

**Northamptonshire Chief
Constable
Statement of Accounts for
the year 2017/18**



Table of Contents

Page

Foreword by the Chief Constable – Mr S Edens	3
Narrative Report 2017/18	4
ACO Finance and Resources Foreword and Financial Summary.....	10
Annual Governance Statement for Northamptonshire Police Force 2017/18	22
Statement of Responsibilities for the Statement of Accounts.....	33
Expenditure and Funding Analysis	34
Movement in Reserves Statement	35
Comprehensive Income and Expenditure Statement	36
Balance Sheet.....	37
Cash Flow Statement.....	37
Notes to the Accounts.....	38-68
Glossary of Terms	69
Audit Opinion.....	73

Foreword by the Chief Constable – Mr S Edens

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

These accounts reflect the financial performance of the Chief Constable for Northamptonshire (CC). I am responsible for Policing across Northamptonshire, working collaboratively to improve outcomes and ensuring value for money.

My narrative report is structured as follows:

1. Statutory Framework
2. Funding of Northamptonshire Police
3. Budget 2017/18
4. Strategic Overview and Collaboration
5. 2017/18 Performance Review
6. Budget 2018/19

Narrative Report 2017/18

1. **STATUTORY FRAMEWORK**

The Chief Constable was established as a statutory entity under the Police Reform and Social Responsibility Act 2011 (PRSRA). The PRSRA provides that there will be a Police and Crime Commissioner for each police area with responsibility for ensuring the maintenance of the Police Force for the area, securing that the Police Force is efficient and effective and holding the Chief Constable to account.

The Commissioner has wider responsibilities than those solely relating to the Police Force (refer to the Group Accounts for the full explanation). These include responsibility for the delivery of community safety and crime reduction; the enhancement of the delivery of criminal justice in their area and providing support to victims. The PRSRA established the Chief Constable as a separate statutory entity, distinct from the Commissioner and with operational independence.

2. **FUNDING OF POLICE (Northamptonshire)**

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

Central Government (Funding and Legislative changes)

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

Local Government

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

Council Tax Base Tax Base	Band D Properties		Band D Properties		% change
	2016/17	Precept	2017/18	Precept	
	Tax Base £	£	Tax Base £	£	
Corby	17,892.00	3,667,144	18,336.00	3,832,957	2.48
Daventry	28,838.02	5,910,641	29,857.91	6,241,498	3.54
East Northamptonshire	30,084.00	6,166,017	30,871.00	6,453,274	2.62
Kettering	30,450.00	6,241,032	31,234.00	6,529,155	2.57
Northampton	64,357.94	13,190,803	65,709.00	13,735,809	2.10
South Northamptonshire	33,849.70	6,937,835	34,474.00	7,206,445	1.84
Wellingborough	23,480.00	4,812,461	23,849.00	4,985,395	1.57
Total	228,951.66	46,925,933	234,330.91	48,984,533	

2.1 National Perspective

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

Additional Funding Sources

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

2.2 Local Perspective

The General Public

The public ultimately hold policing to account. At national level this is through voting for individual MPs and ultimately through general elections. At local level ratepayers vote for the Police and Crime Commissioner in each 'policing' geographical area as well as paying rates for the police element of the council tax rates.

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

3. BUDGET 2017/18

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

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

- Total Force Revenue Budget £114.9m
- OPCC Revenue Budget £4.6m
- Capital Financing £1.7m
- Contribution to Earmarked Reserves £1.9m

The net 2017/18 budget underspend was £0.240m. The Force's outturn was a £0.272m, with a subsequent transfer to reserves for insurance purposes, adjusting the final outturn to £0.240m. These funds have been allocated to the General Fund in the first instances and may be reallocated to Earmarked Reserves through the Commissioners strategy in 2018/19.

4. STRATEGIC OVERVIEW AND COLLABORATION

4.1 Estates

The PCC holds all land and buildings and is responsible for the overall strategy. Recently he took the decision to change the strategy, which included the sale of the Police Headquarters. This has now been revised to dispose of the Mereway buildings, for which contracts have now been exchanged and completion on the will take place in the near future. This provides both clarity and stability for the Force.

The Police 'estate' has suffered from years of under-investment, however, work on the Northern Area Accommodation has now been completed and an Estates Strategy has been developed to provide much needed investment and will support the delivery of the demand-led Service Delivery Model.

4.2 Regional Collaboration

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

Driving the collaboration agenda are 5 guiding principles:

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

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

- East Midlands Criminal Justice Service

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

- East Midlands Operational Support Services

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

- East Midlands Specialist Operation Unit

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

- EMCHRS (East Midlands Centralised HR Services)

This is a collaboration that relates to human resources and learning and development.

5. 2017/18 PERFORMANCE REVIEW

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

Her Majesty's Inspector of Constabularies (HMICFRS)

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

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

The Chief Constable responded to the report as follows;

"I believe this report fairly reflects where we are as a force. We have made improvements, as highlighted by the HMIC Efficiency report published in November, but there is more to do.

Our job is to protect people from harm and we are committed to providing the best possible service to the people of Northamptonshire.

We have done a huge amount of work over the past year to understand the demands we face and work out the best way to deploy our resources to meet that demand. This work allowed us to design a new operating model and we are now implementing that model. The Police and Crime Commissioner has provided £2 million additional funding this year so we can implement it properly. This new model will help us to tackle many of the issues raised within today's report.

We are also in the process of recruiting and training more detectives to enable our CID department to work at full capacity, something that will benefit all investigations, and help us to support victims of domestic abuse.

We will continue to work closely with the Police and Crime Commissioner and other partners in order to make continued improvements, which I know people will begin to see over the coming months."

The Accountability Board

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

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

Independent Custody Visitor Scheme

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

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

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

6. BUDGET 2018/19

The budget for 2018/19 for the Chief Constable has been set at £118.665m, which reflects the commissioning responsibility moved to the PCC.

The CC budget reflects the direct spend of the CC across a range of areas of service delivery, including:

- Local Policing
- Crime, including Financial Investigation and Serious & Organised Crime
- Intelligence
- Public Protection
- Business Support Departments
- Regional Collaboration
- Transformation, including the Change Team; and
- Other Non Devolved budgets such as Legal, National Levies and Inflation.

Department	Budget 2018/19 £000
Police Officer & PCSO Pay	67,075
Crime, Public Protection, Intelligence & Local Policing	9,971
Operational Support	10,240
Transformation Programme	1,241
Business Support	18,799
Collaboration & Regional	8,177
Other Non-Devolved Budgets	3,162
Total Force Budget	118,665

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

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

ACO Finance and Resources Foreword and Financial Summary

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

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

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

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

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

1. Legislative Background

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

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

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

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

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

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

The Chief Constable:

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

The Police and Crime Commissioner:

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

3. What is included in the Statement of Accounts?

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

Single Entity Statements and Group Statements

These comprise of the following:

3.1 Annual Governance Statement

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

3.2 Expenditure Funding Analysis (EFA)

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

3.3 Movement in Reserves Statement (MiRS)

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

3.4 Comprehensive Income and Expenditure Statement (CIES)

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

3.5 Balance Sheet (BS)

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

3.6 Cash Flow Statement

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

3.7 Notes to the Financial Statement

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

3.7.1 Events after the reporting period and authorised for issue date

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

3.7.2 Police Pension Fund Account

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

3.7.3 Accounting Policies

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

3.7.4 Glossary of financial terms

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

4. Changes to the statements for 2017/18

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

Narrative Statement

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

Transfer of Assets from CC to OPCC

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

5. Budget Settlement 2017/18

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

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

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

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

6. Review of Revenue Budget 2017/18

a) Funding

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

b) Financial Management

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

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

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

Comments on the variations for individual services are given below:

Police Pay – overspend of £0.06m

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

PCSO Pay – underspend of (£0.172m)

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

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

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

Police Pensions – overspend of £0.024m

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

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

Operational Command has two main budget elements:

Crime and Local Policing

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

Operational Support

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

Transformation Programme – overspend of £0.465m

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

Business Support Departments – underspend of (£0.533m)

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

Collaboration and Regional – overspend of £0.423m

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

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

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

7. Cashflow

Cash and cash equivalents are owned by the PCC and within these accounts represent the total expenses within the Chief Constable accounts, netted to the statutory adjustments for IAS19 and Accumulated Absences.

8. Analysis of Borrowing

In accordance with the code, borrowing cannot be completed by the Chief Constable and is the responsibility of the OPCC. All borrowing is therefore reported within the group accounts.

9. Capital

In accordance with the code, all capital expenditure is reported within the group accounts.

10. Statement of Provisions

In accordance with the code, all provisions, which have to be 'cash backed', are reported within the group accounts.

11. Pensions Liability

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

The Chief Constable participates in two pension schemes:

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

is in surplus for the year, the surplus is required to be transferred from the pension fund to the Police and Crime Commissioner, who then must repay the amount to central government. From 2015 member benefits will be accrued based on a retirement age of 60.

- The Local Government Pension Scheme offered to all staff employed by the Police and Crime Commissioner and Chief Constable, is administered locally by Northamptonshire County Council. This is a funded defined benefit final salary scheme and both employers and employees pay contributions calculated at a level intended to balance the pensions' liabilities with investment assets.

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

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

12. Material and unusual charges

The accounts conform to proper practice and contain full and frank disclosures of all material sums. The increase in the group pension liability of £30.277m has had a material impact on the accounts.

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

13. People

At 31st March 2018 Northamptonshire Police Force and the OPCC Budgeted establishment was 2,051 FTE. The analysis is shown in the table below:

Category of employee	2016/17	2017/18
Police Officers	1,220	1,209
PCSO	86	81*
Police Staff	677	761
Total	1,983	2,051

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

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

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

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

14. Exceptional Item

For 2016/17, there is an exceptional item within the Expenditure and Funding Analysis (EFA) and Comprehensive and Expenditure Statement (CIES) for the OCC & OPCC accounts of £16.364m. This relates entirely to the loss and gain from the transfer of assets between the Corporate Soles, through absorption. This ultimately is a net nil transaction at Group level.

15. Medium Term Financial Plan

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

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

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

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

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

The revenue budget for 2018/19 of £127.108m required a rise in the precept of 5.74% as permitted by government to support the budget. As can be seen in the table above, even with a similar rise assumed for 2019/20 and 2% thereafter, there is continued pressure on the amount of police grant that is forecast to be received over the period of the MTFP. Additionally, the increase in demand and different types of crime continue to develop, making further investment in these areas likely in the coming years.

16. Impact of the current economic climate

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

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

17. Summary and Conclusion

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

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

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

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

Paul Dawkins

Assistant Chief Officer
Finance & Resources

Date:

Simon Edens

Northamptonshire Chief Constable

Date:

BACKGROUND AND FRAMEWORK

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

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

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

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

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

WHAT IS GOVERNANCE

Governance as defined in the 2016 framework is:

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

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

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

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

This statement explains how the Chief Constable has complied with the CIPFA/SOLACE framework and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of an Annual Governance Statement.

THE ANNUAL GOVERNANCE STATEMENT

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

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

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

THE GOVERNANCE FRAMEWORK

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

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

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

- The Force holds a regular Performance Implementation Group (PIG), which also includes OPCC representation.
- A change governance board, which oversees all change initiatives and manages its implementation and benefits realisation. This further includes the monitoring of continuous improvement, which supports the reallocation of resources to meet changes in demand and emerging priorities.
- Budgeting systems that seek to align resources with priorities and the new operational Service Delivery Model implemented in 2017.
- Regular financial reporting for both the CC and the OPCC, both of which have been developed during the year and development will continue in 2018/19.
- Effective risk management strategies, registers and action plans.
- Engagement in Value for Money benchmarking such as is conducted by HMICFRS.
- Preparation of the new Force Management Statement.
- Development of the new joint Governance Framework approved in 2017/18 and implemented on the 1 April 2018.
- To supplement the JIAC meetings, workshops are held during the year to focus on key areas of risk or internal control and supplement the lead member approach undertaken for key meetings such as the Force Assurance and Change Boards.

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

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

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

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

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

Recommendation 1 – To review the current published code of conduct against the CoP code of ethics to ensure consistency of approach in OPCC. This has been completed. A review has been undertaken and will continue to be undertaken annually.

Recommendation 2 – Complete the review of the Corporate Governance Framework. This has been completed and the new framework was implemented on the 1st April 18.

PRINCIPLE B: ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

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

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

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

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

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

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

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

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

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

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

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

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

Recommendation 3 – Complete full performance framework for defined outcomes in the Police and Crime Plan. A workshop was undertaken in 2017/18 and work is in progress with the PCC to develop this further. This recommendation remains ongoing.

Recommendation 4 – Consider review of regional collaboration appropriateness and optimisation. Internal Audit have done a lot of work to review the overall governance arrangements, which can be developed to see if the collaborations meet the identified needs and provide VFM. This has been completed. The Regional Governance Team will continue to drive and develop regional collaborations (with three or more forces included) moving forwards.

Recommendation 5 – In conjunction with the PCC develop an annual financial timetable to aid the planning, delivery and transparency of financial decisions and forecasts/modelling. With the changes to staffing in the Force and PCC during the year, this recommendation remains ongoing and will be completed in 2018/19.

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

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

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

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

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

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

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

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

Recommendation 6 – Complete the operational needs driven Estates Strategy, which will then inform the development of the capital programme. This recommendation has been completed, the Estates Strategy has been published and an Internal Audit has been undertaken in this area.

PRINCIPLE E: DEVELOPING CAPACITY AND CAPABILITY

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

the CIPFA online tool to assist with the compilation of the Statement of Accounts mitigated this in 2016/17. Permanent appointments will mitigate this risk further.

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

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

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

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

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

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

PRINCIPLE F: MANAGING RISK AND MONITORING PERFORMANCE

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

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

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

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

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

Recommendation 7 – Use the risk register, Delivery Plan, audit recommendations within internal planning processes. This has been completed and is now built into business as usual.

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

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

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

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

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

REVIEW OF EFFECTIVENESS

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

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

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

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

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

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

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

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

The Internal Audit Opinion for the Chief Constable reflected:

"Our overall opinion is that generally adequate and effective control and governance processes were in place to manage the achievement of the organisation's objectives."

It was, however, noted that a weakness of Seized property requires addressing.

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

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

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

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





1. the Estates strategy and the cost of the previous strategy
2. the Multi Force Shared Services (MFSS) upgrade, timescales and issues
3. the Capital Programme
4. Force and OPCC Budget Monitoring
5. the 2018/19 budget and the Medium Term Financial Plan
6. Treasury Management Strategies for 2017/18 and 2018/19
7. the Corporate Governance Framework
8. the change of external auditors in 2018/19, and
9. the PCC's Accountability Framework

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

HMICFRS PEEL INSPECTION

As part of their annual inspections of police effectiveness, efficiency and legitimacy (PEEL), HMICFRS assessed how effective the force is at keeping people safe and reducing crime. This inspection assessed the force as follows:

Overall effectiveness 2017  Requires improvement

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

The following report sets out the findings for Northamptonshire Police in detail <https://www.justiceinspectrates.gov.uk/hmicfrs/publications/peel-police-effectiveness-2017-northamptonshire/>

The Chief Constable responded to the report as follows;

"I believe this report fairly reflects where we are as a force. We have made improvements, as highlighted by the HMIC Efficiency report published in November, but there is more to do.

Our job is to protect people from harm and we are committed to providing the best possible service to the people of Northamptonshire.

We have done a huge amount of work over the past year to understand the demands we face and work out the best way to deploy our resources to meet that demand. This work allowed us to design a new operating model and we are now implementing that model. The Police and Crime Commissioner has provided £2 million additional funding this year so we can implement it properly. This new model will help us to tackle many of the issues raised within today's report.

We are also in the process of recruiting and training more detectives to enable our CID department to work at full capacity, something that will benefit all investigations, and help us to support victims of domestic abuse.

We will continue to work closely with the Police and Crime Commissioner and other partners in order to make continued improvements, which I know people will begin to see over the coming months."

And the full response from the Police and Crime Commissioner, is published here <http://www.northantspcc.org.uk/5426-2/>

SIGNIFICANT GOVERNANCE ISSUES

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

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

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

"On the basis of our work, having regard to the guidance issued by the C&G in November 2016, we are satisfied that, in all significant respects, Chief Constable for Northamptonshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017."

ACTIONS

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

1. To scrutinise and challenge the action plans and processes which are in place or required to deliver the improvements identified and required in the recent HMIC reports.
2. To ensure the Force has in place suitable financial monitoring arrangements and robust savings plans in place to meet the pressures identified and enable balanced budgets in 2018/19 and future years

CONCLUSION

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

Paul Dawkins

Simon Edens

Assistant Chief Officer (Finance & Resources)

Northamptonshire Chief Constable

Date:

Date:

Statement of Responsibilities for the Statement of Accounts

The PCC's Responsibilities

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

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

The CFO's Responsibilities

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

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

In preparing this Statement of Accounts, the Assistant Chief Officer (Finance & Resources):

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

The Role of the Chief Constable

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

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

Assistant Chief Officer (Finance & Resources) (OPCC and CC) Certificate

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

Paul Dawkins

Simon Edens

Assistant Chief Officer (Finance & Resources)

Northamptonshire Chief Constable

Date:

Date:

CC - Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund	2016/17 Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	2017/18 Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£000	£000	£000	£000	£000	£000	
51,501		51,501	Police Pay	51,475	646	52,121
3,125		3,125	PCSO Pay	3,023		3,023
10,272	(7,540)	2,732	Police Pensions	5,795		5,795
18,054	(524)	17,530	Operations	18,618		18,618
740		740	Specials, Cadets & Volunteers	563		563
18,949	115	19,064	Business Support & Other Non Devolved Exp	24,777	89	24,866
7,908		7,908	Collaboration & Regional	8,112		8,112
985		985	Non Democratic Core	780		780
111,534	(7,949)	103,585	Net Cost of Services	113,143	735	113,878
(109,990)		(109,990)	CC Intra Company Adjustment	(114,049)	(240)	(114,289)
(569)		(569)	PCC Intra Company Adjustment			
			CC Surplus Transfer Financial Statements	(240)	240	
(975)	39,683	38,708	Other Income and Expenditure	1,146	34,666	35,812
	16,364	16,364	Exceptional Item*			
0	48,098	48,098	Surplus or Deficit on Provision of Services	0	35,401	35,401
0		Closing Combined General Fund Balance		0		

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

CC - Movement in Reserves Statement

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)/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 Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken.

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2017	0	0	0	1,311,901	1,311,901
Movement in reserves during 2017/18					
Surplus or deficit on the provision of services	35,401		35,401		35,401
Other Comprehensive Income / Expenditure			0	(4,403)	(4,403)
Total Comprehensive Income and Expenditure	35,401	0	35,401	(4,403)	30,998
Adjustments between accounting basis and funding basis under regulations	(35,401)		(35,401)	35,401	0
Net Increase or Decrease before Transfers to Earmarked Reserves	0		0	30,998	30,998
Transfers to / from Earmarked Reserves	0	0	0	0	0
Increase or Decrease in 2017/18	0	0	0	30,998	30,998
Balance at 31 March 2018	0	0	0	1,342,899	1,342,899

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2016	0	0	0	1,053,837	1,053,837
Movement in reserves during 2016/17					
Surplus or deficit on the provision of services	48,098		48,098		48,098
Other Comprehensive Income / Expenditure				209,966	209,966
Total Comprehensive Income and Expenditure	48,098	0	48,098	209,966	258,064
Adjustments between accounting basis and funding basis under regulations	(48,098)		(48,098)	48,098	0
Net Increase or Decrease before Transfers to Earmarked Reserves	0	0	0	258,064	258,064
Transfers to / from Earmarked Reserves	0	0	0	0	0
Increase or Decrease in 2016/17	0	0	0	258,064	258,064
Balance at 31 March 2017	0	0	0	1,311,901	1,311,901

CC - Comprehensive Income and Expenditure Statement

This account summarises the resources that have been generated and consumed in providing services and managing the CC's resources 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 apports expenditure and income over 10 service divisions.

2016/17			2017/18			
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
52,262	(761)	51,501	Police Pay	53,125	(1,004)	52,121
3,377	(252)	3,125	PCSO Pay	3,252	(229)	3,023
19,791	(17,059)	2,732	Police Pensions	22,071	(16,276)	5,795
10,950	(1,347)	9,603	Crime & Local Policing	11,542	(1,274)	10,268
12,082	(4,155)	7,927	Operational Support	11,591	(3,241)	8,350
742	(2)	740	Specials, Cadets & Volunteers	564	(1)	563
17,798	(553)	17,245	Business Support Exp	19,589	(988)	18,601
1,865	(46)	1,819	Other Non-Devolved Budgets	6,529	(264)	6,265
10,635	(2,727)	7,908	Collaboration & Regional	9,600	(1,488)	8,112
985		985	Non Distributed Costs	780	0	780
130,487	(26,902)	103,585	Cost of Services	138,643	(24,765)	113,878
	(109,990)	(109,990)	Intra-Group Funding Transfer		(114,289)	(114,289)
919		919	Other Operating Expenditure (Note 6)	1,191	(78)	1,113
37,240	(20)	37,220	Financing and Investment Income and Expenditure (Note 7)	34,728	(29)	34,699
16,364		16,364	Exceptional Item*			
185,010	(136,912)	48,098	(Surplus) or Deficit on Provision of Services	174,562	(139,161)	35,401
			209,966 Remeasurement of the net defined benefit liability / asset			(4,403)
			209,966 Other Comprehensive Income and Expenditure			(4,403)
			258,064 Total Comprehensive Income and Expenditure			30,998

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

CC - Balance Sheet

This account shows the overall financial position of the Chief Constable's resources as at 31 March 2018. Therefore it differs from the other financial accounts shown in this statement in that it deals with the position of the CC's resources at the end of the 2017/18 financial year, instead of dealing with day-to-day transactions within that financial year.

31 March 2017		31 March 2018
£000		£000
(2,032)	Short-Term Creditors	(2,753)
(2,032)	Current Liabilities	(2,753)
(1,309,869)	Other Long-Term Liabilities	(1,340,146)
(1,309,869)	Long Term Liabilities	(1,340,146)
(1,311,901)	Net Assets	(1,342,899)
	Usable Reserves	
1,311,901	Unusable Reserves	1,342,899
1,311,901	Total Reserves	1,342,899

CC - Cash Flow Statement

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

2016/17		2017/18
£000		£000
48,098	Net (surplus) or deficit on the provision of services	35,401
(48,098)	Adjustment to surplus or deficit on the provision of services for noncash movements	(35,401)
0	Net cash flows from operating activities	0
0	Net (increase) or decrease in cash and cash equivalents	0
0	Cash and cash equivalents at the end of the reporting period	(0)

Note 1 - Critical Judgements in Applying Accounting Policies

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the CC 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 CC's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. During 2017/18, the Authority's actuaries advised that the net pension's liability had increased by £0.79m as a result of estimates being corrected. If laws and regulations surrounding the management of the Police Pension scheme were to change, the maximum additional liability the Force could face would be £1,341.5m, being the total pension liability.

Note 3 - Events After the Balance Sheet Date

Events taking place after the draft Statement of Accounts were provided to our external auditors on 30 June 2018, are not reflected within the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 4 - Officers' Remuneration

Employee Remuneration

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

2016/17		2017/18	2017/18	2017/18
Total	Earnings Band	Officers	Police Staff	Total Employees
37	50,000 to 54,999	44	6	50
8	55,000 to 59,999	14	4	18
6	60,000 to 64,999	1	1	2
4	65,000 to 69,999	5	1	6
3	70,000 to 74,999	2	2	4
1	75,000 to 79,999	1		1
1	80,000 to 84,999	2		2
	85,000 to 89,999	1	1	2
1	95,000 to 99,999			
	110,000 to 114,999	1		1
1	115,000 to 119,999			
1	150,000 to 154,999	1		1
63		72	15	87

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

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

2017/18

Post Holder Information	Start Date	Leaving date	Salary	Expense Allowances(1)	Other(2)	Total Excluding Pension	Employers Contribution	Total Including Pension
			£	£	£	£	£	£
Simon Edens - Chief Constable	27/07/2015		152,352	955		153,307		153,307
Deputy Chief Constable 1	19/03/2015	01/06/2017	22,591	47	890	23,528	4,608	28,136
Deputy Chief Constable 2	15/05/2017		95,100	533	2,657	98,290	23,200	121,490
Assistant Chief constable 1	31/07/2015	14/05/2017	17,090	137	531	17,758	8,472	26,230
Assistant Chief constable 2	15/05/2017		85,647	190	5,820	91,657	20,892	112,549
ACO Finance and Resources*	14/01/2016							
Director of HR Tri Force Collaboration	14/01/2016		89,498	7,877	2,941	100,316	16,110	116,426

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

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

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

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

2016/17

Post Holder Information	Start Date	Leaving date	Salary	Expense Allowances	Other	Total Excluding Pension
			£	£	£	£
Simon Edens - Chief Constable	27/07/2015		151,472	357		151,829
Deputy Chief Constable 1	19/03/2015		113,769	50	8,877	122,696
Assistant Chief constable	31/07/2015		97,161	249	3,188	100,598
ACO Finance and Resources*	14/01/2016					
Director of HR Tri Force Collaboration*	14/01/2016					

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

Note 5A - Note to the Expenditure and Funding Analysis

2017/18	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Police Pay			646	646
Business Support Exp		14	75	89
Net Cost of Services	0	14	721	735
Other Income and Expenditure		34,666		34,666
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	0	34,680	721	35,401

2016/17	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Police Pensions		(8,360)	820	(7,540)
Operations		3	(527)	(524)
Business Support Exp			115	115
Net Cost of Services	0	(8,357)	408	(7,949)
Other Income and Expenditure		39,683		39,683
Exceptional Item*	16,364			16,364
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	16,364	31,326	408	48,098

Note 5B - Segmental Analysis of Income and Expenditure

2017/18	Revenues from External Customers	Interest Revenue	Interest Expense	Depreciation and Amortisation
	£000	£000	£000	£000
Police Pay				
PCSO Pay				
Police Pensions	(16,276)			
Operations	(422)			
Specials, Cadets & Volunteers				
Business Support & Other Non Devolved Exp	(7,731)	(29)	63	
Collaboration & Regional	(802)			
Total	(25,231)	(29)	63	0
2016/17	Revenues from External Customers	Interest Revenue	Interest Expense	Depreciation and Amortisation
	£000	£000	£000	£000
Police Pay	(761)			
PCSO Pay	(252)			
Police Pensions	(17,059)			
Operations	(5,780)			
Specials, Cadets & Volunteers	(2)			
Business Support & Other Non Devolved Exp	(698)	63	63	
Collaboration & Regional	(8,742)			
Total	(33,294)	63	63	0

Note 5C - Expenditure and Income Analysed by Nature

2016/17	2017/18
£000 Nature of Expenditure or Income	£000
(3,909) Fees, charges and other service income	(3,696)
(20) Interest and investment income	(29)
(17,339) Government grants and contributions	0
(6,030) Other income	(21,752)
141,698 Employee pay and pension benefits (IAS19)	148,673
26,327 Other service expenses	25,241
63 Interest payments	63
919 Precepts and levies	1,190
16,364 Gain or loss on disposal of non-current assets	0
(109,990) Intra Company Adjustment	(114,289)
15 Other expenditure	0
48,098 Surplus or (Deficit) for Year	35,401

Note 6 - Other Operating Expenditure

Other Operating Expenditure includes levies for 2017/18. Transfer of Assets to OPCC relates to 2016/17.

2016/17		2017/18
£000		£000
919	Levies	1,191
	Other	(78)
919	Total Other Operating Expenditure	1,113

Note 7 - Financing and Investment Income and Expenditure

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

2016/17		2017/18
£000		£000
63	Interest payable and similar charges	63
37,177	Net interest on the net defined benefit (liability) asset	34,665
(20)	Interest receivable and similar income	(29)
37,220	Total	34,699

Note 8 - Trading Operations

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

Note 9 - 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 11 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, EMOpSS, Regional Learning & Development, EM Forensics, Regional Occupational Health & Regional Legal arrangement).

Note 10 - 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 CC in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the CC, to meet future capital and revenue expenditure.

2017/2018	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
- Pension cost (transferred to (or from) the Pensions Reserve)	(34,680)	34,680
- Holiday pay (transferred to the Accumulated Absences reserve)	(721)	721
Total Adjustments to Revenue Resources	(35,401)	35,401
Total Adjustments	(35,401)	35,401

2016/2017	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
- Pension cost (transferred to (or from) the Pensions Reserve)	(31,326)	31,326
- Holiday pay (transferred to the Accumulated Absences reserve)	(408)	408
Total Adjustments to Revenue Resources	(31,734)	31,734
Total Adjustments	(31,734)	31,734

Note 11 - External Audit Costs

During the year the group incurred direct KPMG external audit fees for the Audit of the Accounts, all audit fees within 2017/18 are recorded within the PCC and Group, in alignment with the management accounts.

2016/17 £000		2017/18 £000
15	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	15
	Fees payable in respect of other services provided by external auditors during the year	
15	Total	15

Note 12 - Grant Income

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

Credited to Services

31 March 2017 £000		31 March 2018 £000
12	Loan Charges Grant	
(17,059)	Pension Top Up Grant	(16,276)
(28)	Department of Health	
(264)	Proceeds of Crime	(121)
(17,339)	Total	(16,397)

Note 13 - Unusable Reserves

31 March 2017		31 March 2018
£000		£000
1,309,869	Pension Reserve	1,340,146
2,032	Accumulated Absences Account	2,753
1,311,901	Total	1,342,899

Pension Reserve

31 March 2017		31 March 2018
£000		£000
1,068,577	Balance 1 April	1,309,869
209,966	Remeasurements of the net defined benefit (liability)/asset	(4,401)
60,847	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	66,688
(29,521)	Employer's pensions contributions and direct payments to pensioners payable in the year	(32,010)
1,309,869	Balance 31 March	1,340,146

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 CC 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 CC 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 CC 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.

Accumulated Absences Account

31 March 2017		31 March 2018	
	£000		£000
	1,624	Balance 1 April	2,032
	(1,624)	Settlement or cancellation of accrual made at the end of the preceding year	(2,032)
	2,032	Amounts accrued at the end of the current year	2,753
	408	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements *	721
	2,032	Balance 31 March	2,753

* In 2016/17 the amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement was not disclosed on this note, however was quoted within note 10.

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

Note 14 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

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

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

31 March 2017		31 March 2018	
	£000		£000
		(Increase)/decrease in impairment for bad debts	
	(408)	(Increase)/decrease in creditors	(723)
	(31,326)	Movement in pension liability	(34,678)
	(16,364)	Other non-cash movements charged to the surplus or deficit on provision of services	
	(48,098)	Total	(35,401)

Note 15 - 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 2017/18.

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total cost of Exit Packages in each Band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £000	2017/18 £000
£0 - £20,000	6	6	1		7	6	58	31
£20,001 - £40,000	1				1		29	
Total	7	6	1	0	8	6	87	31

Note 16 - Creditors

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

31 March 2017		31 March 2018
£000		£000
(2,032)	Other Entities and Individuals	(2,753)
(2,032)	Total Creditors	(2,753)

Note 17 - Pension Schemes Accounted for as Defined Contribution Schemes

Pensions

a) Participation in Pension Schemes

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

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

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

(b) Transactions Relating to Retirement Benefits

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

Pensions liabilities and future considerations

The current service costs contained in the table, below, are within the following values contained within the Comprehensive Income and Expenditure Statement, forming part of note 15, the reconciliation to the subjective analysis

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

	<u>Local Government Pension Scheme</u>		<u>Police Pension Scheme</u>		<u>TOTAL</u>	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
<u>Comprehensive Income and Expenditure</u>	£000	£000	£000	£000	£000	£000
Net Cost of Services						
Current service cost	(5,150)	(8,900)	(23,260)	(22,340)	(28,410)	(31,240)
Unfunded Benefits	(5)	(3)			(5)	(3)
Past service cost			(980)	(780)	(980)	(780)
Net Operating Expenditure						
Interest Costs**	(6,358)	(5,674)	(35,090)	(32,670)	(41,448)	(38,344)
Expected return on employers assets**	4,265	3,676	0	0	4,265	3,676
Net Charge to the Income and Expenditure Account	(7,248)	(10,901)	(59,330)	(55,790)	(66,578)	(66,691)
<u>Movement In Reserves</u>						
Movement on Pensions Reserve	(10,870)	(17,849)	53,600	55,790	42,730	37,941
(Reversal of net charges made for retirement benefits in accordance with IAS 19)						
<u>Actual amount charged against Council Tax (General Fund Balance) for pensions</u>						
Employers contributions to the Scheme	3,626	3,947	10,980	10,828	14,606	14,775
Additional contributions to the Police Pensions Fund Account			15,349			

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

In addition to the recognised gains and losses included in the CIES, actuarial gain of £4.401m (loss of £209.97m in 2016/17) were included within other Comprehensive Income & Expenditure.

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

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

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

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 March 2017 £000	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000
Opening Defined Benefit Obligation 1 April	(179,104)	(215,070)	(1,009,510)	(1,235,400)
Current Service Cost (Grossed up for employee contributions)	(5,150)	(8,900)	(17,530)	(22,340)
Interest Cost	(6,358)	(5,674)	(35,700)	(32,670)
Contributions by Scheme Participants	(1,383)	(1,398)	(5,730)	(5,470)
Actuarial Gains/(Losses)	(25,452)	5,207	(198,180)	(100)
Past Service (Costs)/ Gains	(1,206)	0	(370)	(780)
(Loses)/ Gains on Curtailments	(5)	0	0	0
Transfer in	0	0	(200)	(160)
Estimated Unfunded Benefits Paid	5	3	0	0
Estimated Benefits Paid	3,583	3,602	31,820	33,690
Closing Defined Benefit Obligation 31st March	(215,070)	(222,230)	(1,235,400)	(1,263,230)

Reconciliation of the Fair Value of the Schemes Assets

Pension Asset – Local Government Pension Scheme Only

	31 March 2017 £000	31 March 2018 £000
Pensions Asset 1 April	120,039	140,601
Expected Return on Assets	4,265	3,676
Contributions by Members	1,383	1,398
Gains & (Losses) Effect of Settlement	1,205	0
Employers Contributions (Inc Injuries) - excluding Top-Up Grant	3,626	3,947
Pension Fund Asset Split (Group to Single Entity)	0	0
Contributions in Respect of Unfunded Benefits	5	3
Actuarial Gains/(Losses)	13,666	(706)
Estimated Unfunded Benefits paid	(5)	(3)
Estimated Benefits Paid	(3,583)	(3,602)
Fair Value of Pensions Asset 31 March	140,601	145,314

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The estimated return on scheme assets in the year was £3.676m (£4.326m in 2016/17).

Force Scheme History

	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	2017/18 £'m
Present Value of Liabilities					
Local Government Pension Scheme	(149.169)	(193.285)	(180.310)	(215.070)	(222.230)
Police Pension Scheme	(967.070)	(1,115.490)	(1,009.510)	(1,235.400)	(1,263.230)
	<u>(1,116.239)</u>	<u>(1,308.775)</u>	<u>(1,189.820)</u>	<u>(1,450.470)</u>	<u>(1,485.460)</u>
Fair Value of Assets LGPS	99.700	117.720	121.240	140.600	145.314
Surplus/ (Deficit) in the Scheme					
Local Government Pension Scheme	(49.470)	(75.570)	(59.070)	(74.470)	(76.916)
Police Pension Scheme	(967.070)	(1,115.490)	(1,009.510)	(1,235.400)	(1,263.230)
Total	(1,016.54)	(1,191.06)	(1,068.58)	(1,309.87)	(1,340.15)

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

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

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

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

Basis for Estimating Assets and Liabilities

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

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

Assumptions are the same for both CC & Group

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 CC's pension liabilities and this has been included within Non-Distributed Costs on the face of the Income and Expenditure Account.

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

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

Note 18 - Defined Benefit Pension Scheme

POLICE PENSION FUND ACCOUNT

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

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

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

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

Details of the long-term pension obligation can be found within Notes 15 and 16.

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

Net Asset Statement

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

Notes to the Police Pension Fund Account

A. Employer and Officer Contributions to the Pension Fund

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

Employer Contributions 24.2%

Contributions by Police Officers

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

B. Transfer Values

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

C. Pensions Fund Liabilities

The Pension Fund does not take account of liabilities to pay pensions and other benefits after the period end. There are no IAS19 adjustments in this statement, they are part of the Group and CC Core Financial Statements and can be referred to in Group notes 39 to 40.

D. Accounting Policies

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

E. Home Office Pensions Top-Up Grant

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

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

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

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

Note 19 - Impairment Losses

For the financial period 2017/18 there were no impairment losses.

Note 20 - Accounting Policies

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

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

GENERAL PRINCIPLES

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

1 Recognition of Income and Expenditure

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

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

In particular:-

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

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

2 Financial Instruments

2.1 Financial Liabilities

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

2.2 Financial Assets

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

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

3 Government Grants and Contributions

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

4 Intangible Fixed Asset

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

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

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

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

5 Tangible Fixed Assets Recognition

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

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

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

5.1 Measurement

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

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

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

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

Surpluses arising from revaluations of land and buildings are taken to the Revaluation Reserve, with the corresponding entries against fixed assets. Any reductions in values are covered in Paragraph XX – Impairment Losses.

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

5.2 Depreciation

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

Operational Buildings	Over the life of the asset (10-48 years)
Vehicles	Over the life of the asset (2-10 years with some specialist vehicles over 3-20 years)

IT Hardware	3-5 years
Other Plant & Equipment	3-5 years

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

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

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

5.3 Impairment Losses

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

5.4 Disposals

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

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

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

5.5 Componentisation

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

The criteria for componentisation are as follows:

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

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

6 Redemption of Debt

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

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

7 Capital Receipts

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

8 Stocks and Stores

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

9 Reserves

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

10 Provisions

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

11 Investments

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

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

12 Transactions relating to Retirement Benefits

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

The OPCC participates in two pension schemes:

i) The Police Pension Scheme for Police Officers

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

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

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

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

ii) The Local Government Pension Scheme for civilian employees

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

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

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

Comprehensive Income and Expenditure Statement Account. The neutralising entry is within adjustments made between Accounting Basis and Funding Basis under Regulations.

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

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

13 Leasing

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

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

14 Overheads and Support Services

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

Joint Arrangements

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

The OPCC contributes to the running costs of:

EMSOU

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

EMTSU

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

Major Crime & Forensics

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

Multi Force Shared Service (MFSS)

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

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

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

15 Value Added Tax

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

16 Contingent Assets and Contingent Liabilities

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

17 Exceptional Items and Prior Period Adjustments

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

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

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

19 Events After The Balance Sheet Date

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

20 Accounting Convention

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

21 Estimation Techniques Used

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

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

22 Comparison with Previous Years

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

23 Cash and cash equivalents

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

24 Employee Benefits

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

25 Revenue Expenditure Funded from Capital Under Statute

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

26 Actuarial Gains and Losses

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

27 Termination Benefits

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

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

28 Interest In Companies and Other Entities

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

Glossary of Terms

Accounting Period

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

Accrual

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

Agency Arrangements

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

Budget

A statement of the CC's plans in financial terms. A budget is prepared and approved by the CC 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 CC'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 which the CC 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 CC money.

Deferred Liabilities

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

Earmarked Reserves

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

Employee Costs

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

Finance Lease

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

International Financial Reporting Standards (IFRS)

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

Fixed Assets

This consists of: -

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

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

Formula Grant Distribution System

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

IAS 19 Retirement Benefits

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

Impairment

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

Interest Income

The money earned from the investment of surplus cash.

Net Book Value

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

Non-Distributed Costs

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

Operating Lease

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

Outturn

The actual amount spent in the financial year.

Payments in Advance

These represent payments made prior to supplies and services received.

Pension – Defined Benefit Scheme

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

Pension Assets – Expected Rate of Return

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

Pension – Interest Costs

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

Pension – Past Service Costs

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

Pension Fund

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

Pensions Top-Up Grant (PTUG)

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

Precept

The method by which the OPCC obtains the income it requires from council tax via the collection OPCC'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 OPCC's to invest in capital projects which best meet their service delivery objectives as long as they are affordable, prudent and sustainable. The code came into Force from 1 April 2004 and is incorporated into the Local Government Act 2003 and associated regulations.

Public Works Loan Board (PWLB)

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

Receipts 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.



**INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR NORTHAMPTONSHIRE
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Opinion

We have audited the financial statements of the Chief Constable for Northamptonshire ('the Chief Constable') for the year ended 31 March 2018 which comprise the Chief Constable's Comprehensive Income and Expenditure Statement(s), the Balance Sheet(s), the Movement in Reserves Statement(s), the Cash Flow Statement(s) and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2018 and of the Chief Constable's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Chief Constable in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

Other information published with the financial statements

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

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

Chief Financial Officer's responsibilities

As explained more fully in the statement set out on page 33, the Chief Financial Officer is responsible for: the preparation of the Chief Constable's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Chief Constable will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Qualified conclusion

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

Basis for qualified conclusion

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

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

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

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

The Chief Constable is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether the Chief Constable for Northamptonshire had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable for Northamptonshire put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Chief Constable, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable, as a body, for our audit work, for this report, or for the opinions we have formed.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

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

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



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

31 July 2018