



Northamptonshire Police and Crime Commissioner - Group Statement of Accounts for the year 2016/17

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ANNEX A – POLICE AND CRIME COMMISSIONER STATEMENT OF ACCOUNTS	

Foreword by the Police and Crime Commissioner – Mr S Mold

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 Office of The Police and Crime Commissioner for Northamptonshire (OPCC) and are in accordance with the Police Reform and Social Responsibility Act 2011. I am responsible for Policing across Northamptonshire, commissioning services from the police and other agencies, working collaboratively to improve outcomes for local people and communities and ensuring value for money.

My narrative report is structured as follows:

1. The Role of the Police and Crime Commissioner (PCC)
2. Funding of Northamptonshire Police
3. Police and Crime Plan 2017-21
4. Budget 2016/17
5. Strategic Overview and Collaboration
6. Key Deliverables and Outcomes
7. 2016/17 Performance Review
8. Budget 2017/18
9. Looking Ahead

1. THE ROLE OF THE POLICE AND CRIME COMMISSIONER (PCC)

The role of the Police and Crime Commissioner is to represent the public. The legal responsibilities of the Commissioner are enshrined in legislation and the functions are set out in the Police Reform and Social responsibility Act 2011 (and acts amended by that act).

This sets out the high level responsibilities of the PCC and that of the Chief Constable. In addition, the Financial Management Code of Practice for the Police (England) builds on the Policing Protocol and describes the working financial relationship between both parties. The main roles of the PCC are:

- To set the strategic direction for Policing through the Police and Crime Plan
- Be responsible for the totality of the policing in the County of Northamptonshire
- Has a strategic duty and electoral mandate to ensure an efficient and effective police service and to hold the Police Force to account on behalf of the public
- Has a statutory responsibility for the Police Fund (section 21 of the Police Reform and Social responsibility Act 2011)
- Hold the Chief Constable to account and is responsible to hire or remove the Chief Constable
- Lead support services for victims and witnesses of crime
- Decide how a budget is allocated between the Force and the OPCC (2016/17 total budget envelope amounted to £122m)
- Improve community safety and help evolve the criminal justice system
- And contribute to Police resourcing debate in national forum and international responses to threats

Policing is being delivered in an environment of continuing austerity and ever decreasing financial support from central Government. I will continue to work with partners in the public sector and beyond to deliver the best policing service for Northampton and this includes working closely with the Chief Constable to deliver real and lasting change. The law requires that I hold the Chief Constable to account for the performance of the Force and retain the ability to challenge where necessary to deliver real and lasting change.

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 2015/16		Band D Properties 2016/17		% change
	Properties	Precept	Properties	Precept	
	£	£	£	£	
Corby	17,427	3,502,130	17,892	365,725	2.85
Daventry	28,312	5,689,676	28,838	5,889,012	1.64
East Northamptonshire	29,397	5,907,621	30,084	6,143,454	1.25
Kettering	29,391	5,906,415	30,450	6,218,195	1.39
Northampton	61,927	12,444,850	64,358	13,142,535	1.88
South Northamptonshire	33,193	6,670,505	33,850	6,912,447	1.65
Wellingborough	23,190	4,660,262	23,480	4,794,851	1.71
Total	222,837	44,781,459	228,952	43,466,219	

2.1 National Perspective

One of my key roles is to lobby central Government on behalf of the public in Northamptonshire. There are a number of areas that I am currently seeking further debate with the Home Office and other government departments. In particular a change to the annual settlement arrangement to a more strategic and coherent 5-year arrangement, which will allow for better and sustainable financial planning. I am also seeking further information on the future of the police funding formula, policing precept limit and additional money for frontline officers as part of the national PREVENT strategy.

We also take the lead nationally following the new government initiative for greater joint working between Emergency Services. This change in the law means there is greater opportunity for our Fire and Rescue Services and our Police Force to work much more closely together to keep communities safe.

Central Government

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

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

In addition, we will work with colleagues in the Association of Police and Crime Commissioners (APCC) to ensure that a collective voice is heard.

Legislative Changes - Blue Light Integration

The Police and Crime Bill received Royal assent on the 31st of January 2017. This bill (once enacted) will enhance local accountability of the Fire and Rescue Services by enabling PCC's to take over the governance from the existing Fire Rescue Authorities; where a local case is made.

In Northamptonshire we are pioneers in developing potential blue light integration. As a result we are in the process of finalising our business case for both parties to take advantage of the opportunities this Act will present. The business case will put forward the case for change of governance, but keep Police and Fire as separate organisations and the benefits include:

- Greater accountability to the public as a result of single elected Commissioner
- Greater transparency in the funding of Fire and Rescue precept
- Single strategic vision in keeping 'Northamptonshire safer'
- Potential for even more efficiencies in operational activities in-particular potential rationalisation of the Estates portfolio
- Greater clarity on the source of funding via the use of specific grant that will come direct to the Service as opposed to currently paid via the County Council (which can be used to fund any of their functions)

Blue light integration will allow for a more streamlined decision making process, thus enabling further progress on delivering a more efficient and effective service to the public. Currently we are seeking the views of the public of Northamptonshire about the proposed changing governance in which the governance of the Fire and Rescue Service transfers to the Police and Crime Commissioner and would become the Police, Fire and Crime Commissioner.

Additional Funding Sources

As part of the broader central government engagement I intend 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.

Partnership Working – Domestic Abuse Collaboration

In March 2017, the OPCC, Northamptonshire County Council and other partners announced that they have successfully acquired over half a million pounds of funding from Central Government to support victims of domestic abuse in the County. Announced on the European Day for Victims of Crime and at the same time as # My Voice Week (which is a free, confidential support for anyone affected by crime and anti-social behaviour.) The *Voice* aims to raise awareness of the advice available to victims and witness of crime in Northamptonshire. The award of £590,312 provides Northamptonshire with a major boost that will significantly increase the amount of support available to those escaping violence in the home.

It is estimated that the grant will help to directly support over 850 victims of crime during the next two years – while providing advice for an extra 1,000 vulnerable people through the recruitment of extra staff and to provide much-needed refuges for those escaping abuse in Northamptonshire.

Emergency Service Operational Collaboration - Police and Fire

The Joint Command Unit and sharing of premises, including a shared headquarters, is one of a number of collaborative projects that Northamptonshire Police and Northamptonshire Fire and Rescue Service have undertaken over the past few years.

The most recent example of this joint collaboration whereby Northamptonshire Police and Fire and Rescue Service have jointly commissioned a new Joint Command Unit, which is a bespoke mobile operational command vehicle. This is the first vehicle of its type in the UK. This high-tech vehicle features a command conference room for joint technical co-ordination and it has been designed and equipped to aid joint working during large scale operations and or major incidents and provides emergency services with an innovative and flexible vehicle that is able to support varying operational scenarios.

3. POLICE AND CRIME PLAN 2017-2021

One of the duties of the Police and Crime Commissioner is to produce and publish a Police and Crime Plan for the Force Area. Fundamentally this is a plan for the residents of Northamptonshire to make the County safer. As part of the review process I have visited and heard from many partners, community groups and members of the public. There was a consultation on the draft version of the Police and Crime Plan during October and November 2016. Over 2,000 people and organisations responded to the consultation.

The Police and Crime Plan was published in February 2017, which will be effective for the next four years. My commitment is to deliver better policing, support to victims and continuing to strive to deliver a safer Northamptonshire.

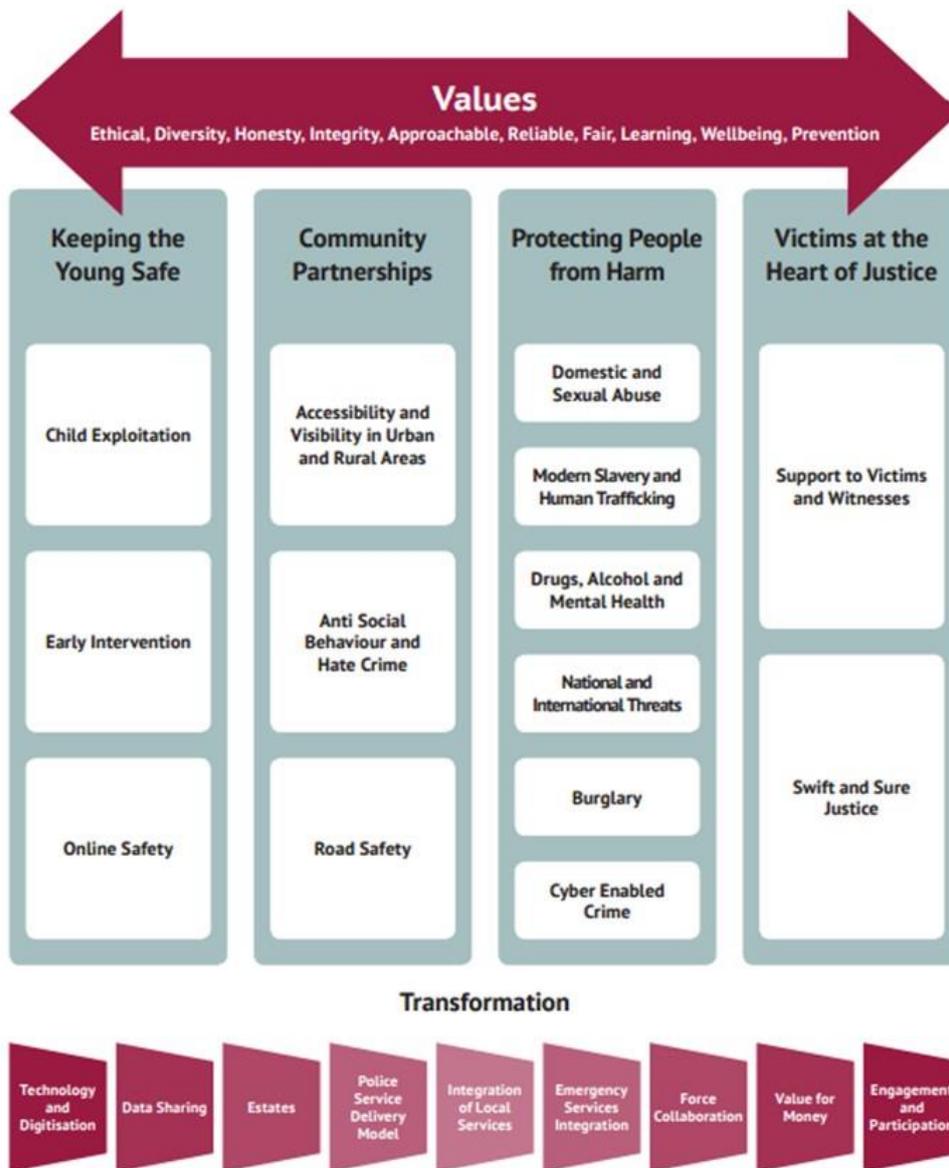
I will ensure that the public feel safe and thrive in Northamptonshire with fewer people involved in the Criminal Justice system whether as a victim or as an offender by:

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

This can be demonstrated by the following graphical summary:

The Police and Crime Plan on a Page

A Safer Northamptonshire



4. BUDGET 2016/17

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.

Shortly after being elected, I set out my commitment to ensuring the Office of Police and Crime Commissioner is as efficient as possible and that we have the maximum amount of money available to go directly towards making Northamptonshire safer.

We have been able to make a number of savings around the decision to no longer fund the Office for Faith Based and Community Initiatives and we have changed how the Institute for Public Safety, Crime and Justice is funded. The total 2016/17 budget was £121.994m. The budget was allocated between the Force (£112.336) the OPCC (£3.887m) the remained was allocated to Earmarked Reserves (£5.771m).

The Net outturn position was £0.262m overspend position; this was broken down as the OPCC £0.307m underspend and Force £0.569m overspent. Note: there was also a net transfer in £1.224m into the Force revenue account. This was as a result of a Force long term creditor, which is deemed to be no longer required. As a result this amount was credited back to the Force revenue account, but has been excluded for this comparative as this does not relate to operational activities during the financial year. These funds have been allocated to the General Fund in the first instances and reallocated to Earmarked Reserves. A more detailed analysis of the performance of both the OPCC and Force budgets can be found in the Chief Finance Officer's Foreword and Financial Summary (page 21 to 41).

5. STRATEGIC OVERVIEW and COLLABORATION

5.1 Estates

During the tenure of the first Police and Crime Commissioner he made a decision to sell the current Police Headquarters at Wootton Hall; with the contract being executed prior to my appointment.

When I entered Office, Northamptonshire Police were without a designated headquarters or wider estates strategy, something Her Majesty's Inspector of Constabulary highlighted as being a threat to the future efficiency and effectiveness of the Force.

The OPCC has formally revised the original contract terms of the sale of part of Wootton Hall in a move that codifies the joint Northamptonshire Police and Fire Headquarters to remain on the current site. This provides both clarity and stability for both Police and Fire staff and an opportunity in future to develop the site, which further maximises the collaboration opportunities between both parties.

The revised agreement with the EFA enables the Force to move forward in its planning to ensure it continues to protect people from harm. Since I was elected as Police and Crime Commissioner, it has been my job to make sure that this situation is resolved in a manner that secures the best possible outcome for citizens of the County, and I believe the revised agreement with the EFA would represent a win-win solution for all involved.

The Police 'estate' has suffered from years of under-investment and I'm delighted that despite the difficult nature of this situation, we are formulating a plan that will help to secure the future of police buildings in the County for the next 50 years.

A revised headquarters agreement would allow Chief Constable Simon Edens to fully implement the Force's new demand-led Service Delivery Model, which has been designed following detailed analysis of the County's needs and will increase capacity to investigate crimes and allow a greater focus on community policing.

Securing an agreement with the EFA to retain the land that currently houses the Police and Fire Headquarters – which was originally sold by the previous Police and Crime Commissioner last May – would enable the creation of a new joint Headquarters that is fit for the 21st century.

It is the intention that any new joint headquarters would allow increased work with partners such as those within Health, Education and Social Services to enhance collaboration and service delivery. However, the current headquarters, which has been established since 1950, has been identified by both the PCC and Chief Constable as not fit for purpose and will require additional investment.

The establishment of an Estates Strategy will complement the new Northern Accommodation Block and Police Investigation Centre on Cherry Hall Road, off the A43 between Kettering and Corby, which were originally planned to replace outdated facilities in the north of the County. Construction on the Northern Accommodation Hub commenced during the early part of 2016 with completion due in September 2017.

5.2 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. Recent work was developed on IT collaboration which will allow all five Forces to share intelligence data more efficiently and has already assisted in detecting crime and prosecuting offenders. 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

This collaboration is across four East Midland Forces and relate to firearms roads, policing, dogs and other specialist tactical services.

- 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.

Collaboration can deliver real efficiencies and I am committed to ongoing consideration of further collaborations, whether within East Midlands or elsewhere, with the proviso that any future arrangements would provide benefits for the People of Northamptonshire and only if such arrangements increase effectiveness; make processes more efficient and/or provide savings to be reinvested in other areas requiring investing.

I will continue to look at opportunities to save costs in the County by collaborating with others to provide an effective and efficient Police Service. However, all collaboration agreements will be kept under review to ensure efficiencies are maintained, thus ensuring local policing remains local.

6. KEY DELIVERABLES AND OUTCOMES

Digital Transformation

Digital technology is an area in which both the OPCC and the Force will work closely to review and where applicable improve how the organisation uses digital technology. It is vital that we maintain focus as threats of online or cyber-crime are increasingly evolving in its complexity and ever changing threats.

We have been able to identify key areas on which we can build technological transformation in our use of IT and how innovative and proven technological solutions can improve performance of the Force and the wider local criminal justice system. The likely areas to focus within the revised IT Strategy are:

- Cloud computing and data storage solutions
- Enterprise grade infrastructure and network
- Digital investigations and intelligence gathering
- Public engagement and contact management
- Enterprise resource planning
- And identification of key partnerships (suppliers and system integrators)

Crime and Disorder Grants

As the PCC I have the authority to make crime and disorder grants to 'organisations' that deliver against the set objectives as documented in my Police and Crime Plan. During this financial year I have instigated a new approach to grant making to ensure that groups and organisations are able to easily apply and have access to funds to support their work. This new approach is to provide grants through the *Northamptonshire Community Foundation*. Going forward, I will be making £0.100m available through this route. More information can be found on the Northampton Community Website.

Early intervention

One of the cornerstones of the Police and Crime Plan is responding to the needs of individuals, children and families at the earliest opportunity to reduce harm and risk. The likelihood that people will become victims, or perpetrators of crime will reduce through early intervention and is an essential tool in terms of the police working closely with partners across the County to share information and identify the right support for people at the right time. This work will provide a strategic approach to share cross sector working to early intervention and provides the OPCC with expertise and capacity to influence the development of services at County level.

Voice

In October, 2014, the PCC assumed the statutory responsibilities for commissioning support for Victims and Witnesses of Crime. It is vital that every victim and witness to crime is provided with the support they need to recover and thrive. I am determined that the services we offer are seamless and can meet the different needs of communities across our County. In the last 12 months Voice has:

- Provided nearly 3,000 hours of practical support to help citizens following 'a crime'
- Supported over 15,000 individual of all different ages and from different backgrounds and
- Spent close to 2,000 hours listening to people and providing emotional support.

In January 2017, victims were asked about their experiences and two third were satisfied with the service they received and particular praise was focused on work with children and young people and road harm services. However, the consultation highlighted areas for improvement and this included awareness of the service offered by *Voice*. Going forward, as the existing contracts for *Voice* are coming to an end the OPCC is recommissioning the service to better meet the needs of victims and witnesses by using the consultation to inform the design of the service.

Supporting Local Refuges for Victims of Crime

The local domestic abuse charities that have been operating with funding from central government were recently left with a funding shortfall as a result of monies withheld from the Dept. for Communities and Local Government not being released. Given their importance to the community to the support to vulnerable people in the County, I have authorised a contribution forwards a bridging loan in order to keep the centres open while other funding avenues are explored. The other contributors were the County Council; seven district councils; the total value of the loan was £0.138m.

I am committed to ensuring that we do everything we possibly can to protect vulnerable people and victims of crime and work is ongoing with partners to look at a more sustainable way of funding these essential support networks.

Supporting Victims of Domestic Abuse

As the Police and Crime Commissioner supporting victims of domestic abuse and helping to report abuse partners to the Police is a high priority. Along with our partners we successfully acquired over half a £0.590m of Central Government funding to support victims of domestic abuse. This was announced on the European Day for Victims of Crime and at the same time as # *MyVoice* week.

During the next 2 years, it is estimated that this grant will help to directly support over 850 victims of crime, whilst also proving advice for an additional 1,000 vulnerable people, through the recruitment of extra staff to provide much-needed refuges for those escaping abuse in Northamptonshire.

The additional funding will help to create:

- A new, bespoke male refuge to support 68 male victims of domestic abuse
- 15 extra safe places of accommodation to support approximately 60 women and their children
- support for 132 people with complex needs, including residential and community placements
- additional security measures in 300 properties across the County and assistance to an extra 300 women and children who are in need of help and support

7. 2016/17 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 (HMIC)

Each year the HMIC assesses each Police Force in England and Wales on their effectiveness efficiency and legitimacy 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 stated that Northampton Police has adequate arrangements in place to fulfil its national policing responsibilities, but needs to address shortcomings in its approach to tackle serious and organised crime.

The inspectorate noted progress by the Force around improvement made to supporting and identifying vulnerable people following the previous effectiveness Police has adequate arrangement in place. In addition, the Force has improved its response to missing and absent children and those at risk of sexual exploitation through closer working with partner agencies.

However, there were a number of areas of focus that the Force must address and these include crime prevention activity; investigative standards and safeguarding provided to vulnerable victims of crime.

I recognise that Northamptonshire Police have made real strides recently including improving from 'required improvement' rating to 'good' verdict from HMIC in the area of efficiency to add to a good rating on legitimacy. However, the effectiveness rating is not at a level of performance I accept and I will continue to liaise closely with the Chief Constable to ensure that improvements are being made.

The Accountability Board

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

- The records of the accountability Board are published on the 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 19 Independent Custody visitors in Northamptonshire. There is a requirement for Corby custody suite and the custody suite in the Criminal Justice Centre in Northampton to be visited at least once a week. Between 1st April 2016 and March 2017 the following took place:

- 110 custody visits took place. Of the 930 detainees being held in custody during these visits.
- 496 detainees were seen and spoken to of, which 341 were not available to receive a visit (in interview, asleep, intoxicated, seeing the Doctor or, with their Solicitor).
- 37 refused a visit when offered and of the detainees available to receive a visit, 93% were seen.
- 84% of visits took place during a weekday and 16% took place during a weekend.

Independent Advisory Groups (IAG)

IAGs are made up of community representatives who act as a 'critical friend' to appraise policies, practices and procedures by the police and myself as Police and Crime Commissioner. Approximately 40 community representatives met bi-monthly throughout 2016/17 to discuss community issues and police practices.

Members are also contactable in case of critical incidents which might affect a locality, to offer insight about any community tensions. The OPCC continues to support the Independent Advisory Groups across Northamptonshire and they cover the following geographical areas:

- Northampton
- Kettering and Corby
- Wellingborough and East Northamptonshire
- Daventry and South Northamptonshire

Annual Victims Experience Report

This is an independent study published by the Institute for Public Safety Crime and Justice (IPSCJ).

This report was commissioned by the OPCC and was compiled by the University of Northampton and is based on surveys conducted across a broad demographic of almost 2,500 victims of crime covering burglary, vehicle crime violence, anti- social behaviour (ASB) and hate crime. The latest report documented that 90% of victims were satisfied with the way they were treated by Northamptonshire Police. Other performance indicators were as follows:

- 77% of victims remain satisfied with the overall service provided (a fall of 7% on 2014/15)
- Victims of ASB reported the lowest level of satisfaction at 71% (a reduction of 15% on 2014/15)
- Being properly kept informed of progress was a particular issue for 'victims' with 66% expressed satisfaction (a drop from 74% in the previous reporting period)
- Four in ten victims are 'repeat victims' that is, having experiences a similar crime or incident in the last 12 months and this group is more likely to report a 'high' impact on their daily lives

I commissioned this report to ensure that we are listening to victims of crime and adapting as necessary in order to deliver the help and support people need from their police and victim support services. I will continue to work with the Chief Constable Simon Edens and his team to make sure we are listening to people's concerns so that we continue to make progress in these areas.

The Public Perceptions Report

This is another independent report, which was commissioned by the OPCC and was published by the University of Northampton's Institute for Public safety, Crime and Justice. The survey gathered the view of over 4,000 residents across a broad demographics; the summary results are:

- 71% consider that Northamptonshire police to be doing an 'excellent or good job'
- 73% feel that they can rely upon the Police when needed
- 80% believe that the police are dealing with issues that matter most to the local community
- The top priority was speeding and dangerous driving followed by the need for police visibility and parking
- However, over half of the survey participants think the Police could reduce crime if they increased foot patrols

The survey included a number of recommendations to increase public confidence in the work of the Police Service; these included increasing the sharing of information with partner agencies that matter to the community; and the need to develop more sophisticated community engagement protocols. I am committed to listening to the People of Northamptonshire to ensure we are delivering a Policing Service that makes them safe in their communities and the report will undoubtedly play an important role in helping to better inform the priorities of my office over the next 4 years.

Review of Complaints against the Force

In accordance with the Independent Police Complaints Commission (IPCC) guidelines, the Force Professional Standards Department (PSD) is the appropriate authority in the first instances to assess any complaints made against Northamptonshire Police.

Some of the more serious complaints are referred to the IPCC to handle and investigate, but many are retained and handled by the PSD. In addition, the Police and Crime Commissioner's statutory role to scrutinise the Force and its performance, the OPCC regularly attends *Dip sample meetings* with that department, where cases are selected, at random, by the Commission and then carefully assessed and scrutinised to ensure any complaints handled by the department, are done so in accordance with the guidelines set down by the IPCC.

8. **BUDGET 2017/18**

The proposed cash limit for 2017/18 for the OPCC is £3.89m, which is essentially a cash flat budget when compared to 2016/17. The OPCC cash limit reflects the direct spend of the PCC across a range of areas of service delivery for local communities. This includes investment in a wide range of areas of front-line service delivery, including:

- victim and witness support services,
- drug treatment
- local crime prevention initiatives,
- restorative practice
- the youth offending team and the young peoples' partnership,
- road safety partnering
- anti-social behaviour
- public protection and the management of dangerous offenders and child safeguarding.

The cash limit also covers public engagement activity for the Force and the Commissioner, alongside a small Commission team focused on financial and resource management; policy; change management; and service improvement, such as leading the improvements in victim services.

From 2017/18 the OPCC will also manage the Capital Financing and Treasury Management budgets, which have to date, been delegated to the Chief Constable.

The revenue budgets to be directly managed by the Commission in 2017/18 are:

- The Office of the Police and Crime Commissioner
- Commissioning
- Public Involvement
- and Capital Financing

The agreed revenue budget for the OPCC for 2017/18 is £3.890m (excluding capital financing charges and contribution to earmarked reserves), together with projected budget estimates for the following 4 years are:

Spending	2017/18	2018/19	2019/20	2020/21	2021/23
	£000	£000	£000	£000	£000
OPCC	3,890	3,890	3,890	4,190	4,190

I have supported the Chief Constable with an additional £2.0m of funding for 2017/18 where the evidence based demand analysis has also meant that when the Chief Constable requested more resources to undertake operational policing under the new Service Delivery model, I was able to support this request. However, I have made it clear that I expect this investment, made on the back of our efficiencies, to pay real dividends in improvements to front line policing and force performance

9. LOOKING AHEAD

Policing is, by its very nature, a complex and ever evolving undertaking and whilst my Police and Crime Plan sets out the strategic priorities for the next four years, I am cognisant of the fact that demands may change over time. This is why all Police and Crime Commissioners are required to keep the Police and Crime Plan under review to ensure the strategic priorities we set keep pace with the ever changing world of criminal behaviour.

The Police and Crime Plan is also essentially a change document and I want the Force to own and deliver the plan, whilst continually improving and enhancing the service they provide to all of our residents. There is no question that when a Police response is needed, one will be provided. However, as the Police and Crime Commissioner for Northamptonshire, I feel it is vital that the priorities of local residents are reflected in the priorities I set for the Force and that they receive the service they expect and deserve.

As part of this work to continually review and monitor the work we undertake, it is my intention in the coming financial year to undertake a fundamental review of all spending to ensure that we are deploying our limited financial resources to best effect over the medium term.

I supported the Chief Constable with an additional £2.0m of funding to create 46 new frontline roles this is in conjunction with the Force are in the process of introducing a new service delivery model designed to fix the gaps in service identified by HMIC.

I have also sought assurances from the Chief Constable that this new demand-led operating model will address the issues raised by HMIC, and I'm therefore confident that the recommended areas of improvement are being worked on extensively. I will continue to ensure that this is the case and will personally oversee the force's work on this on behalf of the public.

We will continue to have conversations with Government ministers to lobby them with regard to a fairer funding settlement for Northamptonshire Police. These discussions are ongoing and I have spelt out to them the challenges facing Northamptonshire Police and the need for a new funding settlement to recognise the pressures we face in dealing with large urban/rural areas.

No doubt over the next few years will undoubtedly be extremely challenging and difficult, however, work is in hand to make sure that our key priority services are maintained to the highest standards possible with the available funding. We will continue to be robust in driving out all possible savings and ensure that, as far as practicably possible, our staff are delivering the right service at the right time.

Chief Finance Officer's Foreword and Financial Summary

This is the second year that a narrative report has been produced for the statement of accounts. 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 2016/17 and the Service Reporting Code of Practice 2016/17.

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 Account
4. Changes to the statements for 2016/17
5. Budget Settlement 2016/17
6. Budget Settlement 2017/18
7. Review of Revenue Budget 2016/17
8. Cashflow
9. Analysis of Borrowing
10. Capital
11. Statement on Provisions
12. Pensions
13. Material Assets acquired and Liabilities incurred
14. Material and unusual charges
15. People
16. Exceptional Item
17. Medium Term Financial Plan
18. Impact on current economic climate
19. 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 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

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

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.

This document contains two sets of accounts; the Police and Crime Commissioner Single Entity accounts and the Police and Crime Commissioner Group accounts, which incorporate the accounts produced by the Chief Constable.

3.1 Single Entity Statements and Group Statements

These comprise of the following:

3.2 Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on the different reserves held by the Police and Crime Commissioner. 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.

3.3 Comprehensive Income and Expenditure Statement (CIES)

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

3.4 Balance Sheet (BS)

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

3.5 Cash Flow Statement

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

3.6 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.

3.6.1 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.

3.6.2 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.

3.6.3 Annual Governance Statement

This statement explains how the Police and Crime Commissioner 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.

4.6.4 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 2016/17

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 OPCC as well as changes to the funding and the challenges that face policing as well as the potential additional collaborative arrangements.

Comprehensive Income and Expenditure Account

In previous years the format of the cost of service reflects the standardised subjective Service analysis. However, this financial year, there has been a change in the type of information level shown within the Net Cost of Service to reflect operational activities. The Police objective analysis

The main changes are:

In 2016/17

- Collaboration and Regional £7.927m (Net) - previously reported within various subjective headings; now recorded separately.
- Police Pensions £19.791m (exp) previously recorded and reallocated cost of service headings; now recorded separately.
- Operational Support £7.927m (net) (2015/16 this amounted to £8.708m)
- Other Non-Devolved budgets £1.817m (net); this is now separately identified
- Business Support £17.245m (net)

In 2015/16

- Investigations (2015/16 Net £29.998m) in 2016/17 this has been reallocated to Operational Support, Police Pay and Pensions
- Road Policing (2015/16 Net £3.845m); in 2016/17 this has been reallocated to crime and local policing, Police Pay and Pensions.
- Operational Support in (2015/16 £4.023m (net); in 2016/17 this has increased to reflect a realignment of support costs and the net position amounting to £7.927m.

The 2015/16 comparative figures have therefore been amended to reflect these changes in the reporting structure.

Movement in Reserves Statement (MIRS)

There is a change to the format of the MIRS in that the General Fund and Earmarked Reserves can be combined into one column under total Usable reserves. However, Northants Police and Crime Commissioner Accounts will continue to show these under separate column as this provides additional breakdown of Earmarked Reserves.

Transfer of Assets

Under agreement, on 1st April 2017 the PCC took ownership through absorption of the items previously recognized as Chief Constables operational assets. In previous financial year's 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 have been 'transferred' to the OPCC's Balance Sheet. As a result there is 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 neutralized at group level.

Change in presentation

In addition, previous year's cashflow statement was completed using the indirect method. This financial year this has been completed using the direct method. This is a change in presentation and as a result the cashflow statement comparators for 2015/16 have been restated accordingly.

5. Budget Settlement 2016/17

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 was allocated as follows

- Total Force Revenue Budget £112.300m
- OPCC Revenue Budget £3.887m
- Contribution to Earmarked Reserves £5.771m

The objective detailed allocation can be found in the table below:

Police and Crime Commissioner Net Revenue Budget	£000
Force Budget	
Operational Policing	72,900
Collaboration with other Forces	7,600
Capital Financing	918
Pensions	1,100
Other Depts and functions e.g Finance, Training, HR, ICT and Coporate Development	29,818
	112,336
OPCC	
Office of the Police & Crime Commissioner e.g. Staff	2,218
Commissioning Services	1,669
Contributions to Reserves	5,771
	9,658
	121,994

6. Budget Settlement 2017/18

Public Consultation Police Funding and Strategic objectives

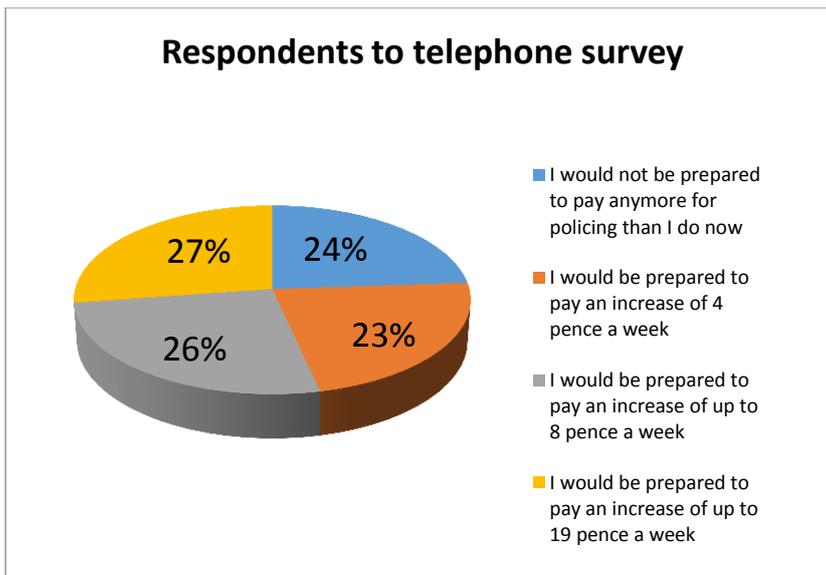
- Between October-December 2016, 2,293 members of the public across Northamptonshire were asked for their views on the question:
The average household pays £3.93 per week towards policing within their council tax, in light of this which one of the following best represents your views:

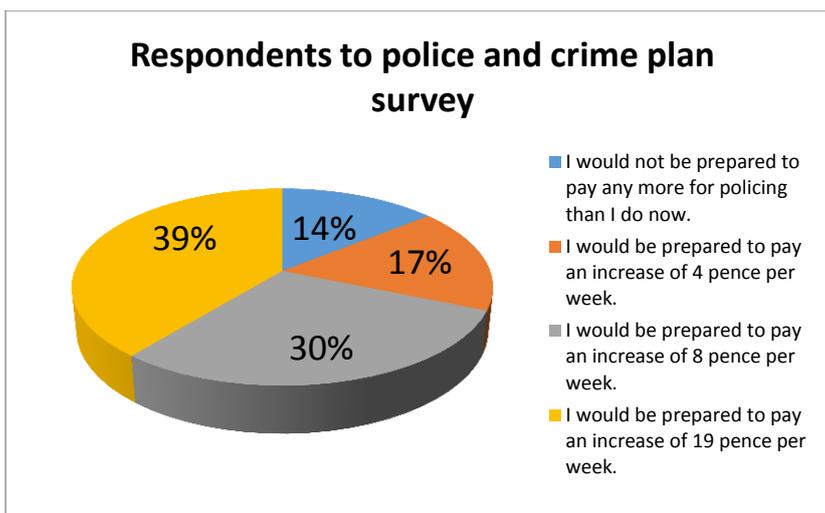
- Overall 82% of respondents* would be prepared to pay more for policing. The consultation was undertaken through two different methods. An online survey was undertaken on the police and crime plan (1,380 people chose to respond), In addition, to add an extra level of robustness, members of the public were randomly asked the same question through a telephone survey (913 people were contacted) undertaken by the Institute for Public Safety Crime and Justice on behalf of the Commission.

Responses to the same question from the different samples show that

- Three quarters (76%) of respondents would be prepared to pay an additional 4 pence a week or more towards policing (from within the telephone survey) this rose to 86% from those who participated within the police and crime plan survey.
- A breakdown of the responses are shown in the pie charts below (6% of respondents to the police and crime plan consultation and 12% through the telephone survey “did not know” and 2% and 5% respectively did not pay council tax) and therefore are excluded from the pie chart data.

* Excluding those “who did not know” or did not pay council tax the number of respondents was 1,682.





- As shown in the pie charts above 53% of respondents to the telephone survey and 69% of the respondents to the police and crime plan survey would be prepared to pay an increase of 8 pence a week or more, equating to an increase of 2% or more towards the policing budget.
- Steps were taken to ensure the proportion of respondents from particular age groups and by district were not over represented compared to others. However even when weighting was applied the results do not notably change.

The survey results indicate that based on the sample population the majority of ratepayers would be prepared to pay additional 2% within the Police precept to fund and as a result such assumptions have been built into the Medium Term Financial plan.

The 2017/18 revenue budget was approved in February 2017 the PCC had £123.1m available. These resources were allocated as per the table below:

Budget 2017/18	Amount £000
Force	115,656
OPCC*	5,592
Reserves	1,371
TOTAL	122,619

* Within the OPCC budget the capital financing budget of £1.702m has been moved from the Force to the OPCC budget.

The 2017/18 Force budget represented a cash increase of 2.89% over the 2016/17 budget

7. Review of Revenue Budget 2016/17

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 2016-17 budget was approved in February 2016 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 2016/17	OUTURN 2016/17	VARIANCE
	£000	£000	£000
Police Pay	51,587	50,678	(909)
PCSO Pay	3,335	3,124	(211)
Police Pensions	11,098	11,098	0
Specials, Cadets and Volunteers	754	631	(123)
Operations	17,973	17,941	(32)
Business Support Departments	20,024	21,519	1,495
Collaboration & Regional	7,565	7,914	349
TOTAL FORCE	112,336	112,905	569
OPCC	3,887	3,580	(307)
TOTAL EXPENDITURE	116,223	116,485	262
RESERVES *	5,771	5,771	0
TOTAL	121,994	122,256	262

Comments on the variations for individual services are given below:

Police Pay – underspend of (£0.909m)

The Police Pay under spent by £0.909m, which includes the cost of the Bear Scotland legal ruling (calculation of overtime payments based on normal hour's verses contractual hours). The workforce mix of all staff, is continued to be reviewed in alignment to the approved SDM business case and as a result the timing of recruitment overall underspend has resulted from temporary vacancies, attrition, movement within the overall rank structure, changes to the ranks of officers seconded and more than expected officers seconded to other Forces or through regional and national collaborations.

PCSO Pay – underspend of (£0.211m)

The PCSO pay under spent by £0.211m the overall variance is due to resignations within the PCSO ranks, which continue not to be filled.

Police Pensions – break even position

There was a minor overspend of £0.006m as a result of the delay in procurement of Pensions Service and implementation costs of migrating to the new pension provider. A small overspend has been funded from earmarked reserves, resulting in a breakeven position.

Specials, Cadets and Volunteers – underspend of (£0.123m)

This underspend has arisen as a direct operational decision to change the way in which the special, cadets and volunteers programme is managed.

Operational Command – underspend of (£0.032m)

Operational Command has two main budget elements:

- Crime and Local Policing

This area of the budget was £0.053m underspend against a budget of £7.229m.

- Operational Support

The budget for operational support amounted to £10.744m; the outturn position shows a minor overspend of £0.021m. This position was after application of agreed transfers to and from Earmarked Reserves. The net transfer 'in' amounted to £0.114m. There was an approved transfer from the Carry Forward Reserve amounting to £0.225m and a transfer out of £0.111m to the Safer Roads Team Reserve.

Business Support Departments – overspend £1.495m

The Support and Non Operational Departments have three main budgets areas; these are:

- Transformation Programme - net overspend of £0.009m

The budget amounted to £0.250m and the outturn position is £0.009m overspend.

- Other Non-Devolved Budgets – net overspend by £3.078m

Within the other non-devolved budgets there is approximately £1.750m of unachieved savings from the Force 2016/17 cash limited budget, which accounts for a significant element of the net overspend. However, this has to be taken in the context that the savings target set for the Force was £7.700m of which approximately £6.0m was achieved. The savings target has been addressed in the 2017/18 budget setting process.

As a direct result of not proceeding with the sale of the Police Headquarters, by the Commissioner, the OPCC / 'organization' did not have to borrow additional monies to fund the capital programme. This resulted in revenue savings of £0.800m (£0.500m Interest and £0.300m MRP).

There was £0.100m of under achievement on interest received and £0.100m of loan charges grant, that is no longer being claimed as per the directive from the OPCC. There was also £0.150m of redundancies that did not have a reserve to offset the costs and as a result have been charged to revenue. The adequacy of Earmarked Reserves is the responsibility of the OPCC. However, these decisions are undertaken with close co-operation between the Force Finance and the Commissioner's office.

There was additional cost of £0.150m Revenue Contributions to Capital for Fusion business case and the Criminal Justice Centre end of contract costs. In addition, there was an £0.300m unbudgeted increase in provision requirement relating to Estate property lease costs.

- Business Support Budgets – net underspend of (£1.592m)

There was £0.820m of staffing underspends within the Corporate Service teams. This included £0.210m in corporate staff budgets as well as savings within IT support staff amounting to £0.195m (mainly as a result of backfilling posts). There was also a

combined staffing saving within Finance and HR as a result of aborted Tri-Force costs; this amounted to £0.175m. There was a saving in Executive Support staff costs amounting to £0.040m

In addition, there is a staffing saving of £0.200m within the Estates budget. The Estates Department are currently undertaking review of all staffing budgets to a view to permanently removing some staff posts in 2018/19. In addition, two vacant posts that have already been deleted as part of the 2017/18 budget setting process.

There was a £0.540m of supplies & services savings within Business Support budgets. The main underspends are £0.150m within the Police uniform budget, £0.100m within the general maintenance budgets across the Force and £0.090m within the HR training budget.

There was also savings in fleet transportation costs of £0.190m; mainly savings in fuel costs (Diesel £0.050m and Petrol £0.190m).

There was also additional non budgeted income relating two areas namely; insurance claim recovery and vehicle servicing as well as additional Corporate Services income; these amounted to £0.065m and £0.070m respectively.

Collaboration and Regional – overspend of £0.349m

There are a number of collaborative and regional budgets in operation and these can be summarised into the following:

Specialist Operations-

Cash limited budget of £0.725m resulted in overspend of £0.093m and the cost pressures related to additional overtime and additional armed response vehicle associated costs.

Forensic Investigation

Cash limited budget of £2.393m resulted in an underspend position of £0.043m as a result of staff pay savings, which was offset by regional contribution.

Regional Operational Collaboration

The cash limited budget for Regional Operational Collaboration was £2.197m whilst the net expenditure amounted to £2.339m a net overspend of £0.0142m of which £0.098m was due to NPAS billing changes. The other adverse impact related to officer salary recharge income was below the budgeted income target set.

Regional Support Collaboration

The cash limited budget for Regional Operational Collaboration was £1.145m, whilst the net expenditure amounted to £1.067m a net underspend of £0.078m of which related to EMSCU underspend as a result of staff vacancies. However, this was partially off-set by overspend due to additional costs relating to ill health medical practitioner costs.

Tri-Force Collaboration

There was no revenue budget for Tri-Force collaboration, however, there were associated savings in business support areas. These have been resolved during the 2017/18 budget setting process. This resulted in an overspend of £0.168m

Multi Force Shared Service

Cash limited budget of £1.105m resulted in an overspend of £0.067m as a result of additional costs which included an additional HR post; additional Fusion revenue costs and overtime relating to project costs.

OPCC – Budget – Net underspend £0.307m

For Financial Year 2016/17 the OPCC revenue budget was established as £3.909m. There was a virement (due to staff changes) and a budget adjustment of £0.022m was made to Force Executive Support, which gave a revised budget of £3.887m.

Office Police and Crime Commissioner Service Area Budget Breakdown	Full year Budget £000	Exp. Funded from Reserves £000	Transfers from Reserves £000	Net Outturn Position £000	Year end Variance £000
PCC (Northants)	1,235	40	(40)	1,558	323
Transformation	0	60	(60)	0	0
Office of Faith based Community Initiatives	283	0	0	44	(239)
Police and Crime Institute	520	0	0	520	0
Commissioning	1,669	0	0	1,344	(325)
PCC Initiatives	0	100	(100)	0	0
Special projects	0	0	0	(1)	(1)
Public Involment	180	0	0	115	(65)
Estates	0	316	(316)	0	0
Total	3,887	516	(516)	3,580	(307)

The outturn position was £3.580m; a net underspend of £0.307m. The main variances are as follows:

PCC budget was a net overspend of £0.323m

PCC Budget Subjective Analysis	2016/17 Budget £000	Outturn £000	Year end Variance £,000
Salaries	1,122	1,000	(122)
Agency / tempary Staff	0	248	248
Internal and External Audit Costs	104	95	(9)
Subscriptions	55	57	2
Marketing	0	38	38
Consultants Fees	5	37	32
Professional Fees	30	21	(9)
Other	144	220	76
Miscellaneous Income	0	(86)	(86)
In year savings target	(225)	0	225
Transfers to Earmarked Revenue Reserve	0	(39)	(39)
Grants returned	0	(33)	(33)
Total	1,235	1,558	323

The material variances on the PCC budget are summarised below:

PCC Salaries - Underspend £0.122m

This underspend is a direct result of non-filling of vacant posts

Agency –Overspend £0.248m

The previous Commissioner appointed two financial consultants to provide additional support on specific financial projects.

Other – Overspend £0.076m

This area of expenditure cover a number of budget headings and include training, conference and seminar fees, JIAC member allowances as well as administrative support for the Commissioner.

In year Savings target - Overspend £0.225m

The target was not achieved. However, the net overall position of the OPCC did achieve a net underspend of £0.307m within the overall budget envelope of £3.887m.

Miscellaneous Income and grant refund – Underspend of £0.119m

These funds were not budget for in the 2016/17 budget settlement and can be classed as these funds were not anticipated during the financial year; these included net proceeds after resolution of a civil dispute and grant monies received as a result of Police Fire business case work; and a return of grant from Walgrave Wellbeing Centre.

Office of Faith and Community - Underspend £0.239m

This underspend was as a direct result on the decision by the Commissioner to halt spend on this element of the OPCC budget. The original budget was £0.283m and the overall saving related to two elements; non salary budget of £0.184m and £0.055m on salary costs.

Police and Crime Institute – breakeven outturn position

The OPCC have provided a grant to the Northampton University to assist with the setting up of the Police and Crime Institute at the University. The budget for the year was £0.520m and was paid in four equal instalments.

Commissioning - Underspend £0.325m

The Commissioning budget was £1.669m and the net outturn position amounted to £1.344m a net underspend of £0.325m.

Expenditure Funded from Earmarked Reserves

Within the expenditure budget portfolio £0.516m was expended on previously agreed areas and have allocated with the majority allocated within Estates and PCC initiatives; amounting to £0.316m and £0.100m respectively.

Public involvement - Underspend £0.065m

The underspend is split between £0.013m on third party payments and £0.052m on salaries.

Carry Forward

There are no carry forward requests in 2016/17.

General Fund Balances and Earmarked Reserves

General Fund balance is forecast to be £3.520m at 31st March 2017 (balance as at 31 March 2016 was £4.404m) representing 2.88% of the proposed net revenue budget 2016-17.

This level of general Fund balance is within the level proposed in the Reserve Policy (between 2% and 3%) and is marginally outside the range suggested by External Audit (between 3% and 4%). However, it is considered that this level of general fund balance is justified in the context of the climate of financial austerity, and the scale and pace of radical change which is required over the period to 2021.

The level of all cash backed Reserves at 31st March 2016 totals £16.111m, falling to £9.751m (£10.335m including regional reserves) at 31st March 2017, as set out in the reserves tables at the end of this narrative statement.

8. Cashflow

Total cash and cash equivalents at 31 March 2017 is £12.859m including share of JV cash balances (in 2015/16 £6.677m.) The main factors that will affect cash in the future are:

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

9. Analysis of Borrowing

The Police and Crime Commissioner's power to borrow is set out in Part 1 of the Local Government Act 2003, together with a duty to determine and keep under review how much borrowing is affordable. Controls on borrowing are contained within the CIPFA Prudential Code for Capital Finance in Local Authorities and, under the provisions of the 2003 Act, the Police and Crime Commissioner must have regard to the Code when carrying out his duties under the Act.

The key objectives of the Prudential Code are to ensure, within a clear framework, that capital investment plans are affordable, prudent and sustainable. A key prudential indicator is the operational boundary for external debt, which limits the amount of long-term debt outstanding. The limit is set at £25m for 2016-17 and has not been breached.

Borrowing is managed to ensure a reasonable spread of maturity and to minimise interest payable. At 31st March 2017 the level of PWLB debt outstanding was £1.3m (no change from 2015/16). The breakdown to maturity is shown below:

Debt - Year to Maturity	£000
Less Than One Year	0
Between One and Two Years	0
Between Two and Five Years	0
More Than five years	1,300
Total	1,300

As a consequence of the decision not to proceed with the Sale of Police Headquarters at Wootton Hall. It was decided that it would be financially prudent to finance capital through the use of internal resources namely via Earmarked Reserves, details of which can be found within the earmarked reserves and General Fund balances table on page 41 of the narrative statement.

10. Capital

In addition to revenue expenditure, money is spent on assets such as buildings, computers and vehicles, which will be used by or on behalf of the Police and Crime Commissioner in the long term. Capital expenditure can be financed from:

- Unsupported (or prudential) borrowing, which does not attract government support
- The Police and Crime Commissioner decides how much to borrow based on what is affordable, prudent and sustainable within the meaning of the Prudential Code
- Capital grants
- Usable capital receipts arising from the sale of surplus assets
- Amounts set aside from the revenue account

The approved Capital Programme totalled £60.368m with estimated payments in 2016/17 of £25.033m. The reported out turn for 2016/17 was £15.445m with the slippage of expenditure falling in later years.

There are four approved schemes within the capital programme have decreased in overall cost. These are summarised as follows:

Name of Scheme	Approved Cost £000	Revised Cost £000	Decrease £000	Reason
Body Worn Video	1,103	1,091	(12)	A slight change in the 4 year profile of required expenditure, led to a reduction in expected expenditure of £0.012m.
Accessibility Fund	100	75	(25)	Due to delays in estates plans and changes to building uses, expenditure has permanently reduced on these minor improvements.
Policing the Future	43	38	(5)	This scheme was permanently ceased.
Niche	4,875	4,715	(160)	Reduction in overall scheme costs.
Capital Programme Management and Organisational Development	416	356	(60)	Both schemes were ended and the overall budgets were realigned as a result.
Total			(262)	

However, there were nine capital schemes which had slippage costs; there were:

Tri Force - Strategic Alliance (PBS)	724	924	200	Strategic Alliance was replaced by Tri-Force in December 2015. All costs from December 2015 onwards was put to the new project and then subsequently written off
Decant Plan	6,900	7,310	410	Additional costs associated with moving Specialist Functions and design of the Training and Learning Facility lead to a requirement to increase the budget to move operational policing.
Estates Investment Strategy	390	398	8	Slight increase in costs associated with security
Criminal Justice Centre	45	125	80	Revision to the final contract finalisation and snagging lists
PBS	85	89	4	Change to inflationary assumptions
Legacy IT (Regional IT)	103	128	25	Increased regional costs have led to a requirement to increase budget slightly.
Emergency Services Network (ESN/Airwaves replacement)	3,124	3,153	29	Due to delays in the implementation, there have been increased costs in the project team due to the on-going requirement to keep the team longer than planned.
Oracle Payroll	0	276	276	Due to the MFSS PCC board decision to implement the Payroll module, the budget was increased to accommodate the capital expenditure.
CIPFA Statement of Accounts Tool	0	15	15	Following the PCC decision to implement the Statement of Accounts improvement plan, the CIPFA accounting tool was identified and implemented.
Vehicle Purchases	6,281	6,445	164	The budget was increased due to increasing requirements through the Safer Roads team & Regional EMOPPS programmes.
Tasers	0	2	2	The PCC is implementing national guidance on the use and armament of officers with Tasers within 17/18 and the programme required some minor expenditure prior to the year end to enable the project to proceed.
TOTAL INCREASE			1,213	

Funding	Approved Programme £000	Revised Programme £000
Capital Grants	2,750	2,750
Innovation Funding	2,217	2,217
Useable Capital Receipts	7,671	7,671
Revenue Funded	1,763	2,438
Capital Reserve	3,400	3,400
Prudential Borrowing	25,000	25,000
External Funding	451	451
Initiatives Fund	4,518	4,518
Capital/Transformation Reserve	4,362	4,362
Other Reserves	8,236	8,512
TOTALS	60,368	61,319

11. Statement of Provisions

Provisions are made where an event has taken place that gives the Police and Crime Commissioner a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. These accounts include number provisions. Further details are included in the notes to the Group Financial Statements.

Provision	2015/16 £000	2016/17 £000
Short Term		
Insurance Provision	855	938
Dilapidations Provision	300	355
Other		67
Long Term		
Insurance Provision		
Dilapidations Provision		615
Other		
Total	1,155	1,975

12. Pensions Liability

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

The Police and Crime Commissioner and Chief Constable participate 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 £1,311.157m, (2015/16 £1,069.649m) comprising £1,235.400m for police officers and £75.757m for police staff.

13. Material assets acquired and liabilities incurred

A summary of capital expenditure for the year is described in the capital section of this report. No material liabilities have been incurred during the year.

14. Material and unusual charges

The accounts conform to proper practice and contain full and frank disclosures of all material sums. The increase in the group pension's liability of £241.808m 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 Police and Crime Commissioner or Chief Constable or a charge on the General Fund.

As a result of a balance sheet review, it was determined that a creditor of £1.225m was deemed to be no longer required (original creditor instigated in financial year 2014/15). This original accrual was processed via the Force and as a result was transferred back to the Force revenue account. As this is not part of the revenue activities during the year and as such has been excluded from the outturn position at year end. These funds have been transferred to the General Fund and subsequently used to fund one new earmarked reserve (Invest to Save) and increase an existing reserve (Insurance) amounting to £0.633m and £0.592m respectively.

15. People

At 31st March 2017 Northamptonshire Police Force and the OPCC Budgeted establishment was 2,006 members of staff. The analysis is shown in the table below:

Category of employee	2015/16	2016/17
Police Officers	1,220	1,220
PCSO	96	86
Police Staff	721	677
PCC Staff	24	23
Total	2,061	2,006

16. Exceptional Item

There are exceptional items within the Expenditure and Funding Analysis (EFA) and Comprehensive and Expenditure Statement (CIES) of the CC & PCC's accounts £16.364m, which 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.

17. Medium Term Financial Plan

The PCC's medium term financial plan (MTFP) reflects the impact of the government's autumn statement.

The Provisional Police Finance Settlement was announced in a written ministerial statement by the Minister for Policing, Criminal Justice and Victims Mike Penning on Wednesday 17 December. Full details of the settlement can be found on the Home Office pages of the gov.uk website.

The MTFP for 2017-21 has been developed on the principles previously established:

- To make the best use of available resources
- To maximise income and funding
- To target spend 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

Five Year Medium Term Plan	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
FUNDING					
Police Grant	73,052	71,724	70,422	69,146	67,896
Precept & CTS	48,817	50,784	52,831	54,960	57,174
Estimated CT Surplus	750	750	750	750	750
	122,619	123,258	124,003	124,856	125,820
SPENDING LIMITS					
Force	115,656	116,200	116,200	115,726	115,742
OPCC	5,592	5,950	7,380	9,713	10,530
Reserves	1,371	1,108	423	(583)	(452)
	122,619	123,258	124,003	124,856	125,820
SPENDING FORECASTS					
Force	115,656	118,450	120,960	124,524	128,189
OPCC	4,188	3,933	3,890	4,190	4,190
Reserves	1,371	1,108	423	(583)	(452)
	121,215	123,491	125,273	128,131	131,927
SAVINGS REQUIRED					
Force		(2,250)	(4,760)	(7,824)	(11,489)
OPCC		(141)	(131)		
		(2,391)	(4,891)	(7,824)	(11,489)
SAVINGS IDENTIFIED					
Force		(485)	(441)	(217)	
OPCC		(141)	(131)		
		(626)	(572)	(217)	
SAVINGS YET TO BE IDENTIFIED					
Force			(497)		
OPCC					
		(1,765)	(4,319)	(7,607)	(11,489)

The revenue budget for 2016/17 of £121.994m, required a rise in the precept of 1.99% as permitted by government to support the budget. As can be seen in the table above there is continued pressure on the amount of police grant that is forecast to be received over the period of the MTFP.

18. Impact of the current economic climate

Since the start of austerity measures to 2016/17, 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 development of a new model for policing. It is expected that the Service Delivery Model will be operational in the autumn. The development of such a model is a priority in order to create a sustainable, diverse and flexible resource whilst balancing the longer term budget. A key enabler to support the delivery of the new model for policing will be Information Technology and improvements in management financial information systems will deliver better and more cost effective policing into the future.

19. Summary and Conclusion

The PCC and Chief Constable continue to demonstrate a strong track record of effective financial management and delivering out-turn within the approved budget. The budgeting process is very thorough 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 of £15m. Of this £11m has already been identified whilst maintaining the establishment of police officer numbers at 1220.

The decision to remain within Wootton Hall and build on the existing facilities for both the Police and Fire staff provides clarity and stability and an opportunity in future to develop the site that is fit for the 21st century. This change in Estates strategy complements the new Northern Accommodation with completion due in September 2017

The financial outlook remains challenging and there remains significant amount of economic uncertainty as a result of Brexit referendum and the commencement of the 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

Acting Director of Resources

Date:

Stephen Mold

Northamptonshire Police and Crime
Commissioner

Date:

EARMARKED RESERVES and GENERAL FUND BALANCES 2016/17											
	GENERAL FUND	Force Carry Fwd.	OPCC Carry Fwd.	Invest to Save	Initiatives Fund	Pensions	Insurance	Safer Roads	Employee Benefit	Capital Transfm.	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance - 1st April 2016	4,404	698	1,356	0	2,941	1,280	83	1,194	1,145	3,010	16,111
Contributions 2016/17											
Contribution to General Balances from OPCC revenue account (surplus)	307										307
Contribution to Force revenue account (deficit)	(569)										(569)
Transfers 2016/17											
Revenue contribution (Budgeted Reserves)					910					4,861	5,771
Financing of capital expenditure		(225)								(12,754)	(12,979)
Creditor adjustment to General Fund Balance	1,223										1,223
Transfers from General Fund to Reserves	(1,223)			590			633				0
PCC Reserve in year use to OPCC revenue					(517)						(517)
Force – new regional agreed carry forward		387									387
From Force Revenue		(387)				6	286	112			17
Movement between Reserves 2016/17											
Realignment of Reserves A	(622)	(86)	(1,356)		(2,200)				(1,145)	5,409	0
Realignment of Reserves B		(387)		387							0
Closing Balance 31st March 2017	3,520	0	0	977	1,134	1,286	1,002	1,306	0	526	9,751

Annual Governance Statement for Group Statement of Accounts 2016/17

BACKGROUND AND FRAMEWORK

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. These principles can be summarised as:

- Ethics and integrity
- Openness and stakeholder engagement
- Defining outcomes
- Delivering interventions
- Managing risk and monitoring performance
- Demonstrating effective 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.

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 2016/17 and makes proposals to improve processes, or mitigate issues or risks identified.

The statement contains a section in relation to each of the summarised principles contained on page 2.

Ethics and integrity

The Police and Crime Commissioner (PCC) and the newly appointed Chief Executive to the Office of the Police and Crime Commissioner (OPCC) have made clear statements setting a high expectation 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.

Overt support for this stance has been secured with the provision of an OPCC senior staff member to sit on the Force internal ethics committee, with administrative support being provided by the OPCC to the external committee. Values have been included as an overarching element of the published Police and Crime Plan.

Her Majesty's Inspectorate of Constabulary (HMIC), in granting a 'GOOD' rating for the Force in relation to Legitimacy in the 2016 Police Efficiency, Effectiveness and legitimacy (PEEL) inspection stated that the Force have made good efforts in transmitting and communicating its values to the wider workforce. These were considered positive steps but the alignment between the code of ethics and the published OPCC code of conduct was not complete.

There have been changes in this period to the overall decision making processes within the OPCC, particularly relating to significant financial decisions and contract awarding and management. This has resulted in a streamlined process that aids understanding and provides greater transparency. All such decisions are subject to publication via the OPCC website.

The OPCC Corporate Governance Framework, including the Scheme of Governance, has been reviewed and now more closely aligns with that of the Force. This is in the process of being agreed and will include clear references to the code of conduct and the range of required documentation for good governance, especially relating to financial management.

All posts in the OPCC have defined role and job descriptions but currently there are no effective and formal performance appraisal processes in place to support these. HR policies and procedures are currently being reviewed by a senior staff member in the OPCC.

By its nature, the OPCC commissions a range of services and, in the coming months, a number are due for review or recommissioning. This creates an opportunity to ensure the ethical values of the PCC and OPCC are reflected in commissioning and contracts that deliver parts of the business.

Recommendation 1 – To review the current published code of conduct against the CoP code of ethics to ensure consistency of approach in OPCC

Recommendation 2 – Complete the review of the Corporate Governance Framework.

Recommendation 3 - Complete the formal review of existing HR policies, practices and procedures and consider recommendations made.

Recommendation 4 – Undertake a review of commissioning and contracts to ensure the values of the OPCC are included in how these services are procured and delivered.

Openness and 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. The Police and Crime Plan was formally published in February 2017 after endorsement by the Police and Crime Panel. The Plan is the foundation of the Commissioner's activity and has been widely shared internally and externally. The Police and Crime Plan sets out the strategic direction of the PCC's activities and is underpinned with a delivery plan that details how these are to be achieved. The delivery plan has also been shared as part of an open relationship with the Police and Crime Panel and the Joint Independent Audit Committee (JIAC). Part of this new open relationship has included presentations and briefings outside of the formal panel structure, to aid Members' understanding of the operating environment within the OPCC.

The aspirations set out in the Police and Crime Plan, particularly the overarching aspiration of "making a safer Northamptonshire" has been widely shared, internally and externally. The consultation in relation to the Police and Crime Plan was wide ranging and inclusive across local communities, partners and the Force. This has been effective in delivering one of the key recommendations from the 2015/16 annual governance statement, which was:

"Engage with stakeholders including the public to inform the setting of a new vision under the new Police and Crime Commissioner, to then be enshrined within the new Police and Crime Plan."

The OPCC website provides information on the activities of the Office and the Commissioner himself. 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.

The purpose and vision of the Commissioner have been and continue to be promoted. This includes the activities required or planned to deliver it. The promotion methods have been wide ranging but have included:

- The OPCC website and social media
- Commissioner attending regular speaking engagements from local to national
- Engagement with a wide range of stakeholders
- Inclusion of precept charges and police and crime plan activity in council tax leaflets
- Publication of an annual report

The OPCC undertakes regular customer and victim survey activities, ensuring that these can then be used to inform service delivery by the Force and services which the PCC has commissioned. These are captured not only on an ongoing basis but also in an annual report and assessment.

The OPCC currently manages and is further developing the Independent Advisory Group structure used by the Force. This development is being undertaken with the IAG chairs and includes the creation of a database of community advisors that can be called upon to provide general advice or on specific matters when required.

Changes in some personnel in 2016-17 have provided a catalyst to reshape how the OPCC delivers engagement and communications, underpinned through a developing comprehensive communications strategy and plan.

There is widespread and effective communication and engagement with service users that includes victim surveys, the consultation on the Police and Crime Plan and the

significant survey undertaken in relation to young people's use of the internet; these will be formalised by the developing structured communication and engagement strategy.

Recommendation 5 – Complete OPCC communications strategy and forward plan for community and stakeholder engagement to better inform and deliver strategic outcomes.

Defining outcomes

The widespread public and internal consultation that took place in relation to the now agreed Police and Crime Plan has secured support for the outcomes that the Commissioner expects to see during this term of office. This year the OPCC has started to develop a more robust performance framework to measure success against the objectives that are contained within this plan. Support is being provided for this from the Institute for Public Safety, Crime and Justice.

The PCC supports a number of collaborative arrangements, especially with other Forces and emergency services in the East Midlands region, aimed at better delivering positive outcomes. A number of these relate to issues contained within the national Strategic Policing Requirement. The Commissioner has a statutory responsibility to consider the national requirement and collaborative working enables him to respond in an efficient and cost effective manner.

Many of the collaborative arrangements, notably those in relation to major crime and serious and organised crime, have been reviewed and favourably commented upon by Her Majesty's Inspectorate of Constabulary. These are covered by formal agreements, with arrangements having developed incrementally over recent years. There is some scope for a review of overall governance arrangements in relation to collaborative services to make sure that they meet the needs of local people and Commissioner, both now and in the future.

The OPCC has worked on the development of a medium term financial plan with the Force, which supports the delivery of specified outcomes in the Police and Crime Plan. 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.

Activity of the OPCC is subject to regular scrutiny from the Joint Independent Audit Committee as well as a regime of bespoke audit inspections. The JIAC annual report should be produced through the Chair and actions/recommendations identified with agreed actions plans determined. The annual report should also be provided to the Police and Crime Panel. Whilst this is not a statutory requirement it does tie up assurance and scrutiny functions to aid transparency and accountability.

A series of high level strategic plans have been agreed between the OPCC and the Force in relation to the individual elements of the Police and Crime Plan. These provide clarity and aid delivery. These plans are jointly shared by OPCC and Force leads. The Commissioner recognises that key to successful deliver of outcomes is the provision of appropriate resources to support this. This has taken place and specific comment on this is made below.

Recommendation 6 – Complete full performance framework for defined outcomes in the Police and Crime Plan.

Recommendation 7 – 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.

Recommendation 8 – In conjunction with the Force develop an annual financial timetable to aid the planning, delivery and transparency of financial decisions and forecasts/modelling.

Recommendation 9 – Evaluate the performance and outcomes from the Community Foundation community granting mechanism.

Recommendation 10 – Recommendations and subsequently agreed actions from the JIAC annual report taken forwards along with annual report being presented to the Police and Crime Panel.

Delivering interventions

The Commissioner, in consultation with the Chief Constable and others, has constructed a medium term financial plan that projects government grants and local precept options to provide some confidence and clarity to the force along with allowing for the delivery of the key objectives in the Police and Crime Plan. The plan includes reasonable assumptions made by the PCC in relation to future government funding streams, a change in the balance between central and local funding and precept charges. This is supported by financial and other monitoring arrangements to ensure financial resources are used effectively to deliver value for money whilst delivering the desired operational outcomes. However, the awaited new government funding formula for policing remains outstanding and is in doubt due to recent national events. It has been widely recognised that Northamptonshire has been under resourced from the current formula, therefore, if there is no change to the formula that under-funded gap will progressively increase.

It is recognised and accepted by the PCC that previous planning within the OPCC has not been robust, transparent or conducted in a collaborative manner with key partners, including the Force. This situation has now been rectified and there is a new sense of trust and mutually agreed objectives along with constructive communication to allow delivery.

The decision to vacate Force Headquarters at Wootton Hall is one such example of where poor assumptions and planning led to a decision that was not open or transparent and is in the process of being reversed due to its unaffordability. Before May 2016 there was a complete lack of a coherent Estates Strategy or realistic capital programme to enable informed decision making. This situation is in the process of being rectified. A draft Estates Strategy is being developed in concert with the force and JIAC to ensure that the operational policing requirement is fully supported by the enabling infrastructure whilst being transparent and appropriate.

For the first time the OPCC has developed a comprehensive Delivery Plan that sits underneath the Police and Crime Plan as a mechanism to drive work against established objectives and also allow for resource and effort prioritisation. This is an ambitious undertaking that the PCC is using to provide detailed direction and also allow the Police and Crime Panel, public and partners to scrutinise and provide feedback.

The PCC has a busy series of commitments that are scheduled through his diary. This can be viewed on the OPCC website. The principal aim of commitments within the PCC's diary is to delivery on his Police and Crime Plan, which includes engaging with the public and partners.

The PCC recognises the requirement for effective infrastructure to be in place to support the operational delivery of his strategic objectives. To this end, the PCC has appointed a technology lead, to work with the Force and other regional and national partners to deliver an ICT strategy that enables more effective and efficient operational outcomes.

Risk management is mentioned elsewhere but over this period the OPCC has developed a business continuity plan, in conjunction with the internal audit recommendations, to restore and/or maintain services in the case of emergency, loss of staff, premises or other service interruption.

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.

The OPCC has started to construct a shared performance reporting regime with the Force that ensures that all decisions in relation to the Police and Crime Plan and progress against it are made using a single, shared data set. The Institute for Public Safety, Crime and Justice (IPSCJ) has been commissioned to assist in the production of an appropriate performance framework. The Police and Crime Plan has a detailed delivery plan to allow for progress tracking to be undertaken.

Both the Force and the OPCC have been using Multi-Force Shared Services (MFSS) for the delivery of financial and human resource transactions. The engagement with and the utility of MFSS has been poor and mis-understood. Equally the governance and accountability of the service has also been underperforming. The current PCC and OPCC have recognised this gap in service delivery and accountability and are taking tangible steps to address and improve both service delivery, accountability and transparency. Additionally, the PCC is involved in negotiations to update the ICT systems that support MFSS to make the systems more effective and efficient. This is expected to bring both improved capabilities for Northamptonshire but also to attract additional organisations to MFSS and improve value for money.

Recommendation 11 – Complete performance monitoring and reporting framework with IPSCJ.

Recommendation 12 – Complete the operational needs driven Estates Strategy, which will then inform the development of the capital programme.

Managing risk and monitoring performance

Transparency is a fundamental principle of how the PCC and OPCC should conduct themselves. Throughout this financial year, especially in the last 6 months, significant steps have been taken to improve internal and external communications, which includes visibility and transparency of OPCC policies and procedures, PCC decisions, the reality of previous decisions and the direction of travel for the current PCC to deliver his Police and Crime Plan. The Police and Crime Panel have been briefed in detail on a range of issues to ensure that panel members are aware of the background to subsequent decisions that the PCC has made in order that they are able to perform their statutory function. Additionally, the PCC has held separate briefings for the panel Chair and Vice Chair along with regular briefings for councillors at Force HQ and numerous engagement events every week.

The Joint Independent Audit Committee (JIAC) has rightly sought clarification and assurance on numerous areas of business. That assurance has previously been limited due to limited or incomplete information being provided. This situation is being reversed and the JIAC are being used to effectively provide assurance as per their terms of reference. However, equally importantly the JIAC Chair and members are being involved at a more fundamental level to provide advice, guidance and support where appropriate. The Corporate Governance Framework, along with the Scheme of Governance, which includes the financial delegations is not fit for purpose. The framework is being re-written to ensure that appropriate governance mechanisms are established. The PCC will

significantly change and in many areas reduce the financial delegations previously allowed. This will be to ensure that all financial activities are correctly processed and progressed.

In conjunction with a change to the Corporate Governance Framework the method of recording decisions by the PCC will change to remove any confusion and increase transparency. Executive Orders will be removed and replaced solely by Decision Records (DRs), which will be published on the OPCC website. Previously DRs were used for PCC decisions that were deemed to not meet the "significant public interest" test and were not published.

During the period covered by this statement there has been a review of a number of important areas relating to risk and risk management. The OPCC risk register was historic, relating largely to risks identified at the commencement of PCCs in 2012. This had not been regularly updated and did not provide the required level of assurance to the Commissioner. A new risk register has been implemented, with identified risk owners and mechanisms, to identify risks and put in place appropriate mitigation. This has been presented to internal audit who have endorsed the robust methodology.

The amended process mirrors that of the Force, allowing easy comparison and discussion in relation to risk management. A new risk management policy and business continuity plan along with the updated risk register provide a more complete and appropriate level of management and planning. Risk is reported via a number of mechanisms including regular discussion with Chief Officers in Force, personal briefings to the PCC and reports to the joint independent audit committee.

Over the following year awareness training will be delivered to OPCC staff relating to risk, to further support and embed this new approach.

As referenced elsewhere the scheme of corporate governance has been reviewed and contains necessary safeguards and assurances relating to transparency concerning financial reporting, including clarity relating to delegated authorities. This review has also added further clarity to budget owners in relation to responsibilities for financial management and allocation.

The PCC has to plan ahead. He is helped in this by information from a number of agencies such as Association of Police and Crime Commissioners (APCC) and National Police Chiefs Council (NPCC). He also has a forward plan of key events and decision making points throughout the year.

There are a number of observations and recommendations that are provided from the spectrum of audits and JIAC meetings. These must be properly captured, action plans developed, allocated and monitored. This process historically has not been sufficiently robust and is in the process of being addressed.

Recommendation 13 – Train OPCC staff in risk awareness and management.

Recommendation 14 – Use the risk register, Delivery Plan, audit recommendations within internal planning processes.

Recommendation 15 – Develop, present and continually monitor progress of the OPCC action log.

Demonstrating effective 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 meeting every six weeks between the PCC and Chief Constable to discuss performance. This is known as the accountability board and its minutes and decisions are published on the OPCC website.

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.

The Police Reform and Social Responsibility Act 2011 requires the PCC to appoint a Chief Executive and Chief Finance Officer. These roles have legal responsibilities and in addition help to achieve proper accountability and transparency. The PCC has appointed a new Chief Executive, as head of paid service and monitoring officer, and is in the process of recruiting a new Chief Finance Officer.

The OPCC has a nominated single point of contact in relation to matters concerning internal and external audit, with responsibility for considering recommendations made, responding to them and ensuring that remedial action is put in place against those that are accepted. Examples of this during this year include those relating to risk management and business continuity.

CONCLUSION

In producing this annual statement, the results of audits and comments from the audit committee have been considered. The OPCC currently has in place a number of elements which support effective governance. However, as this assessment has identified, there is a need to further strengthen certain aspects to fully accord with the principles of good governance; these are contained within the recommendations in this statement.

The process of governance needs to be kept under constant review, to ensure that processes reflect changes in political, legislative and operating landscapes.

SUMMARY OF RECOMMENDATIONS

Recommendation 1 – To review the current published code of conduct against the CoP code of ethics to ensure consistency of approach in OPCC

Recommendation 2 – Complete the review of the Corporate Governance Framework.

Recommendation 3 - Complete the formal review of existing HR policies, practices and procedures and consider recommendations made.

Recommendation 4 – Undertake a review of commissioning and contracts to ensure the values of the OPCC are included in how these services are procured and delivered.

Recommendation 5 – Complete OPCC communications strategy and forward plan for community and stakeholder engagement to better inform and deliver strategic outcomes.

Recommendation 6 – Complete full performance framework for defined outcomes in the Police and Crime Plan.

Recommendation 7 – 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.

Recommendation 8 – In conjunction with the Force develop an annual financial timetable to aid the planning, delivery and transparency of financial decisions and forecasts/modelling.

Recommendation 9 – Evaluate the performance and outcomes from the Community Foundation community granting mechanism.

Recommendation 10 – Recommendations and subsequently agreed actions from the JIAC annual report taken forwards along with annual report being presented to the Police and Crime Panel.

Recommendation 11 – Complete performance monitoring and reporting framework with IPSCJ.

Recommendation 12 – Complete the operational needs driven Estates Strategy, which will then feed the development of the capital programme.

Recommendation 13 – Train OPCC staff in risk awareness and management.

Recommendation 14 – Use the risk register, Delivery Plan, audit recommendations within internal planning processes.

Recommendation 15 – Develop, present and continually monitor progress of the OPCC action log.

RECOMMENDATIONS FROM PREVIOUS STATEMENT

Listed below are the recommendations from the 2015/2016 annual governance statement, along with a brief comment in relation to their status. Where recommendations or actions are deemed to have not been undertaken or fully completed they are included for consideration within the recommendations above for this year's annual governance statement.

1. Engage with stakeholders including the public to inform the setting of a new vision under the new Police and Crime Commissioner, to then be enshrined within a new Police and Crime Plan.

Completed – the newly published Police and Crime Plan was subject to and influenced by a widespread internal and external consultation exercise with evidence of changes being made to early drafts as a result of this.

2. Utilising the opportunity of the new Commissioner being the Chair of the Regional PCC governance arrangements to seek to strengthen the governance arrangements for regional collaboration.

Ongoing – The position in relation to regional, especially Tri Force, collaboration has significantly changed with a number of business cases not being progressed. New proposals for overall regional collaboration governance are being worked up, led by OPCC in Derbyshire.

3. Develop the business case for further integration of police and fire services in time for the new legislation being enacted.

Completed – Business case has been progressed and discussions commenced with Fire and Rescue Service and Northamptonshire County Council. Case to be submitted August 2017.

4. Develop a new approach for the Commissioner and OPCC to engage and work with partners to better achieve outcomes.

Ongoing – Some evidence exists that this has taken place. Grants now administered independently through Community Foundation and new practices are being put into place to procure new services.

5. To further build the governance arrangements around transformational change in light of the internal audit report on Change Management.

No evidence that this has been completed.

6. Development of a People Strategy for the OPCC by December 2016.

Not completed – As reflected in statement, HR policies and procedures underway.

7. Completion and approval of a revised Corporate Governance Framework by September 2016.

Ongoing.

8. Increase capacity and capability to address shortfalls in the accounts closure process to ensure a continued timely closure of accounts for 2016/17.
Ongoing – CIPFA Big Red Button implemented. Statement of accounts completed by 31st May 2017. Outturn report and audit scrutiny required.
9. Develop as part of the People Strategy plans for formal training, development, succession plans, as well as an induction programme.
Not completed – As reflected in statement, HR policies and procedures underway.
10. A managerial review to ensure that the capacity and the capability of the office is aligned to the new Commissioner’s agenda.
Complete – New PCC and Chief Executive undertook a review and amendments to posts and responsibilities agreed as a result that create greater alignment with PCC new priorities.
11. Develop a revised engagement and consultation strategy for the new Commissioner.
Ongoing – Changes in personnel have delayed this however currently being produced.

Stephen Mold
Police & Crime
Commissioner

Date:

Martin Scoble
Chief Executive

Date:

Paul Dawkins
Chief Finance Officer

Date:

Annual Governance Statement for Regional Collaboration 2016/17



East Midlands Police Collaboration

Derbyshire Leicestershire Lincolnshire Northamptonshire Nottinghamshire

ANNUAL GOVERNANCE STATEMENT **FOR REGIONAL COLLABORATION 2016/17**

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

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

DCC (East Midlands) monitors performance. This is reported to the East Midlands Police and Crime Commissioners (EMPCC) Board on a quarterly basis.

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

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

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

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

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

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

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

4. Incorporating good governance arrangements in respect of partnerships.

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

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 OPCC's Group 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 OPCC at the accounting date and its income and expenditure for the year ended 31 March 2017.

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 2016/17.
- 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 2017 and the income and expenditure for the year ended 31 March 2017.

Paul Dawkins
Assistant Chief Officer (Finance & Resources)

Stephen Mold
Northamptonshire Police and Crime
Commissioner

Date:

Date:

Expenditure and Funding Analysis

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
51,282	1,545	52,827	Police Pay	50,681		50,681
3,271	98	3,369	PCSO Pay	3,124		3,124
11,147	(6,294)	4,853	Police Pensions	11,093	(7,540)	3,553
18,413	554	18,967	Operations	18,214	(524)	17,690
961	29	990	Specials, Cadets & Volunteers	740		740
20,829	3,327	24,156	Business Support & Other Non Devolved Exp	18,800	115	18,915
7,814	252	8,066	Collaboration & Regional	7,907		7,907
7,803	(1,613)	6,190	PCC	11,246	1,873	13,119
121,520	(2,102)	119,418	Net Cost of Services	121,805	(6,076)	115,729
105	(105)		JV Outturn (Surplus)/ Deficit transfer Financial Statements	159	(159)	
(119,980)	37,297	(82,683)	Other Income and Expenditure	(121,080)	36,067	(85,013)
1,645	35,090	36,735	(Surplus) or Deficit on Provision of Services	884	29,832	30,716
(20,906)			Opening Combined General Fund Balance	(16,785)		
1,645			Plus / less (Surplus) or Deficit on the General Fund (Statutory basis)	884		
2,476			Transfers to/from other Reserves	5,566		
(16,785)			Closing Combined General Fund Balance	(10,335)		

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the OPCC, 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 OPCC'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 is undertaken.

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2016	(4,404)	(12,381)	(16,785)	1,021,092	1,004,307
Movement in reserves during 2016/17					
(Surplus) or deficit on the provision of services	30,716		30,716		30,716
Other Comprehensive Income / Expenditure				209,739	209,739
Total Comprehensive Income and Expenditure	30,716	0	30,716	209,739	240,455
Adj's between accounting basis & funding basis under regulations (Note 6)	(24,266)		(24,266)	24,266	0
Net Increase or Decrease before Transfers to Earmarked Reserves	6,450	0	6,450	234,005	240,455
Transfers to / from Earmarked Reserves	(5,566)	5,566	0		0
Increase or Decrease in 2016/17	884	5,566	6,450	234,005	240,455
Balance at 31 March 2017	(3,520)	(6,815)	(10,335)	1,255,097	1,244,762

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2015	(6,349)	(14,557)	(20,906)	1,149,489	1,128,583
Opening Balance Adjustment	300	(300)			
Balance at 31 March 2015 post adjustment	(6,049)	(14,857)	(20,906)	1,149,489	1,128,583
Movement in reserves during 2015/16					
(Surplus) or deficit on the provision of services	36,810	(75)	36,735		36,735
Other Comprehensive Income / Expenditure				(162,604)	(162,604)
Total Comprehensive Income and Expenditure	36,810	(75)	36,735	(162,604)	(125,869)
Adj's between accounting basis & funding basis under regulations (Note 6)	(37,623)	143	(37,480)	37,480	0
Net Increase or Decrease before Transfers to Earmarked Reserves	(813)	68	(745)	(125,124)	(125,869)
Transfers to / from Earmarked Reserves	2,458	2,408	4,866	(3,273)	1,593
Increase or Decrease in 2015/16	1,645	2,476	4,121	(128,397)	(124,276)
Balance at 31 March 2016	(4,404)	(12,381)	(16,785)	1,021,092	1,004,307

Comprehensive Income and Expenditure Statement

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

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

2015/16			2016/17		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
53,234	(428)	52,806	52,262	(761)	51,501
3,710	(345)	3,365	3,377	(252)	3,125
23,762	(18,925)	4,837	19,791	(17,059)	2,732
11,372	(1,553)	9,819	10,950	(1,347)	9,603
12,789	(3,686)	9,103	12,082	(4,155)	7,927
1,014	(25)	989	742	(2)	740
18,925	(677)	18,248	17,798	(553)	17,245
5,010	(41)	4,969	1,865	(48)	1,817
15,891	(7,999)	7,892	17,796	(9,902)	7,894
4,831	(20)	4,811	11,067	(106)	10,961
1,955	(782)	1,173	2,188	(844)	1,344
359	0	359	985		985
152,852	(34,481)	118,371	150,903	(35,029)	115,874
					Cost of Services
1,320	(126)	1,194	1,101	(46)	1,055
					Other Operating Expenditure (Note 7)
39,066	(156)	38,910	37,270	(20)	37,250
					Financing and Investment Income and Expenditure (Note 8)
0	(121,740)	(121,740)		(123,463)	(123,463)
					Taxation and Non Specific Grant Income (Note 9)
193,238	(156,503)	36,735	189,274	(158,558)	30,716
					(Surplus) or Deficit on Provision of Services
					(Surplus) or deficit on revaluation of Property, Plant and Equipment (Note 18)
		(5,074)			(676)
					Remeasurement of the net defined benefit liability / asset
		(157,530)			210,415
					Other Comprehensive Income and Expenditure
		(162,604)			209,739
					Total Comprehensive Income and Expenditure
		(125,869)			240,455

Balance Sheet

This account shows the overall financial position of the Group at 31 March 2017. It therefore differs from the other financial accounts shown in this statement in that it deals with the position of the OPCC at the end of the 2016/17 financial year instead of dealing with day-to-day transactions within that financial year.

31 March 2016		31 March 2017
£000		£000
48,841	Property, Plant and Equipment (Note 18)	58,186
5,612	Intangible Assets (Note 23)	4,266
11	Long Term Investments	11
54,464	Long Term Assets	62,463
7,655	Short-term Investments	2,000
66	Assets Held for Sale (Note 20)	66
473	Inventories (Note 27)	463
14,219	Short Term Debtors (Note 26)	11,027
6,677	Cash and Cash Equivalents (Note 33)	12,859
29,090	Current Assets	26,415
(16,057)	Short-Term Creditors (Note 29)	(19,208)
(1,155)	Short Term Provisions (Note 28)	(1,360)
(17,212)	Current Liabilities	(20,568)
	Long Term Provisions (Note 28)	(615)
(1,300)	Long Term Borrowing	(1,300)
(1,069,349)	Other Long-Term Liabilities	(1,311,157)
(1,070,649)	Long Term Liabilities	(1,313,072)
(1,004,307)	Net Assets	(1,244,762)
(16,785)	Usable Reserves	(10,335)
1,021,092	Unusable Reserves (Note 17)	1,255,097
1,004,307	Total Reserves	1,244,762

Cash Flow Statement

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

2015/16		2016/17
£000		£000
36,735	Net (surplus) or deficit on the provision of services (Note 34)	30,716
(36,805)	Adjustment to (surplus) or deficit on the provision of services for noncash movements (Note 34)	(47,324)
1,245	Adjustment for items included in the net (surplus) or deficit on the provision of services that are investing or financing activities (Note 34)	1,545
1,175	Net cash flows from operating activities	(15,063)
1,595	Net cash flows from investing activities (Note 35)	8,881
2,770	Net (increase) or decrease in cash and cash equivalents	(6,182)
9,447	Cash and cash equivalents at the beginning of the reporting period (Note 33)	6,677
6,677	Cash and cash equivalents at the end of the reporting period	12,859

Note 1 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 42, the OPCC has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Influences on-going concern status, such as future levels of funding for central government departments
- Possible impairment of investments
- Whether other entities with which the 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

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 OPCC 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 OPCC's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the OPCC will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase £0.033m for every year that useful lives had to be reduced.
Vehicles, Plant and Equipment and Intangible Assets	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The nature of the authority is that for example some equipment, e.g. vehicles can be driven in extreme conditions, which could result in increased impairments or reduced useful economic lives, however, historically this has not been the case.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for vehicles would increase by £1.37m for every year that useful lives had to be reduced.
Joint Venture	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The nature of the authority is that the Joint Venture's helicopter can be used driven in extreme conditions, which could result in increased impairments or reduced useful economic lives, however, historically this has not been the case.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Provisions	The Authority requested an external expert assess its liability at the end of the 2016/17 Financial Year and has made a provision of £0.938m for the settlement of insurance claims, based on the number of known claims. As none of these claims have yet been settlement the extent of the liability is still unknown.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.094m to the provision needed.

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. During 2016/17, the Authority's actuaries advised that the net pension's liability had increased by £248.17m 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 £1,317.5m being the total pension liability.
Arrears	At 31 March 2017, the OPCC had a balance of sundry debtors for £0.701m. A review of balances suggested that a bad debts provision of £0.031m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.031m to set aside as an allowance.
Investments	<p>At 31 March 2017, the OPCC held a cash balance of £12.359m, before IFRS accounting adjustments for cash & cash equivalents.</p> <ul style="list-style-type: none"> • A review of these investments showed they were all banking institutes were either within the top 30 most secure (rating completed by Building Society's Association, ranked by group assets), or • Other financial investment bodies are reviewed for credit worthiness via a stability assessment, based on short and long term market forecasts provided by the three main credit rating agencies. However, in the current economic climate other financial institutes have previously failed. 	If one of these institutes were to fail, the maximum liability the OPCC could face would be £7.6m for our external fund managers (classed as cash & cash equivalents), or £6.6m for an internally managed fund.

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 2017, are not reflected within the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. Prime Minister evoked article 50 as the formal withdrawing from EU; formal negotiations with EU commenced on 19th June 2017. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

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:

2015/16		2016/17	2016/17	2016/17
Total	Earnings Band	Officers	Police Staff	Total Employees
21	£50,000 to £54,999	34	6	40
7	£55,000 to £59,999	7	1	8
10	£60,000 to £64,999	4	3	7
3	£65,000 to £69,999	3	2	5
1	£70,000 to £74,999	3	2	5
2	£75,000 to £79,999	1		1
2	£80,000 to £84,999	1		1
1	£85,000 to £89,999			
	£95,000 to £99,999	1		1
1	£100,000 to £104,999			
	£115,000 to £119,999	1		1
1	£145,000 to £149,999			
	£150,000 to £154,999	1		1
49	Total	56	14	70

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:

2016/17	Start Date	Leaving date	Salary	Expense Allowances	Other	Total Excluding Pension
Post Holder Information			£	£	£	£
Police and Crime Commissioner						
Adam Simmonds - Police and Crime Commissioner	22/11/2012	11/05/2016	7,903			7,903
Stephen Mold - Police and Crime Commissioner	12/05/2016		62,097	2,176		64,273
Office of the Police and Crime Commissioner						
Acting Chief Executive*	12/10/2015	31/10/2016	43,856	811		44,668
Director for Resources*	01/11/2016		24,567	386		24,953
Chief Executive	15/11/2016		31,661	1,115		32,776
Acting Director for Resources**	12/10/2015	31/10/2016	32,795	940		33,735
Strategic Resource Officer**	01/11/2016		19,976	158		20,134
Assistant Chief Executive (Visibility)	22/11/2012	31/08/2016	31,656	149		31,805
Acting Director for Delivery***	12/10/2015	31/08/2016	29,999	226		30,225
Director For Delivery - 1***	01/09/2016		42,418	171		42,589
Director of Technology and Digital Transformation	22/11/2016		38,378			38,378
Director for Delivery - 2	21/11/2016		26,259	28		26,287
Director for Early Intervention	07/11/2016		29,087	928		30,015
Chief Constable						
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 post holder is the same person

** The post holder is the same person

*** The post holder is the same person

**** 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.

2015/16

Post Holder Information	Start Date	Leaving date	Salary	Expense Allowances	Other	Total Excluding Pension
			£	£	£	£
Police and Crime Commissioner						
Adam Simmonds - Police & Crime Commissioner	22/11/2012		70,000	89		70,089
Office of the Police and Crime Commissioner						
Chief Executive	01/12/2012	31/10/2015	43,824			43,824
Chief Executive	12/10/2015		66,256	213		66,469
Assistant Chief Executive (Visibility)	22/11/2012		71,997	60		72,057
Assistant Chief Executive *	27/04/2015	11/10/2015	28,173	17		28,190
Acting Director for Governance, Operations and Delivery*	12/10/2015		35,856	191		36,047
Acting Chief Finance Officer	29/09/2014		47,904	36		47,940
Chief Constable						
Simon Edens - Chief Constable	27/07/2015		102,445	176		102,621
Adrian Lee - Chief Constable	12/10/2009	25/07/2015	42,703	366	5,627	48,696
Deputy Chief Constable	19/03/2015		112,643	151	8,842	121,636
Assistant Chief Constable	26/08/2014	30/11/2015	63,999	487		64,486
Assistant Chief Constable	31/07/2015		85,657	170	2,837	88,664
Head of Finance and Asset Management	29/11/2010	13/01/2016	92,757	3,131		95,888
ACO Finance & Resources**	14/01/2016					

* The post holder is the same person

**The ACO Finance and Resources post is shared between Northamptonshire (24.63%), Leicestershire (35.53%) and Nottinghamshire (39.84%). As the individual is employed by Leicestershire, the total salary cost associated with the post is not included within the table above.

Note 5A - Note to the Expenditure and Funding Analysis

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)
Business Support Exp		1,563	(412)	1,151
PCC	8,146	985	13	9,144
Net Cost of Services	8,146	(5,812)	421	2,755
Other Income and Expenditure	(15,774)	37,207	78	21,511
Difference between the Statutory Charge the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement	(7,628)	31,395	499	24,266

2015/16	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Police Pay	2,081			2,081
PCSO Pay	133			133
Police Pensions	452	(6,630)		(6,178)
Operations	747			747
Specials, Cadets & Volunteers	39			39
Business Support Exp	845	2,346	355	3,546
Collaboration & Regional	317			317
PCC	352	115		467
Net Cost of Services	4,966	(4,169)	355	1,152
Other Income and Expenditure	(2,160)	39,003	(515)	36,328
Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement	2,806	34,834	(160)	37,480

Note 5B - Segmental Analysis of Income and Expenditure

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)	(20)	63	
Collaboration & Regional	(9,396)			
PCC	(950)			8,327
Total	(34,898)	(20)	63	8,327
2015/16	Revenues from External Customers	Interest Revenue	Interest Expense	Depreciation and Amortisation
	£000	£000	£000	£000
Police Pay	(428)			2,080
PCSO Pay	(345)			133
Police Pensions	(18,925)			452
Operations	(5,239)			747
Specials, Cadets & Volunteers	(25)			39
Business Support & Other Non-Devolved Exp	(860)	(156)	63	844
Collaboration & Regional	(7,633)			317
PCC	(802)			352
Total	(34,257)	(156)	63	4,964

Note 5C - Expenditure Analysed by Nature

2015/16	Nature of Expenditure or Income	2016/17
£000		£000
(3,444)	Fees, charges and other service income	(3,909)
(105)	(Surplus) or deficit on associates and joint ventures	(159)
(156)	Interest and investment income	(20)
(70,433)	Income from local taxation	(72,103)
(71,645)	Government grants and contributions	(69,350)
(5,161)	Other income	(6,136)
154,017	Employee benefits expenses benefits (IAS 19)	143,354
27,624	Other service expenses	29,785
4,882	Depreciation, amortisation and impairment	8,186
63	Interest payments	63
919	Precepts and levies	919
174	Gain or loss on disposal of non-current assets	86
36,735	(Surplus) or Deficit for Year	30,716

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

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement (CIES) recognised by the Group in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Group, to meet future capital and revenue expenditure.

2016/17	General Fund Balance £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:		
- Pension cost (transferred to (or from) the Pensions Reserve)	(31,393)	31,393
- Council tax and NDR (transfers to or from the Collection Fund)	(78)	78
- Holiday pay (transferred to the Accumulated Absences reserve)	(373)	373
- Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(6,979)	6,979
Total Adjustments to Revenue Resources	(38,823)	38,823
Adjustments between Revenue and Capital Resources		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	235	(235)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	14,286	(14,286)
Total Adjustments between Revenue and Capital Resources	14,521	(14,521)
Other adjustments	36	(36)
Total Adjustments	(24,266)	24,266

2015/16	General Fund Balance £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:		
- Pension cost (transferred to (or from) the Pensions Reserve)	(34,834)	34,834
- Council tax and NDR (transfers to or from the Collection Fund)	515	(515)
- Holiday pay (transferred to the Accumulated Absences reserve)	(390)	390
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(3,492)	3,492
Total Adjustments to Revenue Resources	(38,230)	38,230
Adjustments between Revenue and Capital Resources		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	245	(245)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,862	(2,862)
Total Adjustments between Revenue and Capital Resources	3,107	(3,107)
Other adjustments		
Total Adjustments	(35,123)	35,123

Note 7 - Other Operating Expenditure

Other Operating Expenditure includes levies; gains or losses on the disposal of non-current assets in the CIES for 2016/17.

2015/16		2016/17
£000		£000
919	Levies	919
402	Gains/losses on the Disposal of Non-Current Assets	182
(127)	Other	(46)
1,194	Total Other Operating Expenditure	1,055

Note 8 - 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.

2015/16		2016/17
£000		£000
63	Interest payable and similar charges	63
39,003	Net interest on the net defined benefit liability (asset)	37,207
(156)	Interest receivable and similar income	(20)
38,910	Total	37,250

Note 9 - Taxation and Non-Specific Grant Income

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

2015/16		2016/17
£000		£000
(46,114)	Council tax income	(47,923)
(24,318)	Non-domestic rates income and expenditure	(24,180)
(50,063)	Non-ringfenced government grants	(49,815)
(1,245)	Capital grants and contributions	(1,545)
(121,740)	Total	(123,463)

Note 10 - Material Items of Income and Expense

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

2015/16		2016/17
£000		£000
855	Insurance Provision	938
	Legal Provision	355
	Redundancy	67
300	Property Dilapidations (Short Term)	
	Property Dilapidations (Long Term)	615
1,155	Total	1,975

Note 11 - Trading Operations

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

Note 12 - Members' Allowances

During 2016/17 a total of £0.013m was paid in Allowances and Reimbursements for OPCC members (2015/16 £0.016m).

2015/16		2016/17
£000	Description	£000
16	Allowances and Re-imbursements	13
16	Total	13

Note 13 - External Audit Costs

During the year the Group incurred direct external audit fees from KPMG LLP. The Audit Fee of £0.044m in both 15/16 and 16/17 related to the statutory audit work for the Statement of Accounts, which is a statutory requirement. There was a further £0.001m (£0.001m in 2015/16) relating to other audits.

2015/16		2016/17
£000		£000
45	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	45
45	Total	45

Note 14 - Grant Income

The OPCC credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

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

2015/16		2016/17
Group		Group
£000		£000
(43,419)	Revenue Support Grant	(43,171)
(6,644)	Council Tax Burden Grant	(6,644)
(881)	Capital grants and contributions	(1,151)
(364)	Agile Innovation Fund Capital Grant	
	Other Capital Grants and Contributions	(394)
(51,308)	Total	(51,360)

Credited to Services

2015/16		2016/17
Group		Group
£000		£000
(19)	Drug Intervention Programme	
(99)	Loan Charges Grant	12
(18,925)	Pension Top Up Grant	(17,059)
(20)	Department of Health	(28)
(782)	Ministry of Justice	(844)
	Police Transformation Grant	(40)
	Sales of Goods and Services	(46)
(204)	Proceeds of Crime	(284)
(20,049)	Total	(18,289)

Note 15 - Related Parties

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

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

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

The OPCC and Chief Officers are required, at the end of each year, to declare whether they, or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the OPCC 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.

During 2015/16, there was a transaction (grant) amounting to £0.050m with Walgrave Wellbeing Centre of which the Director for Resources (OPCC) was also a director. In 2016/17 £0.033m of this grant was refunded to the OPCC as Walgrave were unable to meet some of the conditions of the grant relating to the timing of expenditure.

There were also transactions of £0.567m (16/17) & £0.520m (15/16) with the University of Northampton of which the said Director was an external audit committee member. These transactions related to four quarterly payments of £0.130m for the Funding to help the Institute for Public Safety Crime and Justice.

Note 16 - Transfers to/from Earmarked Reserves

This note sets out the Group amounts set aside from the General Fund and earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet the General Fund requirements in 2016/17.

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

A review of the existing Reserves was undertaken during at the end of the financial year in which a number of Earmarked Reserves, which had opening balances were again reviewed. In terms of adequacy. One earmarked reserve, the Employee Benefit reserve was originally created to mitigate fluctuations within the Accumulated Absence Reserve,. However, as this a not a cash backed reserve it was determined that this reserve is no longer applicable and the balance of £1.146m has been transferred to the Capital Transformation Reserve.

As part of the budget allocation in 2016/17, there was an agreed 'topslice' of the revenue budget amounting to £5.771m; this was reallocated between the Initiatives Fund and the Capital Transformation Reserve amounting to £0.910m and £4.861m respectively.

As at the 1 April 2016, the General Fund balance stood at £4.404m. During the year a review of the balance sheet balances revealed an outstanding long term creditor balance, which was no longer appropriate and as such was transferred back to the General Fund; this amounted to £1.225m. The OPCC has agreed that these funds should be used to fund a new reserve and increase the insurance reserve; details of which are documented below.

On 31 March 2017, the total Earmarked Reserves and General Fund balance stood at £9.753m (£16.111m in 2015/16). These were made up as follows:

	Balance at 1 April 2015	Transfers In 2015/16	Transfers Out 2015/16	Balance at 31 March 2016	Transfers In 2016/17	Transfers Out 2016/17	Balance at 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
Initiatives Fund	-1,362	-7,462	5,883	-2,941	-910	2,717	-1,134
Insurance	-1,783		1,700	-83	-919		-1,002
Invest to Save	0			0	-977		-977
Pensions	-1,197	-83		-1,280	-6		-1,286
Safer Roads	-1,194			-1,194	-112		-1,306
Capital/ Transformation	0	-3,010		-3,010	-10,270	12,754	-526
Joint Venture Reserves	-715		41	-674		90	-584
Carry Forwards (OPCC & Force)	-2,141	-1,124	1,212	-2,053	-387	2,440	0
Employee Benefit Reserve	-1,144	-2		-1,146		1,146	0
PCC Carry Forward Reserve	-22		22	0			0
Print Services Equipment	-49		49	0			0
Transformation Reserve	-708		708	0			0
Restructuring Reserve	-2,799		2,799	0			0
Specials and Volunteers	-1,684		1,684	0			0
Future Capital Spending	-59		59	0			0
Total General Fund	-14,857	-11,681	14,157	-12,381	-13,581	19,147	-6,815
General Fund Reserves:	-6,049	-2,476	4,121	-4,404	-1,532	2,416	-3,520
Total Earmarked Reserves	-20,906	-14,157	18,278	-16,785	-15,113	21,563	-10,335

General Fund balance £3.520m

The opening balance was £4.404m; a net adverse in year movement of £0.884m. There has been a net nil transfer of £1.225m, which was allocated to the new Invest to Save Reserve of £0.592m and Insurance Reserve amounting to £0.633m. In addition, there was a net transfer out relating to contribution to general balances from OPCC revenue of £0.307m and a contribution to the Force revenue account of £0.569m; the remaining balance of £0.622m was transferred to the Capital Transformation Reserve. Thus leaving a closing balance of £3.520m

Force Carry Forward Reserve - nil balance

Historically, the OPCC reserve was used for carry forwards requirements in alignment to the process for the Chief Constable for pressures consistent with the OPCC revenue budgetary needs. The agreed transfers were undertaken during the financial year. However, within the 2017/18 budget settlement this process is no longer required in its current format. As a result the balance on this reserve of £0.387m was transferred to the new Invest to Save Reserve, and £0.086m which formed part of the realignment

OPCC Carry Forward Reserve – nil balance

Similarly, the OPCC carry forward of under/over spends on budgets were considered by the OPCC and CC. At the end of 2016/17 no carry forwards were needed. The balance has now been transferred as a result of this no longer being required.

The opening balance amounted to £1.356m and as part of the earmarked reserves review this balance was transferred to the Capital Transformation Reserve in its entirety.

Employee Benefit Reserves - nil balance

The employment benefit reserve opening balance reserve of £1.146m was deemed was no longer applicable and as a result the balance in its entirety was transferred to the Capital Transformation Reserve.

Internal Re-alignment of Reserves (A and B) totalled £5.596m (see page 41 narrative disclosure)

An in year review of earmarked reserves demonstrated there was a need for a re-alignment. This was needed as circumstances change within the organisation. This is particularly pertinent within the Capital transformation Earmarked Reserve when combined with the funding for the capital programme. For illustrative purposes this realignment has been split into A and B. Realignment A is purely a net transfer into the Capital Reserve of £5.410m and this realignment has been 'funded' from the following earmarked reserves and General Fund as follows:

- Employment Benefit £1.146m
- Initiative Fund £2.200m
- OPCC CF Fund £1.356m
- Force CF Fund £0.086m
- Transfer from General Fund £0.622m

The realignment reserve B is purely a transfer of the closing balance on Force Carry forward Reserve. This amounted to £0.387m and had been transferred as 'seed fund' to the new Invest to Save Reserve.

Capital Transformation Reserve balance £0.526m

The reserve was set up to fund the future capital spending to ensure the OPCC can continue to fund its capital programme at the planned levels. The Capital Transformation Reserve opening balance was £3.010m; a net in year movement of £2.484m. However, there have also been significant transfers in and out of the Reserve.

There has been a transfer out of £12.754m to fund capital expenditure / financing. A strategic decision was made during the financial year that the original intention to temporarily fund capital expenditure from this Reserve and repay by undertaking additional borrowing in 2017/18, which would have replaced the sums internally borrowed for cash flow purposes.

However, as part of the review of general fund balances and earmarked reserves, it was agreed that it was not financially prudent to repay these internal funds by undertaking additional borrowing as this could be funded from Earmarked Reserves.

There was a 'transfer in' of £5.409m as a result of a review of the existing earmarked balances.

Invest to Save Earmarked Reserve (New) balance £0.977m

This is a new earmarked reserve and it has been set up to fund specific agreed schemes that will deliver long term efficiency savings for the Force. To access this new fund there will be a number strict criteria to meet, namely specific 'cashable savings' have to be demonstrated before funds will be released. The closing balance of £0.977m has been funded by two transfers; one from the Force carry forward balance amounting to £0.387m and £0.590m from General Fund balance.

Initiatives Fund Reserve £1.134m

The opening balance was £2.941m. During the year there was an additional revenue contribution of £0.910m and also a call of £0.517m for revenue cost within the OPCC budget. As part of the realignment review £2.200m was transferred to the Capital Transformation Reserve.

Pensions Reserve balance £1.286m

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

Insurance Reserve balance £1.002m

The Insurance Earmarked Reserve is designed to meet potential future claims. The balance at the commencement of the year amounted to £0.083m. However, it was recognised that was an inappropriate balance, which did not adequately account for the potential risk and total value of future claims. As a result, this reserve had been increased by £0.919m of which has been funded from £0.633m from General Fund reserves and from budgeted Force revenue allocation which amounted to £0.286m. Again, the adequacy of this will be reviewed on a regular basis to ensure compliance with Insurance advice.

Safer Roads Reserve balance £1.306m

The opening balance was £1.194m and there was an in year revenue contribution amounting to £0.112m. This balance is specifically assigned to Safer Roads and in-particular speed awareness training is the funding generator and both the training and support staff are funded from this source. This reserve has a significant balance. However, there are potential calls on this reserve. Firstly, if training income is significantly reduced there will have to be a revenue adjustment to account for potential revenue staffing shortfall. In addition, there maybe a potential call regarding a HMRC challenge on regard to vatable payments on speed awareness fees. The current advice is that the Force are correctly accounting for this, however, there may be a risk (at this stage unquantifiable) that there may be a future call on this reserve to meet potentially any under recovery of VAT.

Note 17 - Unusable Reserves

31 March 2016	£000		31 March 2017	£000
	(13,236)	Revaluation Reserve		(13,412)
	(35,062)	Capital Adjustment Account		(43,141)
	1,069,349	Pension Reserve		1,311,157
	(1,664)	Collection Fund Adjustment Account		(1,586)
	1,705	Accumulated Absences Account		2,079
	1,021,092	Total		1,255,097

Revaluation Reserve

31 March 2016	£000		31 March 2017	£000
	(8,656)	Balance 1 April		(13,236)
	(5,074)	Upward revaluation of assets		(1,932)
	1,610	Downward revaluation of assets and impairment losses not charged to the (Surplus) or Deficit on the Provision of Services		1,256
	(3,464)	(Surplus) or deficit on revaluation of non-current assets not charged to the (Surplus) or Deficit on the Provision of Services		(676)
	(1,116)	Difference between fair value depreciation and historical cost depreciation		500
	(1,116)	Amount written off to the Capital Adjustment Account		500
	(13,236)	Balance 31 March		(13,412)

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

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

Capital Adjustment Account

31 March 2016 £000		31 March 2017 £000
(34,072)	Balance 1 April	(35,062)
3,460	Charges for depreciation and impairment of non-current assets	4,888
(1,621)	Revaluation losses on non-current assets	
1,507	Amortisation of intangible assets	3,453
1,776	Revenue expenditure funded from capital under statute	
402	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	182
5,524	Reversal of Items relating to capital expenditure debited or credited to the CIES	8,523
1,116	Adjusting Amounts written out of the Revaluation Reserve	(500)
6,640	Net written out amount of the cost of non-current assets consumed in the year	8,023
(1,360)	Capital Grants and Contributions credited to the CIES that have been applied to capital financing	(1,545)
(245)	Statutory provision for the financing of capital investment charged against the General Fund	(235)
(5,969)	Capital expenditure charged against the General Fund balances	(14,286)
(7,574)	Capital financing applied in year:	(16,066)
(56)	Other movements	(36)
(35,062)	Balance 31 March	(43,141)

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

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

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

Pension Reserve

31 March 2016		31 March 2017	
£000		£000	
1,192,045	Balance 1 April	1,069,349	
(157,530)	Remeasurements of the net defined benefit (liability)/asset	210,415	
66,398	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	61,061	
(31,564)	Employer's pensions contributions and direct payments to pensioners payable in the year	(29,668)	
	Other movements		
1,069,349	Balance 31 March	1,311,157	

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 OPCC 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 OPCC 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 OPCC has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Collection Fund Adjustment Account

31 March 2016		31 March 2017	
£000		£000	
(1,149)	Balance 1 April	(1,664)	
(515)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	78	
	Other movements		
(1,664)	Balance 31 March	(1,586)	

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

Accumulated Absences Account

31 March 2016		31 March 2017
£000		£000
1,320	Balance 1 April	1,705
(1,320)	Settlement or cancellation of accrual made at the end of the preceding year	(1,705)
1,705	Amounts accrued at the end of the current year	2,079
1,705	Balance 31 March	2,079

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

Note 18 - Property, Plant and Equipment

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

The OPCC's final capital expenditure figure in Note 24 to the Accounts, of £15.847m, was made up of intangible assets in Note 23 & the Joint Operations expenditure.

Movements to 31 March 2017

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
at 1 April 2016	37,020	18,070	5,183	60,273
Re-classification on transfer	1,392	(3,514)	(104)	(2,226)
Revised 1 April 2016	38,412	14,557	5,079	58,048
Additions	431	1,437	12,484	14,352
Revaluation increases/(decreases) recognised in the Revaluation Reserve	676			676
Derecognition – disposals	(50)	(1,857)		(1,907)
Reclassifications and transfers	0	1,306	(1,919)	(613)
at 31 March 2017	39,469	15,443	15,644	70,556
Accumulated Depreciation and Impairment				
at 1 April 2016	(269)	(11,035)	(128)	(11,432)
Re-classification on transfer	(83)	2,181	128	2,226
Revised 1 April 2016	(352)	(8,854)		(9,206)
Depreciation charge	(1,014)	(3,874)		(4,888)
Derecognition – disposals		1,724		1,724
at 31 March 2017	(1,366)	(11,004)	0	(12,370)
Net Book Value				
at 31 March 2017	38,103	4,439	15,644	58,186
at 31 March 2016	38,060	5,702	5,079	48,841

Movements to 31 March 2016

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
at 1 April 2015	48,039	17,817	4,734	70,590
Additions		2,086	2,137	4,223
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(11,019)			(11,019)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services		(87)		(87)
Derecognition – disposals		(2,827)		(2,827)
Reclassifications and transfers		1,081	(1,688)	(607)
at 31 March 2016	37,020	18,070	5,183	60,273
Accumulated Depreciation and Impairment				
at 1 April 2015	(16,105)	(10,332)	0	(26,437)
Depreciation charge	(269)	(3,190)		(3,459)
Depreciation written out to the Revaluation Reserve	16,105			16,105
Revaluation			(128)	(128)
Derecognition – disposals		2,487		2,487
at 31 March 2016	(269)	(11,035)	(128)	(11,432)
Net Book Value				
at 31 March 2016	36,751	7,035	5,055	48,841
at 31 March 2015	33,123	6,460	4,758	44,341

Note 19 - Impairment Losses

For the Financial period 2016/17 there was no impairment losses.

Note 20 - Assets Held for Sale

Current 31 March 2016 £000	Non-current 31 March 2016 £000	Current 31 March 2017 £000	Non-current 31 March 2017 £000
66	Balance outstanding at start of year	66	
66	0 Total	66	0

Note 21 - Investment Properties

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

Note 22 - Leases

The OPCC holds premises and some equipment on an operating lease basis, made payments of £0.235m for the year and was committed to making the following lease payments.

	Land £000	Buildings £000	Equipment £000	Total £000
Leases expiring in 2017/18	25	33	3	61
Leases expiring between 2018/19 & 2021/22	29	39		68
Leases expiring 2022/23 and after	45	61		106
Total	99	133	3	235

At the balance sheet date, considering any known new commitments and as if it was 31 March 2017, the commitments would be.

	Land £000	Buildings £000	Equipment £000	Total £000
Leases expiring in 2018/19				0
Leases expiring between 2019/20 & 2022/23	29	39		68
Leases expiring 2023/24 and after	45	62		107
Total	74	101	0	175

As at the 31 March 2016 and 2017, the group had no Finance Leases.

Note 23 - Intangible Assets

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

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

The carrying amount of intangible assets is amortised on a straight-line basis over three years or where appropriate over the asset life, such as the Multi Force Shared Service (MFSS) which is 6.5 years. Amortisation of £3.45m was charged to revenue in 2016/17.

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

31 March 2016			31 March 2017		
Internally Generated Assets	Total		Internally Generated Assets	Total	
£000	£000		£000	£000	
Balance at start of year:					
6,232	6,232	-	9,612	9,612	Gross carrying amounts
(2,493)	(2,493)	-	(4,000)	(4,000)	Accumulated amortisation
3,739	3,739		5,612	5,612	Net carrying amount at start of year
Additions:					
2,587	2,587	-	1,494	1,494	Internal development
			(449)	(449)	Other disposals
793	793		613	613	Reclassifications and transfers
(1,507)	(1,507)		(3,453)	(3,453)	Amortisation for the period
			449	449	Amortisation written off on disposal
5,612	5,612		4,266	4,266	Net carrying amount at end of year
Comprising:					
9,612	9,612	-	11,270	11,270	Gross carrying amounts
(4,000)	(4,000)	-	(7,004)	(7,004)	Accumulated amortisation
5,612	5,612		4,266	4,266	

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

Note 24 - Capital Expenditure and Capital Financing

The capital financing requirement measures the OPCC's need to borrow for a capital purpose. The following statement shows the effect of the OPCC's capital investment decisions in 2016/17 upon the capital financing requirement. The capital financing requirement reduced by £0.235m, this was due to the OPCC providing for a repayment of borrowing through revenue. There was no further borrowing to finance capital expenditure during the year.

Capital Expenditure and Capital Financing

31 March 2016		31 March 2017
£000		£000
5,345	Opening Capital Financing Requirement	6,204
	Capital Investment:	
4,071	Property Plant and Equipment	14,352
2,587	Intangible Assets	1,495
1,776	Revenue Expenditure Funded from Capital Under Statute	
8,434	Total Capital Spending	15,847
	Sources of Finance:	
(1,360)	Government Grants and other contributions	(1,545)
	Sums set aside from revenue:	
(5,969)	- Direct revenue contributions	(14,286)
(245)	- Minimum revenue provision	(235)
(7,575)	Total Sources of Finance	(16,066)
6,204	Closing Capital Financing Requirement	5,985

Note 25 - Construction Contracts

At 31 March 2017 the Group had one construction contract in progress for the Northern Accommodation Hub with Bowman Kirkland with a contractual value of £18.558m.

Note 26 - Debtors

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

2015/16		2016/17
£000		£000
1,579	Central Government Bodies	1,356
1,360	Other Local Authorities	5,343
	NHS Bodies	130
5	Public Corporations and Trading Funds	81
11,275	Other Entities and Individuals	4,117
14,219	Total Debtors	11,027

Note 27 - Inventories

The following stocks were held as available for issue as at 31 March 2017:

	Vehicle Fuel		Vehicle Parts and Operational Equipment		Uniforms		Total	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	100	107	83	75	335	291	518	473
Purchases	107	108	75	50	291	305	473	463
Recognised as an expense in the year	(100)	(107)	(83)	(75)	(335)	(291)	(518)	(473)
Balance Outstanding at Year End	107	108	75	50	291	305	473	463

Note 28 - Provisions

An independent evaluation of the Insurance Provision as at 31 March 2017 has identified a requirement of £0.938m for future year's potential claims, an increase of £0.083m.

For 2016/17, the OPCC has created a new £0.066m provision for the costs associated with the Loss of Office for senior officer employment contracts.

Additionally, a Legal Provision of £0.355m has been created for the estimated legal costs associated with the termination of a lease.

The remaining Property Dilapidation costs have now been deferred; therefore the provision has transferred from a Current Provision into a £0.615m Long Term provision.

Current Provisions

2016/17	Insurance Provision	Property Dilapidations	Loss of Office	Legal	Total
	£000	£000	£000	£000	£000
Opening Balance	(855)	(300)	0	0	(1,155)
Increase in provision during year	(938)		(66)	(355)	(1,360)
Utilised during year	855				1,155
Transfer during year		300			0
Closing Balance	(938)	(0)	(66)	(355)	(1,360)

2015/16	Insurance Provision	Property Dilapidations	Loss of Office	Legal	Total
	£000	£000	£000	£000	£000
Opening Balance	(570)	(245)	0	0	(815)
Increase in provision during year	(855)	(300)			(1,155)
Utilised during year	570	245			815
Closing Balance	(855)	(300)	0	0	(1,155)

Long Term Provisions

2016/17	Property Dilapidations	Total
	£000	£000
Opening Balance	0	0
Increase in provision during year	(615)	(615)
Other movements		
Closing Balance	(615)	(615)

There were no long term provisions in 2015/16.

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

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

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

Note 29 - Creditors

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

2015/16		2016/17
£000		£000
	Central Government Bodies	(1,912)
(490)	Other Local Authorities	(2,088)
(1)	NHS Bodies	(114)
(64)	Public Corporations and Trading Funds	
(15,502)	Other Entities and Individuals	(15,094)
(16,057)	Total Creditors	(19,208)

Note 30 - Capitalisation of Borrowing Costs

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

Note 31 - Contingent Liabilities

Our insurance consultants, Gallacher Heath, suggested the OPCC do not have any Contingent Liabilities for 2016/17 as 2015/16.

The Police and Crime Commissioner of Northamptonshire, along with other OPCC, Forces and the Home Office, continue to have 25 claims (with potential for further cases coming forwards) lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until later in 2017. Legal advice continues to suggest that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

There is a potential VAT complication around the charging of Safer Road Team fines for statutory roles versus the physical course and training fees. This will be moved forwards by HMRC nationally through 2017/18.

Note 32 - Contingent Assets

The OPCC also have a contingent asset of £0.150m relating to a building related legal case, which could potentially offset some costs within the Short Term Provision, bringing the liability down below £0.2m.

Note 33 - Cash and Cash Equivalents

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

31 Mar 2016		31 Mar 2017
£000		£000
6,677	Cash and Bank balances	12,859
6,677	Total Cash and Cash Equivalents	12,859

Note 34 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2016		31 March 2017
£000		£000
(156)	Interest received	(20)
63	Interest paid	63
(93)	Total	43

The cash flows for operating activities include the following items:

31 March 2016		31 March 2017
£000		£000
(3,460)	Depreciation	(4,888)
1,621	Impairment and downward valuations	
(1,507)	Amortisation	(3,453)
(3,157)	Increase/(decrease) in creditors	(3,383)
5,029	(Increase)/decrease in debtors	(3,192)
(46)	(Increase)/decrease in inventories	(12)
(34,834)	Movement in pension liability	(31,393)
(402)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(182)
(49)	Other non-cash movements charged to the (surplus) or deficit on provision of services	(821)
(36,805)	Total	(47,324)

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

31 March 2016		31 March 2017
£000		£000
1,245	Any other items for which the cash effects are investing or financing cash flows	1,545
1,245	Total	1,545

Note 35 - Cash Flow from Investing Activities

The cash flows for investing activities include the following items:

31 March 2016		31 March 2017
£000		£000
6,425	Purchase of property, plant and equipment, investment property and intangible assets	16,079
1,664	Purchase of short-term and long-term investments	(7,025)
(6,494)	Other receipts from investing activities	(173)
1,595	Net cash flows from investing activities	8,881

Note 36 - Termination Benefits

The OPCC 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 OPCC 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 OPCC terminated the contracts of a number of employees in 2016/17 incurring liabilities of £0.138m, of which £0.087m relates to the Chief Constables account. The previous year's total was £0.198m.

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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £000	2016/17 £000
£0 - £20,000	9	7	10	1	19	8	165	59
£20,001 - £40,000	1	3			1	3	33	79
Total	10	10	10	1	20	11	198	138

Note 37 - 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 OPCC offers retirement benefits. Although these benefits will not actually be payable until the 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 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 OPCC and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The Actuary to the fund is Hymans Robertson LLP.
- The Police Pension Scheme for police officers, which includes two pension schemes; the Police Pension Scheme (PPS) and the New Police Pension Scheme (NPPS). Both schemes are unfunded and administered by Equiniti on behalf of the OPCC, 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 OPCC. However, the OPCC's contribution is met by Home Office Pensions Top Up Grant. If there is a surplus it is paid to the OPCC 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

Group Pensions Revenue Items

	<u>Local Government Pension Scheme</u>		<u>Police Pension Scheme</u>		<u>TOTAL</u>	
	<u>2015/16</u>	<u>2016/17</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2015/16</u>	<u>2016/17</u>
<u>Comprehensive Income and Expenditure</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Net Cost of Services						
Current service cost	(6,641)	(5,336)	(26,220)	(23,260)	(32,861)	(28,596)
Past service cost		(5)	(190)	(980)	(190)	(985)
Net Operating Expenditure						
Interest Costs**	(6,344)	(6,448)	(36,520)	(35,090)	(42,864)	(41,538)
Expected return on employers assets**	3,856	4,326			3,856	4,326
Net Charge to the Income and Expenditure Account	(9,129)	(7,463)	(62,930)	(59,330)	(72,059)	(66,793)
<u>Movement In Reserves</u>						
Movement on Pensions Reserve (Reversal of net charges made for retirement benefits in accordance with IAS 19)	(17,555)	(11,153)	62,930	59,330	45,375	48,177
<u>Actual amount charged against Council Tax (General Fund Balance) for pensions</u>						
Employers contributions to the Scheme	4,539	3,773	11,671	10,980	16,210	14,753
3) 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 losses of £136.06m (£107.920m in 2015/16) were included within other Comprehensive Income & Expenditure.

The estimated 2017/18 pension scheme contributions for the Police Pension Scheme are £10.9m and £3.7m for the Local Government Pension Scheme.

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

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

Past Service Costs are wholly included within the heading Non-Distributed Costs; Interest Costs and Expected Return on Employers Assets are included within Financing & Investment Income & Expenditure.

Defined Benefit Pension Schemes

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of the Present Value of the Schemes Liabilities

Group	Funded Liabilities Local Govt. Scheme		Unfunded Liabilities Police Pension Scheme	
	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
Opening Defined Benefit Obligation - 1 April	(195,615)	(182,691)	(1,115,490)	(1,009,510)
Current Service Cost (Grossed up for employee contributions)	(6,641)	(5,336)	(26,220)	(23,260)
Interest Cost	(6,344)	(6,448)	(36,520)	(35,090)
Contributions by Scheme Participants	(1,504)	(1,431)	5,830	5,730
Actuarial (Gains)/ Losses	24,397	(26,570)	136,060	(198,180)
Past Service (Costs)/ Gains			(190)	(980)
(Loses)/ Gains on Curtailments	(169)	(5)		
Estimated Unfunded Benefits Paid	5	5		
Estimated Benefits Paid	3,180	3,583	27,020	25,890
Closing Defined Benefit Obligation 31st March	(182,691)	(218,893)	(1,009,510)	(1,235,400)

Reconciliation of the Fair Value of the Schemes Assets

Pension Asset – Local Government Pension Scheme Only

Group	31 March 2016	31 March 2017
	£000	£000
Pensions Asset 1 April	119,059	122,854
Expected Return on Assets	3,856	4,326
Contributions by Members	1,504	1,431
Employers Contributions (Incl Injuries) - excluding Top-Up Grant	4,539	3,773
Contributions in Respect of Unfunded Benefits	5	5
Actuarial Gains	(2,927)	14,335
Estimated Unfunded Benefits paid	(2)	(5)
Estimated Benefits Paid	(3,180)	(3,583)
Fair Value of Pensions Asset 31 March	122,854	143,136

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The estimated return on scheme assets in the year was £4.326m (£3.856m in 2015/16).

Scheme History (Group)

	2012/13	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m	£m
Present Value of Liabilities					
Local Government Pension Scheme	(134.365)	(154.621)	(195.615)	(182.691)	(218.893)
Police Pension Scheme	(967.760)	(967.070)	(1,115.490)	(1,009.510)	(1,235.400)
	(1,102.125)	(1,121.691)	(1,311.105)	(1,192.201)	(1,454.293)
Fair Value of Assets LGPS	96.317	103.343	119.059	122.854	143.136
(Surplus)/ (Deficit) in the Scheme					
Local Government Pension Scheme	(41.448)	(51.278)	(76.555)	(59.838)	(75.757)
Police Pension Scheme	(967.760)	(967.070)	(1,115.490)	(1,009.511)	(1,235.400)
Total	(1,009.208)	(1,018.348)	(1,192.045)	(1,069.347)	(1,311.157)

The OPCC's total Group pension liability of £1,311.157m, reconciles to the Unusable Reserves within the Balance Sheet of £1,255.097m, 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 12)

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:

Assumptions are the same for both OPCC & Group

	Local Govt. Pension Scheme		Police Pension Scheme	
	2015/16	2016/17	2015/16	2016/17
Expected Return on Assets	%	%	%	%
Investments	6.0	8.6	n/a	n/a
Mortality Assumptions	yrs	yrs	yrs	yrs
Longevity at 65 for current pensioners				
Men	22.3	22.1	23.3	23.2
Women	24.3	24.2	25.1	25.2
Longevity at 65 for future pensioners				
Men	24.0	23.9	25.1	25.2
Women	26.6	26.1	27.2	27.3
Financial Assumptions	%	%	%	%
Rate of Inflation	2.2	2.4	2.2	2.4
Rate of Increase in Salaries	4.2	2.7	4.2	4.3
Expected Return on Assets	0.8	23.3	n/a	n/a
Rate for Discounting Scheme Liabilities (Gross)	3.6	2.7	10.6	10.0
Take up Option to Convert annual Pension into retirement Lump Sum	50	50	n/a	n/a

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries, we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the OPCC'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 2016		31 March 2017	
%	Description		%
79	Equity Investments		83
10	Bonds		8
9	Property		7
2	Cash and Liquidity		2
100	Total		100

Pensions Reserve - History of Experience Gains / Losses

The actuarial gains identified as movements on the Pensions Reserve for 2016/17, can be analysed into the following categories, measured as percentages of assets or liabilities as at 31 March 2017.

GROUP	2012/13		2013/14		2014/15		2015/16		2016/17	
	£m	%	£m	%	£m	%	£m	%	£m	%
Local Government Pension Scheme										
Differences between expected and actual return on assets	0.960	0.87	(0.960)	(0.93)	8.630	7.25	2.920	4.89	14.340	(0.02)
Differences between actuarial assumptions about	7.290	(4.72)	(7.290)	4.71	(30.410)	15.55	(24.400)	40.77	26.570	(0.04)
Liabilities and actual experience.										
Police Pension Schemes										
Differences between actuarial assumptions about	37.230	4.15	37.270	4.15	(113.82)	10.91	16.160	(1.72)	19.640	(1.76)
Liabilities and actual experience.										
New Police Pension Scheme										
Differences between actuarial assumptions about	3.840	11.77	3.840	11.77	(5.240)	11.58	(0.620)	1.62	(0.170)	(0.29)
Liabilities and actual experience.										
Injury Awards Police Pension Scheme										
Differences between actuarial assumptions about	3.580	9.87	3.580	9.87	11.140	41.66	2.370	10.27	(0.950)	(4.05)
Liabilities and actual experience.										
2015 Police Pension Scheme										
Differences between actuarial assumptions about	N/A		N/A		N/A		(0.050)	0.46	(0.980)	2.63
Liabilities and actual experience.										

Note 38 - Defined Benefit Pension Scheme

POLICE PENSION FUND ACCOUNT

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

The Pensions Fund combines the accounting transaction of three 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.

	2015/16	2016/17
	£000	£000
Contributions Receivable		
Group		
From Employer		
normal	(10,693)	(9,890)
early retirements		
From members	(5,821)	(5,728)
Transfers in		
Individual Transfers in from other schemes	(181)	(199)
Benefits Payable		
Pensions	23,639	24,402
Commutations and lump sum retirement benefits	7,901	6,229
Lump Sum death benefits		
Other		
Payments to and on account of leavers		
Refunds of Contributions	14	14
Individual transfers out to other schemes	580	86
Additional funding payable by the local policing body/Police Operating Account to meet deficit/ amount payable to the local policing body/Police Operating Account in respect of the surplus for the year		(1,185)
Other		
Sub-total for the year before transfer from the CC of an amount equal to the deficit	15,439	13,729
Additional funding payable by the CC to fund the deficit for the year	(15,439)	(13,729)
Payments in respect of the Milne vs GAD court case	3,486	(56)
Income in respect of the Milne vs GAD court case	(3,486)	56
Net amount payable/ receivable for the year	0	0

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

The judgement agreed that national guidance for calculating pension lump sums between 1st December 2001 and 30th November 2006 contained an error which mainly resulted in substantial underpayments. The payments relating to this were made in 2015/16 and the Force received full re-imburement for these costs through an additional Pension Fund Grant under the Police Top Up Grant arrangement from the Home Office.

During 2016/17, the Force refunded the Home Office £0.056m of the amount detailed above as a result of differences between the estimates and actual payments made to former officers.

There is an adjustment of 2.9% to the cashflow due to a reduction in the employer contribution rate for police pension schemes in 2016/17 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 2017.

Notes to the Police Pension Fund Account

A. Employer and Officer Contributions to the Pension Fund

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

Employer Contributions	24.2%		
Contributions by Police Officers			
	1987	2006	2015
Tier 1	14.25%	11.00%	12.44%
Tier 2	14.25%	12.05%	13.44%
Tier 3	15.05%	12.75%	13.78%

B. Transfer Values

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

C. Pensions Fund Liabilities

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

D. Accounting Policies

Accounting Policies conform to those in the 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 ONPCC was responsible for paying pensions on a pay-as-you-go basis.

Under the current arrangements the scheme remains unfunded but is no longer on a pay-as-you-go basis as far as individual Police 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 ONPCC is required by legislation to operate a pension fund and the amounts that must be paid into and paid out of the pension fund are specified by regulation.

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

Note 39 - Financial Instruments

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

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

The OPCC has the following financial instruments held in its balance sheet as at 31 March 2017.

Group	2015/16		2016/17	
	£000	£000	£000	£000
	Long Term	Current	Long Term	Current
Financial Liabilities				
Amortised Cost				
Borrowing	1,300	0	1,300	0
Fair Value through Profit and Loss				
Borrowing	0	0	0	0
Creditors				
Amortised Cost	0	15,751	0	18,941
Financial Assets				
Fair Value through Profit and Loss				
Managed Portfolio	0	7,654	0	7,685
Loans and Receivables				
Debtors and Prepayments	0	14,219	0	11,027
Cash in Hand	0	2	0	2
Money Market Investments	0	5,974		12,260
Joint Venture Cash Balance	0	703	0	599

Gains on Financial Assets at Fair Value through the CIES were £0.043m during 2016/17.

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

All of the borrowings are classed as long term (of the £1.300m) as at 31 March 2017 are held by the Public Works Loans Board and, therefore, represents negligible risk to default of the debt holder.

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

Group Income, Expense, Gains and Losses Statement

	2015/16				2016/17				
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest expense				63				63	
Total expense in (Surplus) or Deficit on the Provision of Services				63				63	63
Interest income				(156)				(20)	
Total income in (Surplus) or Deficit on the Provision of Services				(156)				(20)	(20)
(Surplus)/deficit arising on revaluation of financial assets in Other CIES				(93)				43	
Net gain/(loss) for the year				(160,994)				209,739	209,739
				(161,087)				209,782	209,782

Fair Values of Assets and Liabilities

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

- estimated interest rates at 31 March 2017 for new loans through PWLB are between 2.12% and 2.77%, based on new lending rates for equivalent loans at that date (10 year & 25 year rates)
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount less cost of collection by third party agency if applicable.

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

	2015/16		2016/17	
	£000		£000	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Loans	1,300	2,026	1,300	1,887

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

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

Long term assets are held at face value as a reflection of a fair approximation of fair value as at 31 March 2017.

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

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

	2015/16	2016/17	2017/18
Fixed Rate – maximum limit	100%	100%	100%
Variable Rate – maximum limit	100%	100%	100%

Liquidity Risk

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

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

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

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

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

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

Period	Upper Limit	Actual 2016/17	Lower Limit
Under 12 months	0%	0.00%	0%
12 months to 10 years	66%	23.08%	0%
10 years and above	80%	76.92%	0%

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

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

In accordance with the Prudential Code, and as a result of the credit crisis, in order to minimise the OPCC's risk to investments, the Treasury Management Strategy sets the limits to which principals are invested for greater than one year. However, the OPCC is within these limits as no investment was greater than 364 days as at 31 March in either 2016/17 or 2015/16.

Money Market Investments are made with a spread of periods, from overnight to one year, using the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard & Poors - forming the core element. The minimum credit rating criteria for investment counterparties is Short Term F1, Long Term A, Support C and Individual 3 (Fitch or equivalent rating) with the lowest available rating being applied to the criteria. The OPCC only invests in highly rated bodies, which hold smaller risk levels than some higher yield institutes. The maximum risk the OPCC held in one institute within 2016/17 was £5m (excluding our externally managed fund of £7.6m).

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

5/10/40 rule – Good diversification

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

Therefore, the maximum risk the OPCC could be liable for the loss of is £0.765m (10% of the £7.6m holdings) as at 31 March 2017.

Developed major government bonds – Seek higher yielding assets.

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

The Target Return Fund has further aspects including:

Corporate Bond Exposure

Strong diversification characteristics, typically no more than 1% will be held in any one corporate bond issuer for investment grade credits (BBB rated or better).
For high yield corporate bonds, the issuer limit is less than 0.5%.

Emerging Market Sovereign Debt

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

Foreign Exchange

This is the active management of currency exposure.

The organisations maximum exposure to credit risk in relation to its investments in banks and building societies of £6.680m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the organisations deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

The organisations potential maximum exposure to credit risk on other financial assets, based on experience of default and collectability over the last five financial years, adjusted to reflect current market conditions is £7.6m.

Summary

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

Debtors and Prepayments

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

Outstanding invoices can be analysed by age as follows:

Age of Trade Debts	31 March 2016 £000	31 March 2017 £000
0-14 Days	173	2,001
15-30 Days	70	109
31-60 Days	403	38
61-90 Days	24	25
91+ Days	31	87
Total	701	2,260

Whilst reviewing its debtors portfolio the OPCC has provided against £0.087m within 2016/17 and £0.031m in 2015/16.

Inter-governmental organisational debt has been assessed with negligible prospect of this debt being unrecoverable. Therefore, the highest debt held by a non-governmental or public body where offsetting arrangements with Group creditors to the same company was £0.043m within 2016/17 and only 7.8% of the £2.3m debtor portfolio was held by a non-public body. Therefore, the maximum single risk the OPCC holds is the full bad-debt provision of £0.087m.

Cash In Hand

The OPCC's cash-in-hand position of £0.002m within 2016/17 and £0.002m at 2015/16 is as a result of the tight financial controls and positive cash management strategy in place. This deposit is held with a well-recognised financial institution with a high credit rating. The levels of risk are, therefore, negligible. However, the maximum level of risk would be the full cash-in-hand balance, which is monitored on a daily basis to maintain it at less than £100k at any given point, which would, therefore, represent the maximum liability faced by the OPCC.

Interest rate risk

The OPCC is exposed to interest rate movements on its borrowings which have a complex impact on the OPCC, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account would rise;
- Borrowings at fixed rates – the fair value of the borrowing would fall.

The OPCC currently has no variable rate borrowings; therefore, changes in interest rates will have no impact on the carrying value of the OPCC's borrowings. However, the impact of a 1% increase in interest rates would reduce the fair value of fixed rate borrowings by £0.6m.

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

Price risk

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

Foreign exchange risk

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

Nature and Extent of Risks Arising from Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

Gains and Losses from Financial Assets and Liabilities

Gains and Losses on assets and liabilities are clearly shown in the Comprehensive Income and Expenditure Statement. Interest on Investments of £0.02m was earned during the year, and interest on loans of £0.063m was paid out.

Credit Risk Exposure

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

Treasury Management Policy

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

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

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

Liquidity Risk Exposure

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

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

Market Risk Exposure

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

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

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

Note 40 – Joint Operations

The OPCC's share of joint operations is as follows:

Ownership %	Arrangement	Net Op Exp	Income	(Surplus)/Deficit
		£000	£000	£000
14.70	EM Technical Support Unit	280	(296)	(16)
14.70	EM Legal Services	231	(218)	13
33.33	EM Air Support Unit	6	0	6
50.00	EM Strategic Commercial Unit	452	(447)	5
14.70	EM Major Crime	126	(134)	(8)
14.70	EM Serious Organised Crime	2,077	(2,255)	(178)
18.80	EM Criminal Justice	142	(145)	(3)
18.80	EM Operational Support Services	1,311	(1,321)	(10)
14.70	EM Occupational Health Unit	246	(239)	7
14.70	EM Forensics	696	(676)	20
16.90	EM Learning & Development	424	(411)	13
20.48	Multi Force Shared Services (MFSS)	1,220	(1,228)	(8)
	Total	7,211	(7,370)	(159)

EM is an abbreviation for East Midlands. After an external review of Joint Operation accounting, the MFSS arrangement has now been incorporated into the Joint Operations statements.

Joint Operations – Movement in Reserves

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2016	0	(674)	(674)	(1,303)	(1,977)
Movement in reserves during 2016/17					
(Surplus) or deficit on the provision of services	(159)		(159)		(159)
Other Comprehensive Income / Expenditure				0	0
Total Comprehensive Income and Expenditure	(159)	0	(159)	0	(159)
Adjustments between accounting basis and funding basis under regulations	249		249	(249)	0
Net Increase or Decrease before Transfers to Earmarked Reserves	90	0	90	(249)	(159)
Transfers to / from Earmarked Reserves	(90)	90	0		0
Increase or Decrease in 2016/17	0	90	90	(249)	(159)
Balance at 31 March 2017	0	(584)	(584)	(1,552)	(2,136)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2015	0	(715)	(715)	(1,157)	(1,872)
Movement in reserves during 2015/16					
(Surplus) or deficit on the provision of services	(105)		(105)		(105)
Other Comprehensive Income / Expenditure				0	0
Total Comprehensive Income and Expenditure	(105)	0	(105)	0	(105)
Adjustments between accounting basis and funding basis under regulations	146		146	(146)	0
Net Increase or Decrease before Transfers to Earmarked Reserves	41	0	41	(146)	(105)
Transfers to / from Earmarked Reserves	(41)	41	0		0
Increase or Decrease in 2015/16	0	41	41	(146)	(105)
Balance at 31 March 2016	0	(674)	(674)	(1,303)	(1,977)

Joint Operations – Comprehensive Income and Expenditure Statement

2015/16			2016/17		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
5,332	(5,482)	(150)	7,161	(7,176)	(15)
5,332 (5,482) (150) Cost of Services			7,161 (7,176) (15)		
99	0	99	50	0	50
0	0	0	0	0	0
0	0	0	0	0	0
0	(54)	(54)	0	(194)	(194)
5,431 (5,536) (105) (Surplus) or Deficit on Provision of Services			7,211 (7,370) (159)		
0 (Surplus) or deficit on revaluation of Property, Plant and Equipment					
0 Remeasurement of the net defined benefit liability / asset					
0 Other Comprehensive Income and Expenditure			0		
(105) Total Comprehensive Income and Expenditure			(159)		

Joint Operations – Balance Sheet

31 March 2016	31 March 2017
£000	£000
1,331	1,444
7	75
1,338 Long Term Assets	
66	66
175	319
703	499
944 Current Assets	
(305)	(267)
(305) Current Liabilities	
0 Long Term Liabilities	
1,977 Net Assets	
(674)	(584)
(1,303)	(1,552)
(1,977) Total Reserves	

Note 41 - Accounting Standards Issued, Not Adopted

The 2016/17 accounting policy changes that need to be reported are confirmed in LAAP Bulletin 105 – Closure of the 2016/17 Accounts and Related Matters. Appendix C of the 2017/18 Code provides further details of the disclosures required.

Section B of LAAP Bulletin

The additional disclosures that will be required in the 2016/17 and 2017/18 financial statements in respect of accounting changes that are introduced in the 2017/18 Code are:

- Amendment to the reporting of pension fund scheme transactions
- Amendment to the reporting of investment concentration

The 2017/18 Code Appendix C provides more detail (Page 305/306). The above 2 amendments relate to paragraph 6.5.5.1 m and w of the code respectively.

Para 6.5.5 relates to the Disclosures for Defined Benefit Pension Funds (page 214). The heading specifically excludes police and fire and rescue services pension funds.

There are therefore no Accounting Standards that have been issued but not yet adopted that need to be disclosed in the 2016/17 Statement of Accounts.

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 2015 and the Service Reporting Code of Practice for Local Authorities 2016/17 (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 five years). As the amortisation charge is not an allowable charge against Council Tax, it is neutralised by adjustment between Accounting Basis and Funding Basis under Regulation, with the corresponding entry in the Capital Adjustments Account. The MFSS (Multi Force Shared Service) is to be amortised over 6.5 years and new assets are amortised the year they come into use.

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

5 Tangible Fixed Assets 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 Lambert Smith Hampton, Saddlers House, Cutter Lane, Cheapside, and London.

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

In accordance with good practice a rolling programme of revaluation of one fifth of the property portfolio each year will be undertaken from 1 April 2016. 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 5.4 – Impairment Losses.

The latest revaluation was carried out on 31 March 2017. 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 (10-40 years)
Vehicles	Over the life of the asset (2-10 years with some specialist vehicles over 3-20 years)
IT Hardware	3 years
Other Plant & Equipment	5 years

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

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

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

5.3 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 2016/17 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.

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 Xafinity Paymaster 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).

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 41 to the Core Financial Statements provide further information about the pension schemes.

13 Leasing

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

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

14 Overheads and Support Services

Under the revised 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.

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.

18 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.

19 Accounting Convention

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

20 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.

21 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.

22 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.

23 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.

24 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.

25 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.

26 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.

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

Capital Expenditure

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

Capital Financing Requirement

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

Capital Receipts

These are proceeds from the sale of capital assets.

CIPFA

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

Contingent Liabilities

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

Corporate Democratic Core

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

Council Tax

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

Creditors

Individuals or organisations to whom the OPCC 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 OPCC money.

Deferred Liabilities

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

Earmarked Reserves

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

Employee Costs

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

Finance Lease

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

International Financial Reporting Standards (IFRS)

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

Fixed Assets

These consists of: -

Tangible: These are assets that yield benefits to the OPCC 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 Authorities (i.e. the seven district councils in Northamptonshire).

Provision

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

Prudential Code

The code developed by CIPFA that sets out a framework for self-regulation of capital spending, in effect allowing 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 in Advance

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

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 members of Police and Crime Commissioner for Northamptonshire

We have audited the financial statements of Police and Crime Commissioner for Northamptonshire for the year ended 31 March 2017 on pages 54 to 113. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Police and Crime Commissioner, 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 members of the Police and Crime Commissioner, 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 members of the Police and Crime Commissioner, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Police and Crime Commissioner and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner and the Group as at 31 March 2017 and of the Police and Crime Commissioner and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

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

- the Annual Governance Statement set out on pages 42 to 52 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or

- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- 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; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on Police and Crime Commissioner for Northamptonshire's arrangements for securing economy, efficiency and effectiveness in its use of resources

The Police and Crime Commissioner's responsibilities

The Police and Crime Commissioner 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.

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner and the Group has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner 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 Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether Police and Crime Commissioner 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 C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Police and Crime Commissioner for Northamptonshire had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Police and Crime Commissioner for Northamptonshire had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis for qualified conclusion

On 11 May 2016, the Police and Crime Commissioner approved a decision to sell Wootton Hall, the Force's Headquarters. The decision was taken on the day before his term of office finished. Our review of this decision identified significant weaknesses in the governance arrangements for informed decision making by the Police and Crime Commissioner in that:

- The decision to sell the Force's Headquarters was not supported by a business case that included detailed financial costings and analysis;
- The replacement Force's Headquarter's had not been fully costed;
- No analysis had been undertaken to determine if the sale price met the 'best value' statutory requirements for the disposal of the Force's assets.

The newly elected Police and Crime Commissioner immediately initiated a review of the decision. This review identified that the financial implications (both capital and revenue) had not been fully or accurately considered. The review further identified that if the decision had been followed through this could have resulted in a significant financial loss. On 19 January 2017, the Police and Crime Commissioner approved the decision to reverse the proposed sale of Wootton Hall.

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Northamptonshire Police and Crime Commissioner put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of Police and Crime Commissioner for Northamptonshire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



Andrew Cardoza

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

29 September 2017