



**Chief Constable for Lincolnshire**

**Financial Statements**

**2016/17**

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# Chief Constable for Lincolnshire

## Statement of Accounts 2016-17

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# Introduction to the Financial Statements

## Chief Constable Bill Skelly



Since November 2012, policing services have been provided by two separate entities under the respective leaderships of the Police and Crime Commissioner (PCC) and the Chief Constable.

All the financial transactions for 2016/17, relating to the activities of the Chief Constable in accordance with the devolved arrangements agreed by the PCC, are recognised and recorded in these financial statements. In order to comply with accounting requirements, all the main accounting statements are presented even where there are few transactions to report. The Statement of Accounts sets out the financial performance and financial position of the Chief Constable as at 31 March 2017.

### Roles and Responsibilities

The Commissioner and the Chief Constable have specific roles and responsibilities as determined under the Police Reform and Social Responsibility Act 2011. The Commissioner provides a link between the police and the community, he sets out the strategic policing and crime priorities and objectives through the publication of a Police and Crime Plan and also sets the policing and crime precept. The Chief Constable is operationally independent of the Commissioner but must have regard to the Commissioner's Police and Crime Plan.

The Chief Constable has direction and control over the force's police officers and staff. Under the Integrated Scheme of Governance, the Chief Constable has certain specific delegated powers which are set out in the Scheme of Consent and Scheme of Delegation.

The organisation consists of three distinct areas of operational command led by Chief Superintendents:

- East - Local Policing and Investigation
- West - Local Policing and Investigation
- Crime & Operations - responsible for specialised services such as Public Protection, Roads Policing and Criminal Justice.

The strategic partnership contract with G4S provides a wide range of operational policing and support functions to the Chief Constable however, as the contract is held by the PCC, these costs are not included in the Chief Constable's financial statements. The operational policing services include Town Enquiry Officers, the Force Control Room, the Crime Management Bureau, Custody, the Criminal Justice Unit and Firearms Licensing. The cost of these services was £11.2m in 2016/17. The support functions provided within the contract include HR, Learning & Development, Finance, ICT and Facilities Management. Payments of £11.5m were made in 2016/17 in respect of these services.

In addition, the Force undertakes the provision of specialised policing services through regional collaboration with neighbouring forces in the East Midlands

The Executive Officers of Lincolnshire Police on 31 March 2017 were:

Bill Skelly	Chief Constable
Gary Knighton	Deputy Chief Constable
Paul Gibson	Assistant Chief Constable
Nancie Shackleton	Assistant Chief Officer - Resources
Sharon Clark	Force Chief Finance Officer

### **The Statement of Accounts**

The 2016/17 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting. The accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include:

- The Police Reform and Social Responsibility Act 2011 (the Act);
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012;
- The Scheme of Delegation including Financial and Contract Regulations.

### **Further Information**

The Statement of Accounts 2016/17 is published as an internet document at [www.lincs.police.uk](http://www.lincs.police.uk)

Further information about the financial statements is available from:

The Force Chief Finance Officer,  
Police Headquarters,  
Deepdale Lane,  
Nettleham,  
Lincoln,  
LN2 2LT

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection has been advertised in the local press.

Bill Skelly  
Chief Constable for Lincolnshire

## Annual Governance Statement

This section details the Chief Constable for Lincolnshire's governance arrangements in operation during 2016/17 including plans for the financial year 2017/18.

### Introduction

Good governance is about how organisations ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open and accountable manner. It comprises the systems, processes, culture and values by which organisations are directed and controlled, and through which they account to, engage with and, where appropriate, lead their communities.

All Police and Crime Commissioners and Chief Constables are required by regulation to produce an Annual Governance Statement (AGS). This is a document which accompanies the statement of accounts and describes how effective our governance arrangements have been over the last 12 months and sets out areas for development. The Chief Constable's Statement is intended to support the Police and Crime Commissioner Group governance arrangements which are detailed in that separate set of accounts.

### Scope of Responsibilities

The Chief Constable has responsibility where the Police and Crime Commissioner (the "Commissioner") delegates functions in respect of securing an efficient and effective police force. In discharging his responsibility, the Chief Constable shall have regard for the Local Policing Plan issued by the Commissioner.

The Chief Constable is responsible for the direction and control of the Force, ensuring his business is conducted in accordance with the law and proper standards, and that public money is accounted for, and used economically, efficiently and effectively.

In discharging his responsibilities, the Chief Constable is required to put in place proper arrangements for the governance of his affairs and which facilitate the exercise of his functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

The Chief Constable has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. A copy is available on the Lincolnshire Police website at <http://www.lincs.police.uk/library/Chief-Constable-s-Corporate-Governance/code-of-corporate-governance.pdf> or can be obtained from:

The Chief Constable's Office  
Police Headquarters  
Deepdale Lane  
Nettleham, Lincoln  
LN2 2LT

This statement explains how the Chief Constable has complied with the Code and also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

In accordance with section 3.7.4 of the Code of Practice on Local Authority Accounting for 2016/17; the Chief Constable's financial management arrangements conform to governance requirements.

### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values utilised in the discharge of the Chief Constable's statutory functions. It enables the Chief

Constable to monitor the achievement of the Force objectives and to consider whether those plans have led to the delivery of appropriate services and value for money.

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

The governance framework has been in place for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

## **The Governance Framework**

By law the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of Lincolnshire Police. It is, however, the Commissioner who is required to hold him to account for the exercise of those functions and those of the persons under his direction and control. This is done in a manner that recognises the commitment of the Commissioner and Chief Constable to abide by the working principles of the Policing Protocol as set out in the Schedule to the Policing Protocol Order 2011.

The key elements of the systems and processes that comprise the governance arrangements in place for the Chief Constable are:

- Identifying and communicating the Operational Policing Plan, purpose and intended outcomes; the Plan is built from four elements:
  - The Police and Crime Commissioner's Police and Crime Plan
  - The Chief Constable's Vision
  - The national Strategic Policing Requirement
  - The Community Safety Partnership Control Strategy
- Measuring the quality of services for users, for ensuring they are delivered in accordance with the Chief Constable's objectives and for ensuring that they represent the best use of resources;
- Defining and documenting the roles and responsibilities of the Chief Constable and the Senior Officers, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinising Force activity;
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for officers and staff;
- Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks and resources;
- Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities; - Delivering good governance in local government: Guidance note for Police;
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- Whistle blowing and for receiving, investigating, and reporting upon complaints from the public, and other stakeholders;
- Determining the conditions of employment and remuneration of officers and staff, within appropriate national frameworks;



- Identifying the development needs of officers, staff and members of G4S staff working on the Lincolnshire Police contract in relation to their roles, supported by appropriate training and linked to the priorities of the Force;
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;
- Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the overall governance arrangements;
- Preparedness for dealing with emergency situations.

This section describes the key elements of the systems and processes of the governance arrangements that have been put in place by the Force. In doing so, it reflects the overarching structures that have been developed to deliver objectives and manage risk:

- Processes for setting objectives and targets that support the policing priorities outlined in the Police and Crime Plan, including reporting to the Commissioner. This is done in a manner that recognises the commitment of the Chief Constable to abide by the working principles of the Policing Protocol;
- An operational policing plan is produced in response to the Commissioner's plan;
- The Tactical Tasking and coordinating process is conducted in line with the National Intelligence Model including Daily Management Meetings with operational managers, an Area Tasking , Force Tasking and Regional Tasking meetings which address both the Force objectives and emerging operational risk issues;
- Operational Commanders conference where operational matters can be discussed, risks identified and solutions found;
- Strategic Policing requirement;
- The Community Safety Partnership Control Strategy.

Decision making structures for establishing priorities and considering strategic issues facing the Force:

- Internal departmental management teams establishing business plans;
- Chief Officer Group (COG) and Strategic Management Board (SMB);
- Chief Officers share and discuss key issues with senior staff;
- Reporting to the Police and Crime Strategic Board; including monthly monitoring of the financial plans to COG and Commissioner's Resource Governance meeting and an annual governance report is provided to the PCC, describing the years' activity with regard to the financial and contract regulations, procurement, insurance, debtors and treasury management, providing an overview of decisions made and their justification. Also the Procurement, ICT, HR and Asset Strategies are examined by this Board;
- Policing Transformation Programme;
- Feedback from the public and other local stakeholders.

The Force operates a Strategic Management Board (SMB) which is the main decision making body for the Force. The Change Board operates as a sub-committee of the SMB, reporting by exception and referring significant decisions for approval. The Terms of Reference of the SMB are to:

- To determine the vision, strategic aims and priorities of the Force during the annual planning process;
- To approve change activities recommended by the Change Board;

- To review the realisation of the three-year change plan and to consider matters; affecting its delivery, at the highest level within the organisation;
- To monitor and support the delivery of the G4S Supporting Strategy (ICT, Facilities, Fleet and People);
- To scope and debate national, regional and local developments and to integrate these into the future design of the Force and in the delivery of policing (with partner agencies) within the county;
- To consider and determine the Force response to reports, guidance and recommendations emanating from central government, Internal Audit and HMIC;
- To consider business critical issues affecting the Force in respect of its operational, strategic and organisational performance and management;
- To consider briefing papers that require a collective and strategic decision in order to be taken forward;
- To discuss and inform OPCC business, management and relationships;
- To consider issues affecting corporate governance and strategic risk management;
- To consider issues where a corporate approach is needed or which have significant employee relations implications.

## **Risk Management**

Lincolnshire Police has a risk management process in place that effectively manages risk against its business in order to ensure it operates under the sound principles of Corporate Governance.

Risk registers are a key tool in providing assurance to the Force and to the Police and Crime Commissioner (PCC) demonstrating that risks are being managed effectively through the regular and continued review of the Force Risk Register at the Risk Management Board, Senior Leadership Team meetings and the Joint Independent Audit Committee.

In addition to these internal assurances, there are external organisations such as internal and external auditors as well as Her Majesty's Inspectorate of Constabulary (HMIC) that work with the Force and the Office of Police and Crime Commissioner (OPCC) to ensure the risk management process is effective and robust.

Any negative outcome of internal or external audit is reviewed by the Force and plans are put in place to address the issues and ensure improvements are made.

The Force risk register and process is owned by the Deputy Chief Constable of Lincolnshire Police with delegated responsibility to the Head of Strategic Development to manage the policy and processes on behalf of the Deputy Chief Constable.

The Risk Policy and Review Officer is responsible for managing the risk management process on behalf of the Head of Strategic Development and will maintain the policy and processes on their behalf.

It is the responsibility of all heads of departments and business areas to ensure they manage risks within their own areas of authority.

They are responsible for identifying risks in their individual business areas and for assessing them in terms of their impact and probability of occurring.

Each department and business area, as well as all force projects, will maintain a risk register.

The Force risk management process focuses on five levels of risk which can pass through process of escalation depending on the scale of risk and effect it may have at either project, programme, department or force level.

Risk Level	Description
<b>Force</b>	<ul style="list-style-type: none"> <li>• Risks at the highest level.</li> <li>• They are so significant that they threaten or enhance the long-term achievement of corporate objectives.</li> <li>• Will be discussed at Risk Management Boards, Senior Leadership Team meetings and the Joint Independent Audit Committee.</li> <li>• Departments/Business Areas will escalate risks from their departmental risk register which have become force risks, through the Risk Management Board, for inclusion on the Force Risk Register.</li> </ul>
<b>Department/ Business Area</b>	<ul style="list-style-type: none"> <li>• Risks that threaten or enhance the delivery of department or business area objectives.</li> <li>• Will be discussed at Senior Management Team meetings.</li> <li>• Escalated up through the Risk Management Board if they pose a threat to corporate objectives and the Head of Department's limit of authority to manage the risk has been reached.</li> </ul>
<b>Programme</b>	<ul style="list-style-type: none"> <li>• Risks that threaten or enhance the delivery of a programme. Will be analysed and scored in relation to the programme.</li> <li>• Will be discussed at Programme Board meetings.</li> <li>• Escalated through the Risk Management Board if they pose a threat to corporate objectives, and the Programme Manager's limit of authority to manage the risk has been reached.</li> </ul>
<b>Project</b>	<ul style="list-style-type: none"> <li>• Risks that threaten or enhance the delivery of a specific project. Will be analysed and scored in relation to the project.</li> <li>• If they are serious enough to impact on the Programme and the Project Manager's limit of authority has been reached, they should be escalated to Programme level.</li> </ul>
<b>Operational</b>	<ul style="list-style-type: none"> <li>• Risks concerning the day-to-day issues that Lincolnshire Police is confronted with as it strives to deliver its objectives.</li> <li>• Only escalated to the Force Risk Register if they pose a threat to corporate objectives</li> </ul>

In implementing risk management the Force has produced a Risk Management Strategy which details the roles and responsibilities of those involved in the undertaking risk management in the Force. It follows a set standard and process for risk management to ensure a consistent approach is adopted across the whole organisation.

Consistent risk management will allow the Force to plan effectively in the delivery of its outputs by knowing what circumstances that could prevent it from achieving its aims, and by putting in to place measures to prevent risk form occurring, therefore, saving time and resources.

The Force Risk Management Board is responsible for the following:

- Determining if risks are critical to the Force;
- Managing and developing the risk management process;

- Review risk assessments of potential force risks;
- Monitor red and amber risks on a quarterly basis;
- Assigning Risk Owners to a risk depending on the risk assessment score;
- Providing visible leadership and commitment to the Force risks and risk management process throughout the organisation;
- Ensuring programme and project assurance.

Membership and terms of reference of the Force Risk Management Board are set out within the Force Risk Management Policy. Lincolnshire Police has an established post of Force Risk Officer whose duties include maintaining the Force Strategic Risk Register and to advise on the total risk to which the Force is exposed. Risk focal points within each division and department have also been nominated.

The PCC and the Force maintain an extensive assurance map in conjunction with the strategic risk registers and process risks. The assurance map is based on the three lines of defence approach and is suitably comprehensive and effective for the purpose of assuring on established mitigations and scoring of strategic risks.

Management of the Strategic Partnership Contract with G4S is performed by the Commercial Partnership Team. This forms part of the Joint Services arrangement with the Commissioner:

- Ensuring compliance with all relevant legislation and commitments/obligations;
- Performance scrutiny of the G4S contract is subject to its own legal schedule (Price Performance Mechanism – schedule 13);
- 200 indicators used to monitor performance;
- Financial monitoring is reviewed against Schedule 14 (Pricing);
- Performance is reviewed by the Transformation Management Board or the Performance and Delivery Board on a monthly basis.

The Force is committed to an effective anti-fraud and corruption strategy. An assessment of the Force capability has been made against the principles contained within the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014).

Having considered all the principles, the Professional Standards Department are satisfied that, the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

There is a high level of external scrutiny of organisational affairs by a variety of bodies including:

- Her Majesty's Inspector of Constabulary (HMIC);
- External Audit;
- HM Revenue and Customs;
- Internal Audit;
- Local Communities; and
- The Media

A National Code of Ethics for the Police Service, developed by the College of Policing, and embedded and enshrined by Parliament; applies to all forces that are required to embed the Code. The Code applies to every individual who works in policing in England and Wales, whether a warranted officer, police staff, volunteer or someone contracted to work in a police force. It is the written guide to the principles that every member of the policing profession is expected to uphold and the standards of behaviour they are expected to meet and is seen as the foundation document for promoting, reinforcing and supporting the highest personal standards from everyone who works in the policing profession. All employees have been issued with a copy of this code; the Code of Ethics sits alongside the well-established principles established in the

Force vision of Policing with PRIDE (Professionalism, Respect, Integrity, Dedication and Empathy), in providing the Force with an ethical framework to make decisions.

The Code of Ethics is based on nine policing principles and ten standards of professional behaviour that will help everyone in policing to do the right thing in the right way. It spells out what the profession expects of all officers, staff and others working in policing, and has practical examples for everyone to use daily.

### **Review of Effectiveness**

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

This review has been informed by the work of the Deputy Chief Constable (DCC) and Force Chief Finance Officer (FCFO) together with managers within the Force who have the responsibility for the development, maintenance and operation of the governance environment. In addition, comments made by the internal and external auditors and other review agencies and inspectorates have informed this review.

Following an internal audit tender process, Mazars LLP were appointed internal auditors for the period April 2015 to March 2019.

On an ongoing basis governance is monitored and reviewed via a range of mechanisms. These range from formal meetings (in areas such as Force performance, project management arrangements and conduct oversight from the Professional Standards Department) to the operation of management teams at corporate, area and service level.

The Commissioner and Chief Constable have a Joint Independent Audit Committee (JIAC). The JIAC provides advice on matters relating to the adequacy and effectiveness of the financial and other controls, corporate governance, financial and contract regulations and risk management arrangements operated by both the Commissioner and the Chief Constable. The JIAC is subject to an annual self-assessment.

The JIAC has received and considered reports from both internal and external audit and monitored the implementation of action plans drawn up to address identified internal control weaknesses. The Performance Governance meetings consider police performance and the Resources Governance meeting considers financial and people resources. The Police and Crime Strategic (P&CS) Boards remit is to consider long term strategy development, the assurance map, significant and emerging risk areas and the Chief Constable's report.

The effectiveness of the governance framework is reviewed annually by the Chief Constable. The review has been informed by:

- Consideration of the Chief Constable's risk management regime;
- The code of corporate governance;
- The Integrated Scheme of Governance (ISG) which came into effect on 1 April 2014 and was reviewed in November 2015 that includes the Scheme of Consent, Commissioner's and Chief Constable's Scheme of Delegation and the Financial and Contract regulations;
- Consideration of the Commissioner and Chief Constable's joint assurance map (through both developmental and embedded stages);
- HMIC reporting and work;
- External and internal auditors and their formal reporting;
- Managing change, developing our policing model to meet threat, risk and harm and new technologies, all of which are discussed at the Strategic Management Board;
- JIAC

In 2014 HMIC introduced the PEEL Inspection programme which draws together evidence from HMIC's annual inspections. The evidence is used to assess the three pillars of effectiveness, efficiency and legitimacy of the Police Service, each pillar is led by a chief officer. HMIC has introduced these assessments so that the public will be able to assess the performance of their own Force.

HMIC published in November/December 2016 assessments of how well Lincolnshire Police:

- Cut crime and anti-social behaviour (effectiveness);
- Provides value for money (efficiency);
- Provides a service that is fair and treats people properly (legitimacy).

The HMIC's findings were:

The extent to which Lincolnshire Police is effective at keeping people safe and reducing crime moved from requires improvement to "Good". HMIC stated "the Force has an effective approach to preventing crime, keeping people safe and tackling anti-social behaviour and serious and organised crime".

The extent to which Lincolnshire Police is efficient at keeping people safe and reducing crime moved from requires improvement to "Good". HMIC stated "the Force has done what can be reasonably expected to become efficient, to maximise value for money for the taxpayer while providing an effective policing service to the communities of Lincolnshire."

The extent to which Lincolnshire Police is legitimate at keeping people safe and reducing crime is "Good". HMIC stated "Lincolnshire Police and its workforce understand the importance of treating the people they serve with fairness and respect, based on the Force's well-established vision and values".

In September 2016 the Force was re-admitted to the national "Best Use of Stop and Search Scheme" (BUSS) following a re-inspection visit which showed clear improvement and compliance with the requirements of the scheme.

Other notable HMIC inspection visits outside of the PEEL programme included an update visit in October 2016 to check on the progress against recommendations made as a result of the unannounced custody inspection in September 2015. This also recognised good progress had been made in addressing the issues identified in the inspection.

Assurance on the effectiveness of the Chief Constable's financial controls has been provided by the Force Chief Finance Officer who was designated as the responsible officer for the administration of financial affairs under section 151 of the Local Government Act 1972. Systems are in place to ensure the lawfulness and financial prudence of decision making and to fully discharge the responsibilities of the role. The financial arrangements in place conform to the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government (2010).

The Integrated Scheme of Governance (ISG) was introduced in April 2014 to reflect the new governance arrangements arising from the Police Reform and Social Responsibility Act 2011. The JIAC has been consulted on the scheme and its content is reviewed annually. The ISG was reviewed in November 2015 and whilst determined to be fit for purpose required some minor updating. A significant piece of work, initially prompted by internal audit has progressed over the last year in relation to developing a training product for staff to positively attest that they are cognisant of the policies relating to the scheme and the financial and contract regulations. This "e-learning" package is delivered through the National Centre for Applied Learning Technologies (NCALT). The training package was undertaken by relevant staff in December and January and further actions have been identified from this training which were progressed during 2016/17. The JIAC has been apprised of progress on the scheme and it will continue to be reviewed on a regular basis.

The Chief Constable's risk management arrangements are well developed and well embedded. The JIAC reviews the Chief Constable's risk management strategy on an annual basis and monitors the Chief Constable's strategic Risk Register quarterly. The Chief Constable considers and reviews risk on a monthly basis through management meetings. Internal audit reported a 'green' opinion (satisfactory assurance) on the Chief Constable's risk management arrangements in November 2015. The Risk Register and assurance framework are aligned and drive improvement activity where assurance on the effectiveness of controls needs to be strengthened.

The Chief Constable and the Commissioner have a joint Anti-fraud and Corruption Policy in place which has been reviewed during the year. Quarterly meetings of the Anti-Fraud and Corruption Board ensure that current and emerging risks and issues in relation to anti-fraud and corruption are regularly discussed and reviewed. The JIAC are kept abreast of any issues arising. Mandatory training on counter corruption continued to be delivered to all staff and officers across the organisations via the NCALT e-learning system; raising awareness of issues surrounding police corruption and misconduct. The P&CS Board adopted the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption published in 2014 that will help both organisations to maintain their vigilance to tackle fraud.

The Chief Constable has been advised on the implications of the result of the review of the effectiveness of the governance framework by the executive team and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

### **Significant Governance Issues**

The Risk Register is a tool that identifies the risks that would prevent or distract the Chief Constable from achieving his objectives.

The joint assurance map is recognised by the Commissioner and the Chief Constable as a vital tool for effective corporate governance. It provides timely and reliable information on the effectiveness of the management of major strategic risks and significant control issues; it also provides a cohesive and comprehensive view of assurance across the risk environment. The assurance map provides much of the evidence base for this annual governance statement. Independent assurance is also provided by the JIAC.

High level risks on the assurance map are considered on a quarterly basis at a quarterly Risk Management Board which consists of all the key risk owners, to support the continuous assessment of the effectiveness of the management of risk and internal control. The Force's Risk Register is reviewed monthly by the Deputy Chief Constable and the Force Risk, Policy and Review Officer.

The Chief Constable's significant governance issues are detailed below and include an outline of the actions taken or further work that is required to address the issues. Significant governance issues are reported to the JIAC at least 4 times each year.

### ***Risk of failure to persuade government of Lincolnshire's case for a fairer share of national funding.***

During 2015/16, the Government consulted on reform of police funding in England and Wales. A new, simplified allocation model was proposed which would have enabled funding to be provided sustainably to, and allocated fairly between, Police and Crime Commissioners in England and Wales. Both the PCC and Chief Constable supported these proposals and engaged proactively with Government to refine an approach which would have seen Lincolnshire benefit by around £8 million annually. Government's plans indicated the new formula would be implemented from 2016-17. However, due to technical issues with the data, the Home Office halted introduction of the new formula, pending further work.

In September 2016, the Policing Minister announced how he intended to progress the Government's review of the police funding formula. He confirmed that he was committed to reform because the current arrangements were complex and becoming increasingly outdated. The Minister's letter set out the detailed arrangements for working with PCCs and Chief Constables and encouraged their engagement with the process. He confirmed that he intended to undertake further public consultation before reaching final decisions. The Commissioner's planning assumption is that consultation proposals will emerge during the early part of 2017/18 with implementation of the revised formula being commenced from 2018/19.

Both the PCC and the Chief Constable remained supportive of Government's original proposals for reform of the funding formula and continued to make Lincolnshire's case to Government. The current medium term financial plans assume reform will result in a larger share of the police grant for Lincolnshire in the medium term.

### ***Risk of failure to achieve and demonstrate efficiencies and value for money***

The Commissioner and Chief Constable both have a statutory duty to make the best use of resources available to them. The Police and Crime Plan commits to obtaining value for money from all funding and avoiding waste. Over the last year key work streams have furthered this commitment including: the continued roll-out of significant technical solutions such as Body Worn Video and Mobile Technology. Oversight is gained through the Resources Governance meeting and the Police and Crime Strategic Board; independent assurance is gained through HMIC via the efficiency pillar of their PEEL inspection programme. In November 2016, HMIC graded the Force as 'Good' in respect of the efficiency with which it keeps people safe and reduces crime.

The Force continues to maintain project and programme discipline to ensure that anticipated benefits are realised and the development of an embedded approach to benefits realisation remains a priority for 2017/18. The Financial Strategy includes performance measures relating to both financial health and financial performance, supported by a number of plans and policies.

### ***Risk of failure to deliver and demonstrate Value for Money in regional collaboration***

The Commissioner and Chief Constable collaborate with the East Midlands region in many operational and back office areas. The Special Operations Unit, Major Crime Unit, Special Branch and Forensics Services have been in place for several years with Occupational Health and Legal Services, Criminal Justice and Operational Support more recently forming collaborative services. Following the assurance mapping across a number of regional collaborations undertaken by RSM Tenon during 2015, the output had informed internal audit plans for 2016/17. During 2016/17, internal audits of 5 regional collaborations were completed, including three with which Lincolnshire Police is involved: EM Legal Services, EMOpSS, and EMSOU. On behalf of the regional PCCs, a review of regional governance has recently been undertaken. Recommendations for the strengthening of this function are currently being considered. This area of business remains under scrutiny via the risk register and assurance map

### ***Risk of failure to deliver objectives of tri-service "Blue Light Programme".***

The Commissioner formally signed the decision notice to approve the Blue Light Collaboration programme on 26 July 2016. This is an ambitious programme of work between Lincolnshire Police (LP), Lincolnshire County Council (LCC) Lincolnshire Fire & Rescue (LFR) and the East Midlands Ambulance Service (EMAS). The programme has a "golden thread" of closer working running throughout it and includes a broad ranging estates review and a project team, looking at interoperability and opportunities for integration.

Two key elements are the shared headquarters project whereby LFR and LP will share a headquarters based in the current Police HQ in Nettleham, as well as a shared control room, and a Blue Light Campus which will see the creation of a tri-service integrated operational station of circa 400 frontline personnel. A substantial part of the shared HQ works were completed in 2016/17 and some LFR personnel relocated in April 2017; final completion of the shared HQ works are scheduled for November 2017. The Blue Light Campus is scheduled for completion in Spring 2019.



The programme has attracted over £7.5 m of Police Innovation funding and financial commitment from LCC and EMAS. The programme has the potential to deliver a significant number of benefits to Lincolnshire Police and its partners and to the public of Lincolnshire with a clear imperative to deliver a sustainable solution that represents value for money.

The governance and project management of this programme of work is a major undertaking in its own right, with assurance needing to be provided to all stakeholders and specific review and reporting points being specified by the Home Office within the Grant Agreement criteria. The programme involves both capital investment and revenue funding by the PCC to deliver the programme. Initial costs for the creation of a shared headquarters were much higher than had been estimated (almost double) and this has required costs to be “managed down”. In addition, the need to meet challenging spending criterion set by the Home Office, which if not met could lead to the loss of funding, has led to concerns being raised by the PCC. The PCC’s Risk Register reflects this situation by raising the score to a maximum Critical Risk score of RED16.

The PCC has requested that consideration be given to further strengthening the assurance and governance processes already in place. Options are currently being considered to enhance both the financial management and monitoring of the programme’s progress, as well as additional specialist support for the project teams involved.

### ***Anti-Corruption operation “ARGO”***

The Force Control Room is operated and managed by the strategic partner G4S. In January 2016, the Force began an investigation following our Anti-Corruption Unit receiving an internal allegation that staff within the Force Control Room (FCR) were calling 999 at quiet times, to ensure calls were picked up quickly to improve perceived performance. The Force engaged immediately with the Independent Police Complaints Commission and subsequently, with the Crown Prosecution Service as the allegations were investigated. Evidence of inconsistencies was found and an internal disciplinary process (not criminal) ensued.

The disciplinary processes have been completed and new staff recruited. The Force Control Room continues to deliver a satisfactory level of service.

Now that all the processes have been completed and in accordance with advice from the JIAC, a “lessons learned” exercise will be conducted to identify any potential improvements to this service area and to reduce the probability of a similar issue re-occurring.

### ***Information Risk***

During 2016/17, the Force has progressed its work on information security. There is a 3-year Accreditation Programme in place for IT systems, of which several systems have been accredited during this period.

All officers and staff have completed an online Data Protection training course.

Information strategy and policy is approved and deployed by the Information Management Board, who also oversee information and data quality issues, including information risk. The Board is chaired by the Senior Information Risk Owner (SIRO) and any information risks that are outside of the Force risk appetite are escalated to Chief Officer Group as necessary.

Information Asset Owners are aware of their responsibilities with regard to risk within their area of responsibility, with a clear escalation path through the Force Information Management Board and Risk Management Board to the SIRO. Additionally, the Information Management Board discusses information risk as an agenda item. All Information Asset Owners have completed detailed risk assessments on all of their systems. They have also undertaken Information Asset Owner specific online information assurance training.

The Force has implemented the Government Security Classifications. All officers and staff have received training and guidance. The GSC empowers staff to make risk based decisions themselves, using their knowledge and experience, rather than relying on a list of generic controls which may or may not apply to the information that they want to protect. GSC allows sensitive assets to be protected using very strict controls through the correct use of the handling

controls, leaving the recipient in no doubt about what they can and cannot do with the asset. Therefore the onus is on the individual staff member to risk assess the information they handle.

The Force conducted an internal review on the current cyber threats and produced a report for the Joint Independent Audit Committee outlining the current Force cyber protection capability and plans to further improve this moving forward.

As part of the Internal Audit Plan for 2016/17, the Office of the Police and Crime Commissioner for Lincolnshire (OPCC) also commissioned an audit to assess the adequacy and effectiveness of internal controls, with the objective being to provide assurance with regards key IT risks, such as those relating to data security, IT policies and procedures, network infrastructure and application controls. The final audit report highlights that the Force displays significant assurance in adequacy and effectiveness of internal controls and further states that “the risks associated in the areas reviewed were overall assessed as being managed effectively and basically a sound system of internal control is in place. Review of both the procedures and completed documentation in place confirmed that processes were defined and followed in both cases to minimise risk”.

Regular (bi-weekly) meetings between the Information Assurance and IT staff continue to ensure that risks identified through IT Health Checks or system accreditation are mitigated in an appropriate timeframe. The number of risks on the list has dramatically reduced during the last year, demonstrating an improved information assurance maturity.

### **Future Plans**

Over the coming year, where necessary, we will continue our plans to address the above matters and to further enhance our governance arrangements. These steps will address the need for improvements that were identified in the review of effectiveness and their implementation will be monitored as part of our next annual review.

SIGNED

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Bill Skelly  
Chief Constable for Lincolnshire  
Date 22 August 2017

## **Chief Finance Officer's Narrative Report**

The Narrative Report to the financial statements provides a guide to the most significant matters reported in the accounts and includes an explanation of the statements, a comparison of outturn figures to the budget and highlights significant areas of expenditure and major changes.

### **Introduction**

I am pleased to present the Statement of Accounts for the Chief Constable of Lincolnshire for the financial year 2016/17. This Statement of Accounts sets out the overall financial position of the Chief Constable for Lincolnshire for year ended 31 March 2017.

A separate set of accounts has been published for the Police and Crime Commissioner and the Police and Crime Commissioner Group, which consolidates the Chief Constable's accounts and also recognises all of the transactions incurred during 2016/17 for policing in Lincolnshire.

The accounts have been prepared in accordance with the Accounts and Audit (England) Regulations 2015, the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. The accounts are prepared in order to provide the reader with a true and fair view of the financial position at the year end and the income and expenditure for the year.

All assets, liabilities and reserves are held in the main by the PCC, however those specifically relating to the Chief Constable (for example those relating to accounting for pensions) are included in these accounts.

As in the previous year the pension liability has been split between the PCC and CC.

The strategic partnership contract with G4S for the provision of a wide range of operational policing and support functions to the Chief Constable is held by the PCC and has been accounted for in the PCC's accounts in its entirety, reflecting the contractual responsibility. This represents a change from the previous year and the 2015/16 figures have been restated to achieve consistency with the results reported for 2016/17. However, in order to understand the full operating cost of the Force, further information is included in the Comprehensive Income and Expenditure Statement and in the Financial Performance section of this report.

The Financial Statements for the Chief Constable for Lincolnshire consist of:

### **Statement of Responsibilities**

This explains the responsibilities for the financial affairs of the Chief Constable and how these responsibilities are carried out.

### **Annual Governance Statement**

The Chief Constable publishes an Annual Governance Statement in accordance with the "Delivering Good Governance" guidance in order to meet the statutory requirements set out in the Accounts and Audit Regulations 2015.

## Accounting Statements

The accounting statements include a new statement for 2016/17, the Expenditure and Funding Analysis, which together with the new format for the Comprehensive Income and Expenditure Statement (CIES), replaces the previous CIES. The main statements are:

- **Expenditure and Funding Analysis**

The Expenditure and Funding Analysis shows how the annual expenditure of the Chief Constable is used and funded from resources. Income and expenditure accounted for under generally accepted accounting principles is presented more fully in the Comprehensive Income and Expenditure Statement.

- **Comprehensive Income and Expenditure Statement**

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

- **Movement in Reserves Statement**

The movement in reserves table shows the movement on the usable and unusable reserves held by the Force during the year. As the Chief Constable does not hold any usable reserves, no movements are shown in respect of usable reserves. Movements are shown in unusable reserves which relate to pension accounting.

- **Balance Sheet**

The Balance Sheet provides the value of asset and liabilities recognised by the force for the Chief Constable. The net assets are matched by the reserves held. The only reserve balance for the Chief Constable is the pension reserve.

- **Cash Flow Statement**

This summarises the movement in cash and cash equivalents arising from transactions during the year. As the Chief Constable does not manage these transactions, the statement shows no movement in overall funds however a statement has been prepared in accordance with accounting requirements which shows the movement in the deficit and how this relates to non-cash movements within the Group.

- **Notes to the Accounts**

The notes show details supporting each of the main accounting statements for the Chief Constable, together with additional information to explain the Chief Constable's financial transactions. Note 1 contains the Accounting Policies. The purpose of these policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

- **Police Officer Pensions – Home Office Memorandum Account**

The Memorandum Account summarises the transactions relating to retirement benefits paid to police officers and how these costs are financed.

## Relationship between Accounting Statements

The different accounting statements are linked in several important ways. The relationship between the Comprehensive Income and Expenditure Statement and the movement in the Chief Constable's reserves is shown in the Movement in Reserves Statement.

The Cash Flow statement reconciles to the balance on the Comprehensive Income and Expenditure Statement for the year and the movement in the Balance Sheet cash and cash equivalents.

The new Expenditure and Funding Analysis shows how the expenditure is allocated for decision making purposes between the directorates within the Force.

## Financial Performance

A summarised statement of the actual net expenditure for the year is set out below and compared to the approved original budget for the year. This includes only the budgets directly delegated to the Chief Constable and excludes the G4S strategic partnership, which is held by the PCC and provides a wide range of operational and support functions to the Chief Constable.

<b>Chief Constable for Lincolnshire</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£m</b>	<b>£m</b>
Original Delegated Budget	81.8	85.7
Outturn	81.2	84.7
<b>Underspend</b>	<b>(0.6)</b>	<b>(1.0)</b>

Actual expenditure for the Chief Constable in 2016/17 was £1.0m lower than the original budget. This resulted from a number of non-recurring savings, including:

- Police Officer III Health retirements lower than budgeted (£436k)
- A lower average police officer strength of 9 FTE (£485k) during the year
- A lower average PCSO strength of 18.6 FTE than planned (£580k)
- Over provision of national insurance costs following the increase in rates (£391k)
- Lower ICT costs (£703k) due to slippage in nationally managed ICT provision
- Lower fuel costs in year (£292k).

These were however, partially offset by increased costs of £3.6M in respect of the regional ICT platform, funded in part from Transformation Fund grant and regional force contributions.

In addition to the delegated budgets shown above, payments of £22.7m were made the strategic partner G4S during 2016/17. This included £11.2m in respect of the operational policing functions listed below:

- Town Enquiry Officers
- Force Control Room
- Crime Management Bureau
- Custody
- Criminal Justice Unit
- Firearms Licensing

These costs have not been included in the Chief Constable's statements.

The remaining £11.5m relates to support functions such as HR, Learning & Development, Finance, ICT, Facilities Management. A substantial part of this cost relates to providing services to the Chief Constable.

The Service Reporting Code of Practice (SeRCOP) has been replaced this year with the Expenditure and Funding Analysis which shows how annual expenditure is used and funded from resources. This is now shown separately from the Comprehensive Income & Expenditure Statement in the accounts.

## Performance Information

Force Performance continues to be good:

- Levels of overall recorded crime increased by 3.9% (1,392 offences) when compared to the previous year, with an improving 5 year trend. Whilst crime is slightly higher, the Force is ranked sixth nationally, second in comparison to our five regional forces and fourth out of the eight most similar forces.
- Burglary Dwelling is 2.0% lower (36 offences) when compared to last year and shows an improving 5 year trend. The Force is ranked nineteenth nationally, first regionally and eighth with our most similar forces.
- Violence against the person with Injury is 7.2% higher (270 offences) when compared to last year with a slightly increasing 5 year trend. The Force ranking is still good being ranked fourth nationally, first regionally and second with our most similar forces.
- Anti-social Behaviour Incidents have decreased across the Force by 1.6% (326 incidents) when compared to last year with an improving 5 year trend.
- The Crime Survey for England & Wales, (latest information is for September 2016) shows the overall confidence indicator is 78.5%, which represents a small decrease of 1.0% from the previous quarter. The Force is on track to meet the 70% indicator of good performance by May 2017.

Further information about Force performance together with a detailed local breakdown is available through the Chief Constable's website at [www.lincs.police.uk](http://www.lincs.police.uk) and the crime mapper website [Police.uk](http://Police.uk).

## Pensions

The pension reporting requirement (IAS 19 - Retirement Benefits) is included under note 25 of the Chief Constable's accounting statements. This is a complex accounting standard but is based on a simple principle, i.e. that an organisation should account for retirement benefits when the commitment to give them is made, even if the actual liability will be many years into the future.

The CC operates two schemes, both of which have been approved by Parliament. The Local Government Pension Scheme (LGPS) is funded and has assets to meet the future liabilities. On 1 April 2014 a new LGPS was created, whilst remaining a defined benefit scheme, the way that the pension is calculated changed with a "new career average" pension scheme being introduced. The new arrangements maintain all service prior to this date on a final salary basis with future benefits being based on pay (which now also includes non-contractual overtime) each scheme year rather than final salary. Transitional arrangements and protections for those approaching retirement age were also implemented. The effect of these new arrangements is included within the pension disclosures of these accounts.

The other scheme for police officers is unfunded (or “pay as you go”) with payments being made from the Home Office Police Officer Pensions Account as they become due. Major reform of this scheme occurred on 1 April 2015. The Police Pension Scheme is a defined benefit occupational pension scheme which is guaranteed and backed by law. The scheme changed from a final salary scheme to a Career Average Revalued Earnings (CARE) scheme. Members of the 1987 and 2006 final salary schemes received transitional protection.

The Comprehensive Income and Expenditure Statement includes the cost of retirement benefits when they are earned by employees rather than when the benefits are eventually paid as pensions. The statement shows that the actuary has identified an increase in the liabilities of both pension schemes at 31st March 2017. The reason for this change is a revision to the financial assumptions made by the actuary, specifically the rate for discounting scheme liabilities. Full details are given in Note 25 to the accounts.

The total pension liability for the two schemes is shown in the Balance Sheet and has a significant impact, in terms of the overall value of the Balance Sheet. As is common with pension funds the Local Government Pension Scheme and the Police Pension Scheme have a net liability balance at year end. That is, the present value of the fund obligations exceeds the fair value of the employer assets in the fund. The total reported pension liability of the two schemes (which is offset in the Balance Sheet by the Pensions Reserve) has increased over the past year.

The financing of the annual cost of police officer pensions is noted in a separate Memorandum Pensions Account. All payments are made to retired officers out of this account, and income received from Government to offset the net cost of the account after serving officer contributions have been deducted. This has smoothed the burden on the PCC and Chief Constable of budgeting for the increasing costs of police officer pensions.

## **Capital Expenditure**

Capital expenditure is undertaken by the Police and Crime Commissioner Group as the Chief Constable does not hold any assets. Information relating to assets held, capital expenditure incurred during the year together with the historical debt position is included within the PCC accounts. The Chief Constable uses the assets held by the PCC for operational policing.

## **Prospects for 2017/18 and Beyond**

The financial year 2016/17 continued to present a challenging financial environment for the Force, given that the grant settlement resulted in a small cash reduction for Lincolnshire. Lincolnshire continues to provide policing services at one of the lowest cost per head of population in the country.

A balanced budget for 2017/18 has been set based on the realisation of further savings in the Chief Constable’s budget and the use of £3.9 million from an earmarked reserve specifically allocated for this purpose. The Medium Term Financial Plan provides for balanced budgets through to 2019/20, based upon a prudent assumption of an increase in police grant of £6m by the end of the planning period together with annual increases of 2% in the council tax precept.

Whilst the Home Office has previously reported good progress in respect of the funding formula review, the General Election on 8 June 2017 has introduced further uncertainty in respect of both the outcome and timescale for implementation. Both the potential outcome and further delay present a key risk to the delivery of the Medium Term Financial Plan.

It is clear that, without a more equitable slice of the national police grant, or substantial precept rises in future years, Lincolnshire would see significant degradation of service from 2018/19 onwards. That would undoubtedly take the form of fewer Police Community Support Officers (PCSOs), police officers and the staff who support them. The continuing challenge is to maintain

performance by improving the productivity and effectiveness of police officers e.g. through providing them with improved tools to support their work, for example ICT and vehicles. Enhanced technology can provide new methods of working as well as more effective ways of delivering traditional policing services. The Force recognises the potential that enhanced technology can bring to delivering operational policing and therefore future plans will prioritise investment in this area.

Nevertheless, achieving a fairer share of government funding for Lincolnshire will be critical to maintaining acceptable levels of policing. The Commissioner and the Chief Constable continue to give high priority to improving police productivity and achieving a fairer share of government funding for Lincolnshire.

In order to provide the assets (buildings, vehicles and equipment) required for operational use by the Chief Constable, the PCC has approved a capital programme of £15.715 million in 2017/18. The programme includes:

- Significant investment in the existing Force estate;
- Replacement programme for vehicles;
- ICT enhancement schemes;
- A major investment in the Bluelight Collaboration with the Fire & Rescue and Ambulances services, supported by Home Office Innovation Fund grant;
- Second phase of the Home Office regional non-crime ICT Platform;
- Replacement of the telephony system

### **Impact of the Current Economic Climate**

In setting future years' budgets, the Chief Constable has consulted with the Police and Crime Commissioner regarding allowances for inflation and pay awards where due. Future allocations of the police grant will be dependent on the outcome of the Home Office funding formula review, the results of which are currently expected during 2017/18 for implementation in 2018/19. However, it seems likely that "flat" cash government funding will be maintained in the medium term requiring the Force to continue to improve efficiency and productivity.

Sharon Clark FCA BA

Chief Finance Officer to the Chief Constable for Lincolnshire



## Statement of Responsibilities for the Statement of Accounts

This section explains the Chief Constable's responsibilities for the stewardship of his financial affairs.

<p>Responsibilities of the Chief Constable:</p> <p>The Chief Constable is required to</p> <ul style="list-style-type: none"> <li>• Make arrangements for the proper administration of the financial affairs of Lincolnshire Police and to secure that one of its officers has the responsibility for the administration of those affairs, which for the Chief Constable is the Force Chief Finance Officer;</li> <li>• To manage affairs of Lincolnshire Police to secure economic, efficient and effective use of resources and to safeguard its assets; and</li> <li>• Approve the Statement of Accounts.</li> </ul>	<p>Responsibilities of the Force Chief Finance Officer:</p> <p>The Force Chief Finance Officer is responsible for the preparation of the Chief Constable's Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).</p> <p>In preparing this Statement of Accounts, the Force Chief Finance Officer is responsible for:</p> <ul style="list-style-type: none"> <li>• Consistently applying suitable accounting policies;</li> <li>• Ensuring judgements and estimates are reasonable and prudent;</li> <li>• Compliance with the Local Authority Code;</li> <li>• Ensuring proper accounting records are kept and processes are in place to prevent and detect fraud and other irregularities.</li> </ul>
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<p>I approve the audited Statement of Accounts</p>	<p>I certify that the Financial Statements present a true and fair view of the financial position of the Chief Constable for Lincolnshire as at 31 March 2017 and the Income and Expenditure for the year then ended.</p>
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<p>Bill Skelly Chief Constable for Lincolnshire</p> <p>Date: 22 August 2017</p>	<p>Sharon Clark Force Chief Finance Officer FCA, BA</p> <p>Date: 22 August 2017</p>
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## **Independent Auditor's Report to the Chief Constable for Lincolnshire**

We have audited the financial statements of the Chief Constable for Lincolnshire for the year ended 31 March 2017 on pages 29 to 65. 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 Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Chief Constable, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance 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 Chief Constable's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance 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 Chief Constable as at 31 March 2017 and of the Chief Constable'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 7 to 18 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 the Chief Constable for Lincolnshire's arrangements for securing economy, efficiency and effectiveness in their use of resources**

### **Authority's responsibilities**

The Chief Constable is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their 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 Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in their 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 Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in their 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 Chief Constable had proper arrangements to ensure they 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 the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in their 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, the Chief Constable had put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

### **Conclusion**

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

### **Certificate**

We certify that we have completed the audit of the financial statements of the Chief Constable for Lincolnshire 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

25 August 2017

# Expenditure and Funding Analysis Statement

## 2016/17

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources. It shows how the expenditure is allocated for decision making purposes between the PCC, CC and Joint Services. Income and expenditure accounted for under generally accepted accounting principles is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16			CC		2016/17		
Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Note		Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000			£000	£000	£000
103,586	(13,527)	90,059		Chief Constable	106,091	(11,700)	94,391
916	-	916		Joint Services	1,204	-	1,204
<b>104,502</b>	<b>(13,527)</b>	<b>90,975</b>		<b>Cost of Services</b>	<b>107,295</b>	<b>(11,700)</b>	<b>95,595</b>
752	-	752	10	Other Operating Expenditure	734	-	734
-	42,044	42,044	11	Financing and Investment Income and Expenditure	-	39,715	39,715
(105,254)	-	(105,254)		Income - Intra Group Financing	(108,029)	-	(108,029)
-	-	-			-	-	-
-	<b>28,517</b>	<b>28,517</b>		<b>(Surplus) or Deficit on the Provision of Services</b>	-	<b>28,015</b>	<b>28,015</b>
-				Opening General Fund Balance as at 31 March	-		
-				Increase/(Decrease) in Year before Transfers to Earmarked Reserves	-		
-				Net transfers (to)/from Earmarked Reserves	-		
-				<b>Closing General Fund as at 31 March</b>	-		

# Comprehensive Income and Expenditure Statement

## 2016/17

The Income & Expenditure statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards.

2015/16				CC	2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
92,320	(2,261)	90,059		Chief Constable	99,363	(4,972)	94,391
916	-	916		Joint Services	1,384	(180)	1,204
<b>93,236</b>	<b>(2,261)</b>	<b>90,975</b>		<b>Cost of Services</b>	<b>100,747</b>	<b>(5,152)</b>	<b>95,595</b>
1,342	(591)	752	10	Other Operating Expenditure	1,296	(562)	734
42,044	-	42,044	11	Financing and Investment Income and Expenditure	39,714	-	39,714
-	(105,254)	(105,254)		Income - Intra-group funding	-	(108,029)	(108,029)
<b>136,622</b>	<b>(108,106)</b>	<b>28,517</b>		<b>Deficit on the Provision of Services</b>	<b>141,757</b>	<b>(113,743)</b>	<b>28,014</b>
(201,449)	-	(201,449)	16	Actuarial (Gains) or Losses on Pension Assets and Liabilities	160,134	-	160,134
<b>(201,449)</b>	<b>-</b>	<b>(201,449)</b>		<b>Other Comprehensive Income and Expenditure</b>	<b>160,134</b>	<b>-</b>	<b>160,134</b>
<b>(64,827)</b>	<b>(108,106)</b>	<b>(172,932)</b>		<b>Total Comprehensive Income and Expenditure</b>	<b>301,891</b>	<b>(113,743)</b>	<b>188,148</b>

The Chief Constable's annual statements for 2015/16 included the costs of the strategic partnership with G4S which provides a wide range of operational policing and support functions to the force.

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires that the Comprehensive Income & Expenditure Statement reflects the internal management reporting and decision making arrangements of the organisation.

The strategic partnership contract is managed by the PCC and has been included within the annual statements for the PCC for 2016/17. This represents a change to the reporting arrangements from the previous year and the comparative figures for 2015/16 have been restated in accordance with the new reporting arrangement.

The cost relating to the G4S strategic partnership of £22.7m for 2016/17 (2015/16: £22.3m) is now shown in the PCC and Group annual statements and has not been included in the Chief Constable's CI&ES shown above.

This includes £11.2m in respect of operational policing services e.g. Force Control Room, Crime Management Bureau etc. which are directly attributable to the Chief Constable. The remaining cost of £11.5m relates to support functions (HR, Finance, ICT and Facilities Management), a substantial part of which is for the provision of services to the Chief Constable.

## Movement in Reserves Statement

### 2016/17

The Movement in Reserves Statement shows the movement in the year on the unusable reserves held by the Chief Constable. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable's services, further details are shown in the Comprehensive Income and Expenditure Statement.

Chief Constable	Capital Receipts Reserve £000	Earmarked Reserves £000	General Fund Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Chief Constable Reserves £000
<b>Balance at 31 March 2015</b>	-	-	-	-	(1,315,000)	(1,315,000)
<b>Movement in Reserves during 2015/16</b>						
Deficit on the provision of services	-	-	(28,517)	(28,517)	-	(28,517)
Other Comprehensive Income and Expenditure	-	-	-	-	201,449	201,449
<b>Total Comprehensive Income and Expenditure</b>	-	-	(28,517)	(28,517)	201,449	172,932
Adjustments between accounting basis and funding basis under regulations (note 9)	-	-	28,517	28,517	(28,517)	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	-	-	-	-	172,932	172,932
Transfers to/from Earmarked Reserves	-	-	-	-	-	-
<b>Increase/(Decrease) in 2015/16</b>	-	-	-	-	172,932	172,932
<b>Balance at 31 March 2016 carried forward</b>	-	-	-	-	(1,142,068)	(1,142,068)
<b>Movement in Reserves during 2016/17</b>						
Deficit on the provision of services	-	-	(28,015)	(28,015)	-	(28,015)
Other Comprehensive Income and Expenditure	-	-	-	-	(160,134)	(160,134)
<b>Total Comprehensive Income and Expenditure</b>	-	-	(28,015)	(28,015)	(160,134)	(188,149)
Adjustments between accounting basis and funding basis under regulations (Note 9)	-	-	28,015	28,015	(28,015)	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	-	-	-	-	(188,149)	(188,149)
Transfers to/from Earmarked Reserves	-	-	-	-	-	-
<b>Increase/(Decrease) in 2016/17</b>	-	-	-	-	(188,149)	(188,149)
<b>Balance at 31 March 2017 carried forward</b>	-	-	-	-	(1,330,217)	(1,330,217)

## Balance Sheet

### As at 31 March 2017

The Balance Sheet provides the value of asset & liabilities recognised by the Force for the Chief Constable. The net assets are matched by the reserves held. The only reserve balance for the Chief Constable is the pension reserve.

2015/16 £000	Note	CC	2016/17 £000
-		Property, Plant and Equipment	-
-		Investment Property	-
-		Intangible Assets	-
-		Assets Held for Sale	-
-		<b>Long-Term Assets</b>	-
-		Short-Term Investments	-
-		Inventories	-
1,406	13	Short-Term Debtors	1,478
-		Cash and Cash Equivalents	-
-		Short-Term Investments	-
<b>1,406</b>		<b>Current Assets</b>	<b>1,478</b>
-		Short-Term Borrowing	-
(1,406)	14	Short-Term Creditors	(1,478)
-		Other Short Term Liabilities	-
(16)	15	Short-Term Provisions	(16)
-		Capital Grants Receipts in Advance (< 1 yr)	-
<b>(1,422)</b>		<b>Current Liabilities</b>	<b>(1,494)</b>
-		Long-Term Borrowing	-
(1,141,915)	25	Pension Liabilities	(1,330,064)
-		Other Long-Term Liabilities	-
(137)	15	Long-Term Provisions	(137)
<b>(1,142,052)</b>		<b>Long-Term Liabilities</b>	<b>(1,330,201)</b>
<b>(1,142,067)</b>		<b>Net Assets</b>	<b>(1,330,217)</b>
-		Usable Reserves	-
(1,142,068)	16	Unusable Reserves	(1,330,217)
<b>(1,142,068)</b>		<b>Total Reserves</b>	<b>(1,330,217)</b>

The Police and Crime Commissioner's Scheme of Delegation limits the entries required in the Chief Constables Balance sheet. All entries relating to the Police and Crime Commissioner and Chief Constable Group are shown in the Police and Crime Commissioner's Financial Statements.



## Cash Flow Statement

### 2016/17

The Cash flow Statement does not show any cash flows for the year, as all payments were made from the PCC's accounts. Similarly, all income and funding is received into the PCC's accounts.

2015/16 £000	Note	CC	2016/17 £000
28,517		Net Deficit on the Provision of Services	28,015
(28,517)	18	Adjustments to net deficit on the provision of services for non-cash movements	(28,015)
-		Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	-
-		<b>Net Cash Outflows from Operating Activities</b>	-
-		Investing Activities	-
-		Financing Activities	-
-		<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	-
-		Cash and Cash Equivalents at the Beginning of the Reporting Period	-
-		Cash and Cash Equivalents at the End of the Reporting Period	-

# Chief Constable for Lincolnshire

## Notes to the Accounts

The notes below provide additional information to support the main financial statements for the Chief Constable.

### 1. Accounting Policies

#### 1.1 General Principles

The Statement of Accounts summarises the Chief Constable's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require the statements to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards.

The accounting convention adopted in the Statement of Accounts is principally historical cost.

All accounting policies that are material to the production of the accounts are described in this section.

#### 1.2 Prior period adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Chief Constable's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### 1.3 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the provision of services is recognised when the Chief Constable can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Chief Constable;

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

#### **1.4 Non-Current Assets – Property, Plant and Equipment**

The Chief Constable does not own any non-current assets. All capital equipment used in operational policing is procured and owned by the PCC, under the agreement that control, in particular usage and responsibility for maintenance, is delegated to the Chief Constable under the PCC Group's existing scheme of delegation.

#### **1.5 Provisions**

Provisions are made where an event has taken place that gives the Chief Constable a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Chief Constable may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Chief Constable becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Chief Constable settles the obligation.

#### **1.6 Contingent Liabilities**

A contingent liability is where there is a possible obligation to transfer economic benefits due to a past event, but the possible obligation will only be confirmed by the occurrence or non-occurrence of one or more events in the future, not wholly be within the control of the Chief Constable. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

The Chief Constable discloses these obligations in the narrative notes to the accounts if greater than £100k.

These amounts are not recorded in the Chief Constable's accounts because:

- It is not probable that an outflow of economic benefits or service potential will be required to settle the obligation, or
- The amount of the obligation cannot be measured with sufficient reliability at the year end.

#### **1.7 Contingent Assets**

A contingent asset is where there is a possible transfer of economic benefit to the CC from a past event, but the possible transfer will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the CC.

The CC discloses these rights in the narrative notes to the accounts if greater than £100k.

### **1.8 Cost of Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

### **1.9 Value Added Tax (VAT)**

The Chief Constable does not submit a VAT return. The PCC submits a single VAT return on behalf of the Group. Expenditure in the Comprehensive Income and Expenditure Statement excludes any amounts relating to VAT as it is all remitted to / from HM Revenue and Customs

### **1.10 Events after the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **1.11 Recognition of Revenue (Income and Expenditure)**

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is recognised only when it is probable that the economic benefits or service potential associated with the transaction will flow to the Chief Constable.

### **1.12 Reserves**

#### **Usable Reserves**

The Chief Constable does not maintain usable reserves. Its main source of income in the year is an intra-group transfer from the PCC, which is matched to its net resources expended, with all additional surplus or deficit held by the PCC.

#### **Unusable Reserves**

The Chief Constable keeps a pensions reserve to maintain the accounting processes for retirement benefits and the related provisions. These accounts do not represent usable resources for the Chief Constable.

### **1.13 Employee Benefits**

## **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Chief Constable. A provision is made for the cost of unused leave earned by employees, but not taken before the year-end.

The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the absence occurs.

## **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the CC to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the CC can no longer withdraw the offer of those benefits or when the CC recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the CC 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.

## **Post-employment Benefits**

Employees of the Chief Constable are members of two separate pension schemes:

- The Police Officer Pension Scheme, for which the scheme manager is the Chief Constable;
- The Local Government Pensions Scheme, administered by West Yorkshire Pension Fund on behalf of Lincolnshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees.

## **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lincolnshire pension fund attributable to the Chief Constable are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on high quality AA index corporate bonds);
- The assets of Lincolnshire pension fund attributable to the Chief Constable are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price;
- Unquoted securities – professional estimate;
- Unitised securities – current bid price;
- property – market value.

### **The Police Officer Pension Scheme**

The police officer pension schemes (both the old and new schemes) are accounted for as a defined benefit scheme:

- The liabilities of the Lincolnshire pension fund attributable to the Chief Constable are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on high quality AA index corporate bonds).

### **Pension Scheme Policies**

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement to a corporate service segment;
  - Net interest on the net defined benefit liability (asset), ie net interest expense for the Chief Constable – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Contributions paid to the Lincolnshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Chief Constable to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement 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. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than when benefits are earned by employees.

### **Discretionary Benefits**

The Chief Constable also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **1.14 Police Officer Pensions – Home Office Memorandum Account**

From 1 April 2006 the Home Office changed the methods of financing police pensions. Effectively the Chief Constable has continued to make payments but accounts for these outside of these accounts in a separate memorandum account, which is reported in a supplementary statement in these accounts.

#### **1.15 Joint Operations**

Joint operations are joint arrangements in which the PCC and other venturers have joint control of the arrangement. The parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Chief Constable accounts for only its expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint operation and income that it earns from the venture.

## **2. Accounting Standards that have been issued but not yet adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) has introduced changes in accounting policy which will be required from 1 April 2017. If these had been adopted for the financial year 2016/17 there would be no known material changes. If further information becomes available that requires changes to 2016/17 these will be restated in the 2017/18 financial statements.

These changes are:

- Amendments to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

## **3. Judgements in applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Chief Constable has had to make certain judgements about complex transactions or those involving uncertainty about future events. The significant judgements made in the Statement of Accounts are:

- For retirement benefits, the interpretation of CIPFA guidance differs from that of the Code itself. CIPFA guidance expects plan assets to be included in our financial statements, but the Code says not to include them. The impact of this on the

General Reserve is reversed through the Movement in Reserves Statement, with a corresponding entry in the Pensions Reserve. The Chief Constable and the Chief Finance Officer have concluded that this approach presents a true and fair view of the Chief Constable's financial position, financial performance and cash flow;

- G4S joined Lincolnshire Pension Fund as a new Transferee Admission Body on 1 April 2012 on a "pass through" arrangement for a contract term of 10 years. Lincolnshire Police are considered to be the principal rather than merely an agent in these transactions as they retain responsibility for the liabilities. Hence, the IAS19 results as at 31 March 2017 reflect the combined G4S and Lincolnshire Police pension fund assets and liabilities.

#### 4. Post Balance Sheet Events

##### Adjusting Events

There have been no material post balance sheet events between the year end and the date of approval of these accounts which require adjustment to these financial statements.

#### 5. Prior Period Adjustments

There have been no prior period adjustments in the accounts.

#### 6. 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 entity 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 Chief Constable's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are described below. The main area of fluctuation is the assessment of pensions' assets and liabilities. Hence, these are considered separately.

##### Estimation Uncertainties

Item	Uncertainties	Effect if actual results differ from assumptions
Pension liability £1,330,065k	<p>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.</p> <p>A firm of consulting actuaries is engaged to provide the CC with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions have been measured and described in the tables below.</p> <p>The tables give an indication of the impact of changes in the main assumptions but are not an exhaustive list of the variables involved.</p>



Actuarial Assumptions £1,330,065k	The actuaries have assumed that CPI will be approximately 1% p.a. below RPI on average.	As a market in CPI linked bonds does not exist the actuaries need to make an estimate of the long term gap between RPI and CPI in order to arrive at a CPI assumption for the accounts. The assumption that CPI will be 1% below RPI on average leads to future service costs being around 8% lower than if the RPI indicator was used.
Accumulated Absences £1,478k Increase in year of £71k	The calculation is based on the balance of hours owed to or owing by each individual recorded in the Duty Management System which includes Annual Leave, Time Off In Lieu and Rest Days in Lieu.  Adjustments have been made to remove negative balances and reduce high carry forward balances that significantly exceed policy.  Annual Leave is restricted to 5 days, as per policy. The hourly rate used is based on the average pay from the March payroll files.	Actual balances have since been calculated for approved carry forward and the figures are not materially different to the estimates, therefore no adjustments have been made.

The sensitivities regarding the Police Pension Scheme liabilities are set out below.

<b>Change in financial &amp; demographic assumptions</b>	<b>Approximate percentage increase likely to employer liability</b>	<b>Approximate monetary amount (£m)</b>
0.5% decrease in the Real Discount Rate	10%	130.10
1 year increase in member life expectancy	3%	38.60
0.5% increase in the Salary Increase Rate	2%	19.40
0.5% increase in the Pensions Increase Rate (CPI)	8%	101.10

The sensitivities regarding the Police Pension Scheme current service costs are set out below.

<b>Change in financial &amp; demographic assumptions</b>	<b>Approximate percentage increase to projected current service cost</b>	<b>Approximate monetary amount (£m)</b>
0.5% decrease in the Real Discount Rate	19%	5.76
1 year increase in member life expectancy	3%	0.91
0.5% increase in the Salary Increase Rate	8%	2.42
0.5% increase in the Pensions Increase Rate (CPI)	10%	3.14

The sensitivities regarding the principal assumptions used to measure the liabilities in the Local Government Pension Scheme are set out below.

<b>Change in financial &amp; demographic assumptions</b>	<b>Approximate percentage increase likely to employer liability</b>	<b>Approximate monetary increase (£m)</b>
0.5% decrease in the Real Discount Rate	11%	19.87
0.5% increase in the Salary Increase Rate	2%	3.14
0.5% increase in the Pensions Increase Rate	9%	16.45

## 7. Note to the Expenditure and Funding Analysis

2015/16					CC	2016/17			
Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000	Note		Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
-	(13,527)	-	(13,527)		Chief Constable	-	(11,700)	-	(11,700)
-	-	-	-		Joint Services	-	-	-	-
-	(13,527)	-	(13,527)		<b>Cost of Services</b>	-	(11,700)	-	(11,700)
-	-	-	-	10	Other Operating Expenditure	-	-	-	-
-	42,044	-	42,044	11	Financing and Investment Income and Expenditure	-	39,715	-	39,715
-	28,517	-	28,517		<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit</b>	-	28,015	-	28,015

## 8. Expenditure Analysed by Nature

2015/16 £000	CC - Expenditure and Income	2016/17 £000
	<b>Expenditure</b>	
47,843	Police Pay and Allowances	48,550
17,150	Police Staff Pay and Allowances	14,269
830	Other Employee Expenses	873
1,099	Police Pensions - Ill Health Retirements	872
17,891	Pension costs	20,504
2,491	Premises	2,605
1,881	Transport	1,874
8,353	Supplies and Services	11,030
51	Third Party Payments	170
(720)	Support Services	-
660	Precepts and levies	662
91	Seconded Officers	72
42,044	Interest and investment expenditure	39,715
<b>139,665</b>	<b>Total expenditure</b>	<b>141,197</b>
	<b>Income</b>	
(5,894)	Fees, charges and other service income	(5,152)
(105,254)	Intra Group financing	(108,030)
<b>(111,148)</b>	<b>Total income</b>	<b>(113,182)</b>
<b>28,517</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>28,015</b>

## 9. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2015/16 CC Comparative Figures	Usable Reserves			Movement in Usable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments to the Revenue Resources</b>				
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>				
Pensions costs (transferred to (or from) the Pensions Reserve)	28,517	-	-	(28,517)
Council tax (transferred to or from Collection Fund)	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	-	-	-	-
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):	-	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>28,517</b>	<b>-</b>	<b>-</b>	<b>(28,517)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-	-
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-
Application of capital grants to finance capital expenditure	-	-	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Adjustments</b>	<b>28,517</b>	<b>-</b>	<b>-</b>	<b>(28,517)</b>

2016/17 CC	Usable Reserves			Movement in Usable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments to the Revenue Resources</b>				
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>				
Pensions costs (transferred to (or from) the Pensions Reserve)	28,015	-	-	(28,015)
Council tax (transferred to or from Collection Fund)	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	-	-	-	-
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):	-	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>28,015</b>	<b>-</b>	<b>-</b>	<b>(28,015)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-	-
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-
Application of capital grants to finance capital expenditure	-	-	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Adjustments</b>	<b>28,015</b>	<b>-</b>	<b>-</b>	<b>(28,015)</b>

## 10. Other Operating Expenditure

2015/16				2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
660	-	660	Levies	662	-	662
682	(591)	91	Seconded Officers	634	(562)	72
<b>1,342</b>	<b>(591)</b>	<b>752</b>		<b>1,296</b>	<b>(562)</b>	<b>734</b>

Levies are the Chief Constable's contributions towards national police computing systems provided by the Home Office.

## 11. Financing and Investment Income and Expenditure

2015/16				2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
42,044	-	42,044	Pensions Interest Cost and Expected Return on Pensions Assets	39,715	-	39,715
<b>42,044</b>	<b>-</b>	<b>42,044</b>		<b>39,715</b>	<b>-</b>	<b>39,715</b>

## 12. Intra-group Financing

An annual intra-group transfer of funds is made by the PCC to the Chief Constable. This intra-group transfer will equal the income requirement for the Chief Constable.

## 13. Debtors

	2015/16 £000	2016/17 £000
<b>Amounts falling due within one year:</b>		
PCC guarantee for accumulated absences liability	1,406	1,478
<b>Total Debtors falling due within one year</b>	<b>1,406</b>	<b>1,478</b>

## 14. Creditors

	2015/16 £000	2016/17 £000
Accumulated absences	(1,406)	(1,478)
<b>Total Short-Term Creditors</b>	<b>(1,406)</b>	<b>(1,478)</b>

## 15. Provisions

The Chief Constable has made provisions to meet the costs of the liabilities described below. They are classified as provisions because there is a present obligation to transfer economic benefit as a result of a past event, payment is probable and the amount can be reliably estimated.

<b>Short Term Provisions</b>	<b>Termination Benefits of £000</b>	<b>Total £000</b>
<b>Balance at 31 March 2016</b>	<b>(16)</b>	<b>(16)</b>
Additional Provisions Made In 2016/17	-	-
Amounts Used In 2016/17	-	-
Unused amounts reversed in 2016/17	-	-
<b>Balance at 31 March 2017</b>	<b>(16)</b>	<b>(16)</b>

<b>Long Term Provisions</b>	<b>Termination Benefits of Employment £000</b>	<b>Total £000</b>
<b>Balance at 31 March 2016</b>	<b>(137)</b>	<b>(137)</b>
Additional Provisions Made In 2016/17	-	-
Amounts Used In 2016/17	-	-
Unused amounts reversed in 2016/17	-	-
<b>Balance at 31 March 2017</b>	<b>(137)</b>	<b>(137)</b>

The only provision in the Chief Constable's accounts is for the termination benefits of employment relating to the pension payments which are held by the Chief Constable along with the IAS19 Pension Liability.

## 16. Pensions Reserve

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 Chief Constable accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service. The liability recognises inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require a benefit earned to be financed, as the Chief Constable makes employer's contributions to pension funds, and eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the Chief Constable has set aside to meet them. The statutory arrangements will have been set aside by the time the benefits come to be paid.

2015/16 £000		2016/17 £000
<b>(1,315,000)</b>	<b>Balance at 1 April</b>	<b>(1,142,069)</b>
201,449	Actuarial gains or (losses) on pensions assets and liabilities	(160,134)
(70,060)	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	(64,899)
41,529	Employer's pensions contributions and direct payments to pensioners payable in the year	36,884
14	Other unfunded termination benefits	-
<b>(1,142,069)</b>	<b>Balance at 31 March</b>	<b>(1,330,218)</b>

## 17. Accumulated Absences Account

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

2015/16 £000		2016/17 £000
<b>(1,801)</b>	<b>Balance at 1 April</b>	<b>(1,406)</b>
1,801	Settlement or cancellation of accrual made at the end of the preceding year	1,406
<b>(1,406)</b>	<b>Amounts accrued at the end of the current year</b>	<b>(1,478)</b>
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	
<b>395</b>		<b>(71)</b>
<b>(1,406)</b>	<b>Balance at 31 March</b>	<b>(1,478)</b>

## 18. Cash Flow – Adjustments on Provision of Services for Non Cash Movements

2015/16 £000		2016/17 £000
-	Depreciation of Non-Current Assets	-
-	Impairment and Downward Valuations of Non-Current Assets	-
-	Amortisation of Intangible Assets	-
-	Amortisation of Government Grant and Other Contributions	-
-	Increase in Impairment Provisions for Bad Debts	-
(395)	Increase/(Decrease) in Creditors	71
395	(Increase)/Decrease in Debtors	(71)
-	(Increase)/Decrease in Inventory	-
(28,530)	Pension Liability	(28,015)
-	Carrying Amount of Non-Current Assets Sold	-
13	Contributions to Provisions	-
-	Other Non-Cash Items Charged to the Net Deficit on the Provision of Services	-
<b>(28,517)</b>	<b>Non Cash Movements</b>	<b>(28,015)</b>

## 19. Joint Operations

### Regional Collaboration

The East Midland Regional Collaboration consists of:

- East Midlands Special Operations Unit (EMSOU) – including Regional Asset Recovery Team, Regional Review Unit and Protected Persons Unit - Lead body Leicestershire.
- East Midlands Collaboration Team – Lead body Leicestershire
- EMSOU Major Crime – Lead body Leicestershire
- EMSOU Technical Support Unit (TSU)- Lead Body Derbyshire
- Forensics – Lead body Derbyshire
- Occupational Health Unit (OHU)– Lead body Leicestershire
- East Midlands Operational Support Services (EMOpSS) including Armed Policing Training and Serious Collision Investigation Unit – Lead body Lincolnshire
- East Midlands Regional Information and Co-ordination Centre (EMRICC) – Lead body Leicestershire
- East Midlands Legal Services – Lead body Derbyshire
- East Midlands Criminal Justice (EMCJS) – Lead body Leicestershire – Finance Lincolnshire
- East Midlands Operational Support Services (EMOpSS) including Armed Policing Training and Serious Collision Investigation Unit – Lead body Lincolnshire

All assets, liabilities and reserves are held by the PCC; therefore only the operational policing costs have been shown in the Chief Constable's Comprehensive Income & Expenditure Statement. The PCC's share of regional assets and liabilities is included in the PCC Group accounts. Lincolnshire's share of the five Force collaborations is set at 12.9%, and the EMOpSS four Force collaboration share is 16.5%. The allocation of revenue expenditure from the regional collaborations has been included in the Comprehensive Income and Expenditure Statement.



## Lincolnshire's share of Regional Comprehensive Income and Expenditure Statement as at 31 March 2016

2015/16 £000		2016/17 £000
1,261	Police Pay and Allowances	1,059
1,662	Police Staff Pay and Allowances	1,977
73	Other Employee Expenses	278
40	Premises	36
368	Transport	394
547	Supplies and Services	564
16	Agency and Contracted Services	42
68	Depreciation	150
1	Amortisation	-
76	Capital Financing	2
<b>4,113</b>	<b>Gross Operating Expenditure</b>	<b>4,502</b>
(142)	Other Income	(104)
19	(Gains) or Losses on Revaluation of Non-Current Assets Held for Sale	13
<b>3,991</b>	<b>Amount to be met from Partners</b>	<b>4,411</b>
	<b>Financed by:</b>	
(3,595)	Contributions from Partners	(3,775)
(400)	External Grants	(574)
(47)	Capital Grants and Contributions	(171)
<b>(52)</b>	<b>Deficit on the Provision of Services</b>	<b>(109)</b>
<b>(52)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(109)</b>

### Partnerships outside Scope of Collaborative Arrangements

#### Lincolnshire Road Safety Partnership

Lincolnshire Road Safety Partnership (LRSP) was formed in order to reduce the number of people killed or injured on Lincolnshire's roads. LRSP is a unique multi-agency partnership that brings together road safety professionals from the Police, Lincolnshire County Council, Fire & Rescue, the NHS, the Highways Agency and the Probation Service.

Lincolnshire Police were not required to make a cash contribution to the partnership in 2016/17 (£51k in 2015/16).

### 20. Audit Committee Allowances and Expenses

The amount paid to members of the Joint Independent Audit Committee equated to £8,444 for the year compared to £5,045 in 2015/16. £6,258 is charged to the CC based on the % split used for allocating joint services costs.

### 21. Remuneration of Senior Officers

Remuneration includes all sums paid to or receivable by an employee. Pension contributions payable by the employer are excluded.

The Accounting Code of Practice requires detailed disclosure for specific senior officers. These are disclosed in the tables below.

## 2015/16 Senior Officers' Remuneration

2015/16 Senior Officers' Remuneration	Notes	Salaries, fees or allowances £	Performance related pay £	Compensation for loss of office £	Other benefits receivable in the role £	Total remuneration excluding pension contributions 2015/16 £	Employer's pension contribution £	Total remuneration including pension contributions 2015/16 £
<b>Police officers</b>								
Chief Constable		146,986	-	-	3,244	<b>150,230</b>	33,756	<b>183,986</b>
Deputy Chief Constable		116,867	-	-	6,413	<b>123,280</b>	25,401	<b>148,681</b>
Assistant Chief Constable		111,799	-	-	8,496	<b>120,295</b>	-	<b>120,295</b>
<b>Police Staff of the Chief Constable</b>								
Assistant Chief Officer (Resources)		99,303	-	-	7,201	<b>106,504</b>	19,761	<b>126,265</b>
Chief Finance Officer		54,826	-	-	-	<b>54,826</b>	10,910	<b>65,737</b>

## 2016/17 Senior Officers' Remuneration

2016/17 Senior Officers' Remuneration	Notes	Salaries, fees or allowances £	Performance related pay £	Compensation for loss of office £	Other benefits receivable in the role £	Total remuneration excluding pension contributions 2016/17 £	Employer's pension contribution £	Total remuneration including pension contributions 2016/17 £
<b>Police officers</b>								
Chief Constable	Retired 31/01/17	127,087	-	-	3,244	<b>130,331</b>	3,240	<b>133,571</b>
Chief Constable	From: 01/02/17	25,337	-	-	-	<b>25,337</b>	6,004	<b>31,341</b>
Deputy Chief Constable	Retired 30/04/16	12,656	-	-	3,774	<b>16,430</b>	2,262	<b>18,692</b>
Deputy Chief Constable	From: 14/03/16	122,190	-	-	9,911	<b>132,101</b>	28,618	<b>160,719</b>
Assistant Chief Constable	Resigned 05/02/17	99,314	-	-	4,841	<b>104,155</b>	-	<b>104,155</b>
Temporary Assistant Chief Constable	From: 21/03/16	100,763	-	-	8,792	<b>109,555</b>	23,701	<b>133,256</b>
<b>Police Staff of the Chief Constable</b>								
Assistant Chief Officer (Resources)		103,422	-	-	8,849	<b>112,271</b>	20,581	<b>132,852</b>
Chief Finance Officer 1	Retired 31/10/16	32,074	-	-	-	<b>32,074</b>	6,383	<b>38,457</b>
Chief Finance Officer 2	Temp Cover 01/10/16 - 09/01/17	16,516	-	-	-	<b>16,516</b>	3,287	<b>19,803</b>
Chief Finance Officer 3	From: 10/01/17	14,531	-	-	-	<b>14,531</b>	2,892	<b>17,423</b>

## Senior Officers' Remuneration

The table below highlights the employees within defined remuneration ranges. This excludes the senior employees who are shown in more detail in the tables above.

Remuneration Range	2015/16 Number of employees	2016/17 Number of employees
£50,000 to £54,999	-	-
£55,000 to £59,999	1	-
£60,000 to £64,999	1	2
£65,000 to £69,999	1	4
£70,000 to £74,999	1	1
£75,000 to £79,999	-	-
£80,000 to £84,999	1	-
£85,000 to £89,999	1	-
£90,000 to £94,999	-	-
£95,000 to £99,999	-	-
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-

## 22. Termination Benefits

In 2016/17 One employee contract was terminated.

Cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number by cost band		Total cost in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £000	2016/17 £000
£0,000 to £20,000	4	1	1	-	5	1	35	16
£20,001 to £40,000	3	-	-	-	3	-	103	-
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,000 to £150,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>7</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>8</b>	<b>1</b>	<b>138</b>	<b>16</b>

## 23. Audit Costs

	2015/16 £000	2016/17 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	15	15
<b>Total</b>	<b>15</b>	<b>15</b>

## 24. Related Party Transactions

The entity is required to disclose details of any material transactions with related parties - bodies or individuals that have the potential to control or influence the Chief Constable or to be controlled or influenced by it. Disclosure of these transactions allows readers to assess the extent to which the entity might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

CC	Income 2016/17 £000	Expenditure 2016/17 £000
Boston Borough Council	-	70
City Of Lincoln Council	-	206
College Of Policing	-	74
East Lindsey District Council	-	118
Home Office	-	1,558
Lincolnshire County Council	-	505
Lincolnshire County Council Pension Fund	-	660
North Kesteven District Council	-	476
South Holland District Council	-	43
South Kesteven District Council	-	185
University Of Leicester	-	180
West Lindsey District Council	-	2
Other PCCs	-	19,298

### UK Central Government

The UK central government has effective control over the general operations of the PCC group. It is responsible for establishing the statutory framework within which the PCC operates. It provides a large proportion of the PCC's funding in the form of grants and prescribes the terms of many of the transactions that the PCC has with other parties.

### PCC for Lincolnshire

Within the PCC Group, the Chief Constable is accountable to the Police & Crime Commissioner for Lincolnshire. The PCC provides all funding to the Chief Constable for the discharge of his duties. The total funding is shown in the Chief Constable's Comprehensive Income & Expenditure Statement.

### Officers

The total remuneration to senior staff is shown in Note 21. All senior officers employed by the Chief Constable at the 31 March 2017 have completed a Related Party Transaction Declaration for the financial year in respect of themselves and close family members to identify any business dealings with the Group that fall into this category. No further disclosures are required.

## **25. Retirement Benefits**

### **25.1 Participation in pension schemes**

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

#### **Two pensions schemes**

The Local Government Pension Scheme is for police staff, and is administered by WYPF on behalf of Lincolnshire County Council. On 1 April 2014 a new LGPS was created, whilst remaining a defined benefit scheme, the way that pensions are calculated changed with a new career average pension scheme being introduced. The new arrangements maintain all service prior to this date on a final salary basis with future benefits being based on pay (which now also includes non-contractual overtime) each scheme year rather than final salary. Transitional arrangements and protections for those approaching retirement age were also implemented. The effect of these new arrangements is included within the pension disclosures of these accounts. A funded defined benefit final salary scheme, means that the PCC and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. G4S joined Lincolnshire Pension Fund as a new Transferee Admission Body on 1 April 2012 on a "pass through" arrangement for a contract term of 10 years. The IAS19 results as at 31 March 2017 reflect the combined G4S and Lincolnshire Police pension fund assets and liabilities.

The Police Pension Scheme for police officers is an unfunded defined benefit final salary scheme. There are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year are less than amounts payable, the PCC must transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, this cost is met by a central government pension top up grant. In 2016/17 this cost has been met in full.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

### **25.2 Discretionary Post-Retirement Benefits**

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no scheme assets built up to meet these pension liabilities.

### **25.3 Transactions Relating to Retirement Benefits**

In order to comply with IAS 19, employer's pension contributions have been replaced with current service costs as estimated by the independent actuary. The Group recognise the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the

real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The reversal of the IAS 19 transactions ensures that there is no effect on the amounts to be met from government grant and the local taxpayers.

### Transactions Relating to Retirement Benefits:

	2015/16	2016/17
	£000	£000
<b>Local Government Pension Scheme</b>		
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	(4,882)	(3,871)
Past service costs	(34)	(13)
Effect of settlements	-	-
<b>Financing and Investment Income and Expenditure</b>		
Net interest expense	(1,744)	(1,415)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(6,660)</b>	<b>(5,299)</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Return on scheme assets (excluding the amount included in the net interest expense)	(2,002)	11,084
Actuarial gains and losses arising on changes in demographic assumptions	-	2,707
Actuarial gains and losses arising on changes in financial assumptions	16,273	(29,445)
Other (if applicable)	1,477	7,119
<b>Subtotal Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>15,749</b>	<b>(8,534)</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>9,089</b>	<b>(13,834)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	6,660	5,299
<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>		
Employers contributions payable to scheme	(3,729)	(5,184)
Retirement benefits payable to pensioners		
<b>Movement from Comprehensive Income and Expenditure Statement to the General Fund</b>	<b>2,931</b>	<b>115</b>

	2015/16	2016/17
	£000	£000
<b>Police Pension Scheme</b>		
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	(22,600)	(21,200)
Past service costs	(500)	(100)
Effect of settlements	-	-
<b>Financing and Investment Income and Expenditure:</b>		
Net interest expense	(40,300)	(38,300)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(63,400)</b>	<b>(59,600)</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Return on scheme assets (excluding the amount included in the net interest expense)	-	-
Actuarial gains and losses arising on changes in demographic assumptions	3,300	(7,300)
Actuarial gains and losses arising on changes in financial assumptions	182,400	(237,300)
Other experience	-	93,000
<b>Subtotal Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>185,700</b>	<b>(151,600)</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>122,300</b>	<b>(211,200)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	63,400	59,600
<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>		
Employers contributions payable to scheme	(37,800)	(31,700)
Retirement benefits payable to pensioners		
<b>Movement from Comprehensive Income and Expenditure Statement to the General Fund</b>	<b>25,600</b>	<b>27,900</b>



	2015/16	2016/17
	£000	£000
<b>Total Pension Liability</b>		
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	(27,482)	(25,071)
Past service costs	(534)	(113)
Effect of settlements	-	-
<b>Financing and Investment Income and Expenditure:</b>		
Net interest expense	(42,044)	(39,715)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(70,060)</b>	<b>(64,899)</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Return on scheme assets (excluding the amount included in the net interest expense)	(2,002)	11,084
Actuarial gains and losses arising on changes in demographic assumptions	3,300	(4,593)
Actuarial gains and losses arising on changes in financial assumptions	198,673	(266,745)
Other experience	1,477	100,119
<b>Subtotal Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>201,449</b>	<b>(160,134)</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>131,389</b>	<b>(225,034)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	70,060	64,899
<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>		
Employers contributions payable to scheme	(41,529)	(36,884)
Retirement benefits payable to pensioners		
<b>Movement from Comprehensive Income and Expenditure Statement to the General Fund</b>	<b>28,531</b>	<b>28,015</b>

## 25.4 Pensions Assets and Liabilities in relation to Retirement Benefits

The amount included in the Balance Sheet arising from the Chief Constable's obligation in respect of its defined benefit scheme is as follows:

<b>Funded liabilities</b>	<b>2015/16</b>	<b>2016/17</b>
<b>LGPS</b>	<b>£000</b>	<b>£000</b>
Present value of the defined benefit obligation	139,768	166,065
Fair value of scheme assets	(98,857)	(116,460)
	<b>40,911</b>	<b>49,605</b>
Other movements in the liability (asset)	204	159
<b>Net liability arising from the defined benefit obligation</b>	<b>41,115</b>	<b>49,764</b>

<b>Discretionary Benefits</b>	<b>2015/16</b>	<b>2016/17</b>
<b>Police Pension Scheme</b>	<b>£000</b>	<b>£000</b>
Present value of the defined benefit obligation	1,058,500	1,230,500
Fair value of scheme assets	-	-
	<b>1,058,500</b>	<b>1,230,500</b>
Other movements in the liability (asset)	42,300	49,800
<b>Net liability arising from the defined benefit obligation</b>	<b>1,100,800</b>	<b>1,280,300</b>

## 25.5 Reconciliation of the movements in the fair value of the scheme assets

<b>Local Government</b>	<b>2015/16</b>	<b>2016/17</b>
<b>Pension Scheme</b>	<b>£000</b>	<b>£000</b>
Opening fair value of scheme assets	95,730	98,857
Interest income	3,096	3,510
<b>Remeasurement gain / (loss):</b>		
The return on scheme assets, excluding the amount included in the net interest expense	(2,002)	11,084
Other	-	-
Effect of changes in foreign exchange rates	-	-
Contributions from employer	3,729	5,184
Contributions from employees in the scheme	1,077	1,011
Benefits paid	(2,773)	(3,186)
Other	-	-
<b>31 March</b>	<b>98,857</b>	<b>116,460</b>

## 25.6 Reconciliation of present value of the scheme liabilities (defined benefit obligation)

<b>Funded liabilities</b>	<b>2015/16</b>	<b>2016/17</b>
<b>LGPS</b>	<b>£000</b>	<b>£000</b>
Opening balance at 1 April	149,663	139,972
Current service cost	4,882	3,871
Interest cost	4,840	4,925
Contributions from scheme participants	1,077	1,011
<b>Re-measurement (gain) / loss:</b>		
Actuarial (gains) / losses arising from changes in demographic assumptions	-	(2,707)
Actuarial (gains) / losses arising from changes in financial assumptions	(16,289)	29,445
Other	(1,477)	(7,119)
Past service cost	34	13
Losses / (gains) on curtailment	-	-
Liabilities assumed on entity combinations	-	-
Benefits paid	(2,762)	(3,186)
Liabilities extinguished on settlements (w here relevant)	5	-
<b>31 March</b>	<b>139,972</b>	<b>166,224</b>

<b>Unfunded liabilities</b>	<b>2015/16</b>	<b>2016/17</b>
<b>Police Pension Scheme</b>	<b>£000</b>	<b>£000</b>
Opening balance at 1 April	1,260,900	1,100,800
Current service cost	22,600	21,200
Interest cost	40,300	38,300
Contributions from scheme participants	5,900	5,100
<b>Re-measurement (gain) / loss:</b>		
Actuarial (gains) / losses arising from changes in demographic assumptions	(3,300)	7,300
Actuarial (gains) / losses arising from changes in financial assumptions	(119,300)	237,300
Other	(63,100)	(93,000)
Past service cost	500	100
Losses / (gains) on curtailment	-	-
Liabilities assumed on entity combinations	-	-
Benefits paid	(43,700)	(36,800)
Liabilities extinguished on settlements (w here relevant)	-	-
<b>31 March</b>	<b>1,100,800</b>	<b>1,280,300</b>

## 25.7 Pension Scheme Assets

The police pension schemes have no assets to cover their liabilities. The Chief Constable's Local Government Pension Scheme assets consist of the following categories:

Fair value of scheme assets	2015/16	2016/17
	£000	£000
<b>Cash and cash equivalents</b>	<b>1,067</b>	<b>824</b>
<b>Equity instruments</b>		
Consumer	20,480	13,093
Manufacturing	2,195	1,711
Energy and utilities	5,356	3,019
Financial institutions	10,664	8,043
Health and care	-	-
Information technology	3,667	4,483
Other	10,968	9,561
	<b>53,331</b>	<b>39,911</b>
<b>Bonds by sector</b>		
Corporate	9,641	10,825
UK Government	2,045	3,760
Other	1,383	-
	<b>13,069</b>	<b>14,585</b>
<b>Property by type</b>		
UK property	10,520	10,597
Overseas property	1,073	354
	<b>11,593</b>	<b>10,951</b>
<b>Private equity</b>	<b>3,612</b>	<b>2,689</b>
<b>Other investment funds</b>		
Equities	5,578	31,996
Bonds	-	-
Hedge funds	-	-
Commodities	-	-
Infrastructure	-	1,751
Other	10,607	13,752
	<b>16,184</b>	<b>47,499</b>
<b>Derivatives</b>	-	-
<b>Total assets</b>	<b>98,857</b>	<b>116,460</b>

## 25.8 Basis for Estimating Assets and Liabilities

Both the Police Scheme and the Local Government Scheme liabilities have been assessed by Hymans Robertson (an independent firm of actuaries). The value of the liabilities is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

For the Local Government Pension Scheme, liabilities have been assessed on an actuarial basis using the projected unit method. Estimates are based on the latest full valuation of the scheme as at 31 March 2016.

For the police schemes (both the 1987 Police Pension Scheme and the 2006 new Police Pension Scheme) liabilities have been assessed on an actuarial basis. The last formal valuation of the schemes was carried out as at 31 March 2013. The results of this valuation have been projected forward to 31 March 2017 using approximate methods. The roll forward allows for changes in financial assumptions, additional benefit accruals, and estimate cash-flows over the period and updated membership information.

	Police Pension Scheme		Local Government Pension Scheme	
	Pension Scheme		Scheme	
	2015/16	2016/17	2015/16	2016/17
<b>Mortality assumptions</b>	Longevity at 65		Longevity at 60	
	Years	Years	Years	Years
Longevity for current pensioners:				
Men	22.2	22.1	29.5	30.2
Women	24.2	24.4	31.7	31.7
Longevity for future pensioners:				
Men	24.5	24.1	31.1	31.6
Women	26.8	26.6	33.2	33.2
<b>Financial assumptions</b>	%	%	%	%
Market derived RPI	3.2	3.4	3.2	3.4
Rate of increase in salaries	3.7	2.8	3.2	3.4
Rate of increase in pensions	2.2	2.4	2.2	2.4
Rate for discounting scheme liabilities	3.5	2.6	3.5	2.6

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analyses in note 3 have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
<b>Present value of liabilities</b>						
Local government pension scheme	(95,281)	(117,898)	(127,503)	(155,899)	(139,973)	(166,225)
Police pension scheme	(839,500)	(969,500)	(1,067,700)	(1,260,900)	(1,100,800)	(1,280,300)
Fair value of assets in the local government pension scheme	71,990	85,271	88,239	99,719	98,857	116,460
<b>Surplus / (deficit) in the scheme</b>	<b>(862,791)</b>	<b>(1,002,127)</b>	<b>(1,106,964)</b>	<b>(1,317,080)</b>	<b>(1,141,916)</b>	<b>(1,330,065)</b>
Local government pension scheme	(23,291)	(32,627)	(39,264)	(56,180)	(41,116)	(49,765)
Police pension scheme	(839,500)	(969,500)	(1,067,700)	(1,260,900)	(1,100,800)	(1,280,300)
<b>Total surplus / (deficit) in the scheme</b>	<b>(862,791)</b>	<b>(1,002,127)</b>	<b>(1,106,964)</b>	<b>(1,317,080)</b>	<b>(1,141,916)</b>	<b>(1,330,065)</b>

## 25.9 Impact on the Chief Constable's cash flows

The liabilities show the underlying commitments for retirement benefits that the Chief Constable has to pay in the long run. The total liability has a substantial impact on the net worth of the Group 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 Chief Constable remains healthy.

The objectives of the Local Government Scheme are to keep employers' contributions at as constant a rate as possible. The PCC has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. The minimum employer contributions payable over the next year for the PCC Group is 16.3% plus a £948k lump sum payment. Estimated employer's contribution for 2017/18 amount to £2.7m on the Local Government Pension Scheme.

Funding levels are monitored on an annual basis. The triennial valuation was provided on 31 March 2017.

For police pensions, finance is only required to be raised to cover costs as they are paid. As described above, police pension costs are funded by a cash top-up from the Home Office. The top-up is received in July, providing resources for monthly payments to pensioners and lump sums to new pensioners for the remainder of the financial year.

Estimated employer contributions for 2017/18 at 24.2% of pensionable pay amount to £9.5m.

The Local Government Pension Scheme and the Police Pension Scheme take account of the national changes required under the Public Pensions Services Act 2013. Under the Act, the main public service pension schemes may not provide benefits on a final salary basis in relation to service after 31 March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new, career average, revalued earnings schemes to pay pensions and other benefits to certain public servants. For the Local Government Pension Scheme these changes came into operation on 1 April 2014 and for the Police scheme from 1 April 2015.

## Maturity profile of the defined benefit obligation

	LGPS			Police Pension Scheme		
	Liability Split as at 31 March 2017 £000	Liability Split as at 31 March 2017 %	Weighted Average Duration at Previous Formal Valuation £000	Liability Split as at 31 March 2017 £000	Liability Split as at 31 March 2017 %	Weighted Average Duration at Previous Formal Valuation £000
Active Members	74,690	43.2%	25.0	485,300	39.4%	25.8
Deferred Members	46,767	27.0%	26.9	50,200	4.1%	27.2
Pensioner Members	51,527	29.8%	12.2	695,000	56.5%	12.0
<b>Total</b>	<b>172,984</b>	<b>100.0%</b>	<b>20.6</b>	<b>1,230,500</b>	<b>100.0%</b>	<b>18.1</b>
Contingent Injuries				24,200	48.6%	25.8
Injury pension liabilities				25,600	51.4%	15.7
<b>Total</b>				<b>49,800</b>	<b>100.0%</b>	<b>20.6</b>

## 26. Contingent Liabilities

There are three specific matters which currently have the potential to impact the Force;

- An Employment Tribunal ruling in relation to Source Handlers and overtime payment claims, made between May 2009 and May 2012, has identified 13 potential officers who are affected. Whilst the value of the liability cannot yet be accurately determined, and so no provision has yet been made, £250K has been set aside in earmarked reserves to meet the liability when the final amount has been agreed
- A national review of Undercover Policing is taking place. This relates to national issues and it is possible that significant costs will be incurred by the Force.
- The Chief Constable of Lincolnshire, (along with other Chief Constables and the Home Office), currently has 58 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is 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.

## Police Officer Pensions - Home Office Memorandum Account 2016/17

This statement shows the transactions relating to retirement benefits paid to Police Officers and how those costs are paid for.

2015/16 £000	Fund account	2016/17 £000
	<b>Contributions Receivable</b>	
	<b>From Employer:</b>	
9,200	Normal	9,063
376	Early Retirements	288
132	Recovery from PCC for Humberside	102
	<b>From Members:</b>	
5,226	Contributions	5,125
760	Individual Transfers in from Other Schemes	81
<b>15,694</b>		<b>14,659</b>
	<b>Benefits Payable</b>	
29,677	Pensions	30,251
4,914	Commutations	5,992
84	Lump Sum Death Benefits	-
4,305	GAD Revised Commutations & Interest	61
	<b>Payments To and On Account of Leavers</b>	
4	Refunds of Contributions	23
15	Individual Transfers Out	186
185	Scheme Pays	154
	Equivalent Premium	-
<b>39,184</b>		<b>36,667</b>
<b>23,490</b>	<b>Sub-total for the year before transfer from the PCC Group for Lincolnshire of amount equal to the deficit</b>	<b>22,008</b>
<b>(23,490)</b>	<b>Additional funding payable by the PCC Group for Lincolnshire to meet deficit for the year</b>	<b>(22,008)</b>
-	<b>Net Amount payable/(receivable) by the PCC Group for Lincolnshire</b>	-



## Disclosure Notes

- The operation of the Pension Fund for Police and Crime Commissioners in England and Wales is controlled by the Police Pension Fund Regulations 2007 (SI 2007 No 1932). It covers both old, new and Career Average Revalued Earnings (CARE) Police Officer occupational pension schemes but has no impact on the benefit structure of either scheme. The CARE scheme was introduced from 1 April 2015. This is the only scheme open to new officers. Existing officers will be brought into the scheme on 1 April 2015 unless they have full transitional protection or tapered protection. Injury and ill health awards continue to be paid from the PCC's operating account. The employer contribution rate is 24.2% of pensionable pay. Employees' contributions in the 1987 old scheme are either 14.25% or 15.05% of pensionable pay. In the 2006 new scheme employees contribute either 11%, 12.05% or 12.75% of pensionable pay. In the 2015 CARE scheme employees contribute either 12.44%, 13.44% or 13.78% of pensionable pay.
- The fund is administered locally by Lincolnshire Police. Salary deductions are made from members of the scheme, and payments are made to retiring officers and pensioners in accordance with Police Pension Fund Regulations 2007. Returns are made to the Home Office for the projected and actual costs in each year, and funds are transferred accordingly.
- There are no investment assets; the fund is balanced to nil each year by receipt of a pension top up grant from the Home Office (via PCC for Lincolnshire). Payments are made monthly to pensioners, with the pension fund entries being kept separate, outside of the PCC's general ledger accounts. Details of the PCC's long-term pension obligations can be found in the notes to the PCC's accounts (Note 51).
- The accounting policies followed are in accordance with Note 1.
- The Police Officer Pensions - Home Office Memorandum Account does not take account of liabilities to pay pensions and benefits after the period end.
- The net amount receivable of £5,032,200 is shown in PCC for Lincolnshire accounts as due from the Home Office.

2015/16 £000	Net Asset Statement as at 31 March	2016/17 £000
	<b>Net Current Assets and Liabilities</b>	
-	Pension benefits paid in advance	2,557
-	Receivable from PCC for Humberside	-
-	Creditors to the PCC for Lincolnshire	(2,557)
-	<b>Total</b>	-

## Glossary of Terms

Term	Definition
Accrual	An adjustment to ensure that expenditure and income are reflected in the appropriate accounting period.
Actuary/Actuarial	A person professionally qualified to advise on pension matters and undertakes calculations on pension costs, allowing for risk and demographic factors.
Amortisation	The measure of the wearing out, consumption, or other reduction in the useful economic life of Intangible Assets.
Audit Report	The Audit Commission are an independent body charged with auditing public sector organisations to ensure that proper stewardship is undertaken.
Back Rest Days	Due to the rescheduling of rest days Police Officers may accrue untaken rest days which they may accumulated over a number of years.
Balances	The total revenue Reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.
Capital Adjustment Account	A reserve primarily designed to represent timing differences between the amount of the historical cost of Property Plant and Equipment that has been consumed and the amount that has been financed in accordance with statutory requirements.
Capital Expenditure	Expenditure on assets, which have a long-term value. Includes the purchase of land, purchase or construction of new buildings and vehicles.
Capital Grants	Grants received towards capital outlay on a particular service or project.
Capital Receipts	Proceeds received from the sale of Property Plant and Equipment (assets which have value beyond one financial year).
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public service.
Collection Fund	A fund administered by each billing Authority. Council tax monies are paid into the fund. These are distributed to precepting and billing Authority's in proportion to the council tax set.
Creditors	Amounts owed by the PCC for work done, goods received or services rendered but for which payment has not been made at 31 March.
Debtors	Sums of money due to the PCC but unpaid at 31 March.
Depreciation	The measure of the wearing out, consumption, or other reduction in the useful economic life of Property, Plant and Equipment.

Direct Revenue Financing	This refers to financing of capital expenditure directly from revenue rather than loans or other sources.
Earmarked Reserves	The elements of total PCC's Reserves, which are retained for specific purposes.
EMSOU	East Midland Special Operations Unit
Finance lease	Where the conditions of the lease amount to recognising all the costs of an asset but legal title is with a third party.
Financial instruments	Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability of another. For local authorities, this will normally mean contracts which involve the right to transfer cash or other financial assets
Flexi Time	Police Staff may utilise the flexi time scheme to accrue additional hours worked that are held pending their utilisation at a future date.
FRS	Financial Reporting Standards, as agreed by the UK accountancy profession and the Accounting Standards Board.
Government Grants	Payments by Central Government towards the PCC's expenditure. They are receivable in respect of both revenue and capital expenditure.
IFRS	International Financial Reporting Standards: the accounting standards which determine the production and disclosure of financial statements.
Impairment	An adjustment to the value of long-term assets.
ISG	Integrated Scheme of Governance
JIAC	Joint Independent Audit Committee
Long-term Debtors	Sums of money due to the PCC originally repayable within a period in excess of twelve months and where payment is not due until future years.
Materiality	An item that is not material will not be relevant, cannot influence a user's decision and need not be reported in the financial statements.
Minimum Revenue Provision (MRP)	The statutory requirement to set aside a minimum revenue provision for the repayment of external loans.
Net Book Value	Long-term assets are depreciated in accordance with their asset life. The net book value is the value remaining after cumulative depreciation has been taken away.
Non Domestic Rates	Rates levied on business properties, collected by District Councils, which are then distributed amongst local authorities as income.

Non Operational Assets	Property, Plant and Equipment held by the PCC Group but not directly occupied, used or consumed in the delivery of services. These will include buildings under construction and surplus assets.
OJEU	Official Journal of the European Union
Operating lease	A lease where the asset is only used for part of its useful life, and lease payments amount to rental of the asset.
PCC Group	The Police and Crime Commissioner and the Chief Constable are separate legal entities. They are part of the same PCC Group whose combined accounts are presented collectively.
PEEL	Police effectiveness, efficiency and legitimacy board.
Precept	The amount levied by one authority which is collected by another. e.g. the PCC Group is the precepting authority and the District Councils are the collecting authorities.
Revaluation Reserve	A reserve designed to represent the amount by which the current value of long-term assets carried in the Balance Sheet is greater, because they are carried at revalued amounts rather than depreciated historical cost.
Revenue Contributions	The financing of capital expenditure directly from revenue rather than from loans or other sources.
Revenue Expenditure	The day to day expenditure of the PCC group on such items as employees and equipment.
Revenue Support Grant (RSG)	Grant paid by Central Government in aid of service provision.
Section 22 Agreement	Section 22 of the Police Act 1996 provides for joint working between police forces and/or Police & Crime Commissioners where, in the opinion of the Chief Constable or the Commissioner, collaboration would deliver greater efficiency or effectiveness.
Straight Line Depreciation	The writing down of Property, Plant and Equipment values by an equal amount for each year of that asset's life.
Strategic Partner	G4S are the strategic Partner with the Force since taking over the Police Support Services in 2012.
TOIL	Time Off In Lieu may be accrued by both Police Officers and Staff when working additional hours for which payment is not made.
WYPF	West Yorkshire Pension Fund
Virement	Transfers between budget headings, in accordance with Financial Regulations, reflecting changes in the PCC's expenditure plans.

