(10,586)
early retirements		(1)	0
From members		(5,304)	(5,705)
<b>Transfers in</b>	<b>3</b>		
Individual Transfers in from other schemes		(59)	(204)
<b>Benefits Payable</b>	<b>2</b>		
Pensions		20,146	21,472
Commutations and lump sum retirement benefits		4,797	5,249
Lump Sum death benefits			
Other		0	3
<b>Payments to and on account of leavers</b>			
Refunds of Contributions		4	1
Individual transfers out to other schemes		68	485
Other		0	0
<b>Sub-total for the year before transfer from the ONPCC of an amount equal to the deficit</b>		<b>8,769</b>	<b>10,715</b>
<b>Additional funding payable by the ONPCC to fund the deficit for the year</b>		<b>(8,769)</b>	<b>(10,715)</b>
<b>Net amount payable/ receivable for the year</b>		<b>0</b>	

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 2013-14 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.

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

## **3 Government Grants and Contributions**

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

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. The MFSS (Multi Force Shared Service) is to be amortised over 10 years and new assets are amortised the year they come into use.

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

#### **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 (Recognition, Revaluation & Measurement of Tangible Fixed Assets). Subsequent capital expenditure is capitalised where it provides an enhancement of the economic benefits of the asset in excess of those previously assessed.

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

The de minimise 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, and 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.

The qualified surveyor determines the valuation basis, Market Value for all non specialist buildings or Depreciated Replacement Cost for those classified as specialist in nature, such as buildings solely designed as custody suites, where those facilities are part of the physical structure of the building.

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 (10-40 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

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

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

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

### 5.4 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 2013-14 the ONPCC only recognises a profit on disposal if the asset disposed of is more than £10,000.

### 5.6 Componentisation

When assets are revalued in line with the cyclical revaluation process, asset components are split at high level into land and buildings, with the buildings element further subdivided in order to be depreciated over appropriate estimated useful lives.

The five building components used are roof, walls/structure, mechanical and electrical, windows and externals.

New acquisitions are brought into the accounts at cost and revalued in the following year. Assets costing less than £10,000, or revalued to less than £10,000 are charged to the Comprehensive Income and Expenditure Statement.

## **6 Redemption of Debt**

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

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

## **7 Capital Receipts**

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

## **8 Stocks and Stores**

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

## **9 Reserves**

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

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

## **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 pension's liability, recognised in the Comprehensive Income and Expenditure Statement Account. The neutralising entry is within adjustments made between Accounting Basis and Funding Basis under Regulations.

The Balance Sheet discloses the 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.

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

### **14. Overheads and Support Services**

Under the revised 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 1/3<sup>rd</sup> 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.
- Bad Debts are valued at the receivable value. Therefore the cost of collection of debt assessed as recoverable are deducted from the outstanding value.
- Assets are valued at Market Value (MV) and Depreciated Replacement Cost (DRC) for specialist vehicles, but held in Fixed Assets at the depreciated cost assessed as MV/ DRC less the cumulative depreciation over the Useful Economic Life of that asset.

## **22 Comparison with Previous Years**

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

## **23 Cash and cash equivalents**

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

## **27 Termination Benefits**

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

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

## 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.



**Northamptonshire Chief Constable**

**Draft**

**Statement of Accounts**

**2013-14**



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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 2014.

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 2013-14 will be available for inspection from 9.00am Friday 25<sup>th</sup> July 2014 to 5.00pm Friday, 8<sup>th</sup> August 2014 (excluding weekends).

The Auditors are KPMG LLP.

**(a) Introduction by the Chief Finance Officer (CFO)** Pages 6-10

This provides a brief background to the CC's budget for 2012-13, the final outturn position and an assessment of the CC's future financial prospects.

**(b) Annual Governance Statement for the Police and Crime Commissioner and the Chief Constable** Pages 11-15

The CC has adopted the Code of Corporate Governance and this statement explains how the CC has complied with the code and monitored its effectiveness.

**(c) Statement of Responsibilities for the Statement of Accounts** Page 16

This outlines the CC's and the CC's and their respective Chief Financial Officers (CFO's) responsibilities.

**(d) Independent Auditors Report** Pages 17-19

**(e) Comprehensive Income and Expenditure Statement** Page 20

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 21

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the CC. The net assets of the CC (assets less liabilities) are matched by the reserves held by the CC. 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 CC 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 22

This statement shows the movement in the year on the different reserves held by the CC, 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 CC'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 CC.

**(h) Cash Flow Statement**

Page 23

The Cash Flow Statement shows the changes in cash and cash equivalents of the CC during the year. The statement shows how the CC 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 CC are funded by way of taxation and grant income or from the recipients of services provided by the CC. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the CC'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 CC.

**(i) Notes on the Core Financial Statements**

Page 24

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

**(j) Related Party Transactions**

Page 37

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

**(k) Police Pension Fund Account**

Page 43

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.

**(l) Accounting Policies**

Pages 44-52

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.

**(m) Glossary of Terms**

Page 53-55

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 £122.48m for 2013-14. The Force over achieved its savings target in 2013-14 by £1.667m. The ONPCC opted for a further one year freeze in Council Tax to take advantage of £0.46m of freeze grant available. Carry forwards of £0.611m were approved.

Balancing the budget for 2013-14 was dependent upon achieving cashable savings of £2.996m. No use of reserves was proposed. The 2013-14 year was the first full year in office of the Northamptonshire Police and Crime Commissioner (NOPCC). The Commissioner pledged to maintain officer numbers at the strength when he took office (1,220) and to maintain PCSO base funded posts at 112 for the term of his Office. This meant revising the previous change programme targeted officer reductions from 100 to 75 Officers (1,295 down to 1,220). In addition by the end of 2013-14, 427 Police Staff roles had been removed from the organisation in the previous 4 years.

The 2013/14 budget included a 1% pay award for officers and staff following on from a 2 year pay freeze, but did provide for increasing prices and the cost of increments for police staff and for officers following a 2 year freeze imposed to comply with the Winsor Review of Police Officer 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**

As of 2012-13 & all subsequent accounts the Force adopted the provisions of Financial Reporting Standard (FRS6), the result of which is there is one set of Financial Statements for the NOPCC and one set of Financial Statements for the CC, each with a separate audit opinion completed on the basis of merger accounting.

As well as the acts referred to in the introduction above, the accounts have also been prepared with reference to other key legislation including:

- The Police Reform and Social Responsibility Act (PRSA) 2011
- The Financial Management Code of Practice (FMCOP) 2012
- Local Authority Accounting Panel (LAAP) Bulletin 95
- Local Authority Accounting Panel (LAAP) Bulletin 98A
- Audit Commission Policy Briefing (APB) 04-2014

Under guidance issued since the previous guidance was issued in LAAP 95, the status of Chief Constables (CC) has changed under the PRSA 2011 (Transitional Provision) Order 2013, which permits them to apply Sections 21 and 22 of the Local Government Act 2003 (accounts) to their transactions as they would apply in relation to a local authority.

*The explanatory note to the orders states that the "... Order modifies Schedules 2 and 4 to the 2011 Act, with the effect that chief constables and the Commissioner are treated as though they were subject to various local government enactments concerning accounting practices, and particularly the charging of expenditure to a revenue account. The purpose is to ensure that staff pension liabilities are treated in accordance with accepted practices in the accounts of chief constables and the Commissioner".*

The Police Reform and Social Responsibility Act 2011 not only provided for the introduction of the two corporations sole but also provided flexibility to police bodies to put in place local arrangements as to how responsibilities and delegations would be managed between the Police and Crime Commissioner (PCC) and CC in their local areas. Consequently, it was anticipated that

his might lead to significant variations in the accounts of the individual bodies due to the need to reflect their local arrangements.

The main amendment by CIPFA to the provision in LAAP 95 contained in LAAP 98A is that with all accounting transactions, Police and Crime Commissioners (and Chief Constables) need to consider the **substance of transactions in determining whether to recognise income, expenditure, assets, liabilities and reserves and not solely their legal form**. It needs to be satisfied that it is able to recognise the asset through control of future economic benefits or service potential that are expected to flow from it as a result of past events.

Although initially mandating the Principle / Agent arrangement (IFRS10) adopted successfully by the Mayor's Office and followed by the majority of forces under the stage 1 transfer of all assets and staff to PCC's upon appointment, the Audit Commission have now confirmed their support of the CIPFA approach in APB04. Although assets and staff may have transferred back to the CC under the Stage 2 arrangements as at 01.04.14, substance over form will also apply retrospectively under the stage 1 arrangements as at 31<sup>st</sup> March 2013. This means the forces that followed the Principle / agent arrangement for the 2012-13 accounts, will have to restate their accounts to reflect substance over form.

The requirements to restate the accounts for 2012-13 apply to the single entity statements of the CC and PCC and the group accounts contained in these statements. The Stage 2 transfer arrangements submitted and approved by the Home Office in March 2014, were constructed to broadly reflect the economic reality of what the CC and PCC control in terms of staff, assets and liabilities.

The Force has had to make some significant judgements as to where costs sit, and for some services this required a recharging of costs for services provided by the CC to the PCC and vice versa. Where the decisions made have a material impact on the financial statements, the PCC and CC have disclosed these as required by IAS 1 (see paragraph 3.4.2.81 of the Code).

### **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, reporting a final area / departmental under-spend of £2.58m. The force under-spent significantly in Operational areas (£0.49m) and Business Support (£0.64m), and over achieved the savings target required to balance the budget (£0.50m).

The under-spends meant the force was able to contribute £1.21m to the capital programme to support the Regional ISD Convergence Programme. The NOPCC approved carry-forwards of £1.54m for the Force, including £1.01m for the Volunteers and Specials Programme.

With the approved movements on reserves, the final outturn position was a £0.07m over spend, less than 0.1% of the net budget.

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

<u>Area/ Department</u>	<u>Over/ (Under)</u> £m
Police Pay	0.03
PCSO Pay	(0.43)
Police Pensions	(0.07)
Operational Policing (inc Specials & Volunteers)	(0.49)
Business Support Departments	(0.64)
Police and Crime Commissioner	(0.23)
Savings Target	(0.50)
Net Interest Receivable	(0.25)
<b>Sub-Total (Under) / Overspend</b>	<b>(2.58)</b>
Revenue Contribution - ISD Regional Convergence	1.21
<b>Total (Under) / Overspend</b>	<b>(1.37)</b>
Application of Carryforward Reserve	(0.61)
Application of Transformation Reserve	(0.10)
Transfer from Pensions Reserve	(0.07)
Transfer to Insurance Reserve	0.09
Transfer to Safer Roads Team Reserve	0.17
Transfer to Carryforward Reserve - Force	1.54
Transfer to Carryforward Reserve - NOPCC	0.43
<b>FINAL OUTTURN Over / (Under) Spend</b>	<b>0.08</b>

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

### **Comprehensive Income and Expenditure Account**

The Comprehensive Income and Expenditure Account shows the CC incurring a deficit. *Note 6 to the accounts is crucial, as it demonstrates how the surplus on service provision reconciles back to the Outturn position reported to the CC during May, by removing the statutory adjustments of which includes Depreciation and IAS19 Pension adjustments.*

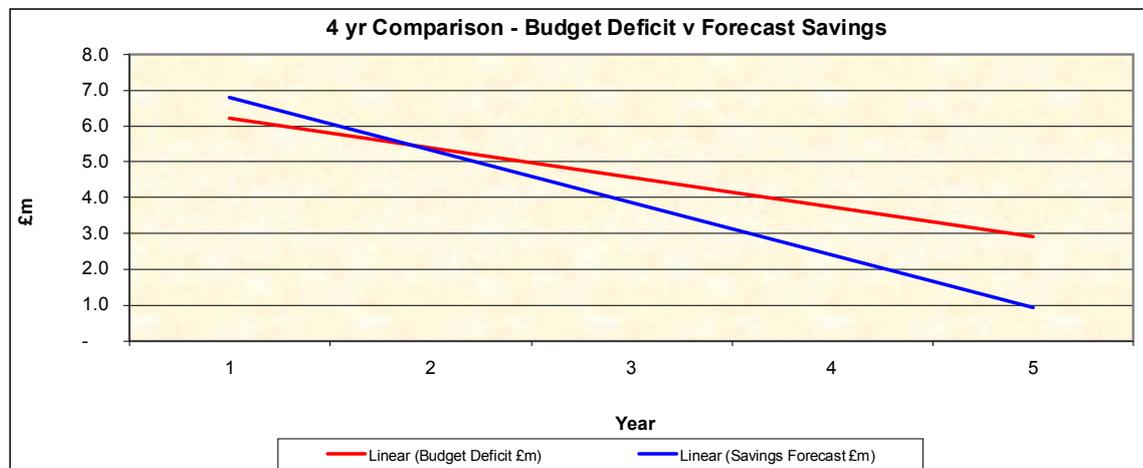
From this note it can be seen that the reasons for the difference is the notional accounting entries posted at year end above the surplus / deficit on provision line that are subsequently reversed out of the accounts to leave the surplus / deficit on a "funding basis" equivalent to the outturn. These include depreciation, amortisation, Revenue Funded from Capital Under Statute, Gains and Losses on disposals, IAS 19 Pension adjustments and Joint Venture Income and Expenditure.

### **Future Outlook**

Although modest recovery has started, the Institute for Fiscal Studies (IFS) has forecast that based on economic growth forecasts, in order to achieve its deficit reduction targets, the average reduction in public spending between 2011 and 2016 of 2.3% p.a in cash terms will be required to accelerate to 3.7% for the 3 years up to 2019.

Due to the top-slicing of grants for various central initiatives such as the College of Policing and the IPCC, the actual grant cut in 2014-15 was 4.8%, not the 3.3% announced in CSR 2013. The good news was that a ministerial statement in early January 2014 confirmed CT Grants for 2011-12 (£1.132m) and 2013-14 (£0.459m) would be rolled into base funding, meaning an improved funding position in 2016-17, when it was assumed the grants would drop out (£1.591m). Taking these savings into account and the savings plan described later, the Force current MTFs and savings plan are summarised in the table below.

		We are here →					← End of CSR 2010	← End of CSR 2013			
						-4.80%	-3.20%	-2%	-2%	-2%	
Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	TOTAL	
Budget Deficit £m	2.1	3.9	3.6	3.0	5.8	6.2	4.4	3.2	3.2	22.8	
Savings Forecast £m	2.4	6.4	5.2	3.0	6.1	5.8	4.5	2.4	0.5	19.3	
Cumulative (surplus) / deficit	(0.3)	(2.5)	(1.7)	-	(0.3)	0.1	(0.1)	0.8	3.5	4.0	



The consolidated net budget of the NOPCC and the Force for 2014-15 is £121.03m, a reduction of £1.46m. It can be seen that the force is required to save £5.8m in 2014-15 to balance the budget and £6.2m in 2015-16. There is currently no settlement beyond this but the scenario includes further 2% cash cuts (5% real terms) for the next 3 years to make up the 5 year period up to 2018-19 during which the force is expected to have to achieve savings of £22.8m.

## Investment

Nearly 80% the expenditure in the next 2 years will be in **3 key areas**.

### 21<sup>st</sup> Century Estate

The programme includes proposals for £13.0m of expenditure on the 21<sup>st</sup> Century Estate Programme. This includes £5.2m on the already approved Police Investigation Centre (PIC) in the North of the County and £7.8m of further Estates investment, including £5.5m for a Northern Accommodation Option.

A business case is being developed for the Estate that will include an Estates scenario master-plan. The strategy is inextricably linked to agile working and mobile data investment. It will include proposals for the whole of the Estate, integrated with the Fire and Rescue Service (FRS). In the meantime, the fall back option of the Northern Accommodation option, agreed with the NOPCC in the Estates Programme Board is included in the programme.

The Estates Programme Board also agreed to facilitate the northern accommodation solution by entering into negotiations to purchase available land adjacent to the PIC site and therefore secured an option to purchase the land. The Force and NOPCC have agreed to exercise the option.

### Agile Working (Business Case approved)

The capital programme also includes proposals to invest £3.12m in Mobile Data Technology over the next 4 years. The investment will be focused on enabling flexible (agile) and field working through the use of laptops and tablet devices, as well as the use of thin client desktop technology. Efficiency savings from an increase in visible officer time and cashable savings in desktop replacement and estates running costs are identified in the full Business case.

## **Replacement of Crime, Custody and Case Systems**

A reassessment of the delivery timescales for Project Athena resulted in further slippage in this project. All of the expenditure (£2.89m) is now expected in 2015-16 and 2016-17. This is now an area of business where the three Force and OPCC board have commissioned work on looking to move to a single operational IT platform in the Region.

## **Innovation Fund Bids**

The force has been successful in a bid for innovation funds. The Force has £300k and £900k in 2013-14 and 2014-15 for the development of Joint Police and Fire Community Hubs.

A further £300k has been secured for Process and demand modelling through Triaster and Process evolution that will allow the force to catalogue and cost all its key processes from end to end and measure any time savings in processes. The cost saved from demand prevention campaigns will be measurable and create a virtuous circle through re-investment in more prevention.

## **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](mailto:nick.alexander@northants.pnn.police.uk)
- Viewing the ONPCC website at: <http://www.northantspcc.org.uk/>

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



## Annual Governance Statement (AGS) for Northamptonshire Police Force

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 2014, including plans for financial year 2014/15.

### 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](http://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.

Throughout the period the organisation also ensured that its management arrangements conformed with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010) and its assurance arrangements are in line with the CIPFA statement on the Role of the Chief Internal Auditor (2010). This also includes having effective arrangements in place for the function of the Monitoring Officer.

### 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 2014 and up to the date of approval of the Statement of Accounts.

### **3. THE GOVERNANCE FRAMEWORK**

For the period of 1<sup>st</sup> April 2013 until 31 March 2014 Northamptonshire Police 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 Joint Audit Committee oversees the governance arrangements to ensure robustness and transparency of the frameworks.

#### **Our vision is:**

***"To Make Northamptonshire the Safest Place in the Country"***

#### **Objectives and Targets**

The Police and Crime plan published in March 2013, set out the strategy for policing the area and the vision for Northamptonshire Police Force. The strategic outcomes we desire are:

- **A reduction of at least 40% in violent crime**
- **There will be a focus on eradicating drugs and reducing acquisitive crime**
- **Anti-social behaviour will be robustly and intelligently tackled**
- **Northamptonshire will have a more visible police force**
- **Northamptonshire will be a secure place**
- **Northamptonshire will have the safest roads**

These outcomes enabled the Force to focus our resources on the key strategic themes:

- Reducing all Crime
- Increase our resolution rate
- Reduce Violence against the person
- Reduce Serious and Acquisitive crime volumes
- Protecting Vulnerable People

#### **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.
- **Aspire Board** is chaired by the Deputy Chief Constable and has oversight of the transformational change programmes in the Force.
- **Interoperability Board** is chaired by the Assistant Chief Constable, to deliver the integration of the force and Northamptonshire Fire and Rescue, improving our service to our community.

Her Majesty's Inspectorate of Constabulary (HMIC) also continuously monitors the force performance against other forces and carries out inspections of the force for themes agreed with the Home Secretary.

### **Measuring the quality of services for users**

The ONPCC 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. The corporate risk register is presented to the Chief Officer Group on a quarterly basis, for discussion and awareness, and at every meeting of the Joint Audit Committee for independent oversight and assurance.

### **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 the ONPCC.

### **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 regularly to discuss finance, budget

planning, the Force change programme, 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.

During 2013-14 the Force had 8 assurance reviews of which 6 gave us substantial or reasonable assurances of control and 2 gave only some assurance. These will be the areas of improvement for 2014/15. 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;

- Continuing to embed the Force-wide risk register that takes account of Corporate Scoring methodologies and seeks to analyse significant risks to Force strategies and policies;
- Improve the control mechanism in Detained (Seized) and found property
- Work with the East Midlands region to ensure the Governance and financial framework is improved
- Ensure pension procedures are robust and new legislation is adhered to
- Have thorough review of the governance arrangement within force to they are able to support the strategic direction of the force in a more timely fashion.

Officers and staff employed by the force are expected to adhere to the highest standards of conduct and personal behaviour. The requirements of officers are set out in Schedule 2 of the Police (Conduct) Regulations 2012. The requirements of Police staff are set out in the Police Staff Council Standards of Professional Behaviour document.

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 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.

The governance between the Force and the ONPCC has continued to be refined as has the Force framework to ensure the governance remains robust and effective. This has included the Scheme of Consent and a review of leadership and membership of all strategic meetings, and the outcomes being achieved by the Force.

For 2013-14 Baker Tilley (internal audit) concluded:

"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Northamptonshire Police arrangements for risk management, control and governance.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 Northamptonshire Police has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives."

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 2013-14**

There have been no significant governance issues during 2013-14. However, the Force will continually try to improve the governance framework both within the Force and the linking into the ONPCC, and the regional governance framework.



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Mr Adrian Lee  
Chief Constable of Northamptonshire Police Force



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Mrs F C Davies  
Head of Corporate Services  
Northamptonshire Police Force

On behalf of the senior officers Northamptonshire Police Force

## **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 2014.

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 2013-14.

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 2014 and the income and expenditure for the year ended 31 March 2014.

Adam Simmonds

John Raisin

Police and Crime Commissioner

Interim Assistant Commissioner for  
Resources – Office of Northamptonshire  
Police and Crime Commissioner  
Date: 26<sup>th</sup> September 2014

Date: 26<sup>th</sup> September 2014

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**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31  
MARCH 2014 FOR THE CHIEF CONSTABLE FOR NORTHAMPTONSHIRE**

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

The Chief Constable acts as an agent for Northamptonshire Police and Crime Commissioner and as such, there are no physical transactions within any of the main IFRS statements (Balance Sheet, MIRS, Cash Flow and Comprehensive Income and Expenditure Account). The details of the entries are contained within the Group Accounts.

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

	2012-13			2013-14		
	Gross Exp £'000	Gross Income £'000	Net Exp £'000	Gross Exp £'000	Gross Income £'000	Net Exp £'000
Local Policing	59,572	(9,604)	49,968	62,241	(9,602)	52,639
Dealing with the public	8,422	(344)	8,078	7,262	(542)	6,720
CJ Arrangements	11,109	(930)	10,179	10,217	(758)	9,459
Road policing	7,252	(1,942)	5,310	5,138	(883)	4,255
Specialist operations	6,592	(828)	5,764	7,531	(1,233)	6,298
Intelligence	5,093	(580)	4,513	5,703	(650)	5,053
Investigations	26,448	(3,474)	22,974	39,208	(5,735)	33,473
Investigative support	4,148	(74)	4,074	3,881	(133)	3,748
National policing (Including Counter Terrorism)	4,094	(2,258)	1,836	1,383	(183)	1,200
<b>Cost of Services</b>	<b>132,730</b>	<b>(20,034)</b>	<b>112,696</b>	<b>142,564</b>	<b>(19,719)</b>	<b>122,845</b>
Non Distributed Costs	520	0	520	2	0	2
Police & Crime Commissioner	0	0	0	0	0	0
<b>Agrees to Net Cost of Service Subjective Analysis</b>	<b>133,250</b>	<b>(20,034)</b>	<b>113,216</b>	<b>142,566</b>	<b>(19,719)</b>	<b>122,847</b>
Other Operating Expenditure			480			552
Financing & Investment Income & Expenditure			41,687			43,446
Taxation & Non-Specific Grant Income			0			0
Intra-Company Adjustment			(113,248)			(119,334)
<b>(Surplus)/ Deficit on Provision of Services</b>			<b>42,135</b>			<b>47,511</b>
Revaluation (Gains)/Losses and Impairment Losses on property, plant and equipment			0			0
Actuarial (Gains)/Losses on Pension Assets/ Liabilities			102,857			(36,694)
<b>TOTAL COMPREHENSIVE (INCOME) /EXPENSE FOR THE PERIOD</b>			<b>144,992</b>			<b>10,817</b>

**BALANCE SHEET AS AT 31 MARCH 2014**

This account shows the overall financial position of Northamptonshire Police Force at 31 March 2014. It therefore differs from the other financial accounts shown in this statement in that it deals with the position of the Police Force at the end of the 2013-14 financial year instead of dealing with day-to-day transactions within that financial year.

<b>31 Mar 2013 Re-stated £'000</b>	<b>Note</b>	<b>31 Mar 2014 £'000</b>
0	<b>Non-current assets:</b> Property, Plant and Equipment (PPE)	0
<b>0</b>	<b>Total non-current assets</b>	<b>0</b>
0	<b>Current assets:</b> Current Assets	0
<b>0</b>	<b>Total current assets</b>	<b>0</b>
	<b>Current liabilities</b>	
(1,300)	Short Term Creditors	(1,930)
0	Current Liabilities	0
<b>(1,300)</b>	<b>Total current liabilities</b>	<b>(1,930)</b>
<b>(1,300)</b>	<b>Total assets less current liabilities</b>	<b>(1,930)</b>
	<b>Non-current liabilities:</b>	
(1,007,746)	Other Long Term Liabilities	(1,016,539)
0	Non-Current Liabilities	0
<b>(1,009,046)</b>	<b>Total non-current liabilities</b>	<b>(1,018,469)</b>
<b>0</b>	<b>Net Assets</b>	<b>0</b>
0	Usable Reserves	0
1,009,046	Unusable Reserves	1,018,469
<b>1,009,046</b>	<b>TOTAL Reserves</b>	<b>1,018,469</b>

## MOVEMENT IN RESERVES STATEMENT 2013-14

The Chief Constable acts as an agent for Northamptonshire Police and Crime Commissioner and as such, there are no physical transactions within any of the main IFRS statements (Balance Sheet, MIRS, Cash Flow and Comprehensive Income and Expenditure Account). The details of the entries are contained within the Group Accounts.

This statement shows the movement in the year on the different reserves held by the Police Force, 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 Police Force'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 2013-14

	Restated	Total	Employee		Capital		Total
	General Fund	Usable	Benefit	Pension	Adjustment	Unusable	Total
	Balance	Reserves	Reserve	Reserve	Account	Reserves	Police
	£'000	£'000				£'000	Force
							Reserves
							£'000
<b>Opening Balance as at 1<sup>st</sup></b>							
<b>April 2012</b>	<b>0</b>	<b>0</b>	<b>1,300</b>	<b>862,754</b>	<b>0</b>	<b>864,054</b>	<b>864,054</b>
(Surplus)/ Deficit on provision of Services	42,135	42,135	0	0	0	0	42,135
Other Comprehensive (Income) & Expenditure	0	0	0	102,857	0	102,857	102,857
<b>Total Comprehensive (Income) &amp; Expenditure</b>	<b>42,135</b>	<b>42,135</b>	<b>0</b>	<b>102,857</b>	<b>0</b>	<b>102,857</b>	<b>144,992</b>
Adj between accounting basis & funding basis under regulation	(42,135)	(42,135)	0	42,135	0	42,135	0
<b>Net (Increase)/ Decrease before Transfer to Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>144,992</b>	<b>0</b>	<b>144,992</b>	<b>144,992</b>
Transfer to/ (from) Earmarked Reserves	0	0	0	0	0	0	0
<b>(Increase)/ Decrease</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>144,992</b>	<b>0</b>	<b>144,992</b>	<b>144,992</b>
<b>Balance as at 31 Mar 2013 carried forwards</b>	<b>0</b>	<b>0</b>	<b>1,300</b>	<b>1,007,746</b>	<b>0</b>	<b>1,009,046</b>	<b>1,009,046</b>
<b>Opening Balance as at 1<sup>st</sup></b>							
<b>April 2013</b>	<b>0</b>	<b>0</b>	<b>1,300</b>	<b>1,007,746</b>	<b>0</b>	<b>1,009,046</b>	<b>1,009,046</b>
(Surplus)/ Deficit on provision of Services	46,117	46,117	0	0	0	0	46,117
Other Comprehensive (Income) & Expenditure			0	(36,694)	0	(36,694)	(36,694)
<b>Total Comprehensive (Income) &amp; Expenditure</b>	<b>46,117</b>	<b>46,117</b>	<b>0</b>	<b>(36,694)</b>	<b>0</b>	<b>(36,694)</b>	<b>9,423</b>
Adj between accounting basis & funding basis under regulation	(45,487)	(45,487)	0	45,487	0	45,487	0
<b>Net (Increase)/ Decrease before Transfer to Earmarked Reserves</b>	<b>630</b>	<b>630</b>	<b>0</b>	<b>8,793</b>	<b>0</b>	<b>8,793</b>	<b>9,423</b>
Transfer to/ (from) Earmarked Reserves	(630)	(630)	630	0	0	630	0
<b>(Increase)/ Decrease in 2013-14</b>	<b>0</b>	<b>0</b>	<b>630</b>	<b>8,793</b>	<b>0</b>	<b>9,423</b>	<b>9,423</b>
<b>Balance as at 31 Mar 2014 carried forwards</b>	<b>0</b>	<b>0</b>	<b>1,930</b>	<b>1,016,539</b>	<b>0</b>	<b>1,018,469</b>	<b>1,018,469</b>

## CASH FLOW STATEMENT 2013-14

The Chief Constable acts as an agent for Northamptonshire Police and Crime Commissioner and as such, there are no physical transactions within any of the main IFRS statements (Balance Sheet, MIRS, Cash Flow and Comprehensive Income and Expenditure Account). The details of the entries are contained within the Group Accounts.

This statement shows a summary of the cash flowing in and out of Northamptonshire Police Force 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.

	<b>2012-13</b>	<b>2013-14</b>
	<b>£'000</b>	<b>£'000</b>
Grants	(15,694)	(13,981)
Sales of goods and rendering of services	(7,804)	(1,935)
Other receipts from operating activities	(101,828)	(116,457)
<b>Cash inflows generated from operating activities (sub-total)</b>	<b>(125,326)</b>	<b>(132,373)</b>
Cash paid to and on behalf of employees	106,117	111,052
Cash paid to suppliers of goods and services	19,209	21,321
<b>Net cash flows from operating activities</b>	<b>125,326</b>	<b>132,373</b>
<b>INVESTING ACTIVITIES</b>		
<b>Net cash flows from investing activities</b>	<b>0</b>	<b>0</b>
<b>FINANCING ACTIVITIES</b>		
<b>Net cash flows from financing activities</b>	<b>0</b>	<b>0</b>
<b>Net (increase) or decrease in cash &amp; cash equivalents</b>	<b>0</b>	<b>0</b>
Cash & Cash Equivalents at beginning of period	0	0
Cash & Cash Equivalents at end of period	0	0

## NOTES ON THE CORE FINANCIAL STATEMENTS

### 1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies the Police Force 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 authorities from central government departments
- Whether other entities with which the Police Force has a relationship are subsidiaries, associates or jointly controlled entities

### 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 Police Force 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 Police Force's Police Objective Analysis for March 2014 contains assumptions relating to:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
The use of equipment	The Force uses equipment provided by the Police & Crime Commissioner for Northamptonshire and a cost of the consumption of the benefit has been charged to the Income & Expenditure Statement based upon the assumed Economic Value of this use.	It is estimated that the annual cost would decrease by a maximum of £1.97m for each year of additional usage the Force achieved above it's assumed life.
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 2013-14, the actuaries advised that the net pension's liability had increased by £72.362m as a result of estimates being corrected as a result of experience and increased by £36.4m 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 £1,018.348m, being the total pension liability.
Additional costs of employment	Estimation of the net liability to pay both officer and staff pensions depends on many complex judgements and the Force has used an amalgamation of professional advice from external bodies and assumptions about the numbers of staff employed by the Force and the Police & Crime Commissioner.	The assumptions interact in complex ways. During 2013-14, the Police Force's actuaries advised that there was a revenue impact of £70k attributable to updating of the assumptions by the professionals.  Changes of this nature, could result in revenue impacts of material value within the Comprehensive Income & Expenditure Statement

### 3 Events after the Balance Sheet Date

Events taking place after 30 June 2014 are not reflected within the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, 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

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:

#### Figures excluding Senior Officers, detailed in Note 4 continued;

2012-13		2013-14	2013-14	2013-14
Total	Earnings Bands	Police Officers	Police Staff	Total Employees
39	£50,000 to £54,999	25	3	28
16	£55,000 to £59,999	7	0	7
3	£60,000 to £64,999	2	0	2
3	£65,000 to £69,999	3	0	3
1	£70,000 to £74,999	0	1	1
5	£75,000 to £79,999	1	0	1
0	£80,000 to £84,999	1	0	1
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	0	0
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
67	<b>Total</b>	<b>39</b>	<b>4</b>	<b>43</b>

#### Figures including Senior Officers, detailed in Note 4 continued;

2012-13		2013-14	2013-14	2013-14
Total	Earnings Bands	Police Officers	Police Staff	Total Employees
39	£50,000 to £54,999	25	3	28
16	£55,000 to £59,999	7	0	7
3	£60,000 to £64,999	2	0	2
3	£65,000 to £69,999	3	0	3
1	£70,000 to £74,999	0	1	1
5	£75,000 to £79,999	1	0	1
2	£80,000 to £84,999	1	1	2
1	£85,000 to £89,999	1	1	2
0	£90,000 to £94,999	1	0	1
2	£95,000 to £99,999	0	0	0
0	£100,000 to £104,999	1	0	1
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
73	<b>Total</b>	<b>43</b>	<b>6</b>	<b>49</b>

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, as the Senior Officers within note 4 are included within both tables, the two will not be directly comparable.

**... 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:

**2013-14**

<b>Post holder information</b>	<b>Starting Date</b>	<b>Leaving Date</b>	<b>Salary including fees and Allowances</b>	<b>Bonus*</b>	<b>Expense Allowances</b>	<b>Loss of Office</b>	<b>Benefits in Kind</b>	<b>Other</b>	<b>Total Excluding Pension</b>	<b>Employers Contribution</b>	<b>Total Including Pension</b>
Adrian Lee Chief Constable	12/10/2009		133,845	0	1,419		0	10,096	145,360	32,839	178,199
Deputy Chief Constable	09/08/2010	03/02/2013	0		166		0	0	166	0	166
Deputy Chief Constable	01/02/2013		110,423		397		0	8,737	119,557	26,721	146,278
Assistant Chief Constable	01/09/2010		97,345		318		0	8,530	106,193	23,556	129,749
Assistant Chief Constable	03/06/2013		78,154	0	739		2,561	3,521	84,975	18,912	103,887
Head of Corporate Services	01/02/2001		82,695	0	2,968		0	0	85,663	14,058	99,721
<b>Total Northamptonshire Police</b>			<b>502,462</b>	<b>0</b>	<b>6,007</b>	<b>0</b>	<b>2,561</b>	<b>30,884</b>	<b>541,914</b>	<b>116,086</b>	<b>658,000</b>

**2012-13**

<b>Post holder information</b>	<b>Starting Date</b>	<b>Leaving Date</b>	<b>Salary including fees and Allowances</b>	<b>Bonus*</b>	<b>Expense Allowances</b>	<b>Loss of Office</b>	<b>Benefits in Kind</b>	<b>Other</b>	<b>Total Excluding Pension</b>	<b>Employers Contribution</b>	<b>Total Including Pension</b>
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	96,377	22,376	118,753
Deputy Chief Constable	01/02/2013		18,297		118			890	19,305	4,428	23,733
Assistant Chief Constable	12/10/2009	31/01/2013	83,165		1,481			7,602	92,248	20,125	112,373
Assistant Chief Constable	01/09/2010		96,780		503			7,975	105,258	23,420	128,678
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	85,091	13,565	98,656
<b>Total Northamptonshire Police</b>			<b>564,648</b>		<b>6,098</b>		<b>3,634</b>	<b>29,905</b>	<b>604,285</b>	<b>125,794</b>	<b>730,079</b>

\*Whilst throughout 2012-13 and 2013-14 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

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Statement of Recommended Practices. However, decisions about resource allocation are taken by the Police Force 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 Police Force's principal departments are recorded in the budget reports for the year is as follows:**

<b>2013-14</b>	<b>Crime &amp; Justice</b>	<b>Local Policing (Territorial)</b>	<b>Support Departments</b>	<b>Police Pay</b>	<b>Police Pensions</b>	<b>PCSO's</b>	<b>Non Devolved</b>	<b>Total</b>
<b>Portfolio Income and Expenditure</b>								
Funding by the ONPCC	(1,464)	(3,315)	(1,295)	(671)	(10,715)	(408)	(1,849)	(19,717)
Government Grants	(13,864)	(11,225)	(22,214)	(51,104)	(11,354)	(4,318)	(5,342)	(119,421)
<b>Total Income</b>	<b>(15,328)</b>	<b>(14,540)</b>	<b>(23,509)</b>	<b>(51,775)</b>	<b>(22,069)</b>	<b>(4,726)</b>	<b>(7,191)</b>	<b>(139,138)</b>
Employee Expenses	11,393	9,869	8,769	51,721	21,951	4,294	2,243	110,240
Other Service Expenses	4,181	4,069	13,999	81	46	0	6,501	28,877
Support Service Recharge	0	0	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>15,574</b>	<b>13,938</b>	<b>22,768</b>	<b>51,802</b>	<b>21,997</b>	<b>4,294</b>	<b>8,744</b>	<b>139,117</b>
<b>Net Income/ Expenditure</b>	<b>246</b>	<b>(602)</b>	<b>(741)</b>	<b>27</b>	<b>(72)</b>	<b>(432)</b>	<b>1,553</b>	<b>(21)</b>

<b>2012-13</b>	<b>Crime &amp; Justice</b>	<b>Territorial</b>	<b>Support Departments</b>	<b>Police Pay</b>	<b>Police Pensions</b>	<b>PCSO's</b>	<b>Non Devolved</b>	<b>Total Force</b>
<b>Portfolio Income and Expenditure Fees Charges &amp; Other Service Income</b>	(1,315)	(1,523)	(2,925)	(5,427)	(379)	(1,093)	(8,769)	(21,431)
<b>Government Grants</b>	(22,723)	(13,603)	(10,379)	(2,936)	(4,260)	(53,141)	(11,937)	(118,979)
<b>Total Income</b>	<b>(24,038)</b>	<b>(15,126)</b>	<b>(13,304)</b>	<b>(8,363)</b>	<b>(4,639)</b>	<b>(54,234)</b>	<b>(20,706)</b>	<b>(140,410)</b>
<b>Employee Expenses</b>	9,852	11,265	8,716	1,701	4,727	52,940	20,041	109,242
<b>Other Service Expenses</b>	13,096	3,773	4,308	9,280	0	34	33	30,524
<b>Support Service Recharge</b>	0	0	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>22,948</b>	<b>15,038</b>	<b>13,024</b>	<b>10,981</b>	<b>4,727</b>	<b>52,974</b>	<b>20,074</b>	<b>139,766</b>
<b>Net Income/ Expenditure</b>	<b>(1,090)</b>	<b>(88)</b>	<b>(280)</b>	<b>2,618</b>	<b>88</b>	<b>(1,260)</b>	<b>(632)</b>	<b>(644)</b>

### 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.

	<b>2013-14 £'000</b>	<b>2012-13 £'000</b>
Net Expenditure in the Portfolio Analysis	(21)	(644)
Net Expenditure of Services & Support Departments not included in the Analysis	47,511	42,135
Amounts in the CIES not reported to management in the Analysis	21	644
Amounts included within the Analysis not included within the CIES	0	0
<b>(Surplus)/ Deficit on the Provision of Services</b>	<b>47,511</b>	<b>(42,135)</b>

## **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.

	<b>Portfolio Analysis £'000</b>	<b>Support Services not in Analysis £'000</b>	<b>Amounts not reported to mgmt £'000</b>	<b>Amounts not included in CIES £'000</b>	<b>Allocation of Recharges £'000</b>	<b>Cost of Services £'000</b>	<b>Corporate Amounts £'000</b>	<b>Total £'000</b>
<b>2013/14</b>								
Employees - Police Pay and Allowances	65,032		2,300			67,332		67,332
Police Pensions	11,371					11,371		11,371
- Civilian Pay and Allowances	32,773		(240)			32,533		32,533
- Other Pay and Allowances	1,247					1,247		1,247
Premises	4,386					4,386		4,386
Transport	2,321					2,321		2,321
Supplies and Services	9,745					9,745		9,745
Agency Expenses (Third Party payments)	5,969					5,969		5,969
Pensions - Non Distributed Past Service Cost			2			2		2
Levies to national Police Services	552					552		552
Pensions Interest Cost and Return on Pensions Assets			43,446			43,446		43,446
Revenue Contribution to Capital			2,003			2,003		2,003
Intra Group	(113,698)			21		(113,677)		(113,677)
	<b>19,698</b>	<b>0</b>	<b>47,511</b>	<b>21</b>	<b>0</b>	<b>67,230</b>	<b>0</b>	<b>67,230</b>
Service Income	(4,412)					(4,412)		(4,412)
Specific Grants (Including Loan Charges)	(4,592)					(4,592)		(4,592)
Home Office - Police Pensions Top Up Grant	(10,715)					(10,715)		(10,715)
	<b>(19,719)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(19,719)</b>	<b>0</b>	<b>(19,719)</b>
	<b>(21)</b>	<b>0</b>	<b>47,511</b>	<b>21</b>	<b>0</b>	<b>47,511</b>	<b>0</b>	<b>47,511</b>

## Comparative 2012-13 movement:

	Portfolio Analysis £'000	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
<b>2013/14</b>								
Employees - Police Pay and Allowances	65,355					65,355		65,355
Police Pensions	9,214					9,214		9,214
- Civilian Pay and Allowances	29,873					29,873		29,873
- Other Pay and Allowances	1,774					1,774		1,774
Premises	3,920					3,920		3,920
Transport	2,338					2,338		2,338
Supplies and Services	9,223					9,223		9,223
Agency Expenses (Third Party payments)	5,723					5,723		5,723
Pensions - Non Distributed Past Service Cost								
Levies to national Police Services	480					480		480
Pensions Interest Cost and Return on Pensions Assets			42,135			42,135		42,135
Revenue Contribution to Capital						0		0
Intra Group	(108,510)			644		(107,866)		(107,866)
	<b>19,390</b>	<b>0</b>	<b>42,135</b>	<b>644</b>	<b>0</b>	<b>62,169</b>	<b>0</b>	<b>62,169</b>
Service Income	(3,716)					(3,716)		(3,716)
Specific Grants (Including Loan Charges)	(7,549)					(7,549)		(7,549)
Home Office - Police Pensions Top Up Grant	(8,769)					(8,769)		(8,769)
	<b>(20,034)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(20,034)</b>	<b>0</b>	<b>(20,034)</b>
	<b>(644)</b>	<b>0</b>	<b>42,135</b>	<b>644</b>	<b>0</b>	<b>42,135</b>	<b>0</b>	<b>42,135</b>

## 6 Intra Company Adjustment

Other Operating Expenditure includes levies; gains or losses on the disposal of non-current assets in the CIES for 2013-14.

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
(108,510)	Intra-Company Adjustment to the ONPCC	(113,698)
<b>(108,510)</b>	<b>Total</b>	<b>(113,698)</b>

## 7 Trading Operations

The Police Force does not have any trading operations. All commercial activities have been outsourced. In completing this review, the Police Force 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 a Police Force, the Police Force is statutorily required to recover these vehicles and as such would recover these even if it was not an income generating function.

## 8 Related Parties

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

Central Government has effective control over the general operations of the Police Force. It is responsible for providing the statutory framework within which the Police Force 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.

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 Police Force 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 Arrangement – The Police Force has a significant interest in joint arrangement, (EMASU, EMSOU, EMTSU, Major Crime Regional, EMSCU, Regional Learning & Development, Regional Occupational Health & Regional Legal arrangement).

## 9 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.

2013-14	General Fund Balance	Collection Fund Adjustment Account	Capital Grants Unapplied	Movement in Unusable Reserves
Description	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<b><u>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES)</u></b>				
Charges for depreciation and impairment of non current assets	0			0
Revaluation losses on Property Plant and Equipment	0			0
Movements in the market value of Investment Properties	0			0
Amortisation of intangible assets	0			0
Capital grants and contributions applied	0			0
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	0			0
Write down of deferred charges to be financed from Capital Resources	0			0
<b><u>Insertion of items not debited or credited to the CIES:</u></b>				
Statutory provision for the financing of capital investment	0			0
Capital expenditure charged against the General Fund	0			0
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 47)	(72,361)			(72,361)
Employer's pensions contributions and direct payments to pensioners payable in the year	26,874			26,874
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	0			0
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	0			0
<b>Total Adjustments</b>	<b>45,487</b>			<b>(45,487)</b>
Reconciliation of total adjustments within CIES to the ONPCC's (Surplus)/ Deficit for the Accounting Period				
Statutory Adjustments from within CIES (Opposite of above)	(45,487)			
Transfers to/ From Reserves	45,487			
ONPCC Surplus/ Deficit	0			
Removal Of Joint Venture (Surplus)/ Deficit	0			
<b>CIES/ Surplus deficit</b>	<b>0</b>			

2012-13

Description	General Fund Balance	Collection Fund Adjustment Account	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<b><u>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES)</u></b>				
Charges for depreciation and impairment of non current assets	0			0
Revaluation losses on Property Plant and Equipment	0			0
Movements in the market value of Investment Properties	0			0
Amortisation of intangible assets	0			0
Capital grants and contributions applied	0			0
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	0			0
Write down of deferred charges to be financed from Capital Resources	0			0
<b><u>Insertion of items not debited or credited to the CIES:</u></b>				
Statutory provision for the financing of capital investment	0			0
Capital expenditure charged against the General Fund	0			0
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 47)	(65,560)			(65,560)
Employer's pensions contributions and direct payments to pensioners payable in the year	23,425			23,425
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	0			0
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	0			0
<b>Total Adjustments</b>	<b>42,135</b>			<b>(42,135)</b>
Reconciliation of total adjustments within CIES to the ONPCC's (Surplus)/ Deficit for the Accounting Period				
Statutory Adjustments from within CIES (Opposite of above)	(42,135)			
Transfers to/ From Reserves	42,135			
ONPCC Surplus/ Deficit	0			
Removal Of Joint Venture (Surplus)/ Deficit	0			
<b>CIES/ Surplus deficit</b>	<b>0</b>			

## 10 External Audit Costs

During the year the ONPCC incurred external audit fees for the Audit of the Accounts, amounting to £35,250 (£85,526 in 2012/13), the reflection of this within the CC's accounts are estimated to be 75% of the use.

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
65	Fees for External Audit	26
<b>65</b>	<b>Total</b>	<b>26</b>

## 11 Grant Income

The ONPCC credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013-14.

<b>2012-13</b>	<b>Grants credited to Service Income</b>	<b>2013-14</b>
<b>£'000</b>		<b>£'000</b>
248	Counter Terrorism Grant	0
249	Drug Intervention Programme	280
186	Loan Charges Grant	197
8,769	Pension Top Up Grant	10,715
3,033	Police Community Support Officers	0
0	Community Support Funding (CSF)	949
0	Council Tax Freeze Grant	0
0	Capital Grants	0
<b>12,485</b>	<b>Total</b>	<b>11,192</b>
	<b>Other Service Income</b>	
2,043	Partner Income	2,678
2,810	Fees and Charges	2,625
521	Sales (Third Parties)	392
1,375	Reimbursements	1,081
329	Agency Income	88
471	Mutual Aid	337
<b>7,549</b>	<b>Total</b>	<b>7,201</b>
<b>20,034</b>	<b>Total Income</b>	<b>18,393</b>

## 12 Unusable Reserves

<b>31 Mar 13</b>		<b>31 Mar 14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
0	Revaluation Reserve	0
0	Capital Adjustment Account	0
1,007,746	Pensions Reserve	1,016,540
0	Collection Fund Adjustment Account	0
1,300	Accumulated Absences Account	1,930
<b>1,009,046</b>	<b>Total Unusable Reserves</b>	<b>1,018,470</b>

## 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.

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
<b>862,754</b>	<b>Balance at 1 April</b>	<b>1,007,746</b>
102,857	Actuarial gains or losses on pensions assets and liabilities	(36,694)
65,560	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	72,361
(23,425)	Employer's pensions contributions and direct payments to pensioners payable in the year	(26,874)
<b>1,007,746</b>	<b>Balance at 31 March</b>	<b>1,016,539</b>

## 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.

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
<b>1,300</b>	<b>Balance at 1 April</b>	<b>1,300</b>
0	Settlement or cancellation of accrual made at the end of the preceding year	(1,300)
0	Amounts accrued at the end of the current year	1,930
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
<b>1,300</b>	<b>Balance at 31 March</b>	<b>1,930</b>

### 13 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>	<b>Description</b>	<b>£'000</b>
(8,321)	Specific Grants	(5,572)
(8,769)	Police Officer Pensions Top Up Grant	(10,715)
(2,810)	Fees & Charges	(2,625)
(1,375)	Reimbursements	(1,081)
76,194	Police Officer Pay	81,940
28,475	Police Staff Pay	28,145
1,447	Other Staff Costs	967
3,953	Premises Costs	4,388
2,372	Transport Costs	2,335
3,373	Communications	3,820
489	IT Maintenance	672
344	Miscellaneous	962
360	Professional Services	849
6,010	Agency Costs (Third Party Payments)	5,969
(114,100)	OPCC Transfer	(113,656)
12,358	Other Operating Activities	3,602
<b>0</b>	<b>Net Cash Flow from Operating Activities</b>	<b>0</b>

## 14 Termination Benefits

The CC 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 CC 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 CC terminated the contracts of a number of employees in 2013-14. The previous year's total was £1.54m

Exit package Cost Band (including special payments)	Number of compulsory redundancies		Number of Other Departures Agreed		Total No of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2012-	2013	2012-	2013-	2012	2013	2012-13	2013-14
	13	-14	13	14	-13	-14	£'000	£'000
<b>CC Accounts</b>								
<b>£0 -£20,000</b>	3	1	0	0	3	1	35	2
<b>£20,001 - £40,000</b>	0	0	0	0	0	0	0	0
<b>£40,001 - £60,000</b>	0	0	0	0	0	0	0	0
<b>£60,001 - £80,000</b>	0	0	0	0	0	0	0	0
<b>£80,001 - £100,000</b>	0	0	0	0	0	0	0	0
<b>£100,001 - £150,000</b>	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>35</b>	<b>2</b>

## 15 Pensions

**All pensions notes have been accounted for on the basis of the pooled Pension arrangements. Individual transactions are recorded in the Primary Statements of CC & OPCC accounts & then amalgamated into the OPCC Group account notes.**

### 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

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

	<b>Local Government Pension Scheme</b>		<b>Police Pension Scheme</b>		<b>TOTAL</b>	
	<b>2012-13</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2013-14</b>
<b><u>Comprehensive Income and Expenditure</u></b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Cost of Services</b>						
Current service cost	(3,937)	(4,704)	19,550	24,370	15,613	19,666
Past service cost	(539)	(2)	0	0	(539)	(2)
<b>Net Operating Expenditure</b>						
Interest Costs**	(5,556)	(6,268)	(40,730)	(41,660)	(46,286)	(47,928)
Expected return on employers assets**	4,559	4,411	0	0	4,559	4,411
<b>Net Charge to the Income and Expenditure Account</b>	<b>(5,473)</b>	<b>(6,563)</b>	<b>(21,180)</b>	<b>(17,290)</b>	<b>(26,653)</b>	<b>(23,853)</b>
<b>Movement In Reserves</b>						
Movement on Pensions Reserve (Reversal of net charges made for retirement benefits in accordance with IAS 19)	5,473	6,563	60,280	66,830	65,753	73,393
<b><u>Actual amount charged against Council Tax (General Fund Balance) for pensions</u></b>						
Employers contributions to the Scheme	3,908	4,975	10,886	11,355	14,794	16,330
Additional contributions to the Police Pensions Fund Account			8,769	10,715		

\*\* 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 £36.394m (£102.857m in 2012-13) were included within other Comprehensive Income & Expenditure for the Chief Constables accounts.

The estimated 2013/14 pension scheme contributions for the Police Pension Scheme are £11.0m and £3.76m for the Local Government Pension Scheme.

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

- Current Service Costs & Employers contributions to the scheme and additional contributions to the Police Pensions Fund Account are all apportioned across the Local Policing to National Policing headings by officer numbers; and
- Past Service Costs are wholly included within the heading Non-Distributed Costs;
- Interest Costs and Expected Return on Employers Assets are included within Financing & Investment Income & Expenditure.

### Defined Benefit Pension Schemes

Assets and Liabilities in relation to Retirement Benefits

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

	Funded Liabilities Local Govt. Scheme		Unfunded Liabilities Police Pension Scheme	
	31 Mar 2013 £'000	31 Mar 2014 £'000	31 Mar 2013 £'000	31 Mar 2014 £'000
<b>Opening Defined Benefit Obligation - 1 April</b>	<b>(114,061)</b>	<b>(137,765)</b>	<b>(831,350)</b>	<b>(967,760)</b>
Current Service Cost (Grossed up for employee contributions)	(3,937)	(4,704)	(24,850)	(30,070)
Interest Cost	(5,556)	(6,268)	(40,730)	(41,660)
Contributions by Scheme Participants	(1,436)	(1,400)	5,300	5,700
Actuarial (Gains)/ Losses	(14,751)	(7,289)	(95,780)	(44,650)
Past Service (Costs)/ Gains	0	0	0	0
(Losses)/ Gains on Curtailments	(539)	(2)	0	0
Estimated Unfunded Benefits Paid	5	5	0	0
Estimated Benefits Paid	2,510	2,802	19,650	22,070
<b>Closing Defined Benefit Obligation 31st March</b>	<b>(137,765)</b>	<b>(154,621)</b>	<b>(967,760)</b>	<b>(1,056,370)</b>

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

Pension Asset – Local Government Pension Scheme Only

	31 Mar 2013 £'000	31 Mar 2014 £'000
<b>Pensions Asset 1 April</b>	<b>81,509</b>	<b>96,317</b>
Expected Return on Assets	4,559	4,411
Contributions by Members	1,436	1,400
Employers Contributions (Incl Injuries) - excluding Top-Up Grant	3,908	4,975
Contributions in Respect of Unfunded Benefits	5	5
Actuarial Gains	7,415	958
Estimated Unfunded Benefits paid	(5)	(5)
Estimated Benefits Paid	(2,510)	2,802
<b>Fair Value of Pensions Asset 31 March</b>	<b>96,317</b>	<b>110,863</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The estimated return on scheme assets in the year was £4,559,000 (£4,559,000 in 2012-13).

### Scheme History

	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
	<b>Restated</b>				
<b>Present Value of Liabilities</b>					
Local Government Pension Scheme	(125,551)	(99,758)	(114,061)	(137,765)	(154,621)
Police Pension Scheme	(830,140)	(733,030)	(831,350)	(967,760)	(1,056,370)
<b>Fair Value of Assets LGPS</b>	67,181	76,084	81,509	96,317	110,863
<b>Surplus/ (Deficit) in the Scheme</b>					
Local Government Pension Scheme	(58,370)	(23,674)	(32,552)	(41,448)	(43,758)
Police Pension Scheme	(830,140)	(733,030)	(831,350)	(967,760)	(1,056,370)
<b>Total</b>	<b>(888,510)</b>	<b>(756,704)</b>	<b>(863,902)</b>	<b>(1,009,208)</b>	<b>(1,100,128)</b>

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	
	2012- 13	2013- 14	2012- 13	2013- 14
<b>Expected Return on Assets</b>	%	%	%	%
Investments	7	8.1	n/a	n/a
<b>Mortality Assumptions</b>	<b>yrs</b>	<b>yrs</b>	<b>yrs</b>	<b>yrs</b>
Longevity at 65 for current pensioners				
Men	21.4	22.3	23.4	23.4
Women	23.3	24.3	25.8	25.6
Longevity at 65 for future pensioners				
Men	23.4	24	25.7	25.9
Women	25.5	26.6	27.9	28
<b>Financial Assumptions</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Rate of Inflation	2.8	2.5	2.5	2.5
Rate of Increase in Salaries	5.1	4.6	4.75	4.5
Expected Return on Assets	4.5	2.8	n/a	2.5
Rate for Discounting Scheme Liabilities (Gross)	4.5	4.3	5.7	4.4
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:

<b>31.03.13</b>		<b>31.03.14</b>	
<b>%</b>	<b>Description</b>	<b>%</b>	
71.00%	Equity Investments	74.00%	
22.00%	Bonds	19.00%	
5.00%	Property	5.00%	
2.00%	Cash and Liquidity	2.00%	
<b>100.00%</b>	<b>Total</b>	<b>100.00%</b>	

### **Pensions Reserve - History of Experience Gains / Losses**

The actuarial gains identified as movements on the Pensions Reserve for 2013-14, can be analysed into the following categories, measured as percentages of assets or liabilities as at 31 March 2013.

	<b>2009-10</b>		<b>2010-11</b>		<b>2011-12</b>		<b>2012-13</b>		<b>2013-14</b>	
	<b>£m</b>	<b>%</b>								
<b>Local Government Pension Scheme</b>										
Differences between expected and actual return on <b>assets</b>	14.28	21.25%	-0.74	-0.97	-3.9	-4.78%	7.42	7.70%	0.96	0.87%
Differences between actuarial assumptions about <b>Liabilities</b> and actual experience.	0.01	0.01%	14.43	14.46%	-0.96	-0.84%	0.12	0.09%	7.29	-4.72%
<b>Police Pension Schemes</b>										
Differences between actuarial assumptions about <b>Liabilities</b> and actual experience.	7.22	0.92%	6.27	0.90%	32.32	-4.66%	22.66	3.27%	37.23	4.15%
<b>New Police Pension Scheme</b>										
Differences between actuarial assumptions about <b>Liabilities</b> and actual experience.	-0.37	-3.76%	-1.25	10.02%	-1.4	11.22%	0.86	6.89%	3.84	11.77%
<b>Injury Awards Police Pension Scheme</b>										
Differences between actuarial assumptions about <b>Liabilities</b> and actual experience.	-3.3	-9.56%	2.21	8.17%	-3.02	11.16%	-0.42	-1.55%	3.58	9.87%

## **16 POLICE PENSION FUND ACCOUNT**

This statement shows movements of funds related to police officer pensions. The PCC is required to operate a Police Officer Pension Fund from 1<sup>st</sup> 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.

	<b>2012-13</b> <b>£'000</b>	<b>2013-14</b> <b>£'000</b>
<b>Contributions Receivable</b>		
From Employer		
normal	(10,882)	(10,586)
early retirements	(1)	0
From members	(5,304)	(5,705)
<b>Transfers in</b>		
Individual Transfers in from other schemes	(59)	(204)
<b>Benefits Payable</b>		
Pensions	20,146	21,472
Commutations and lump sum retirement benefits	4,797	5,249
Lump Sum death benefits		
Other	0	3
<b>Payments to and on account of leavers</b>		
Refunds of Contributions	4	1
Individual transfers out to other schemes	68	485
Other	0	0
<b>Sub-total for the year before transfer from the ONPCC of an amount equal to the deficit</b>	<b>8,769</b>	<b>10,715</b>
<b>Additional funding payable by the ONPCC to fund the deficit for the year</b>	<b>(8,769)</b>	<b>(10,715)</b>
<b>Net amount payable/ receivable for the year</b>	<b>0</b>	<b>0</b>

Details of the long-term pension obligation can be found within the pensions notes.

### **Net Asset Statement**

There were no unpaid pensions due or recoverable overpayments of pensions as at 31 March 2014

## 17 ACCOUNTING POLICIES

### GENERAL PRINCIPLES

The Accounts have been prepared in accordance with the 2013-14 Code of Practice on Local Police Force 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 Authorities. 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.

**The accounting policies have been written in the assumption of an eventual transition to Stage 2 of the Act. The Accounting Policies have been harmonised with the ONPCC. The Accounting Policies have been reviewed and there are no changes other than the ones specifically dealing with the creation of the PCC. The Accounting Policies included here are the ones relevant to this years accounts.**

#### 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). In 2013-14, these transactions have been recognised within the Group Financial Statements.

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.

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

## **3 Government Grants and Contributions**

Revenue grants and contributions are credited to the Comprehensive Income and Expenditure Statement in the same period as the expenditure to which they relate. 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. The MFSS (Multi Force Shared Service) is to be amortised over 10 years and new assets are amortised the year they come into use.

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

## **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 (Recognition, Revaluation & Measurement of Tangible Fixed Assets). Subsequent capital expenditure is capitalised where it provides an enhancement of the economic benefits of the asset in excess of those previously assessed.

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

The deminimis 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 in accordance with Royal Institute of Chartered Surveyors Appraisal and Valuation Standards.

The qualified surveyor determines the valuation basis, Market Value for all non specialist buildings or Depreciated Replacement Cost for those classified as specialist in nature, such as buildings solely designed as custody suites, where those facilities are part of the physical structure of the building.

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

In 2013-14, the cost of the consumption of the assets has been charged to the gross cost within the Operating Cost Statement to reflect the nature of the transaction.

These depreciation charges are made to the Operating Cost Statement for all tangible fixed assets, which have a finite useful life. Depreciation is calculated on a straight line basis as follows:

Operational Buildings	Over the life of the asset (10-40 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

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

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

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

## 5.4 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 2013-14 the ONPCC only recognises a profit on disposal if the asset disposed of is more than £10,000.

## **5.6 Componentisation**

When assets are revalued in line with the cyclical revaluation process, asset components are split at high level into land and buildings, with the buildings element further subdivided in order to be depreciated over appropriate estimated useful lives. The five building components used are roof, walls/structure, mechanical and electrical, windows and externals.

New acquisitions are brought into the accounts at cost and revalued in the following year. Assets costing less than £10,000, or revalued to less than £10,000 are charged to the Comprehensive Income and Expenditure Statement.

## **6 Redemption of Debt**

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

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

## **7 Capital Receipts**

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

## **8 Stocks and Stores**

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

## **9 Reserves**

Reserves are maintained to finance expenditure on projects that will be carried out in future years and to protect the 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 of the group accounts covers how the ONPCC's investments are disclosed in relation to recently introduced Financial Reporting Standards covering Financial Instruments,

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

## **12 Transactions relating to Retirement Benefits**

As part of the terms and conditions of employment of its officers and other employees, the ONPCC/ CC offers retirement benefits. Although these benefits will not actually be payable until employees retire, the ONPCC/ CC 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/ CC 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 pension's liability, recognised in the Comprehensive Income and Expenditure Statement Account. The neutralising entry is within adjustments made between Accounting Basis and Funding Basis under Regulations.

The Balance Sheet discloses the ONPCC/ CC'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 group Financial Statements provide further information about the pension schemes.

For 2012/13, pension costs relating to retirement benefits have been included within the gross expenditure figure shown within the operating costs as a reflection of the nature of the transaction.

### **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.

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

### **14. Overheads and Support Services**

Under the revised 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 1/3<sup>rd</sup> 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.

In 2013-14, these costs have been included within the Group Financial Statements, reflecting the ownership and control of the assets and services incurred in the services.

## **16. Value Added Tax**

VAT is included in the Accounts of the ONPCC/ CC, 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 Group's Core Statements.

## **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.
- Bad Debts are valued at the receivable value. Therefore the cost of collection of debt assessed as recoverable are deducted from the outstanding value.
- Assets are valued at Market Value (MV) and Depreciated Replacement Cost (DRC) for specialist vehicles, but held in Fixed Assets at the depreciated cost assessed as MV/ DRC less the cumulative depreciation over the Useful Economic Life of that asset.

## **22 Comparison with Previous Years**

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

## **23 Cash and cash equivalents**

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

In 2013-14 the ONPCC administers the control of the cash on behalf of both corporate soles and therefore, transactions have been included within the Group Financial Statements.

## **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.

## **27 Termination Benefits**

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

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

## **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.



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# Report to those charged with governance (ISA 260) 2013/14

Police and Crime Commissioner for  
Northamptonshire and Chief Constable  
of Northamptonshire

September 2014



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This report is addressed to the Police and Crime Commissioner and the Chief Constable and has been prepared for their sole use. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at [www.auditcommission.gov.uk](http://www.auditcommission.gov.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Jon Gorrie, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3<sup>rd</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 0303 4448 330.

## This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the PCC and CC; and
- our assessment of the PCC's and the CC's arrangements to secure value for money (VFM) in its use of resources.

## Scope of this report

This report summarises the key findings arising from:

- our audit work at the Police and Crime Commissioner for Northamptonshire ('the PCC') and the Chief Constable of Northamptonshire ('the CC') on their 2013/14 financial statements; and
- our work to support our 2013/14 value for money (VFM) arrangements conclusion.

ISA 260 requires us to produce this report for those charged with governance; the PCC and the CC acting as corporations sole. We are also providing a copy of this report to the Joint Independent Audit Committee to assist with their role.

## Financial statements

Our *External Audit Plan 2013/14*, presented to you in March 2014, set out the four stages of our financial statements audit process.



This report focuses on the second third stage of the process: control evaluation and] substantive procedures. Our on site work for these took place during March 2014 (interim audit) and July 2014 (year end audit).

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

## VFM arrangements conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM arrangements conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM arrangements conclusion; and
- considering the results of any relevant work by the PCC and CC, and other inspectorates and review agencies in relation to these risk areas.

## Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM arrangements conclusion.

We have no specific recommendations to make. We have also reviewed your progress in implementing prior recommendations and noted that these have been implemented.

## Acknowledgements

We would like to take this opportunity to thank the finance team and other colleagues for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

<p><b>Proposed audit opinion</b></p>	<p>We anticipate issuing unqualified audit opinions on the financial statements for both the PCC and CC by 30 September 2014. We will also report that the wording of your Annual Governance Statements accord with our understanding.</p>
<p><b>Audit adjustments</b></p>	<p>Our audit has not identified any material audit adjustments that affect the values shown in the accounts. We have, however, identified two significant non material audit differences which have been made to the accounts. These relate to:</p> <p><b>Receipts in advance</b> – these have been incorrectly disclosed within the creditors note when they should have been included within debtors.</p> <p><b>Depreciation</b> – this was shown net of the revaluation which took place during the year and it should have been reported gross to highlight the actual depreciation charge incurred in the year.</p> <p>We have also identified a number of presentational points during the course of our work. Management has agreed to adjust al of these presentational points.</p>
<p><b>Changes in accounting approach</b></p>	<p>New authoritative guidance has been issued by CIPFA to assist police bodies in allocating financial activity between the PCC and the CC in their single entity financial statements.</p> <p>In 2013/14, the CC is recognising the operational costs of policing as costs within the Comprehensive Income and Expenditure Statement. This includes the full costs of employing police officers and civilian staff, except for staff employed in the Office of the PCC.</p> <p>All other income and expenditure, assets and liabilities are recognised by the PCC in its single entity financial statements. A prior period adjustment has been made to both sets of financial statements to apply the same accounting approach to the prior period, to make the financial performance and position in both years comparable.</p> <p>There have been no changes to the group financial performance or position reported in 2012/13 as a result of these changes.</p> <p>These changes required a significant amount of work by the finance staff who we worked with extensively to ensure that the issues were all addressed.</p>

This table summarises the headline messages. The remainder of this report provides further details on each area.

<b>Key financial statements audit risks</b>	<p>We have worked with officers throughout the year to discuss specific risk areas.</p> <p>The key risk areas identified in our Audit Plan relate to the accounts format and the LGPS triennial pension valuation. We are satisfied that the PCC and the CC have addressed the issues appropriately.</p>
<b>Accounts production and audit process</b>	<p>We have noted continued improvements in the quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>The PCC and the CC have implemented all of the recommendations in our <i>ISA 260 Report 2012/13</i> relating to the financial statements.</p>
<b>Completion</b>	<p>At the date of this report our audit of the financial statements is substantially complete, subject to completion of the following areas:</p> <ul style="list-style-type: none"> <li>■ Review of the year end journals; and</li> <li>■ Final review of the statements and the presentational changes made.</li> </ul> <p>Before we can issue our opinion we require a signed management representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the financial statements of the PCC and the CC.</p>
<b>VFM arrangements conclusion and risk areas</b>	<p>We have concluded that the PCC and the CC have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM arrangements conclusion by 30 September 2014.</p>

Our audit has identified a total of two audit adjustments and a number of presentational amendments to the statements notes.

These adjustments do not impact on the income and expenditure statement or the total assets less current liabilities in the balance sheet.

The wording of your Annual Governance Statement accords with our understanding of the PCC and CC governance arrangements.

### Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the financial statements of the PCC and the CC following approval of the Statement of Accounts by the PCC and the CC on 30 September 2014.

### Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to those charged with governance. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Our audit identified a total of two significant non material audit differences, which we set out in Appendix 1. It is our understanding that these will be adjusted in the final versions of the financial statements.

These audit difference relate to:

**Receipts in advance** – these have been incorrectly disclosed within the creditors note when they should have been included within debtors.

**Depreciation** – this was shown net of the revaluation which took place during the year and it should have been reported gross to highlight the actual depreciation charge incurred in the year.

There is no net impact on the Police Fund as a result of audit adjustments.

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013/14* ('the Code'). We understand that the PCC and PC will be addressing these where significant and we will confirm in the final draft statement of accounts.

### Annual Governance Statement

We have reviewed the Annual Governance Statements and confirmed that:

- they complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- they are not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

**We have worked with management to consider the implications of the new accounting guidance issued by CIPFA. The PCC and the CC have revised the accounting approach adopted for 2013/14, and in the prior period, to reflect these discussions.**

For 2013/14, the PCC and the CC have changed the basis on which their single entity financial statements have been produced.

### Prior period approach

For 2012/13, in common with PCCs and CCs in many other police areas, the PCC and the CC adopted the concept of agent/principal when accounting for their activity. This approach recognised:

- the PCC's strategic policing role in setting the Police and Crime Plan;
- the CC's use of assets owned by the PCC, and of police staff employed by the CC, to deliver the CC's operational policing role; and
- the PCC's ability to hold the CC to account.

As a result, it was considered that the CC was acting as the PCC's agent, with the CC managing the PCC's resources to meet the PCC's strategic objectives, rather than as a principal in their own right. This meant that operational policing and all other activity was recognised in the PCC's primary statements only, with the CC producing 'zero' accounts, that explained their role and showed the resources deployed by the CC on the PCC's behalf, but did not recognise any income and expenditure or assets and liabilities.

Despite the significantly different approaches adopted by different police bodies, there were no qualified audit opinions issued in 2012/13 because the lack of definitive guidance meant that the wide range of different approaches were all considered reasonable to reflect the nature of local arrangements.

### Why change the approach for 2013/14?

The inconsistencies that were apparent in 2012/13 prompted a reconsideration of the basis of police accounting and a desire for greater consistency between the accounts of PCCs and CCs in different police areas.

Changes enacted in the Anti-Social Behaviour Act 2014 made CC's local authorities in their own right, changed the statutory basis on which CC's prepared their financial statements, legally requiring them to adopt the Code of Audit Practice for Local Accounting, and permitting CIPFA to consider issuing guidance on interpreting the Code for CCs.

In March 2014, CIPFA issued LAAP Bulletin 98A which provided police bodies with authoritative guidance on apportioning activity and assets between the PCC and the CC in their respective single entity financial statements. The Audit Commission and its audit suppliers, including KPMG, have discussed the guidance to ensure a consistent approach is being adopted to the audit of PCC and CC accounts in 2013/14.

### What changes have been made?

Following discussions between the Responsible Finance Officers and us, we have agreed that, on the basis of the new guidance issued since our 2012/13 audit opinion was issued in September 2013, it is appropriate to change the accounting approach adopted for 2013/14.

In 2013/14, the CC is recognising the operational costs of policing as costs within the Comprehensive Income and Expenditure Statement. This includes the full costs of employing police officers and civilian staff, except for staff employed in the Office of the PCC.

All other income and expenditure, assets and liabilities are recognised by the PCC in their single entity financial statements. A prior period adjustment has been made to both sets of financial statements to apply the same accounting approach to the prior period, to make the financial performance and position in both years comparable.

There have been no changes to the group financial performance or position reported in 2012/13 as a result of these changes.

We have worked with officers throughout the year to discuss specific risk areas. The PCC and the CC have addressed the issues appropriately.

In our *External Audit Plan 2013/14*, presented to you in March 2014, we identified the key risks affecting the 2013/14 financial statements for the PCC and CC. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the PCC and the CC.

Additionally, we considered the risk of management override of

controls, which is a standard risk for all organisations.

Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues

Key audit risk	Issue	Findings
	<p>The format, content and presentation of the financial statements following the creation of PCCs remain an area of focus and risk. In particular, accounts with zero entries for the Office of the Chief Constable using the 'principle and agent' approach used last year are, we understand, not going to be in compliance with clarifying guidance in the form of a LAAP bulletin currently awaited from CIPFA. Changes in accounting treatment are therefore likely.</p> <p>In addition, the potential transfer of staff and assets from the PCC to the CC under the Stage 2 Transfer and the accounting treatment within the 2013/14 financial statements is also unclear. If the transfer has to be accounted for within the 2013/14 accounts this will have a considerable impact on the work involved by the PCC/CC finance teams and the audit team.</p>	<p>The format and content of the accounts has changed during the year following both CIPFA and Audit commission guidance. Much of this guidance was received late in the year and the Finance Team responded well to these change.</p> <p>We worked with the Finance Team throughout the closedown period to ensure that the required changes had been implemented and we are satisfied that the final draft financial statements will reflect all of the required changes.</p> <p>The transfer of staff did not take place under stage 2 this year. This will be accounted for in 2014/15.</p>

We have worked with officers throughout the year to discuss specific risk areas. The PCC and the CC have addressed the issues appropriately.

Key audit risk	Issue	Findings
	<p>During the year, the Local Government Pension Scheme for Northamptonshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The IAS19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Northamptonshire County Council who administer the Pension Fund based on information received from Northamptonshire PCC.</p>	<p>As part of our audit we agreed the data provided by the actuary back to the system and reports from which it was derived. We then tested the accuracy of this data.</p> <p>We liaised with the separate KPMG audit team for the Council's pension fund where this data was provided by the pension fund on the Authority's behalf.</p> <p>We are pleased to report that we did not identify any significant misstatement in relation to the pension asset and liabilities detail in the financial statements.</p>

We have noted a continued improvement in the quality of the accounts and the supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The PCC and the CC have implemented all the recommendations in our *ISA 260 Report 2012/13*.

### Accounts production and audit process

ISA 260 requires us to communicate to those charged with governance, the PCC and the CC as corporations sole, our views about the significant qualitative aspects of their accounting practices and financial reporting. We also assessed the processes for preparing the accounts and supporting an efficient audit.

We considered the following criteria:

Element	Commentary
<b>Accounting practices and financial reporting</b>	<p>The PCC and the CC have adapted to the changes in the reporting format positively and accounts were produced on the 26<sup>th</sup> June 2014.</p> <p>There were a number of presentational changes required to the accounts, reflecting the short timescale for their production.</p> <p>We consider that accounting practices are appropriate.</p>
<b>Completeness of draft accounts</b>	<p>We received a complete set of draft accounts on 26<sup>th</sup> June 2014. The PCC and the CC made a number of amendments of a presentational nature after this date.</p>
<b>Quality of supporting working papers</b>	<p>Our <i>Accounts Audit Protocol</i>, which we issued in March 2014 and discussed with the Finance team, set out our working paper requirements for the audit.</p> <p>The quality of working papers provided was acceptable and reflected ongoing improvements and met the standards specified in our <i>Accounts Audit Protocol</i>.</p>
<b>Response to audit queries</b>	<p>Officers resolved the majority of audit queries in a reasonable time.</p>

Element	Commentary
<b>Group audit</b>	<p>To gain assurance over the PCC's group accounts, we placed reliance on work completed on the single entity financial statements of the PCC and the CC.</p> <p>There are no specific matters to report pertaining to the group audit.</p>

### Prior year recommendations

As part of our audit we have specifically followed up the PCC and the CC's progress in addressing the recommendations in last years ISA 260 report.

The PCC and the CC have implemented the two recommendations made last year.

**The organisational and IT control environment is effective, and controls over the key financial systems are sound.**

**We are satisfied that internal audit are compliant with the Code of Practice for Internal Audit in Local Government and have been able to place reliance on their work where this was relevant to our work.**

During March 2014 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

### **Organisational and IT control environment**

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We therefore obtain an understanding of the PCC and CC overall control environment and determine if appropriate controls have been implemented.

The PCC and CC also rely on information technology (IT) to support both financial reporting and internal control processes and where necessary we found the controls to be operating satisfactorily.

### **Review of Internal Audit**

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work.

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

We reviewed internal audit's work on the key financial systems and re-performed a sample of tests completed by them.

We did not identify any significant issues with internal audit's work and are pleased to report that we are again able to place full reliance on internal audit's work on the key financial systems.

We also reviewed Internal Audit's self assessment against the United Kingdom Public Sector Internal Audit Standards (PSIAS) , which have applied since April 2013.

Based on the self assessment performed by internal audit, our assessment of their files, attendance at the Audit Committee and regular meetings during the course of the year, we have not identified

any significant matters which would indicate internal audit are not compliant with PSIAS.

The PSIAS require public sector organisations to commission an external review of internal audit. Our work does not constitute an external review with respect to this requirement.

### **Controls over key financial systems**

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on the work of your internal auditors, and our own work on controls over the year end process, the controls over the financial systems are sound.

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the financial statements of the PCC and the CC.**

**Before we can issue our opinion we require a signed management representation letter.**

**Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.**

### **Declaration of independence and objectivity**

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of the Police and Crime Commissioner for Northamptonshire and the Chief Constable of Northamptonshire for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and the Police and Crime Commissioner for Northamptonshire and the Chief Constable of Northamptonshire, their senior officers and management and their affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 2 in accordance with ISA 260.

### **Management representations**

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided templates to the Responsible Finance Officers for presentation to the PCC and the CC. We require a signed copy of these management representations before we issue our audit opinions.

### **Other matters**

ISA 260 requires us to communicate to those charged with governance by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;

- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the 2013/14 financial statements for the PCC and the CC.

**Our VFM arrangements conclusion considers how the PCC and the CC secure financial resilience and challenges how they secure economy, efficiency and effectiveness.**

**We have concluded that the PCC and the CC have both made proper arrangements to secure economy, efficiency and effectiveness in their use of resources.**

### Background

Auditors are required to give their statutory VFM arrangements conclusion based on two criteria specified by the Audit Commission. These consider whether the PCC and the CC have proper arrangements in place for:

- securing financial resilience: looking at the financial governance, financial planning and financial control processes at both the PCC and the CC; and
- challenging how the PCC and the CC secure economy, efficiency and effectiveness: looking at how they prioritise resources and improve efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the PCC and the CC to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

### Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- assessed the key business risks affecting the PCC and the CC which are relevant to our VFM arrangements conclusion;
- identified the residual audit risks for our VFM arrangements conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- considered the results of relevant work by the PCC and the CC, inspectorates and review agencies in relation to these risk areas: and
- Determined whether any specific risk based work was required.



**We have identified a number of specific VFM risks.**

**In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the current arrangements in relation to these risk areas at the PCC and the CC are adequate.**

#### Key findings

We performed a risk assessment earlier in the year and have reviewed this throughout the year during our audit. The PCC and the CC faced a number of financial pressures through the year, especially when considering that Northamptonshire has a history of being a low spending Force.

The 2013/14 budget was set to require £2.996m of savings in the year and overachieved against this target by £0.503m. This resulted in an overall overspend of £0.073m which is within the tolerance of 0.5% of the net budget.

Our review of the work of other agencies included a review of the work completed by HMIC where the overall assessment given was good. A number of key areas were highlighted, in particular:

- The Force has a sound history of achieving its financial targets;
- There is a savings target of £5.8m for 2014/15 and detailed plans to achieve this;
- Well establish collaborative working arrangements are in place; and
- A 12% reduction in crime recorded to March 2014 together with a 2% increase in victim satisfaction has been achieved.

This is consistent with our understanding and risk assessment.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

#### Conclusion

We have concluded that the PCC and CC has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

## Appendix 1: Audit differences

This appendix sets out the significant audit differences.

These will be be adjusted and the statements amended.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance, i.e. the PCC and the CC as the corporations sole. We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

### Corrected audit differences

The following table sets out the significant audit differences identified by our audit of the financial statements for the year ended 31 March 2014 for the PCC for Northamptonshire. It is our understanding that these will be adjusted. We will confirm this in the final set of financial statements before issuing our opinion. There was no overall impact to the Income and Expenditure Statement or the balance sheet.

No.	Income and Expenditure Statement	Movement in Reserves Statement	Impact			Basis of audit difference
			Assets £000	Liabilities £000	Reserves	
<b>PCC</b>						
1.	N/A	N/A	Dr Debtors £1.765m	Cr Creditors £1,765m	N/A	Receipts in advance had been incorrectly shown in creditors and should have been included within debtors.
2.	N/A	N/A	Dr PPE – Land and Buildings £1.393m Cr PPE – Land and Buildings £1.393m		N/A	Depreciation for the year was shown net of the revaluation and should have been gross to show the actual depreciation charge.  This would also require amendment to the relevant supporting notes.
			Dr £1,765m	Cr £1,765m		Impact of adjustments on the PCC
			<b>Dr £1,765m</b>	<b>Cr £1,765m</b>		<b>Total impact of adjustments on the Group</b>

**The Code of Audit Practice requires us to exercise our professional judgement and act independently of the Commission, the PCC for Northamptonshire and the CC of Northamptonshire.**

### Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the 'Code') which states that:

*“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission’s *Standing Guidance for Local Government Auditors* ('Audit Commission Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 Communication of *Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

### General procedures to safeguard independence and objectivity

KPMG’s reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the PCC for Northamptonshire and the CC of Northamptonshire.**

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

#### **Auditor declaration**

In relation to the audit of the financial statements for the financial year ending 31 March 2014 for the PCC for Northamptonshire and the CC of Northamptonshire, we confirm that there were no relationships between KPMG LLP and the PCC for Northamptonshire and the CC of Northamptonshire, their senior officers and management and their affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

## Letter of Representation.

Jon Gorrie  
KPMG LLP  
1 Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

XX September 2014

Dear Mr Gorrie

This representation letter is provided in connection with your audit of the financial statements of the Police and Crime Commissioner for Northamptonshire (“the Authority”) for the year ended 31 March 2014, for the purpose of expressing an opinion:

- as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority’s expenditure and income for the year then ended; and
- whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

These financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself.

**Financial statements**

The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

1. give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority’s expenditure and income for the year then ended; and
2. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14
3. The financial statements have been prepared on a going concern basis. [ISA (UK&I) 580.10; CA2006]

Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable [ISA (UK&I) 540.22]

All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed. [ISA (UK&I) 560.9]

The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter. [ISA (UK&I) 450.14]

In respect of the pensions restatement, the Authority confirms that the restatement is appropriate. [ISA (UK&I) 710.9]

### Letter of Representation.

#### Information provided

The Authority has provided you with:

1. access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
2. additional information that you have requested from the Authority for the purpose of the audit; and
3. unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence. [ISA (UK&I) 210 6b(iii)]

All transactions have been recorded in the accounting records and are reflected in the financial statements. [ISA (UK&I) 580.11b]

The Authority confirms the following: [ISA 210 (UK&I) 6b(ii); ISA (UK&I) 240.39a]

- The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud. [ISA (UK&I) 240.39b]
- The Authority has disclosed to you all information in relation to:

Fraud or suspected fraud that it is aware of and that affects the Authority and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements; and [ISA (UK&I) 240.39c]

Allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others. [ISA (UK&I) 240.39d]

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority

acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements. [ISA (UK&I) 250A.16]

The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. [ISA (UK&I) 501.12]

The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*. [ISA (UK&I) 550.26a, b]

The Authority confirms that:

The financial statements disclose all of the uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.

Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

**Letter of Representation.**

On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

The Authority further confirms that:

all significant retirement benefits, including any arrangements that are:

- statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- funded or unfunded; and
- approved or unapproved,

have been identified and properly accounted for; and

all plan amendments, curtailments and settlements have been identified and properly accounted for. [APB Practice Note 22.81]

This letter was tabled and agreed at the meeting of the Audit Committee on 10 September 2014. [ISA (UK&I) 580.A2-1]

Yours faithfully

Chair of the Audit Committee

Chief Financial Officer

## Letter of Representation.

Jon Gorrie  
KPMG LLP  
1 Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

XX September 2014

Dear Mr Gorrie

This representation letter is provided in connection with your audit of the financial statements of the Chief Constable for Northamptonshire (“the Authority”) for the year ended 31 March 2014, for the purpose of expressing an opinion:

- as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority’s expenditure and income for the year then ended; and
- whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

These financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself.

**Financial statements**

The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

1. give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority’s expenditure and income for the year then ended; and
2. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14
3. The financial statements have been prepared on a going concern basis. [ISA (UK&I) 580.10; CA2006]

Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable [ISA (UK&I) 540.22]

All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed. [ISA (UK&I) 560.9]

The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter. [ISA (UK&I) 450.14]

In respect of the pensions restatement, the Authority confirms that the restatement is appropriate. [ISA (UK&I) 710.9]

Letter of Representation.

**Information provided**

The Authority has provided you with:

1. access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
2. additional information that you have requested from the Authority for the purpose of the audit; and
3. unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence. [ISA (UK&I) 210 6b(iii)]

All transactions have been recorded in the accounting records and are reflected in the financial statements. [ISA (UK&I) 580.11b]

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Fraud or suspected fraud that it is aware of and that affects the Authority and involves:

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- statutory, contractual or implicit in the employer's actions;
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- funded or unfunded; and
- approved or unapproved,

have been identified and properly accounted for; and

2. all plan amendments, curtailments and settlements have been identified and properly accounted for. [APB Practice Note 22.81]

This letter was tabled and agreed at the meeting of the Audit Committee on 10 September 2014. [ISA (UK&I) 580.A2-1]

Yours faithfully

Chair of the Audit Committee

Chief Financial Officer



*cutting through complexity™*

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### Joint Audit Committee (JAC) Finance Highlight Report

- 1.1 This report provides the JAC with an update on the financial position of the force.

#### **Medium Term Financial Position**

- 1.2 The force has a current savings plan versus estimated cumulative deficit as shown below.

	2014-15	2015-16	2016-17	2017-18	2018-19
	£000	£000	£000	£000	£000
Legacy Savings	1,248	312	186		
Project Balance Savings	4,539	2,017	2,643	467	
Plan B Savings		3,189			
Ranking Restructure and reduction in PCSO's	211	830	588	491	480
Long Term (LT) Strategic Option			790	2,053	0
<b>Total Savings</b>	<b>5,998</b>	<b>6,348</b>	<b>4,206</b>	<b>3,010</b>	<b>480</b>
Cumulative Savings	5,998	12,346	16,552	19,563	20,043
Cumulative Deficit	(5,820)	(12,026)	(16,380)	(19,583)	(22,764)
<b>Cumulative Surplus / Deficit</b>	<b>178</b>	<b>320</b>	<b>172</b>	<b>(20)</b>	<b>(2,721)</b>

- Confidence levels are high for Legacy, Balance and Ranking Restructuring savings
- Plan B savings are now included – 13 work-streams, confidence levels in development alongside Business Cases.
- If Plan B savings achieved takes pressure of LT strategic option with no significant savings requirement until 2017-18.

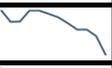
#### **In year position**

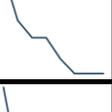
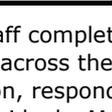
- 1.3 The Force is forecast to under-spend by £0.028m.
- The force and NOPCC have a carry-forward from 2013-14 of £1.544m
  - 2014-15 Budget deficit of £5.8m, savings already achieved by Project Balance
  - Forecast levels of total reserves at 31.03.14, £14.78m, Gen Reserves £4.03m.

#### **Capital**

- 1.4 The Force is in the process of identifying required Change Programme Investment Levels – all day workshop with Programme leads on 5<sup>th</sup> September. Final estates Strategy and Options expected October to feed into capital strategy and budget process.

Indicator	Mar-13	Status	Trend	Commentary
<b>CUSTOMERS</b>				
Victim satisfaction	81.5%	<b>84.6%</b>		Satisfaction with overall service to June 2014 has improved over the last 12 months with the last 7 months consistently above 84%. Victims of Burglary are the most satisfied overall (92.5%) and Violent Crime victims the least satisfied overall (78.5%). Satisfaction with call handling and actions taken are improving with satisfaction with treatment and follow-up stable but higher than 12 months ago.
Public confidence (Police only)	82.6%	<b>86.0%</b>		Public confidence (Police only) to June 2014 continues to increase within the county with over 86% of people surveyed feeling the police are dealing with local issues that matter to them. Northampton remains the highest CSP at 89.1% and Wellingborough the lowest at 83.3% although this is increasing.
Public confidence (Police and Council - joint measure)	63.3%	<b>60.4%</b>		Public confidence (joint measure) to June 2014 continues to decrease within the county with less than 62% of people surveyed feeling the police and local Council are dealing with local issues that matter to them. Corby is the highest at 66.5% and Northampton the lowest at 57.8%. The difference between this measure and the one above shows the strength and perception of the council.
Complaints from the public	38	<b>40</b>		The number of public complaints (by month) is within normal levels and comparable to the average for the last 12 months
Whistle Blowing (NEW)	6	<b>11</b>		The number of whistle blowing reports (by month) shows a slight increasing trend especially in June and August. Averaging at 6 per month over last year.
<b>Call answering times</b>				
<b>999</b> (Definition of service level: 90% in 10 seconds)	93.6%	<b>81.0%</b>		Call answering times continue to decrease with August showing its lowest month since Oct 12, this is the first report from the new system
<b>Non emergency</b> (Definition of service level: 80% in 30 seconds)	87.4%	<b>73.8%</b>		Non emergency call times are showing a decreasing trend with the last 3 months being below 80%. As above this is the first report from the new system.
<b>Response times (% attended within service level)</b>				
<b>G1</b> (Attend rural G1s in under 20 minutes, urban G1s in under 15 minutes)	83.0%	<b>82.5%</b>		G1 Response times within the service level continue to show a gradual decline over the last 18 months but remain in normal levels. Recent months have since shown improvements back to average. The Force has consciously not set a target as it wants its drivers to attend to incidents responsibly not necessarily quickly.
<b>G2</b> (Attend all G2s in under 60 minutes)	53.5%	<b>53.4%</b>		G2 response times within the service level show wider variation over the last 12 months, with the latest month 53.4% showing a slight increase and above the YTD average of (53.3%). The Force has consciously not set a target as it wants its drivers to attend to incidents responsibly not necessarily quickly.

Indicator	Mar-13	Status	Trend	Commentary
<b>PEOPLE</b>				
<b>Workforce strength</b>				
<b>Officers</b>	1267.69	<b>1237.04</b>		The force establishment is 1220 officers and is managed through strategic workforce planning to keep numbers just above this level.
Constables	945.12	<b>941.54</b>		The number of constables has fluctuated over the last 12 months with a recent increase in line with the force plans to increase officers in this rank and reduce supervisors. The force is currently interviewing for future intakes to replace those officers due to retire during 2014 and 2015.
Sergeants	224.07	<b>206.94</b>		The number has slowly fallen over the last 12 months, in line with the target operating model requirements.
Inspectors	62.5	<b>57.55</b>		Inspectors have seen a reduction over time in line with the planned reductions in this rank according to the future direction/model of the Force.
Chief Inspectors	20	<b>18</b>		This rank has seen a reduction over time in line with the planned reductions of Chief Inspectors according to the future direction of the Force. Recent numbers are stable
Superintendents	10	<b>7</b>		This rank saw a reduction in July and August 2013 in line with the planned future direction of the Force with recent numbers stable
Chief Superintendents	2	<b>1</b>		This rank is stable following a reduction from 3 to 2 in July 2013
ACPO	4	<b>5</b>		This is stable in line with the future direction of the Force
PCSOs	126.84	<b>128.42</b>		The number of PCSOs is showing a decreasing trend over the last 3 months but is above the YTD average of (125.5)
Operational Frontline	-	<b>1107.66</b>		90.0% of officers are in frontline roles, with a further 7.0% in operational support roles and the remaining 3.0% in back office roles.
Operational Support	-	<b>83.77</b>		This is consistent with previous years and other forces using HMIC data.
Business Support	-	<b>40.6</b>		The difference in totals with officer strength is due to where a function as not been assigned or the Home office code is 62 Other.
<b>Police Staff</b>	856.67	<b>819.9</b>		Police staff numbers are showing a decrease over the last few months. This month 819.9 is the lowest since June 13 and reflects the need to make significant financial savings between now and March 2015. However, a reduction here will impact on force business with some functions not able to be done to level before, or picked up by other staff and officers.
Operational Frontline		<b>500.54</b>		54.0% of police staff are in frontline roles (forensic officers, PCSOs), with a further 21.0% in operational support (control room, intelligence) and the remaining 25.0% in back office roles. This is a stable picture. All elements will be reviewed as part of the financial savings required.
Operational Support		<b>198.92</b>		The difference in totals are where a function as not been assigned or the Home office code is 62 Other
Business Support		<b>230.41</b>		
<b>Special constables</b>	226	<b>351</b>		Volumes are increasing and are currently at their highest ever number. We have the second highest ratio of specials to 1000 people nationally and if we exceed 383 specials should move top nationally. Further intakes are planned for the rest of 2014. The force is working flat out to achieve the interim target of 500 by December 2014.
<b>Volunteers</b>	185	<b>611</b>		Significant increase in volume of volunteers due to active recruitment and the expansion of community Speed Watch.
<b>Cadets</b>		<b>145</b>		The number of cadets is increasing and we now have wider coverage across the county.

Indicator	Mar-13	Status	Trend	Commentary
<b>PEOPLE</b>				
<b>Sickness (average days lost)</b>				
Officers	6.81	<b>7.5</b>		Officer sickness fluctuates widely throughout the last 12 months but has reduced in the last quarter. 7.5 average days for July is much lower than December 2013 and March 2014 which were particularly high. The average for the last 12 months is 8.5 days per year.
Staff	8.4	<b>5.4</b>		Staff sickness has fallen over the last 12 months. The last 6 months average 5.1 days compared to the previous 6 months 8.7 days. The average for the last 12 months is 6.9 days per year.
Officers on Recuperative duties	33	<b>42.32</b>		3.4% of officers are currently on recuperative duty. However, these officers are making a positive contribution to the force and adding value. The reduction here combined with lower sickness shows that officers have returned to full roles.
Officers on Restricted duties	52.29	<b>62.08</b>		5.0% of officers are currently on restricted duty. These officers are still making an active contribution and supporting their colleagues freeing up other officers time. The reduction here combined with lower sickness shows that officers have returned to full roles.
<b>Turnover</b>				
Officers		<b>0.5%</b>		Remains low. Little historical data for comparative purposes but July is consistent.
Staff		<b>1.3%</b>		Staff turnover is stable but is anticipated to rise with the voluntary redundancy scheme currently open to Corporate Services staff.
<b>Staff survey results (conducted January-February 2014)</b>	<p>1,498 members of staff completed the survey, which is a response rate of 62%. Quality of supervision was found to be high across the board with supporting and fair, listening and trust core themes. Within reward and recognition, respondents were in the middle of the range indicating it varies between roles, departments and individuals. Most staff feel they are empowered to do a good job although officers were lower than staff and PCSOs. The majority of the workforce were positive towards the public and citizen focus, albeit officers were on average less likely to score positively. Senior leadership was more mixed but on the whole more positive. In health and wellbeing, officers were more likely to respond negatively citing work life balance, shift patterns and staff shortages as their main reasons. There was a higher level of uncertainty for police staff which impacted on their attitudes towards change. In terms of diversity, everyone scored this highly and felt the force addresses discrimination effectively. Other question areas generally scored well. In relation to the PCC, a third of the overall staff had met him personally and 30% felt he was doing an excellent or good job.</p>			

BUSINESS				
Force priorities <i>(Iquanta data)</i>	Yr. End Mar-14	Status	Trend	Commentary
All Crime reduction	-12%	-5%		Recent months showing increases in recorded crime which is in line with national trends but still a reduction of 5% up to July. Currently ranked 28th for rate per 1k (previously 25th). 6th best performance nationally - all forces are feeling the impact of Crime Data Integrity inspections which highlighted under-recording.
All Crimes resolved (cumulative rate)	29.1%	28.6%		Resolved rate is stable although slight fall in July. Remains at some of the highest levels recorded by the force. Ranked 22nd nationally.
Violence reduction	-11.0%	8%		8% increase over the last 12 months following the Crime Data Integrity inspection (violence particularly under recorded). Ranked 28th nationally, a fall of 3 places since May. All elements of violence are increasing in the short term but this is expected given the more robust auditing now undertaken to ensure no under recording. Very widespread across the county and in its nature making prevention and reduction more challenging.
Serious Acquisitive Crime reduction	-18%	-19%		Continues to show strong local and national reductions. 19% reduction over the last 12 months and stable at 31st nationally. We are within 3 places of our target for this year. National average reduction of -6.4% so we are significantly better than most other forces (rate of change is 2nd biggest nationally).

## Finance Dashboard

	Status	Dir. of Travel	Confid. Level	
Forecast Revenue Expenditure		⇒	n/a	Small Overspend of £28k
Forecast against £5.8m savings target 2014-15		↑	5	Weighted Average Confidence Level out of 5
Forecast against £6.2m savings target 2015-16		⇒	2.62	Weighted Average Confidence Level out of 5

### Key for the traffic light system

-  Actuals are tracking profiled budget and variance/ forecast year-end position is either under budget or less than 0.5% of budget. Needs minimal monitoring. **(In non accounting terms this means everything is ok and spend is where it should be at this time of year)**
-  Variance/ forecast year-end position is between 0.5% and 1% over budget. This needs close monitoring to ensure actuals are moved back into line with profile. **(In non accounting terms either what you have spent so far or where we are expected to be at the end of the year is at least 0.5% overbudget).**
-  Variance/ forecast year-end position is greater than 1% over budget. The spends on this budget need investigating and actions put in place to try and manage the finances back to within 1% of budget. **( In non accounting terms this is not good and if this is not actively managed the unit will not meet its performance target)**

Data is up to August 2014 unless otherwise stated.



## Northamptonshire Police Strategic Risk Register – September 2014 **Agenda item 15**

Ref	Description	Inherent Risk			Response Measures	Residual Risk			Comments	Status
		L'hood	Impact	Score		L'hood	Impact	Score		
CR 60	Due to insufficient capacity the Force / ONPCC are unable to deliver all of the programmed changes that are required to fulfil the Police and Crime Plan resulting in a failure to meet operational or financial targets.	4	5	20	A Transformation Programme has been developed to plan and manage the required changes.	3	5	15	Up to this point we have managed well in ensuring the resource to deliver the projects is in place, however, with the short-term work now required to bring about changes before the end of this financial year we are in danger of not having the capacity to deliver everything. A resource plan has been created to identify the main gaps.	→
CR 19	Less funding available, both from public and private sources to enable the force to prepare for growth.	5	5	25	The situation will be continually monitored to identify any specific developments and inform the Force's strategic and operational planning processes. The Force will work in partnership with the Local Planning Authorities to ensure that community safety and policing capital requirements are factored into planning policy.	3	5	15	Dialogue is ongoing with West and North Northants Joint Planning Units regarding developer contributions to the cost of policing.	→

Ref	Description	Inherent Risk			Response Measures	Residual Risk			Comments	Status
		L'hood	Impact	Score		L'hood	Impact	Score		
CR 69	Due to unplanned additional reductions the Force is unable to balance the budget for 2015/16 impacting on operational performance and capacity.	4	5	20	In the short term, use of reserves. In the longer term revisit Programme Brief Business Case to adjust weighting in terms of drivers for change. Redefine Programme to take into account the economic change and blueprint design to deliver increased savings.	3	5	15	The Force has a plan which will deliver a balanced budget that would only be affected if there was any further significant top slicing. Top slicing resulted in an additional £1.12m cut in 2014-15. The same could happen in 2015-16. The Change programme may not be able to deliver the required level of savings. The planned savings of 30% from police staff have increased to 38% now that forensics and CJ are out of scope.	→
CR 71	Grant reductions beyond 2015/16 are greater than 2% resulting in an increased budget deficit.	4	5	15	In the short term, use of reserves. In the longer term revisit Programme Brief Business Case to adjust weighting in terms of drivers for change. Redefine Programme to take into account the economic change and blueprint design to deliver increased savings.	3	5	15	For every 1% above this the Programme will be required to deliver an additional £0.75m of savings. The Change Programme may not be able to deliver the additional required savings.	→
CR 57	Austerity continues beyond 2018/19 placing additional pressure on the Force's capacity and capability.	5	4	20	Change Programme to increase prevention activities through demand analysis. Increased availability and visibility through mobile data. Better allocation of resources and response through demand analysis and Resources BI. Empowerment and multi tasking resulting in role development and transformation. Flexible and agile virtual working.	3	4	12	The Aspire programme is focusing on putting in place an infrastructure that will allow the force to move, grow, and reduce in a dynamic manner. Whilst there will always be issues of capacity this infrastructure should assist in the organisational ability to adapt to changing demands.	↓

Ref	Description	Inherent Risk			Response Measures	Residual Risk			Comments	Status
		L'hood	Impact	Score		L'hood	Impact	Score		
CR 61	Failure to deliver key outcomes of the Police and Crime Plan relating to the recruitment of specials and volunteers and collaboration with other agencies will place increased demand on the Force which could result in reduced performance, budgetary pressure, loss of public confidence and possible adverse publicity.	3	5	15	A Transformation Programme is in place to manage the required changes.	3	4	12	The Force currently has 351 Specials, 540 volunteers and 155 cadets. The recruitment plan and targets have been adjusted and are more realistically achievable which therefore reduces the likelihood that we will miss the target. Also a project board has been formally convened to take accountability and responsibility for delivery Forcewide, also reducing the likelihood that we will fail to realise the benefits. At this moment in time we are on the right trajectory to meet this target.	→
CR 63	The Force is unable to implement the recommendations from the joint OFSTED/HMIC inspection into the safeguarding of vulnerable people resulting in potential harm to victims, adverse publicity and loss of public confidence.	4	3	12	Project team is in place. A partnership action plan has been created which reports via Executive Support to the Local Safeguarding Board. New procedures and technology for processing referral forms is in place.	2	4	8	Cross agency quality assurance has shown that the though police referrals have risen significantly the quality of referrals has remained. PVP training has now been delivered to over 700 staff. The child protection and domestic abuse HMIC inspections now report in to a single agency governance with the chair D Supt Balhatchet. The multi-agency governance is through the local safeguarding board and multi-agency improvement board which is represented by the Chief Constable.	→

'Status' key – ↓ risk decreasing, → no change, ↑ risk increasing

**NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION and  
NORTHAMPTONSHIRE CONSTABULARY**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**NOTES OF MEETING HELD ON**

**25<sup>th</sup> JUNE 2014**

**(Excluding Exempt Items)**

Ms Newton welcomed all to the meeting.

**PRESENT**

Audit Committee Members

G Newton CBE (in the Chair)

J Haynes

M Pettitt

T Knivett

Northamptonshire Police and Crime Commission

I Britton Chief Executive and Assistant Commissioner - Justice

J Raisin Interim Assistant Commissioner – Policy and Resources

J Neilson Strategic Resources Manager

Northamptonshire Police

M Jelley Deputy Chief Constable

F Davies Head of Corporate Services

G Jones Head of Finance and Asset Management

N Alexander Chief Accountant (part)

R Baldwin Force Risk and Continuity Advisor (part)

Auditors

P Green Baker Tilly

J Gorrie KPMG (part)

## 1 APOLOGIES FOR NON-ATTENDANCE

Suzanne Lane of Baker Tilly

## 2 DECLARATIONS OF INTERESTS

Members made the following declarations of interest:

M Pettitt - his daughter currently works In the HR department of Northamptonshire Police.

T Knivitt - is a member of the Police Disciplinary Panel.

G Newton – is a non-executive Director of East Midlands Ambulance Service which is a stakeholder in the Commission's Estates Strategy.

## 3 ANNOUNCEMENTS BY THE CHAIR OF THE COMMITTEE

The Chair stated that no requests had been received from members of the public either to address the Committee or to put a question to the Committee.

## 4 MINUTES OF THE MEETING HELD ON 12<sup>th</sup> MARCH 2014

Factual correction – item 5: the reference to the 'Board' should be to the 'Committee'.

Review of actions noted in the minutes:

- a. Item 4: Iain Britton confirmed that additional staffing support to the Committee would be in place by the next meeting.
- b. Item 8: Gary Jones will send the Reports of the Chief Constable and Force CFO to the NOPCC - Capital and Revenue Outturn 2013-14 to Martin Pettitt. **Action: GJ**

## 5 APPOINTMENTS TO THE AUDIT COMMITTEE

The report was noted.

### **Action**

The Committee will prepare a succession plan and propose a Chair by September 2014. **GN**

## 6 AUDIT COMMITTEE SELF ASSESSMENT

The report was noted.

Regarding updates from Internal Audit Patrick Green said he would explore ways of sending electronic briefings to Members. The Chair also suggested they include briefings in their regular progress reports.

### Action

New arrangements for Internal Audit briefings are to be explored. **PG**

## 7 REVIEW OF TERMS OF REFERENCE OF THE COMMITTEE

John Neilson confirmed the Committee was being invited to recommend revised terms of reference to the Commissioner and Chief Constable for their approval.

In discussion Tony Knivett indicated that the Committee currently knows nothing of the arrangements in place for counter fraud and corruption – (section F of the proposed draft refers). Force representatives responded and noted it is intended there be a presentation to the Committee in September, including an update on recent HMIC work in this area. Patrick Green indicated Baker Tilly has done reviews of this issue recently in other Forces and would be happy so to do here. This suggestion is to be re-visited at the September meeting. It was also requested that statistics on the number of instances of whistle-blowing be included in the regular dashboard reports, including comparison with the previous year.

Regarding D (b) it was suggested the wording be amended to clarify the role of the Committee in the appointment of the external auditor.

### Actions

- i. PSD briefing to be included in the exempt agenda for the September meeting **JN**.
- ii. Dashboard to be amended as indicated above **MJ**
- iii. Terms of reference at D(b) to be revised as indicated above **JN**

### Decision

Subject to action (iii) above the Committee **agreed** to recommend to the Commissioner and the Chief Constable they agree the revised terms of reference.

## **8 INTERNAL AUDIT PROGRESS REPORT, ANNUAL REPORT AND BRIEFING ON RISK REGISTERS THEMES**

Patrick Green introduced the reports from Baker Tilly, drawing attention to their formal Opinions regarding the Commission and the Force in their Annual report. He focussed on Risk Management as his key concern and suggested he would like to see consideration of risks as a routine item at Audit Committee meetings. In the ensuing discussion he noted that risk management is a key issue for many other clients of Baker Tilly. Members noted the OPCC is making progress and is seeking to develop an appropriate and effective approach that will take time. It has been recognised in the annual governance statement as a priority and proposals will be brought to the Committee in December. Mr Green will amend the wording in his report to reflect the discussion on risk management. He also agreed to circulate a paper on risk register themes from across police audit committees.

Martin Pettitt noted the issues referred to in by the auditors regarding Treasury Management. It was agreed the six monthly reports to the Committee would include details of adherence to borrowing and lending limits set out in the strategy.

Patrick Green also agreed to revise the Acceptance of Recommendations section to reflect the fact that some of the Internal Audit recommendations had been rejected.

### **Action**

- i. Wording in Internal Audit report on risk management to be amended  
**PG**
- ii. Six-monthly reports on Treasury Management to include details of adherence to borrowing and lending limits.**GJ**

### **Decision**

Subject to the above changes the Committee accepted the Internal Audit Annual report and Progress report.

## **9 EXTERNAL AUDIT UPDATE REPORT**

Jon Gorrie indicated his only comments are in relation to the Annual Accounts. Accordingly those would be considered under item 12.

## 10 TREASURY MANAGEMENT

### Outturn report

Gary Jones introduced. Members raised a number of points including the reasons for the level of investment returns, the impact of potential bank rate rises later this year and the performance of the external manager compared to that of the internal team, to whom the Committee sent their congratulations. Gary Jones and Fiona Davies responded to the Committee's points.

The Committee **noted** the report.

### Treasury Management Strategy

Gary Jones introduced, indicating that normally a draft strategy would be brought to the Committee in March each year. Members commented on the technical nature of much of the document, whilst accepting that there is a balance to be struck between professional clarity and accessibility for the lay reader.

The Committee endorsed the Strategy which has been approved by the Commissioner.

## 11 PROGRESS ON IMPLEMENTING AUDIT RECOMMENDATIONS

Gill Newton voiced her concerns regarding assurance the Committee can take from audit of regional collaboration. Noting the regional Annual Governance Statement makes no mention of audit arrangements. She asked that the relevant statutory officers take this issue forward and address these concerns including Audit Committee oversight of regional collaboration. Martin Pettitt also asked what assurances are in place regarding the adequacy of regional business cases. He also indicated he will email a number of other queries to Fiona Davies and John Raisin

### Action

Iain Britton / John Raisin to take forward with regional colleagues and to report back to the Committee in September.

Officers to respond to Mr Pettitt's questions to be emailed to them

The Committee **noted** the progress to date in implementing audit recommendations.

## 12 DRAFT ACCOUNTS 2013-14

Fiona Davies and Gary Jones introduced the draft accounts, noting the continuing national technical controversy on the accounting treatment and approaches to be used in Commissions' and Forces' accounts. It was agreed that Martin Pettitt would review the draft accounts on behalf of the Committee, liaising with Nick Alexander and Gary Jones. He would report back to the Committee in September when the draft accounts, potentially amended post audit, will also be considered again by the Committee. Jon Gorrie agreed with the overview of the national position as summarised by Gary Jones. It was also noted KPMG will be on site to commence their audit work from 7<sup>th</sup> July.

At this point Jon Gorrie left the meeting.

Gill Newton asked the Committee for any comments or questions on the draft Annual Governance Statements.

Regarding the PCC draft statement, Members suggested the inclusion of references to: the progress with developing an Estates strategy and the linkages with the Capital Programme and Medium Term Financial Plan; the recent publicity regarding potential land sales and concerns regarding the governance of regional collaboration.

Regarding the Force Annual Governance Statement, Members would like to see an explicit reference to the Audit Committee and HMIC reports.

The Committee **noted** the draft Statement of Accounts and draft Annual Governance Statements, and will review revised versions at its September meeting and make recommendations as appropriate to the Commissioner and Chief Constable.

## 13 AUDIT COMMITTEE ANNUAL REPORT

Gill Newton introduced, noting this relatively brief report reflects the recent changes to the Committee membership and the issues regarding officer support to the Committee. She anticipates next year's report will fully comply with best practice.

The Committee **agreed** the report.

## 14 TRANSFORMATION PORTFOLIO RISK REGISTER AND PROGRESS REPORT

Following a brief introduction by Iain Britton, comments from Members were invited by Gill Newton. A range of points were raised, including a verbal update on the latest position on progress with the Transformation portfolio, specifically on Estates and Special Constables recruitment. It was also noted some members of the Committee attend various Boards related to the Transformation portfolio.

The Committee **noted** the report.

## 15 ESTATES STRATEGY

John Raisin gave a brief powerpoint presentation. Jackie Haynes noted that significant progress is being made and she is satisfied with the governance and decision-making processes for this programme to date, noting the estates Board includes a senior uniformed police officer. The Committee was assured that officers are working to develop a comprehensive Estates and Capital strategy, as well as concurrently progressing a number of strategically important projects and transactions. Members expressed concern that there appeared to be no timescale for completion of the strategy or for the associated interdependencies. Martin Pettitt requested sight of the Pick Everard report. Jackie Haynes suggested Martin Pettitt be invited to the next estates board, and to the estates workshop planned for late July. Members were advised that some of the issues discussed are commercially confidential at this stage and should not be disclosed further.

The Committee **noted** the presentation.

### **Action**

Martin Pettitt to be invited to the next meeting of the Estates Board and to the workshop in late July **JN**

## 16 HMIC REVIEWS

Martin Jelley summarised recent activity by Her Majesty's Inspectorate of Constabulary.

## 17 FORCE DASHBOARD

Martin Jelley summarised the report – which was **noted** by the Committee. Gill Newton commented that the dashboard was much was much improved but noted that there was no target for reduction in sickness.

## 18 OPCC FINANCE REPORT

John Neilson introduced the report, indicating subsequent regular reports will include details of the latest forecast outturn position of spending compared to budget.

The Committee **noted** the report.

## 19 FORCE STRATEGIC RISK REGISTER

Gill Newton indicated that due to time pressures the Committee could only give brief consideration to this report, and asked that it be brought to the next meeting of the Committee. She also commented she would like to see stronger linkages with strategic objectives.

The Committee **noted** the report.

## 20 OTHER URGENT BUSINESS

None

### **SUMMARY OF THE COMMITTEE'S CONCLUSIONS TO BE REPORTED TO THE COMMISSIONER AND THE CHIEF CONSTABLE**

The Committee **agreed** to report to the Commissioner and the Chief Constable as follows following its meeting:

#### **Alert**

The Chief Constable and the PCC are alerted to the Audit Committee's concern at a lack of assurance regarding governance of regional arrangements.

#### **Advise**

The Chief Constable and the PCC are advised to approve terms of reference for the Audit Committee (subject to minor amendments).

#### **Assure**

To assure the Chief Constable and PCC in relation to progress of internal audit work and addressing of audit recommendations.

To assure the Chief Constable and PCC that it has considered issues of treasury management, governance, risk, financial management, performance and estates.