

Office of the  
**Police & Crime  
Commissioner**  
West Yorkshire

**Statement of Accounts  
2015/16**



# POLICE AND CRIME COMMISSIONER FOR WEST YORKSHIRE

## STATEMENT OF ACCOUNTS 2015/16

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**CERTIFICATION**  
**BY THE**  
**CHIEF FINANCE OFFICER AND THE**  
**POLICE AND CRIME COMMISSIONER FOR WEST**  
**YORKSHIRE**

The Accounts and Audit Regulations 2015, produced and enforceable under the Local Authority and Accountability Act 2014, require the Statement of Accounts to be signed by the officer responsible for the financial administration of the Accounts for the Police and Crime Commissioner for West Yorkshire and the Group, and by the person presiding at the meeting where the accounts are formally approved.

I certify that the Statement of Accounts set out on pages 19 to 95 represents a true and fair view of the financial position of the Police and Crime Commissioner for West Yorkshire and the Group as at 31 March 2016, and its income and expenditure for the year ended 31 March 2016.

**Katherine Johnson**  
**Chief Finance Officer for the Police and Crime Commissioner for West Yorkshire**

**Mark Burns-Williamson**  
**Police and Crime Commissioner for West Yorkshire**

## **Independent auditor's report to the Police and Crime Commissioner for West Yorkshire**

We have audited the financial statements of the Police and Crime Commissioner for West Yorkshire for the year ended 31 March 2016 on pages 19 to 95. 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 2015/16.

This report is made solely to the Police and Crime Commissioner 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 Police and Crime Commissioner those matters we are required to state to him 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 Police and Crime Commissioner for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner and the Group as at 31 March 2016 and of the Police and Crime Commissioner's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

### **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 96 to 104 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; 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 Police and Crime Commissioner for West Yorkshire's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Police and Crime Commissioner's responsibilities**

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

### **Auditor's responsibilities**

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

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the 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 2015, as to whether the Police and Crime Commissioner for West Yorkshire had proper arrangements to ensure he 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 Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2016.

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 Police and Crime Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, the Police and Crime Commissioner put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2016.

### **Delay in certification of completion of the audit**

#### **Due to work on the WGA Return not being completed by 15 August 2016**

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

**John Graham Prentice FCCA MBA**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

The Police and Crime Commissioner for West Yorkshire is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers (Chief Finance Officer) has the responsibility for the administration of those affairs;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Chief Finance Officer is responsible for preparation of the Statement of Accounts for the Police and Crime Commissioner for West Yorkshire in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee Code of Practice on Local Authority Accounting in the UK ('the Code of Practice').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;
- approved proper accounting procedures and records which were maintained and kept up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## NARRATIVE REPORT AND FINANCIAL REVIEW

### PREFACE

#### West Yorkshire's Police and Crime Commissioner Mark Burns-Williamson

West Yorkshire Police (WYP) has faced significant financial challenges since 2010. Savings have been made and efficiencies found but Government cuts of over £140m have cost communities across West Yorkshire over 2000 police officers and staff.

Since I was first elected in November 2012 however, I have protected frontline policing as a priority and I am pleased that this year I was able to protect the numbers of Police and Community Support Officers (PCSOs) and to recruit an extra 254 police officers.

I have been re-elected on the pledge to protect frontline policing and I will continue to work to rebuild neighbourhood policing numbers. I know people want more visible policing in our communities and I will work in closer partnership to make sure safeguarding resources are also protecting the most vulnerable and keeping our communities safer and feeling safer into the future.



Through my Safer Communities Fund I continue to put Proceeds of Crime back into our communities, giving the ill-gotten gains of criminals to local groups to prevent crime and anti-social behaviour, reduce re-offending and provide support to victims. I continue to put victims, in particular the most vulnerable, first and have funded a range of Victims Services, including Victims Hubs in city centres, and have funded with NHS England the first Sexual Assault Referral Service (SARC) in West Yorkshire.

I have invested monies in better tackling the previously emerging threats of Human Trafficking, Cyber Crime and Child Sexual Exploitation and I am currently undergoing an extensive consultation with people, the police and our partners, to find out more about their priorities and to reflect them in the Police and Crime Plan 2016-21 that sets the strategic direction for policing and community safety in the county.

We continue to face financial challenge. West Yorkshire is an area with some of the greatest policing and community safety needs and yet is one of the areas hardest hit. The government continues to allocate money unfairly and 'top slices' our budget to fund other organisations depriving West Yorkshire directly of at least £9m in 2016/17. That is why it is crucial we all work together for a fairer deal for our county.

West Yorkshire Police received 'good' ratings from Her Majesty's Inspectorate of Constabulary (HMIC) in the recent reports into protecting the public and effective use of resources. I know what a great job officers and staff in West Yorkshire Police and my office do, despite the challenges, and I will continue to make sure that we all work together to keep communities across West Yorkshire safer and feeling

### THE NARRATIVE REPORT

#### Overview from the Treasurer – Katherine Johnson

The financial climate remains challenging with forecasts of at least a 0.6% cash decrease in the main police grant each year between 2016 and 2020. Despite the significant funding reductions referred to in the Police and Crime Commissioner's foreword, through innovation



and partnership working the Police and Crime Commissioner continues to strive to ensure communities are safer and feeling safer.

In order to achieve this, during 2015/16 the Police and Crime Commissioner (PCC) has:

- Provided funding for recruiting 254 additional police officers in the 2016/17 budget.
- Protected the 2015/16 level of Police and Community Support Officers despite funding cuts from partner organisations in the 2016/17 budget.
- Given over £1m pounds of recovered Proceeds of Crime money to community groups and organisations working to keep communities safe.
- Provided additional funding to tackle Child Sexual Exploitation, Cyber Crime and Human Trafficking with specific teams funded through temporary funding in 2015/16 now being within the core budget from 2016/17.
- Improved road safety by investing over £2m in Automatic Number Plate Recognition (ANPR) cameras, including mobile ANPR cameras in vehicles.
- Continued to passport community safety funding to Local Authority partners to enable the Community Safety Partnerships to maintain valuable services to the people of West Yorkshire.

2015/16 was the first full year where the Ministry of Justice Victims and Witnesses Grant was provided to the PCC. With the £2.5m provided, the PCC has significantly improved access to services for victims across West Yorkshire. The key achievements include:

- Creating a local and national Anti-Trafficking and Modern Slavery Network to protect victims of human trafficking
- Maintaining a Help for Victims website ensuring people can access information contained within the Victims' Code and Witness Charter
- Raising awareness of Hate Crime and supporting victims through funding of £110,000 for local charities working with victims of hate crime
- Improving services for victims and witnesses with dedicated hubs
- Launching a Sexual Assault Referral Centre (SARC) in conjunction with NHS England to help victims and survivors of sexual offences in West Yorkshire
- Providing a wraparound service to enable victims of domestic and / or sexual violence to obtain longer term practical and emotional support
- Maintaining the core referral service to enable victims to access professional advice and guidance
- Ensuring restorative justice services are available in all five districts of West Yorkshire

West Yorkshire Police has continued to maintain performance levels and make further performance improvements in priority areas whilst facing the cuts in resources and increasing complexity in demand, including where safeguarding and local problem solving is delivered in conjunction with partners who are also facing austerity measures.

The Digital Transformation Programme has progressed significantly during 2015/16 and will continue to do so with further investment through the life of the Medium Term Financial Plan.

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It aims to provide information to help the reader understand the overarching financial position of the PCC (and West Yorkshire Police), and give confidence to the reader that the resources of West Yorkshire Police are effectively managed.

The style and format of the accounts complies with CIPFA standards and is similar to that of previous years. The structure of this Narrative Report is set out below.

1. Explanation of the PCC and Group
2. Introduction to West Yorkshire
3. Financial performance
4. Non financial performance

5. People
6. Corporate risks and uncertainties
7. Summary and conclusion

## **EXPLANATION OF THE PCC AND GROUP**

The Police & Crime Commissioner (PCC) and the Chief Constable are established as separate legal entities. The PCC is elected by the public every four years to secure the maintenance of an efficient and effective police force and to hold the Chief Constable to account for the exercise of his/her functions and those of persons under his/her direction and control. The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing services in the West Yorkshire Police area.

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

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

## **2. AN INTRODUCTION TO WEST YORKSHIRE**

The richness of the different people and places of West Yorkshire is the greatest strength of our area. Our cities, towns and villages include some of England's most beautiful landscapes and architecture and the diversity of the 2.3 million people living across the county - with 18 per cent of our population from a minority ethnic background - brings a distinctiveness and strength in difference in us together. Our communities have been enriched by successive generations of people from elsewhere and it is our diversity of people and places that has made West Yorkshire economically, socially and culturally what it is today.

Many people in West Yorkshire live in poverty and are isolated and many of our communities experience high levels of deprivation. Many of our Neighbourhood Policing Teams have high levels of deprivation compared to the national average.

## **3. FINANCIAL PERFORMANCE**

### **a. Economic climate**

Since 2010 West Yorkshire has faced significant financial challenges due to reductions in funding from central government along with increasing cost pressures and continual changes in the demand for policing. This period of austerity is continuing and is expected to last until at least 2020.

In the 2015 Comprehensive Spending Review the importance to the country of the police service was recognised and most welcome for the service as a whole. Despite the rhetoric that policing has been protected, a serious concern remains about the longer term pressures given the very significant reduction in the size of the Force, and the increasing demand and complexity of policing activity.

This change of direction from a funding perspective has enabled work to begin on rebuilding capability across West Yorkshire Police, not to the pre-austerity numbers, but to replace some of the numbers we have lost since 2010. The focus is now to build and expand capabilities to counter new and complex threats.

### **b. Financial Management**

West Yorkshire Police and West Yorkshire OPCC have robust and sound financial management practices. Comprehensive financial reports are submitted to the Chief Officer Team on a monthly basis and are provided frequently to the PCC, Medium Term Financial

Forecasts are refreshed regularly and decisions are taken based on current and future financial information.

West Yorkshire received a “good” rating from HMIC in their 2015/16 Police Effectiveness Efficiency & Legitimacy (PEEL) inspection.

### c. Revenue

#### Budget 2015/16

This was the fifth consecutive year of cuts to police funding. Home Office police grant was reduced by 5.1%. Funding for legacy council tax freeze grants was maintained at the same cash level as in previous years.

In contrast, the amount top-sliced by the Home Office to fund national initiatives and projects increased by £86 million.

In preparing the annual revenue budget full provision was included for pay and other inflationary increases and significant savings were identified through the Force’s Programme of Change in order to balance the budget.

The 2015/16 net budget requirement of £408.177m required cash savings of £39.96 million. The budget resulted in a reduction of 232 police officer posts and 274 police staff.

#### Revenue Outturn 2015/16

The following table provides a high level comparison between the approved budget and actual expenditure for the group. Those under the direct control of the PCC are prefaced with OPCC.

	Revised Estimate	Actual	Variation
	£'000	£'000	£'000
<b>GROUP NET SERVICE EXPENDITURE</b>			
Net Cost of Police Services	389,189	387,982	1,207
OPCC Direction and Control	202	182	20
OPCC Corporate and Democratic Core	1,652	1,500	152
OPCC Partnership Initiatives	6,390	6,390	0
	397,433	396,054	1,379
Interest Payable	3,925	3,934	(9)
Other Operating Costs	(10)	(10)	0
<b>GROUP NET EXPENDITURE</b>	<b>401,348</b>	<b>399,978</b>	<b>1,370</b>
<b>Less: Use of Reserves</b>			
Force Transformation	(6,698)	(4,620)	(2,078)
Devolution Reserve	(4,100)	0	(4,100)
VIPER Reserve	0	(414)	414
PFI Reserve	(259)	0	(259)
Dilapidation Reserve	(600)	0	(600)
Community Safety Fund	(1,632)	(1,137)	(495)
Partnership Executive Group	(500)	(192)	(308)
<b>Add: Contribution to Reserves</b>			
VIPER Reserve	0	818	(818)
PFI Reserve	1,510	2,414	(904)
Dilapidation Reserve	70	0	70
Capital Financing Reserve	5,183	0	5,183
Contribution / (Use of Balances)	11,008	8,483	2,525
<b>TOTAL GROUP NET EXPENDITURE</b>	<b>405,330</b>	<b>405,330</b>	<b>0</b>
<b>FINANCING</b>			
Police Grant	172,511	172,511	0
RSG	16,693	16,693	0
NNDR	130,053	130,053	0
Precept	86,073	86,073	0
<b>TOTAL GROUP FINANCING</b>	<b>405,330</b>	<b>405,330</b>	<b>0</b>

## Outlook – Medium Term Financial Forecast

The PCC's medium term financial forecast (MTFF) reflects the detail of the government announcements in the November Autumn Statement. While the budget balances in short term there is still a very significant challenge ahead to deliver the savings required and to improve performance in the face of further reductions in real terms to the overall budget. The MTFF balances for 2016/17 but is in deficit for all other years up to 2019/20. The Programme of Change activity is expected to achieve the savings needed to balance the budget from 2018/19 onwards. The MTFF reflects an increase in Police Officer recruitment and a commitment to maintain PCSO's at their current levels.

A high level summary of the MTFF is provided below.

	2016/2017 Estimate at Outturn £000	2017/2018 Estimate at Outturn £000	2018/2019 Estimate at Outturn £000	2019/2020 Estimate at Outturn £000
PAY	367,914	378,067	387,108	390,401
NON PAY	110,648	110,909	111,805	114,641
INCOME	(76,843)	(78,929)	(81,527)	(83,158)
<b>TOTAL FORCE BUDGET</b>	<b>401,718</b>	<b>410,047</b>	<b>417,386</b>	<b>421,884</b>
OFFICE OF THE PCC	1,624	1,627	1,630	1,632
COMMUNITY SAFETY FUND	5,266	5,239	5,213	5,187
SHARED SERVICES	213	213	213	213
<b>TOTAL OPCC AND SHARED SERVICES</b>	<b>7,104</b>	<b>7,080</b>	<b>7,056</b>	<b>7,033</b>
<b>NET BUDGET REQUIREMENT</b>	<b>408,822</b>	<b>417,126</b>	<b>424,442</b>	<b>428,917</b>
FUNDED BY				
POLICE GRANT	317,493	315,989	314,493	313,004
COLLECTION FUND SURPLUS/DEFICIT	1,129	1,129	1,129	1,129
PRECEPT REQUIREMENT	90,199	92,914	95,711	98,591
<b>TOTAL FUNDING</b>	<b>408,822</b>	<b>410,032</b>	<b>411,332</b>	<b>412,725</b>
<b>SHORTFALL</b>	<b>0</b>	<b>7,094</b>	<b>13,110</b>	<b>16,192</b>

All the assumptions underpinning the current MTFF will be revisited and updated quarterly as we continue work on the next budget cycle.

The annual revenue budget for 2016/17 of £408 million, which required a 3.6% increase in council tax, was approved by the Police and Crime Panel on the 5<sup>th</sup> February 2016.

The next few years will undoubtedly be extremely challenging and difficult, but work is in hand to make sure that our key priority services are maintained to the highest standards possible with the available funding. We will continue to be robust in driving out all possible savings from non-staff budgets and ensure that, as far as practicably possible, our staff are delivering the right service at the right time.

### d. Capital

In addition to spending on day to day activities, the PCC incurs expenditure on land and buildings, information technology and other items of plant and equipment which have a longer term life.

**Capital outturn 2015/16**

The following table shows the net capital position compared to the approved capital programme.

	Annual Budget £m	Annual Spend £m
Estates Schemes	4.866	6.421
Vehicles and Equipment	5.501	3.800
ICT Schemes	10.614	11.166
NPAS	9.968	15.035
	<b>30.949</b>	<b>36.422</b>

**Medium Term Capital Plan**

The PCC has approved a Medium Term Capital Plan (MTCP) costing £138.85m over the next four years, which will provide the Force with appropriate infrastructure and assets to deliver innovative policing strategies with fewer resources.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Estates Schemes	4.708	8.022	11.804	10.881	35.415
Vehicles and Equipment	2.977	3.262	2.526	2.260	11.025
ICT Schemes	15.712	9.842	3.461	2.691	31.706
NPAS	19.156	19.531	11.823	10.194	60.704
	<b>42.553</b>	<b>40.657</b>	<b>29.614</b>	<b>26.026</b>	<b>138.850</b>

**e. Group Balance Sheet**

The Balance Sheet is a snapshot of the Police and Crime Commissioner's assets, liabilities, cash balances and reserves at the balance sheet date. A high level summary is provided below.

<b>31 March 2015</b> <b>£000</b>		<b>31 March 2016</b> <b>£000</b>
262,387	Long Term Assets	268,288
149,180	Current Assets	162,434
(80,697)	Current Liabilities	(85,461)
(4,674,829)	Long Term Liabilities	(4,508,286)
(4,343,959)	Net Assets	(4,163,025)
(4,343,959)	Total Reserves	(4,163,025)

#### 4. Non Financial Performance

In 2015/16, West Yorkshire Police was rated as 'good' in each of the three pillars of effectiveness, efficiency and legitimacy in HM Inspectorate of Constabulary's (HMIC) annual PEEL assessments of the Force's performance.

Total recorded crime is 26% lower than it was 20 years ago and the Crime Survey for England and Wales continues to identify reduced risk of victimisation in West Yorkshire. This represents continued success despite the £140m budget reduction since 2009/10. Since November 2014 there has been month on month increases in recorded crime, in the main due to improved compliance with the National Crime Recording Standards (NCRS). The volume of crime recorded in the final quarter of 2015/16 was an increase of 24.4% on the same period last year, resulting in an overall increase in recorded crime in 2015/16 of 28.5% when compared to the previous year. This increase mirrors the experience nationally and our most similar group (MSG) of forces, with all but three forces seeing an increase in recorded crime in the latest 12 months.

Analysis of calls for service and recorded crime identify that the majority of the increase (which predominantly relates to violent crime, sexual offences, robbery, burglary, public order, damage, theft and miscellaneous crimes) is a result of efforts to ensure the Force complies with the national standard for crime recording. The volume of recorded crime has also been influenced by operational policy change relating to domestic abuse and increased victim preparedness to report crime. We estimate that, of the 28.5% increase so far this year, a 4% increase can be attributed to increased risk of becoming a victim of crime (largely cyber enabled violence and sexual offences, abusive images, vehicle crime, bicycle theft and other theft). This increasing trend in recorded crime is forecast to continue into 2016/17, as we embed processes that ensure consistency with the NCRS.

Compliance with the national crime recording standard (NCRS) continues to drive improvement in the quality and consistency of crime recording. HMIC's Crime Data Integrity inspection resulted in recommendations relating to NCRS monitoring and governance. These recommendations along with further improvement work has led to an increased likelihood of a call for service becoming a recorded crime (particularly in relation to sexual offences and domestic burglary), an improvement in audit findings (generally from FAIR to GOOD/EXCELLENT) and a crime profile that is more in line with that nationally.

A key priority has been to reduce the level of domestic burglary and a 1.4% reduction in 2014/15 took the level to a 31 year low. The long-term reducing trend for domestic burglary had continued to October 2014 however, since that time, there has been an increasing trend, in the main, due to compliance with the NCRS. Recorded domestic burglary increased by 10.9% in the final quarter of 2015/16, bringing the increase for the year to 10.7%.

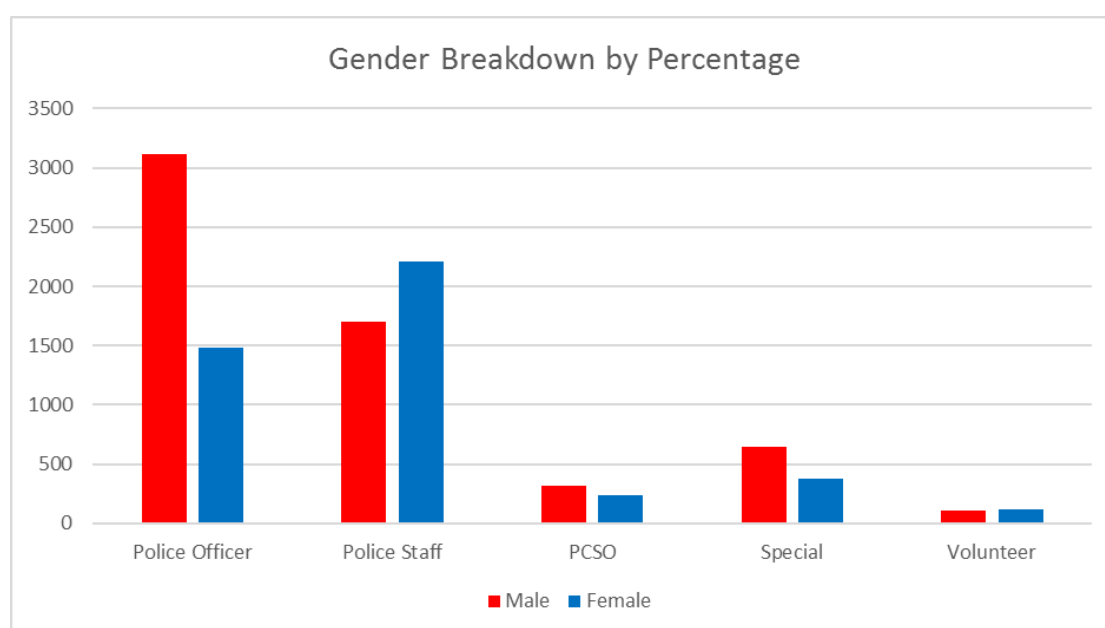
Overall victim satisfaction has been maintained at the particularly high level achieved since mid-2012/13, with a year-end result for 2014/15 of 87.8%. The Force has seen a reduction in overall victim satisfaction during this year (to stand at 84.3% by year end). This reduction is largely attributed to vehicle crime victim satisfaction (see section 6). Despite the reduction, the Force has maintained 3rd highest position in the MSG (as at 31 December 2015), for overall victim satisfaction and for victims from a BME and white ethnic background.

## 5. PEOPLE

At 31st March 2016 West Yorkshire Police employed 9,061 people in full and part time contracts. We also had 1,030 unpaid members of the special constabulary and 230 volunteers giving a total workforce of 10,321.

Below is the make-up of the Police workforce.

	Workforce	Full Time Equivalent
Police Officers	4596	4478
Police Staff	3908	3549
PCSO's	557	533
<b>Paid Employees</b>	<b>9061</b>	<b>8560</b>
Special Constabulary	1030	
Volunteers	230	
<b>Total Workforce</b>	<b>10321</b>	



## 6. PRINCIPAL RISKS AND UNCERTAINTIES

A risk management strategy is in place to identify and evaluate risk. Risks are managed and monitored through a quarterly risk management meeting chaired by the Police and Crime Commissioner. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact.

Force risks are managed and monitored through a quarterly risk management group chaired by the Deputy Chief Constable. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact.

These are being actively managed by the Chief Constable's Leadership Team, the Risk Management Group and quarterly updates are provided to the Police and Crime Commissioner's "Good Governance Group" and the Joint Independent Audit Committee

## **7. SUMMARY AND CONCLUSION**

West Yorkshire Police continue to deliver effective financial management to support the delivery of the CC Policing Strategy and the PCC Police and Crime Plan. The OPCC Executive and Chief Officer team are fully engaged with the budgeting process to ensure resources are directed to priority areas.

In January 2016 HMIC published their State of Policing report which summarised the results of their Police Effectiveness, Efficiency and Legitimacy (PEEL) inspection. West Yorkshire was assessed as good in the three pillars of efficiency, effectiveness and legitimacy.

The resources available to police forces, and particularly West Yorkshire, have reduced significantly since March 2010 and we are currently delivering policing services within a budget that has been reduced by £140m (to March 2016). This has resulted in a reduction in police officer strength (headcount), from 5,815 at 31 March 2010 to stand at 4,596 as at 31 March 2016 (a reduction of 1,219 officers) In reshaping our organisation to work within a reducing budget, we have sought to deliver savings in back-office and operational support areas whilst seeking to protect frontline delivery. The latest medium term financial forecast, which covers the four year period 2016/17 to 2019/20, provides for some reinvestment in priority areas including up to 600 police officers, enhancement of cyber and safeguarding capability. Despite the financial challenges the PCC continues to maintain a healthy level of cash balances which will be used in a judicious manner in future years to help manage the budget and deliver the PCC's Police and Crime Plan priorities. The financial outlook remains challenging but I am confident that the Chief Constable, PCC and their respective leadership teams will continue to deliver strong and effective financial management in order to maintain an appropriate level of funding for essential operational services.



## **EXPLANATION OF ACCOUNTING STATEMENTS**

The Accounts and Audit Regulations 2015 require the Police and Crime Commissioner (PCC), and Chief Constable (CC) to produce a Statement of Accounts each financial year. These statements contain a number of different elements which are explained below.

### **Statement of Accounts**

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 2013;
- The Police and Crime Commissioner's Scheme of Delegation and Financial Regulations

Within the Group the PCC and the CC have separate single entity financial statements. This reflects the fact that they are two separate corporations sole.

The Police and Crime Commissioner is responsible for the finances of the whole Group and controls the assets, liabilities and reserves. The Police and Crime Commissioner receives all income and funding and makes all payments for the Group from the Police Fund. In turn the Chief Constable fulfils his functions under the Police Reform and Social Responsibility Act within an annual budget agreed by the Police and Crime Commissioner. A scheme of consent is in operation between the two bodies determining their respective responsibilities.

During 2015/16 the vast majority of police staff were under the direction and control of the Chief Constable, and these costs are shown in the Chief Constables Comprehensive Income and Expenditure Statement.

A small team of staff also supports the Police and Crime Commissioner, shown separately as the corporate and democratic core within the PCC's statements.

This document contains two sets of accounts; the Police and Crime Commissioners single entity accounts and the Group accounts which incorporates the accounts produced by the Chief Constable.

The single entity statements comprise of:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement

The contents of these statements is explained below.

### **Group Accounts**

The Chief Constable for West Yorkshire is a wholly owned subsidiary of the Police and Crime Commissioner. The accounts of these two bodies are consolidated on a line by line basis with intergroup balances and transactions eliminated in full. They share a common year end of 31<sup>st</sup> March and apply uniform accounting policies. The group accounts are prepared in accordance with chapter nine of the Code of Practice.

The consolidated Group financial statements consist of:

**Movement in Reserves Statement**

This statement is a summary of the changes to the PCC's and Group's reserves over the course of the year. Reserves are divided into 'usable' reserves which can be invested in capital projects or service improvements, and ' unusable' reserves which must be set aside for a specific purpose.

**Comprehensive Income and Expenditure Statement (CIES)**

This statement records all of the income and expenditure within the year for the PCC and Group. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Police and Crime Commissioner and Group raises taxation to cover expenditure in accordance with regulations; this may be different from accounting cost. The taxation position is shown in the Movement in Reserves Statement.

**Balance Sheet**

The Balance Sheet is a snap shot of the PCC's and Group's assets, liabilities, cash balances and reserve as at 31 March 2016.

**Cash Flow Statement**

The Cash Flow Statement shows the reason for changes in cash and cash equivalents of the PCC and Group during the year, and whether the change is due to operating activities, new investment, or financial activities (such as repayment of borrowing and other long term liabilities).

**The Supplementary Financial Statements** are:

**Annual Governance Statement**

This sets out the key governance structures of the PCC and Group and key internal controls.

**Pension Fund Accounts**

This reports sets out the financial position of the Police Pension Fund as at 31 March 2016.

**Revenue Accounts**

Showing a summary of the lead force collaborative regional and national revenue accounts.

**Notes**

Notes to the financial statements provide more detail about the PCC's and Group's accounting policies and individual transactions.

Further information about the accounts is available from:

Katherine Johnson  
Treasurer,  
Ploughland House,  
62 George Street,  
Wakefield.  
Telephone 01924 294000.  
E-mail [katherine.johnson@westyorkshire.pcc.gov.uk](mailto:katherine.johnson@westyorkshire.pcc.gov.uk)

## **SINGLE ENTITY STATEMENTS FOR THE POLICE AND CRIME COMMISSIONER FOR WEST YORKSHIRE**

The notes to the single entity statements are disclosed within the Group Statements

The accounting policies for the single entity statements are as detailed for the Group consolidated statements

### **Movement in Reserves Statement for the Police and Crime Commissioner for West Yorkshire (Single Entity)**

	Police Fund Balance	Earmarked Reserves	Deferred Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund/ Adjustment Account	Pension Reserve	Accumulated Absences Adjustment Account	Total Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2014</b>	20,463	61,287	4,100	1,358	<b>87,208</b>	45,072	(4,052)	(307)	1,315	(2,353)	(26)	<b>39,647</b>	<b>126,855</b>
<b>Movement in Reserves during 2014/15</b>													
Surplus or (deficit) on the provision of services	14,602	0	0	0	<b>14,602</b>	0	0	0	0	0	0	<b>0</b>	<b>14,602</b>
Other Comprehensive Income and Expenditure	0	0	0	0	<b>0</b>	2,762	0	0	0	(1,444)	0	<b>1,320</b>	<b>1,320</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>14,602</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,602</b>	<b>2,762</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,444)</b>	<b>0</b>	<b>1,320</b>	<b>15,922</b>
Adjustments between accounting basis & funding basis under regulations	(1,602)	0	3,202	(1,299)	<b>300</b>	(3,651)	3,811	(10)	(75)	(334)	(41)	<b>(300)</b>	<b>0</b>
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>13,000</b>	<b>0</b>	<b>3,202</b>	<b>(1,299)</b>	<b>14,902</b>	<b>(889)</b>	<b>3,811</b>	<b>(10)</b>	<b>(75)</b>	<b>(1,778)</b>	<b>(41)</b>	<b>1,020</b>	<b>15,922</b>
Transfers (to)/from Earmarked Reserves (Note 8)	(7,263)	7,263	0	0	<b>0</b>	0	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Increase/Decrease in 2014/15</b>	<b>5,737</b>	<b>7,263</b>	<b>3,202</b>	<b>(1,299)</b>	<b>14,902</b>	<b>(889)</b>	<b>3,811</b>	<b>(10)</b>	<b>(75)</b>	<b>(1,778)</b>	<b>(41)</b>	<b>1,020</b>	<b>15,922</b>
<b>Balance at 31 March 2015 C/fwd</b>	<b>26,200</b>	<b>68,550</b>	<b>7,302</b>	<b>59</b>	<b>102,110</b>	<b>44,183</b>	<b>(241)</b>	<b>(317)</b>	<b>1,240</b>	<b>(4,131)</b>	<b>(67)</b>	<b>40,667</b>	<b>142,777</b>

## Movement in Reserves Statement for the Police and Crime Commissioner for West Yorkshire (Single Entity)

	Police Fund Balance	Earmarked Reserves	Deferred Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Adjustment Account	Total Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2015</b>	26,200	68,550	7,302	59	102,110	44,183	(241)	(317)	1,240	(4,131)	(67)	40,667	<b>142,777</b>
<b>Movement in Reserves during 2015/16</b>													
Surplus or (deficit) on the provision of services	20,089	0	0	0	20,089	0	0	0	0	0	0	0	<b>20,089</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	(5,708)	0	0	0	845	0	(4,861)	<b>(4,861)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>20,089</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,089</b>	<b>(5,708)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>845</b>	<b>0</b>	<b>(4,861)</b>	<b>15,228</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	(14,739)	0	490	147	(14,102)	(4,475)	18,519	(10)	464	(385)	(11)	14,102	<b>0</b>
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>5,350</b>	<b>0</b>	<b>490</b>	<b>147</b>	<b>5,987</b>	<b>(10,183)</b>	<b>18,519</b>	<b>(10)</b>	<b>464</b>	<b>460</b>	<b>(11)</b>	<b>9,241</b>	<b>15,228</b>
Transfers (to)/from Earmarked Reserves (Note 8)	3,132	(3,132)	0	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>Increase/Decrease in 2015/16</b>	<b>8,482</b>	<b>(3,132)</b>	<b>490</b>	<b>147</b>	<b>5,987</b>	<b>(10,183)</b>	<b>18,519</b>	<b>(10)</b>	<b>464</b>	<b>460</b>	<b>(11)</b>	<b>9,241</b>	<b>15,228</b>
<b>Balance at 31 March 2016 C/fwd</b>	<b>34,682</b>	<b>65,418</b>	<b>7,792</b>	<b>206</b>	<b>108,098</b>	<b>34,000</b>	<b>18,277</b>	<b>(327)</b>	<b>1,704</b>	<b>(3,672)</b>	<b>(76)</b>	<b>49,906</b>	<b>158,004</b>

Comprehensive Income and Expenditure Statement for the Police and Crime Commissioner for West Yorkshire (Single Entity)								
2014/15					2015/16			
Police & Crime Commissioner			CC		Police & Crime Commissioner			CC
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Net Expenditure £000
5,354	(17,846)	(12,492)	231,287	Local Policing	4,469	(20,535)	(16,066)	231,549
769	(1,652)	(883)	33,222	Dealing with the Public	654	(1,702)	(1,048)	33,895
958	(7,205)	(6,247)	41,368	Criminal Justice Arrangements	726	(8,159)	(7,433)	37,599
184	(3,179)	(2,995)	7,934	Roads Policing	94	(3,714)	(3,620)	4,878
361	(4,699)	(4,338)	15,595	Specialist Operations	239	(5,641)	(5,402)	12,401
504	(1,944)	(1,440)	21,766	Intelligence	394	(1,345)	(951)	20,405
2,367	(13,571)	(11,204)	102,239	Investigations	2,010	(13,216)	(11,206)	104,136
502	(10,496)	(9,994)	21,801	Investigative Support	471	(10,072)	(9,601)	24,399
1,655	(58,993)	(57,338)	71,791	National Policing	1,392	(60,302)	(58,910)	72,125
1,682	(88)	1,594	0	Corporate and Democratic core	1,766	(65)	1,701	0
0	0	0	3,528	Non Distributed costs (Note 36)	0	0	0	4,378
14	0	14	457	Pension Costs Past Service Costs	5	0	5	16,478
<b>14,350</b>	<b>(119,673)</b>	<b>(105,323)</b>	<b>550,988</b>	<b>Net cost of policing services from Total Operations</b>	<b>12,220</b>	<b>(124,751)</b>	<b>(112,531)</b>	<b>562,243</b>
550,988	0	550,988	0	Group expenditure not under the direction and control of the PCC	562,243	0	562,243	0
0	0	0	(550,988)	Intra-group funding	0	0	0	(562,243)
<b>565,338</b>	<b>(119,673)</b>	<b>445,665</b>	<b>0</b>	<b>Net cost of policing services</b>	<b>574,463</b>	<b>(124,751)</b>	<b>449,712</b>	<b>0</b>
		60,932	0	Other operating expenditure (Note 9)			97,585	0
		8,562	186,343	Financing and investment income and expenditure (Note 10)			10,555	140,706
		(493,223)	0	Taxation and non-specific grant income (Note 11)			(523,303)	0
		<b>21,936</b>	<b>186,343</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>34,549</b>	<b>140,706</b>
		(2,762)	0	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			5,708	0
		0	0	(Surplus) or deficit on revaluation of available for sale financial assets			0	0
		1,444	47,111	Actuarial (gains)/losses on pension assets/liabilities			(844)	(361,053)
		<b>(1,318)</b>	<b>47,111</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>4,864</b>	<b>(361,053)</b>
		<b>20,618</b>	<b>233,454</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>39,413</b>	<b>(220,347)</b>

254,072

## Balance Sheet for the Police and Crime Commissioner for West Yorkshire (Single Entity)

31 March 2015 £000		Notes	31 March 2016 £000
248,442	Property, Plant & Equipment	12	250,901
1,628	Intangible Assets	13	1,923
0	Long Term Investments	14	0
12,317	Long Term Debtor	16	15,464
<b>262,387</b>	<b>Long Term Assets</b>		<b>268,288</b>
91,756	Short Term Investments	14	82,377
736	Assets Held for Sale	12	486
1,846	Inventories	15	1,486
52,257	Short Term Debtors	16	64,823
2,585	Cash and Cash Equivalents	17	13,262
<b>149,180</b>	<b>Current Assets</b>		<b>162,434</b>
(246)	Cash and Cash Equivalents	17	(4,648)
(9,537)	Short Term Borrowing	14	(423)
(46,238)	Short Term Creditors	18	(54,388)
(1,863)	Short Term PFI Finance Lease Liability	34	(2,076)
(6,166)	Provisions	19	(6,202)
<b>(64,050)</b>	<b>Current Liabilities</b>		<b>(67,737)</b>
(12,317)	Long Term Creditors	18	(15,464)
(2,000)	Long Term Provisions	19	(2,000)
(87,242)	Long Term Borrowing	14	(86,872)
(99,049)	Long Term PFI Finance Lease Liability	34	(96,973)
(4,131)	Other Long Term Liabilities	14	(3,673)
<b>(204,739)</b>	<b>Long Term Liabilities</b>		<b>(204,982)</b>
<b>142,778</b>	<b>Net Assets</b>		<b>158,003</b>
102,111	Usable Reserves	20	108,098
40,667	Unusable Reserves	21	49,905
<b>142,778</b>	<b>Total Reserves</b>		<b>158,003</b>

## Cash Flow Statement for the Police and Crime Commissioner for West Yorkshire (Single Entity)

2014/15		2015/16
£000		£000
208,279	Net (surplus) or deficit on the provision of services	175,255
(242,568)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(200,708)
(5,227)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities.	(9,491)
<b>(39,516)</b>	<b>Net Cash flows from Operating Activities (Note 22)</b>	<b>(34,944)</b>
17,976	Investing Activities (Note 23)	6,153
19,555	Financing Activities (Note 24)	22,515
<b>(1,985)</b>	<b>Net (Increase) or decrease in cash and cash equivalents</b>	<b>(6,276)</b>
(354)	Cash and cash equivalents at the beginning of the reporting period	(2,339)
<b>(2,339)</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 17)</b>	<b>(8,615)</b>

## THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

### Movement in Reserves Statement for the Police and Crime Commissioner Group

	Police Fund Balance	Earmarked Reserves	Deferred Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Adjustment Account	Total Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2014</b>	20,463	61,287	4,100	1,358	<b>87,208</b>	45,072	(4,053)	(307)	1,315	(4,206,157)	(12,967)	<b>(4,177,097)</b>	<b>(4,089,889)</b>
<b>Movement in Reserves during 2014/15</b>													
Surplus or (deficit) on the provision of services	(208,279)	0	0	0	<b>(208,279)</b>	0	0	0	0	0	0	0	<b>(208,279)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	<b>0</b>	2,762	0	0	0	(48,555)	0	<b>(45,793)</b>	<b>(45,793)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(208,279)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(208,279)</b>	<b>2,762</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(48,555)</b>	<b>0</b>	<b>(45,793)</b>	<b>(254,072)</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	221,279	0	3,202	(1,299)	<b>223,182</b>	(3,651)	3,810	(10)	(75)	(219,509)	(3,747)	<b>(223,182)</b>	<b>0</b>
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>13,000</b>	<b>0</b>	<b>3,202</b>	<b>(1,299)</b>	<b>14,903</b>	<b>(889)</b>	<b>3,810</b>	<b>(10)</b>	<b>(75)</b>	<b>(268,064)</b>	<b>(3,747)</b>	<b>(268,975)</b>	<b>(254,072)</b>
Transfers (to)/from Earmarked Reserves (Note 8)	(7,263)	7,263	0	0	<b>0</b>	0	0	0	0	0	0	0	<b>0</b>
<b>Increase/Decrease in 2014/15</b>	<b>5,737</b>	<b>7,263</b>	<b>3,202</b>	<b>(1,299)</b>	<b>14,903</b>	<b>(889)</b>	<b>3,810</b>	<b>(10)</b>	<b>(75)</b>	<b>(268,064)</b>	<b>(3,747)</b>	<b>(268,975)</b>	<b>(254,072)</b>
<b>Balance at 31 March 2015 C/fwd</b>	<b>26,200</b>	<b>68,550</b>	<b>7,302</b>	<b>59</b>	<b>102,111</b>	<b>44,183</b>	<b>(243)</b>	<b>(317)</b>	<b>1,240</b>	<b>(4,474,221)</b>	<b>(16,714)</b>	<b>(4,446,071)</b>	<b>(4,343,960)</b>



## Movement in Reserves Statement for the Police and Crime Commissioner Group

	Police Fund Balance	Earmarked Reserves	Deferred Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Adjustment Account	Total Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2015</b>	26,200	68,550	7,302	59	102,111	44,183	(243)	(317)	1,240	(4,474,221)	(16,713)	(4,446,071)	(4,343,960)
<b>Movement in Reserves during 2015/16</b>													
Surplus or (deficit) on the provision of services	(175,255)	0	0	0	(175,255)	0	0	0	0	0	0	0	(175,255)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(5,708)	0	0	0	361,898	0	356,190	356,190
<b>Total Comprehensive Income and Expenditure</b>	<b>(175,255)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(175,255)</b>	<b>(5,708)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>361,898</b>	<b>0</b>	<b>356,190</b>	<b>180,935</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	180,605	0	490	147	181,242	(4,475)	18,519	(10)	464	(194,653)	(1,087)	(181,242)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>5,350</b>	<b>0</b>	<b>490</b>	<b>147</b>	<b>5,987</b>	<b>(10,183)</b>	<b>18,519</b>	<b>(10)</b>	<b>464</b>	<b>167,245</b>	<b>(1,087)</b>	<b>174,948</b>	<b>180,935</b>
Transfers (to)/from Earmarked Reserves (Note 8)	3,132	(3,132)	0	0	0	0	0	0	0	0	0	0	0
<b>Increase/Decrease in 2015/16</b>	<b>8,482</b>	<b>(3,132)</b>	<b>490</b>	<b>147</b>	<b>5,987</b>	<b>(10,183)</b>	<b>18,519</b>	<b>(10)</b>	<b>464</b>	<b>167,245</b>	<b>(1,087)</b>	<b>174,948</b>	<b>180,935</b>
<b>Balance at 31 March 2016 C/fwd</b>	<b>34,682</b>	<b>65,418</b>	<b>7,792</b>	<b>206</b>	<b>108,098</b>	<b>34,000</b>	<b>18,277</b>	<b>(327)</b>	<b>1,704</b>	<b>(4,306,976)</b>	<b>(17,800)</b>	<b>(4,271,123)</b>	<b>(4,163,025)</b>

This statement shows the movement in the year to 31<sup>st</sup> March 2016 on the different reserves held by the Group, analysed into usable reserves and unusable reserves.

## Group Comprehensive Income and Expenditure Statement for the Police and Crime Commissioner Group

2014/15				2015/16		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
236,641	(17,846)	218,795	Local Policing	236,018	(20,535)	215,483
33,991	(1,652)	32,339	Dealing with the Public	34,549	(1,702)	32,847
42,326	(7,205)	35,121	Criminal Justice Arrangements	38,325	(8,159)	30,166
8,118	(3,179)	4,939	Roads Policing	4,972	(3,714)	1,258
15,956	(4,699)	11,257	Specialist Operations	12,640	(5,641)	6,999
22,270	(1,944)	20,326	Intelligence	20,799	(1,345)	19,454
104,606	(13,571)	91,035	Investigations	106,146	(13,216)	92,930
22,303	(10,496)	11,807	Investigative Support	24,870	(10,072)	14,798
73,446	(58,993)	14,453	National Policing	73,517	(60,302)	13,215
1,682	(88)	1,594	Corporate and Democratic core	1,766	(65)	1,701
3,528	0	3,528	Non Distributed Costs (Note 36)	4,378	0	4,378
471	0	471	Pension Costs Past Service Costs	16,483	0	16,483
<b>565,338</b>	<b>-119,673</b>	<b>445,665</b>	<b>Net cost of policing services from Total Operations</b>	<b>574,463</b>	<b>(124,751)</b>	<b>449,712</b>
		60,932	Other operating expenditure (Note 9)			97,585
		194,905	Financing and investment income and expenditure (Note 10)			151,261
		(493,223)	Taxation and non-specific grant income (Note 11)			(523,303)
		<b>208,279</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>175,255</b>
		(2,763)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			5,707
		0	(Surplus) or deficit on revaluation of available for sale financial assets			0
		48,555	Actuarial (gains)/losses on pension assets/liabilities			(361,897)
		<b>45,792</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(356,190)</b>
		<b>254,071</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(180,935)</b>

The above Comprehensive Income and Expenditure Statement shows the accounting cost in the year to 31 March 2016 of providing service for the Group.

## Balance Sheet for the Police and Crime Commissioner Group

31 March 2015			31 March 2016
£000		Notes	£000
248,442	Property, Plant & Equipment	12	250,901
1,628	Intangible Assets	13	1,923
0	Long Term Investments	14	0
12,317	Long Term Debtor	16	15,464
<b>262,387</b>	<b>Long Term Assets</b>		<b>268,288</b>
91,756	Short Term Investments	14	82,377
736	Assets Held for Sale	12	486
1,846	Inventories	15	1,486
52,257	Short Term Debtors	16	64,823
2,585	Cash and Cash Equivalents	17	13,262
<b>149,180</b>	<b>Current Assets</b>		<b>162,434</b>
(246)	Cash and Cash Equivalents	17	(4,648)
(9,537)	Short Term Borrowing	14	(423)
(62,885)	Short Term Creditors	18	(72,112)
(1,863)	Short Term PFI Finance Lease Liability	34	(2,076)
(6,166)	Provisions	19	(6,202)
<b>(80,697)</b>	<b>Current Liabilities</b>		<b>(85,461)</b>
(12,317)	Long Term Creditors	18	(15,464)
(2,000)	Long Term Provisions	19	(2,000)
(87,242)	Long Term Borrowing	14	(86,872)
(99,049)	Long Term PFI Finance Lease Liability	34	(96,973)
(4,474,221)	Other Long Term Liabilities	14	(4,306,977)
<b>(4,674,829)</b>	<b>Long Term Liabilities</b>		<b>(4,508,286)</b>
<b>(4,343,959)</b>	<b>Net Assets</b>		<b>(4,163,025)</b>
102,111	Usable Reserves	20	108,098
(4,446,070)	Unusable Reserves	21	(4,271,123)
<b>(4,343,959)</b>	<b>Total Reserves</b>		<b>(4,163,025)</b>

The Balance Sheet shows the value as at 31 March 2016 of the assets and liabilities recognised by the Police and Crime Commissioner Group.

## Cash Flow Statement for the Police and Crime Commissioner Group

2014/15		2015/16
£000		£000
208,279	Net (surplus) or deficit on the provision of services	175,255
(242,568)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(200,708)
(5,227)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities.	(9,491)
<b>(39,516)</b>	<b>Net Cash flows from Operating Activities (Note 22)</b>	<b>(34,944)</b>
17,976	Investing Activities (Note 23)	6,153
19,555	Financing Activities (Note 24)	22,515
<b>(1,985)</b>	<b>Net (Increase) or decrease in cash and cash equivalents</b>	<b>(6,276)</b>
(354)	Cash and cash equivalents at the beginning of the reporting period	(2,339)
<b>(2,339)</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 17)</b>	<b>(8,615)</b>

The Cash Flow Statement shows the changes in cash and cash equivalents of the Police and Crime and Commissioner and Group during the reporting period.

As all bank and cash transactions are held and managed by the Police and Crime Commissioner there is no distinction between the Police and Crime Commissioner and Group movements.

## NOTES TO THE ACCOUNTS

Where the Notes for the PCC single entity Accounts differ to that of the Groups, single entity detail will be included within the Group Note, otherwise the single entity Note is the same as the Group Note.

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**EXPLANATION OF ADJUSTMENTS FROM A PREVIOUS PERIOD**

The Statement of Accounts for 2015/16 have been prepared following the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

There are no adjustments from a previous period.

## 2 **ACCOUNTING POLICIES**

### 2.1 **General**

The Police and Crime Commissioner for West Yorkshire (PCC) is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 and those Regulations require that they are to be prepared in accordance with proper accounting practices.

These financial statements have been prepared in accordance with the Code of Practice 2015/16 (the Code) on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotlans) Accounts Advisory Committee (LASAAC), the Accounts and Audit Regulations 2015 and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP). The accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS).

Where the code permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Group for the purposes of giving a true and fair view has been selected.

### 2.2 **Convention**

These financial statements have been prepared on a going concern basis, under the historical cost convention modified to account for the revaluation of certain categories of non-current assets and financial instruments.

### 2.3 **The West Yorkshire Police Group**

The West Yorkshire Police Group comprises two corporations sole: the Police and Crime Commissioner for West Yorkshire and the Chief Constable of West Yorkshire.

Both bodies are required to prepare a separate Statement of Accounts. Within this report there are three sets of financial statements, representing the accounts of:

- The Police and Crime Commissioner for West Yorkshire (the parent);
- The Chief Constable of West Yorkshire (the subsidiary); and,
- The West Yorkshire Police Group.

The financial statements cover the 12 months to the 31 March 2016. The term 'Group' is used to indicate the aggregated transactions and policies of the PCC and the CC.

The identification of PCC as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities given to him under the Police Reform and Social Responsibility Act 2011.

The principal accounting policies adopted are set out below, and apply to both organisations.

### 2.4 **Accounting Principles**

#### ***Balance Sheet***

Statutory and local arrangements and practice determine that the PCC holds and maintain direct control of all the assets, liabilities and reserves at the balance sheet date.

Special arrangements exist in relation to the employee related liabilities (pension and accumulated absences) which are under the direction and control of the Chief Constable, which, in line with CIPFA guidance, are shown in the Chief Constable's balance sheet.

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Based on the statutory powers and responsibilities as designated by the Police Reform and Social Responsibility Act 2011, and the local agreements and practice in place, and taking account of the guidance included in the Code, it has been determined that all the assets, liabilities and reserves are recognised on the PCC Balance Sheet other than liabilities relating to staff within the employment of the Chief Constable. These are recognised in the Chief Constable's balance sheet, although ultimate responsibility for the liability remains with the PCC Group.

All payments for the Group are made by the PCC from the PCC Police Fund and all income and funding is received by PCC. The PCC has the responsibility for managing the financial relationships with third parties and has legal responsibility for discharging the contractual terms and conditions of suppliers. The PCC also has a statutory responsibility for Treasury Management, and the management of cash and cash equivalents.

As a result, working capital balances are shown on the balance sheet of the PCC.

### ***Comprehensive Income and Expenditure Statement (CIES)***

Under the Police Reform and Social Responsibility Act 2011, the CC is responsible to the PCC for the day to day provision of the policing functions, including direction and control of police officers. To facilitate this, the PCC has delegated certain powers over authorisation of revenue expenditure within the agreed budget, and direction and control over police staff to the CC's Assistant Chief Officer, Finance and Business Services.

Based on the statutory powers and responsibilities as designated by the Act, and the local agreements and practice in place, and taking account of the guidance included in the Code, it has been determined that expenditure related to the Cost of Police Services will be shown in the CC comprehensive income and expenditure statement, funded by an equal and opposite credit from the PCC. All income and funding and expenditure directly controlled by the PCC (which is largely that expenditure which occurs below Cost of Police Services in the Group CIES) will be shown in the PCC Single Entity CIES.

The Group CIES shows the consolidated income, funding and expenditure of the whole Group.

### ***Intra-Group Charges***

PCC makes charges to CC:

- for the use of Long Term Assets. These are based on running costs of the building used.
- for the current service cost of providing retirement benefits to employees

CC makes charges to PCC:

- for the cost of policing services

These charges are eliminated in the Group accounts.

## **2.5 New International Accounting Standards adopted for the first time in this financial period**

The Code requires adoption of the following Accounting Standards in the 2015/16 accounts:

- IFRS 13 Fair Value Measurement (adoption deferred from 2014/15 to 2015/16 statements).
- IFRIC 21 Levies

The following annual improvements are also required under the code:

- IFRS 1 – Meaning of Effective IFRSs



- IFRS 3 – Scope Exceptions for Joint Ventures
- IFRS 13 – Portfolio Exception (para 52 scope)
- IAS 40 – Interrelationships of IFRS3, Business Exceptions, and IAS 40 Investment Property.

These have been adopted, but have had no impact on the Group Accounts.

## **2.6 Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

In the application of the accounting policies, management is required to make judgements, estimates and assumptions about complex transactions or those involving uncertainty about future events. These are set out in Note 4 to the Accounts.

## **2.7 Changes in Accounting Policy**

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

## **2.8 Accruals of Income and Expenditure**

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

- Fees, charges and rents due are accounted for as income at the date the goods or services are provided.
- 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.
- Interest payable on borrowings and receivable on investments is accounted for as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 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.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Precept: The accrued income for the year is shown in the Comprehensive Income and Expenditure Statement, and the difference between that and the demand on the Collection Funds (calculated in accordance with regulations) is taken to a Collection Fund Adjustment Account. The Balance Sheet also reflects the balance owed to/by PCC, since the cash paid in year is the share of cash collected from council tax payers. This does not affect the overall financial position.

## **2.9 Acquisitions and Discontinued Operations**

PCC acts as the Lead Local Policing Body, responsible for the provision of the National Police Air Service. This has been undertaken under a collaboration agreement as opposed to forming a separate entity. As part of a phased approach PCC has acquired the airframes which belonged previously to the various UK Police Authorities, in return for a long term capital rebate payment. Other Forces buy in their air services from West Yorkshire and are charged accordingly.

In the first year this was identified as an acquired operation.

The Group recognises on its Balance Sheet the assets that are in the PCC's ownership, and these are shown at the carrying value at the date of transfer. Income and

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Expenditure incurred in the running of the whole NPAS operation is shown in the PCC's Comprehensive Income and Expenditure Statement, the net impact being West Yorkshire's contribution to the running of the service. Any residual year end surplus or deficit is carried as a debtor or creditor on the balance sheet.

## **2.10 Exceptional Items and Prior Period Adjustments**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the accounts, depending on how significant the items are to an understanding of the Group's financial performance.

Prior period adjustments may arise as a result of a change in accounting policies or to correct material errors. Changes in accounting estimates are accounted for prospectively, i.e. 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 when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Group'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.

## **2.11 Bad and Doubtful Debts**

An assessment is made annually as to what level of debt is outstanding at the end of the financial year and a provision is made for those debts for which recovery is deemed doubtful.

## **2.12 Value Added Tax**

VAT is included in the Comprehensive Income and Expenditure Statement, whether of a revenue or capital nature, only to the extent that it is irrecoverable from HM Revenue and Customs.

## **2.13 Provisions**

Provisions are made where an event has taken place that gives rise to a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the Comprehensive Income and Expenditure Statement when the Group becomes aware of the obligation, based on the best estimate of the likely settlement, taking into account relevant risks and uncertainties.

When payment is eventually made, it is charged directly against the corresponding provision in the Balance Sheet. Settlement amounts are shown separately for those which are expected to be settled within a year, and those over a year. If necessary the longer term settlements are discounted in order to present a true and fair view of value of the provision at today's prices. The discount factor used is aligned to the CIPFA Capital Accounting by Local Authorities definition of interest rates, which is updated annually.

Estimated settlements are reviewed at the end of each financial year to ensure that the provision reflects the position at that date. If the provision is higher than the estimated settlements, the excess is credited back to the revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party, (e.g. from an insurance claim) this is only recognised as income in the

revenue account if it is virtually certain that reimbursement is received if the obligation is settled.

## **2.14 Carbon Reduction Commitment Scheme**

The Group is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the initial year of its second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

## **2.15 Reserves**

Specific amounts are set aside as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the Police Fund in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to revenue as part of the Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Movement in Reserves Statement, so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources – these reserves are explained elsewhere in the relevant Accounting Policies and notes to the financial statements.

The Group has a Policy on Provisions and Reserves which was reviewed in February 2015 as part of the closedown process. The treatment of reserves and provisions within the accounts is in line with this policy.

## **2.16 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due when there is reasonable assurance that:

- The conditions attached to the payments is complied with; and,
- The grants or contributions is received.

Amounts recognised as due to PCC are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable to grants and contributions) or Taxation and Non-specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Police Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are

transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **2.17 Employee Benefits**

### **2.17.1 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 salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the PCC or CC.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the 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 holiday absence occurs.

### **2.17.2 Termination Benefits**

Termination benefits are amounts payable as a result of a decision 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 or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Police Fund Balance to be charged with the amount payable by the Group 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.

### **2.17.3 Post Employment Benefits**

Employees of the group participate in four different pension schemes:

- The Local Government Pension Scheme (LGPS) for police staff employees. This is a funded, defined benefit scheme.

Three Pension Schemes for police officers which are unfunded schemes.

- The 1987 Police Pension Scheme (PPS) which was closed to new recruits from April 2006 when a new scheme was introduced with different contribution rates and benefits.
- The 2006 New Police Pension Scheme (NPPS) which was closed to new recruits with the introduction of a new scheme in 2015.
- The 2015 Police Pension Scheme introduced on 1<sup>st</sup> April 2015.

The schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees working for the group.

The requirements of International Accounting Standard (IAS) 19 'Employee Benefits' have been fully implemented in accordance with policies set out in the Code of Practice. The main aspects of these policies are:

- The attributable liabilities of each scheme are measured on an actuarial basis using

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the projected unit method, that is, an assessment of the future payments that is 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;

- Scheme liabilities are discounted at the rate which reflects the time value of money and the characteristics of the liability;
- The attributable assets of the LGPS are measured at fair value. This is based on the following:
  1. Quoted securities – by current bid price;
  2. Unquoted securities – by professional estimate;
  3. unitised securities – by current bid price;
  4. property – at market value;
- As unfunded schemes, the police pension schemes have no assets.

The change in the net pension liability is analysed into seven components:

Service costs 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 as part of Non-Distributed Costs.
- Net interest expense on the net defined benefit liability (asset) – the change during the period in the net defined 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:

- Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset), charges to the Pension Reserve as Other Comprehensive Income and expenditure.
- Actuarial gains/losses - on settlements and curtailments – the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;
- 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 LGPS – cash paid as employers contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Police Fund Balance to be charged with the amount payable by the Group 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 Police Fund of

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being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

A separate statement of Police Pension Fund Accounts is prepared to reflect the transactions in respect of funding for the Police Pension Schemes.

#### **2.17.4 Discretionary Benefits**

The Group 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.

#### **2.18 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply of service in accordance with the costing principles of the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP). The total absorption costing principle is used. The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – the costs of the Office of the Police and Crime Commissioner.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

The accounts include support services recharged by Wakefield and Bradford Metropolitan District Councils and Mouchel on the basis of estimated time spent by officers on the various functions.

#### **2.19 Intangible Fixed Assets**

Intangible Assets are identifiable non-monetary assets without physical substance. They must be controlled by the Group as a result of past events (e.g. software licences), and future economic or service benefits must be expected to flow from the intangible asset to the Group.

Expenditure on intangible assets is capitalised when it brings benefits to the Group for more than one financial year.

Internally generated assets are only recognised once it can be demonstrated that:

- The technical feasibility of completing the asset so it is available for sale;
- An intention to complete the asset;
- The ability to use or sell the asset;
- How the asset generates probable future economic benefit or service potential;
- The availability of adequate resources to complete the asset; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are measured initially at cost. Amounts are only revalued where the current value of the assets held can be determined by reference to an active market. In practice, no intangible asset held by the Group meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or

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loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the Police Fund Balance. The gains and losses are therefore reversed out of the Police Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **2.20 Interests in Companies and Other Entities**

### **2.20.1. Parent and Subsidiary**

The PCC has material interests in another corporation sole (West Yorkshire Police) that has the nature of a subsidiary controlled entity which requires the preparation of group accounts.

In the PCC single-entity accounts, the interest in the subsidiary is recorded as financial assets at cost, less any provision for losses.

### **2.20.2 Jointly controlled Operations – Regional Working**

The Group engages in collaborative working in partnership with the Yorkshire and Humber Authorities / Forces to deliver a number of specific services on a regional basis.

Regional collaboration is funded from contributions made by the four Police Commissioners with the level of contribution being dependant upon the assessment of the benefit to be derived from each specific project or initiative.

One Force is nominated to provide particular services to the Region, charging the other Forces for the services provided. West Yorkshire is the nominated Force for Serious and Organised Crime and Scientific Support Services.

- The CC single entity financial statements showing gross expenditure and associated income for provided services, within the service expenditure analysis apportioned under the relevant headings;
- CC includes the Debtor and Creditor Balances in the Balance Sheet;
- The Group Accounts show the net overall position.

## **2.21 Principal and Agent**

PCC acts as a distribution point for grant monies to other bodies. Where the PCC bears no significant risk in the transaction he is deemed to be acting as an agent. Where the PCC bears significant risk he is acting as a principal.

Within West Yorkshire the PCC distributes funds to a number of external organisations, acting as both principal and agent. On these occasions the principal portion is recognised in the financial statements as being the element of grant that the PCC has been awarded as part of the funding agreement.

Where the PCC acts as an agent, transactions are not reflected in the financial statements, other than debtor and creditor positions between the organisations in the agreement. This net cash position is included in Financing Activities in the Cash Flow Statement.

## **2.22 Property, Plant and Equipment**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services, for rental to others or for administrative purposes that are expected to be used for more than one financial year.

### **2.22.1 Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item flows to the Group and the cost of the item can be measured reliably. It is subject to a de-minimis level of £10,000.

Expenditure that maintains but does not extend the previously assessed standards of performance, such as routine repairs and maintenance, is charged to revenue as it is incurred.

### **2.22.2 Measurement**

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet at current value. If there is no market-based evidence of current value, it is estimated using a depreciated replacement cost approach.

Land and building assets are re-valued at a minimum every five years in accordance with the Practice statements in the Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors. Any material changes to asset valuations are adjusted in the interim period as they occur. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement to reverse any previous charges made for related impairment losses.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### **Fair Value**

Non-financial assets, such as surplus assets and investment properties, and financial instruments are measured at fair value. This is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measured date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes either:

- a) In the principal market of asset or liability, or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability.

Measurement of fair value is on the basis that a market participant's ability to generate economic benefits by using the asset in its highest and best use.

Appropriate valuation techniques are used for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 - quoted markets
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, whether directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

### **2.22.3 Impairment**

The values of each category of assets and material individual assets are reviewed at the end of each financial year for evidence of reductions in value.

An impairment loss on a re-valued asset shall be recognised in the Revaluation Reserve (these entries are reflected in the Movement in Reserves Statement) to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset (i.e. up to the historical cost of the asset) and thereafter in the Surplus or Deficit on the Provision of Services.



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Where an impairment loss is charged to the Comprehensive Income and Expenditure Statement but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

#### **2.22.4 Disposals**

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are classed as capital receipts and are credited to the Capital Receipts Reserve via an appropriation from the Movement in Reserves Statement. The Capital Receipts Reserve can only be used for new capital investment or set aside to reduce the underlying need to borrow (the capital financing requirement).

The amount written off disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Movement in Reserves Statement.

#### **2.22.5 Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life such as freehold land and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on a straight line basis over the useful life of the asset as determined by the valuer. It is charged to the Comprehensive Income and Expenditure Statement. No depreciation is applied in year of acquisition or construction completing.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### **2.22.6 Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset is recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation and revaluations), and their recoverable amount at the date of the decision not to sell.

#### **2.22.7 Donated Assets**

A number of airframes were received by PCC as part of the creation of the National Police Air Service led by West Yorkshire, and these are treated as donated assets.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the relevant service line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Police Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

#### **2.22.8 Heritage Assets**

The Group holds a small number heritage assets that are on loan to a museum. These assets are not disclosed in the financial statements as they are of a low value.

#### **2.22.9 Private Finance Initiatives (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive the services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. PCC is deemed to control the services that are provided under PFI schemes, and ownership of the property, plant and equipment will pass to the PCC at the end of the contract for no additional charge. The PCC carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The former Police Authority approved a contract with a PFI provider (Interserve) in May 2012, the assets coming into use during 2013/14 and 2014/15. The PCC receives a profiled capital grant in the form of Home Office PFI credits, the profile of which does not match the PFI scheme liabilities. The difference is invested in a sinking fund to smooth the payments over the life of the scheme.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment), was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the PCC.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair Value of the services received during the year: This is debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance Cost: an interest charge of 7.2% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent Rent: increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability: applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs: The proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

#### **2.22.10 Capital Receipts**

Capital Receipts are principally the proceeds arising from the sale of fixed assets. Insurance income from vehicle write-offs valued in excess of £10,000 per vehicle is also treated as Capital Receipts. Receipts less than £10,000 per item are treated as de-minimis and included in the Comprehensive Income and Expenditure Statement.

#### **2.22.11 Charges to Income and Expenditure for the Use of Fixed Assets**

The Comprehensive Income and Expenditure Statement is charged with amounts to record the real cost of holding tangible fixed assets during the year. These include:

- Depreciation
- Impairment losses attributable to the clear consumption of economic benefit
- Impairment losses attributable to a reduction in value in excess of previous revaluation gains
- Amortisation of intangible fixed assets.

In order to ensure that there is no impact on council tax payers as a result of these charges, they are replaced by a minimum revenue provision towards a reduction in the overall borrowing requirement (calculated on a prudent basis determined in accordance with statutory guidance). The adjusting entries are made in the Group Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## **2.23 Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

Arrangements that do not have the legal status of a lease but convey the right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. This would include Private Finance Initiative (PFI) contracts.

### **The Group as Lessee**

#### ***Finance leases***

Assets held under finance leases are recognised on the Balance Sheet at the commencement of the lease at fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs are added to the carrying amount of the asset. Premiums paid are applied to write down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability; and,
- a finance charge debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Assets recognised under finance leases are accounted for using policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life where ownership of the asset does not transfer to the PCC at the end of the lease period.

The PCC is not required to raise council tax to cover depreciation, or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory guidance. Depreciation and revaluation and impairment losses are therefore replaced by the revenue contribution in the Police Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### ***Operating leases***

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the service benefitting from their use. Charges are made on a straight-line basis over the term of the relevant lease, even where this does not match the pattern of payments.

Benefits receivable as an incentive to enter into an operating lease are included within deferred income and recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the lease term.

### **The Group as Lessor**

The Group does not have any assets acquired under finance leases or operating leases that have been subsequently sub-let to third parties.

The Group has not granted a finance lease over any of its assets.

## **2.24 Events after the reporting period**

Events after the balance sheet date are those events, 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 those events.
- Those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not updated to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature and estimated financial effect.

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

## **2.25 Exceptional items and prior period adjustments**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Group's financial performance.

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 when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Group'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.

## **2.26 Creditors**

Creditors are recognised and measured at the fair value of the consideration payable when the ordered goods or services have been received.

In most cases, the consideration payable is in the form of cash or cash equivalents and the amount of the expense is the amount payable. However if payment is on deferred terms, the consideration payable is recognised initially at the cash price equivalent. The difference between this amount and the total payment is recognised as interest expense in Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. Short duration payables with no interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

There is no difference between the delivery and payment dates for non-contractual, non-exchange transactions and therefore these transactions are always measured at the full amount payable.

Where consideration is received in respect of revenue, but the revenue does not meet the criteria for recognition of revenue, the Group recognises a creditor in respect of the receipt in advance.

## **2.27 Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities which can be straightforward financial instruments (e.g. trade payables and receivables) or more complex.

### **2.27.1 Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the PCC has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, when repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact to the Police Fund Balance to be spread over future years. Where a rescheduling exercise attracts premiums/discounts which are matched as part of a package, in order to be prudent, both premiums and discounts are written off to the Comprehensive Income and Expenditure Statement over the same period.

Where a rescheduling package attracts only premiums or only discounts, then they are written off over the longest period allowed, subject to a consideration of long term affordability, sustainability and prudence in each case.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement against the net charge required against the Police Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## 2.27.2 Financial Assets

Financial assets are classified into two types:

**Loans and Receivables** - These are assets that have fixed or determinable payments but are not quoted in an active market.

**Available for Sale Assets** – These are assets that have a quoted market price and/ or do not have fixed or determinable payments.

Loans and receivables are recognised in the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from past events that payments due under the contract are not made, the asset is written down and a charge made to the Financing and Investment income line of the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment income line of the Comprehensive Income and Expenditure Statement.

### **Available for sale assets**

The PCC does not hold any available for sale assets.

## 2.27.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with any financial institution, repayable without penalty, on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the PCC's cash management.

## 2.27.4 Foreign Currency Translation

The PCC has entered into transactions denominated in a foreign currency, some of which are underpinned by a Euro bank account. Foreign currency transactions are converted into Sterling at the exchange rate applicable on the date the transaction was effective. Amounts in foreign currency are outstanding at the year end and which will ultimately be converted into Sterling are re-converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Account. Amounts outstanding at the year end which will remain in Euros for future payment in Euros, will not be re-converted at 31 March.

## **2.28 Inventory**

The Chief Constable holds stocks of uniforms, vehicle equipment and other operational equipment.

Clothing and Uniforms are valued at actual cost. Other stock is valued at current cost, which does not conform to the IPSAS 12 or the Code of Practice. The effect of the different treatment is not material.

## **2.29 Donated Inventory**

PCC received donated inventory as part of the creation of the National Police Air Service led by West Yorkshire, mainly in the form of fuel and spare parts for aircraft.

Where inventories are acquired through a non-exchange transaction their cost is defined as their fair value at the date of acquisition. This is recognised in the Donated Inventories Account until the inventory is distributed or sold.

## **2.30 Long Term Contracts**

Long term contracts are accounted for on the basis of charging the surplus or deficit on the Provision of Services with the value of works and service received under the contract during the financial year.

## **2.31 Debtors**

Debtors are recognised and measured at the fair value of the consideration receivable when the revenue has been recognised.

Where consideration is paid in advance of the receipt of goods or services or other benefit, a debtor is recognised in respect of the payment in advance.

In most cases, the consideration receivable is in the form of cash or cash equivalents and the amount of revenue is the amount receivable. However if payment is on deferred terms, the consideration receivable is recognised initially at the cash price equivalent. The difference between this amount and the total payments is recognised as interest revenue in Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. Short duration receivables with no interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

There is no difference between the delivery and payment dates for non-contractual, non-exchange transactions (eg revenue from precepts) and therefore these transactions are always measured at the full amount receivable.

A provision for impairment of debtors is established when there is evidence that the Group are not able to collect all amounts due.

The amount of the provision is based on the best estimate of the likelihood of the recoverable amount. The carrying amount of the asset is reduced through the use of a doubtful debt provision account and the amount of the loss is recognised in the Comprehensive Income and Expenditure Statement within Cost of Services. When a debtor amount is uncollectable, it is written off against the doubtful debt provision account. Any subsequent recovery of amounts previously written off are credited to the Comprehensive Income and Expenditure Statement.

## **2.32 Contingent Liabilities**

A contingent liability arises where an event has taken place that gives rise to a possible obligation whose existence is only confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but it is not probable that an outflow of resources is required or the amount of the obligation cannot be measured reliably.

Contingent Liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

### 3 **ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED**

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Group is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted.

There are a number of minor amendments to International Financial Reporting Standards but these are not expected to have any material impact on the accounts.

### 4 **ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements requires the Group to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenditure. Estimates and associated assumptions 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.

Items in the Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>ITEM</b>	<b>UNCERTAINTIES</b>	<b>EFFECT IF ACTUAL RESULTS DIFFER FROM ASSUMPTION</b>
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £0.205m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of 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 pensions fund assets. A firm of consulting actuaries is engaged to provide the Group with expert advice about the assumptions to be applied.	The effect on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £73.2m for Police Officers and a reduction of £12.2m for Police Staff.  Further details of the effect of accounting assumptions can be found within Note 35.
Fair Value Estimations	When the fair value of financial assets and financial liabilities cannot be	The Group used combination of indexation techniques, valuations and discounted cash



	<p>measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cashflow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Groups assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Group employs relevant experts to identify the most appropriate valuation techniques to determine fair value.</p>	<p>flow models to measure fair value depending on which technique it considers most appropriate.</p> <p>Significant changes in any unobservable input could result in a lower or higher fair value measurement for financial assets and liabilities.</p> <p>Information about valuation techniques are set out in Notes 12 and 14.</p>
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## 5 MATERIAL ITEMS OF INCOME AND EXPENSE

### Pension Comutation Factors

In 2014/15 the Pensions Ombudsman published his determination in a case concerning the lump sum paid to a firefighter on his retirement. The case had relevance to many firefighters and police officers who retired in the early 2000s. The order which governs the Firemen's Pension Scheme 1992 and the regulations which govern the Police Pension Scheme 1987 contain similar provisions relating to commutation, each requiring that lump sums are calculated as the actuarial equivalent of the annual pension exchanged.

The commutation factors under the Fire and Police Schemes are reviewed from time to time in accordance with their governing legislation. The determination found that "an opportunity to review the commutation factors was lost in 2001/02 and then again between 2002 and 2004", resulting in less beneficial terms than would have been applied had the reviews taken place.

During 2015/16 the backdated commutations plus interest was paid to those individuals affected totalling £16.3m. The cost of this is was initially paid by the force and is included within the Net Cost of Policing within the Comprehensive Income and Expenditure Statement. This cost was met by the receipt of a Government grant which is included within Taxation and non-specific grant income within the Comprehensive Income and Expenditure Statement.

## 6 EVENTS AFTER THE BALANCE SHEET DATE

All events relevant to the financial year ended 31 March 2016 have been taken into consideration up to this date and where material recognised in the Statement of Accounts. There can be no reasonable expectation that events after this date could have been taken into account by the Police and Crime Commissioner and Group.

## 7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

The following adjustments are for 2015/16

	Usable Reserves				Unusable Reserves						
	Police Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Collection Fund Adjustment Account £'000	Pensions Reserve £'000	Accumulated Absences Fund £'000	Movement in Unusable Reserves £'000
<b>Capital Adjustment Account:</b>											
Reversal of items debited or credited to the CIES:											
Charges for depreciation of non-current assets	(15,600)	0	0	(15,600)	0	15,600	0	0	0	0	15,600
Charges for amortisation of intangible assets	(650)	0	0	(650)	0	650	0	0	0	0	650
Charges for impairments of non-current assets	(11,476)	0	0	(11,476)	1,216	10,260	0	0	0	0	11,476
Amount written out of Revaluation Reserve on disposal	0	0	0	0	475	(475)	0	0	0	0	0
Amount written out of Revaluation to CAA	0	0	0	0	2,784	(2,784)	0	0	0	0	0
Capital grants and contributions applied	4,316	0	(147)	4,169	0	(4,169)	0	0	0	0	(4,169)
Capital grants and contributions applied NPAS	12,256	0	0	12,256	0	(12,256)	0	0	0	0	(12,256)
Donated Assets NPAS	2,646	0	0	2,646	0	(2,646)	0	0	0	0	(2,646)
Amounts written off to the CIES on disposal	(490)	0	0	(490)	0	490	0	0	0	0	490
<b>Insertion of items not debited or credited to the CIES</b>											
Statutory provision for the financing of capital investment	5,832	0	0	5,832	0	(5,832)	0	0	0	0	(5,832)
Capital expenditure charged against the Police Fund	16,792	0	0	16,792	0	(16,792)	0	0	0	0	(16,792)
<b>Capital Receipts Reserve:</b>											
Cash credited as part of the gain/loss on disposal to the CIES	1,054	(1,054)	0	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	564	0	564	0	(564)	0	0	0	0	(564)
<b>Financial Instruments Adjustment Account:</b>											
Finance costs in CIES that are different from finance costs in the year	(10)	0	0	(10)	0	0	10	0	0	0	10
<b>Pensions Reserve Adjustments: (see Note 35)</b>											
Reversal of items debited or credited to the CIES WYPCC	(649)	0	0	(649)	0	0	0	649	0	0	649
Reversal of items debited or credited to the CIES WYCC	(252,691)	0	0	(252,691)	0	0	0	252,691	0	0	252,691
Employer's pensions contributions WYPCC	264	0	0	264	0	0	0	(264)	0	0	(264)
Employer's pensions contributions WYCC	58,423	0	0	58,423	0	0	0	(58,423)	0	0	(58,423)
<b>Collection Fund Adjustment Account:</b>											
Council tax income credited to the CIES	464	0	0	464	0	0	(464)	0	0	0	(464)
<b>Accumulated Absences Adjustment Account:</b>											
Officer remuneration charged to the CIES WYPCC	(11)	0	0	(11)	0	0	0	0	11	0	11
Officer remuneration charged to the CIES WYCC	(1,076)	0	0	(1,076)	0	0	0	0	1,076	0	1,076
<b>Total Adjustments</b>	<b>(180,606)</b>	<b>(490)</b>	<b>(147)</b>	<b>(181,243)</b>	<b>4,475</b>	<b>(18,518)</b>	<b>10</b>	<b>(464)</b>	<b>194,653</b>	<b>1,087</b>	<b>181,243</b>

	Usable Reserves				Unusable Reserves							
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pensions Reserve	Accumulated Absences Fund	Movement in Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>The following adjustments are for 2014/15</b>												
<b>Capital Adjustment Account:</b>												
<b>Reversal of items debited or credited to the CIES:</b>												
Charges for depreciation of non-current assets	(19,413)	0	0	(19,413)	0	19,413	0	0	0	0	0	19,413
Charges for amortisation of intangible assets	(971)	0	0	(971)	0	971	0	0	0	0	0	971
Charges for impairments of non-current assets	(9,259)	0	0	(9,259)	97	9,162	0	0	0	0	0	9,259
Amount written out of Revaluation Reserve on disposal	0	0	0	0	3,554	(3,554)	0	0	0	0	0	0
Capital grants and contributions applied	4,882	0	1,299	6,181	0	(6,181)	0	0	0	0	0	(6,181)
Capital grants and contributions applied NPAS	8,780	0	0	8,780	0	(8,780)	0	0	0	0	0	(8,780)
Donated Assets NPAS	0	0	0	0	0	0	0	0	0	0	0	0
Amounts written off to the CIES on disposal	(3,172)	0	0	(3,172)	0	3,172	0	0	0	0	0	3,172
<b>Insertion of items not debited or credited to the CIES</b>												
Statutory provision for the financing of capital investment	8,665	0	0	8,665	0	(8,665)	0	0	0	0	0	(8,665)
Capital expenditure charged against the Police Fund	9,349	0	0	9,349	0	(9,349)	0	0	0	0	0	(9,349)
<b>Capital Receipts Reserve:</b>												
Cash credited as part of the gain/loss on disposal to the CIES	3,202	(3,202)	0	0	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0	0	0	0	0	0	0	0
<b>Financial Instruments Adjustment Account:</b>												
Finance costs in CIES that are different from finance costs in the year in accordance with statutory requirements	(10)	0	0	(10)	0	0	10	0	0	0	0	10
<b>Pensions Reserve Adjustments:</b> (see Note 35)												
Reversal of items debited or credited to the CIES WYPCC	(662)	0	0	(662)	0	0	0	0	662	0	0	662
Reversal of items debited or credited to the CIES WYCC	(278,856)	0	0	(278,856)	0	0	0	0	278,856	0	0	278,856
Employer's pensions contributions WYPCC	328	0	0	328	0	0	0	0	(328)	0	0	(328)
Employer's pensions contributions WYCC	59,681	0	0	59,681	0	0	0	0	(59,681)	0	0	(59,681)
<b>Collection Fund Adjustment Account:</b>												
Council tax income credited to the CIES	(75)	0	0	(75)	0	0	0	75	0	0	0	75
<b>Accumulated Absences Adjustment Account:</b>												
Officer remuneration charged to the CIES WYPCC	(41)	0	0	(41)	0	0	0	0	0	41	0	41
Officer remuneration charged to the CIES WYCC	(3,706)	0	0	(3,706)	0	0	0	0	0	3,706	0	3,706
<b>Total Adjustments</b>	<b>(221,278)</b>	<b>(3,202)</b>	<b>1,299</b>	<b>(223,181)</b>	<b>3,651</b>	<b>(3,811)</b>	<b>10</b>	<b>75</b>	<b>219,509</b>	<b>3,747</b>	<b>223,181</b>	

**8 TRANSFERS TO/FROM EARMARKED RESERVES**

This note sets out the amounts set aside by the PCC and Group from the Police Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Police Fund expenditure in 2015/16.

	Balance at 1 April 2014 £000	Transfer Out 2014/15 £000	Transfer In 2014/15 £000	Balance at 31 March 2015 £000	Transfer Out 2015/16 £000	Transfer In 2015/16 £000	Balance at 31 March 2016 £000
Devolvement Reserve	3,499	(4,200)	4,801	4,100	0	0	4,100
VIPER Reserve	3,296	0	351	3,647	(414)	817	4,050
PFI Reserve	7,072	0	1,385	8,457	0	2,414	10,871
Regional Working Reserve	0	0	198	198	0	0	198
Dilapidation Reserve	2650	0	0	2,650	0	0	2,650
Capital Financing Reserve	10859	0	5,735	16,594	0	0	16,594
PNLD Reserve	510	0	0	510	0	0	510
Organisational Change Fund	4000	0	1,900	5,900	0	0	5,900
Insurance Reserve	2400	0	0	2,400	0	0	2,400
Community Safety Fund	5500	(3,868)	0	1,632	(1,137)	0	495
Partnership Executive Group	1000	0	0	1,000	(192)	0	808
Innovation, Income Generation and Investment	500	(250)	0	250	0	0	250
Force Transformation	20,000	(3,789)	0	16,211	(4,620)	0	11,591
Operational Reserve	0	0	5,000	5,000	0	0	5,000
<b>Total</b>	<b>61,287</b>	<b>(12,107)</b>	<b>19,370</b>	<b>68,550</b>	<b>(6,363)</b>	<b>3,231</b>	<b>65,418</b>

**9 OTHER OPERATING EXPENDITURE**

PCC and Group

2014/15 £000		2015/16 £000
4	Secondments	(10)
(30)	(Gains) / losses on the disposal of non-current assets	(564)
60,958	Police Pension Top up Grant	98,159
<b>60,932</b>	<b>Total</b>	<b>97,585</b>

**10 FINANCING AND INVESTING INCOME AND EXPENDITURE**

PCC and Group

2014/15 £000		2015/16 £000
9,000	Interest payable and similar charges	11,175
129	Pensions net interest cost expense PCC	124
186,343	Pensions net interest cost expense CC	140,706
(567)	Interest receivable and similar income	(623)
0	Other investment (income) / expenditure	(121)
<b>194,905</b>	<b>Total</b>	<b>151,261</b>

**11 TAXATION AND NON SPECIFIC GRANT INCOME**

PCC and Group

2014/15		2015/16
£000		£000
	Council tax income:	
(17,775)	Bradford Metropolitan District Council	(18,681)
(8,221)	Calderdale Council	(8,440)
(15,247)	Kirklees Council	(16,004)
(29,266)	Leeds City Council	(30,477)
(12,545)	Wakefield Metropolitan District Council	(13,067)
(135,099)	Non domestic rates	(130,053)
(200,450)	Non-ringfenced government grants	(189,204)
(60,958)	Police Pension Top Up Grant	(98,159)
(4,882)	Capital grants and contributions	(4,316)
(8,780)	Capital grants and contributions NPAS	(12,256)
0	Donated Assets NPAS	(2,646)
<b>(493,223)</b>	<b>Total</b>	<b>(523,303)</b>

**12 PROPERTY, PLANT AND EQUIPMENT**

PCC and Group

Movements in 2015/16	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	NPAS Helicopters	NPAS Equipment	PFI Land and Buildings	PFI Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>COST OR VALUATION</b>								
<b>At 1 April 2015</b>	<b>164,764</b>	<b>129,339</b>	<b>0</b>	<b>42,286</b>	<b>12,721</b>	<b>96,042</b>	<b>0</b>	<b>445,152</b>
Additions	6,203	14,026	1,291	4,789	9,174	0	0	35,483
Revaluation increases/(decreases) in the Revaluation Reserve	(1,402)	0	0	0	0	0	0	(1,402)
Revaluation increases/(decreases) in the CIES	(8,719)	0	0	0	0	0	0	(8,719)
De-recognition - disposals	0	(2,437)	0	0	(74)	0	0	(2,511)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified from Assets Under Construction	0	0	0	0	0	0	0	0
<b>At 31 March 2016</b>	<b>160,846</b>	<b>140,928</b>	<b>1,291</b>	<b>47,075</b>	<b>21,821</b>	<b>96,042</b>	<b>0</b>	<b>468,003</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>								
<b>At 1 April 2015</b>	<b>(42,495)</b>	<b>(114,484)</b>	<b>0</b>	<b>(11,130)</b>	<b>(3,278)</b>	<b>(25,323)</b>	<b>0</b>	<b>(196,710)</b>
Depreciation charge	(3,588)	(5,594)	0	(3,508)	(1,399)	(1,511)	0	(15,600)
Depreciation written out to the Revaluation Reserve	3,807	0	0	0	0	0	0	3,807
Impairment (losses)/reversals recognised in the CIES	(1,649)	(41)	0	(957)	(110)	0	0	(2,757)
Downward revaluation taken to Revaluation Reserve	(8,353)	0	0	0	0	0	0	(8,353)
De-recognition - disposals	0	2,437	0	0	74	0	0	2,511
<b>At 31 March 2016</b>	<b>(52,278)</b>	<b>(117,682)</b>	<b>0</b>	<b>(15,595)</b>	<b>(4,713)</b>	<b>(26,834)</b>	<b>0</b>	<b>(217,102)</b>
<b>NET BOOK VALUE</b>								
<b>At 31 March 2015</b>	<b>122,269</b>	<b>14,855</b>	<b>0</b>	<b>31,156</b>	<b>9,443</b>	<b>70,719</b>	<b>0</b>	<b>248,442</b>
<b>At 31 March 2016</b>	<b>108,568</b>	<b>23,246</b>	<b>1,291</b>	<b>31,480</b>	<b>17,108</b>	<b>69,208</b>	<b>0</b>	<b>250,901</b>

Comparator Year: Movements in 2014/15	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	NPAS Assets	NPAS Equipment	PFI Land and Buildings	PFI Assets Under Construction	Total property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>COST OR VALUATION</b>								
<b>At 1 April 2014</b>	<b>167,115</b>	<b>126,222</b>	<b>0</b>	<b>42,084</b>	<b>4,636</b>	<b>68,926</b>	<b>36,293</b>	<b>445,276</b>
Additions	3,226	11,256	0	202	8,257	0	0	22,941
Revaluation increases/(decreases) in the Revaluation Reserve	(251)	0	0	0	0	0	0	(251)
Revaluation increases/(decreases) in the CIES	(2,515)	0	0	0	0	0	(9,177)	(11,692)
De-recognition - disposals	0	(8,139)	0	0	(172)	0	0	(8,311)
Assets reclassified (to)/from Held for Sale	(2,811)	0	0	0	0	0	0	(2,811)
Assets reclassified from Assets Under Construction	0	0	0	0	0	27,116	(27,116)	0
<b>At 31 March 2015</b>	<b>164,764</b>	<b>129,339</b>	<b>0</b>	<b>42,286</b>	<b>12,721</b>	<b>96,042</b>	<b>0</b>	<b>445,152</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>								
<b>At 1 April 2014</b>	<b>(38,177)</b>	<b>(115,226)</b>	<b>0</b>	<b>(5,761)</b>	<b>(709)</b>	<b>(23,750)</b>	<b>(9,177)</b>	<b>(192,800)</b>
Depreciation charge	(4,043)	(6,898)	0	(5,369)	(1,530)	(1,573)	0	(19,413)
Depreciation written out to the Revaluation Reserve	2,951	0	0	0	0	0	0	2,951
Impairment (losses)/reversals recognised in the CIES	(3,226)	(499)	0	0	(1,211)	0	9,177	4,241
Downward revaluation taken to Revaluation Reserve	0	0	0	0	0	0	0	0
De-recognition - disposals	0	8,139	0	0	172	0	0	8,311
<b>At 31 March 2015</b>	<b>(42,495)</b>	<b>(114,484)</b>	<b>0</b>	<b>(11,130)</b>	<b>(3,278)</b>	<b>(25,323)</b>	<b>0</b>	<b>(196,710)</b>
<b>NET BOOK VALUE</b>								
<b>At 31 March 2014</b>	<b>128,938</b>	<b>10,996</b>	<b>0</b>	<b>36,323</b>	<b>3,927</b>	<b>45,176</b>	<b>27,116</b>	<b>252,476</b>
<b>At 31 March 2015</b>	<b>122,269</b>	<b>14,855</b>	<b>0</b>	<b>31,156</b>	<b>9,443</b>	<b>70,719</b>	<b>0</b>	<b>248,442</b>

## DEPRECIATION

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings (excluding land) - straight line allocation over the life of the property as estimated by the valuer.
- Vehicles - straight line method over 4 years.
- IT (including intangible fixed assets) and other equipment - straight line method over 5 years.
- Helicopters - straight line allocation over 15 years.

## CAPITAL COMMITMENT

At 31 March 2016, the 15/16 budgeted capital costs is £14.5m. The major commitments are:

- Body Worn Video £1.4m
- IT Transformational Programme £0.7m
- WYP Vehicle Replacement £0.5m
- Network Hardware £0.5m
- NPAS Plant & equipment £3.9m
- NPAS Purchase of Airframes £4.4m

## REVALUATIONS

The PCC and Group carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every 5 years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimations set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, IT and equipment and helicopters are based on current prices where there is an active second-hand market or latest list price adjusted for the condition of the asset.

The significant assumptions in estimating the current values are:

- for operational land and buildings current value is interpreted as the amount that would be paid for the asset in its existing use.
- for non-operational land and buildings current value measurement is fair value, estimated at highest and best use from a market participant's perspective.

Valuations were carried on 31 March 2016 as follows:

Properties:

By RICS Qualified external valuers from DTZ Debenham Tie Leung, Leeds in accordance with CIPFA's IFRS Code of Practice 2015/16. Land and Buildings were valued as at 31 March 2016, with a total value of £18.1m. The previous valuation of these properties was £30.2m.

Vehicles:

By the Force Fleet Policy and Liaison Manager

Information Technology, Communications and Other:

By Head of IT Support

	Land and Buildings	Assets Under Constructions	Vehicles, Plant, Furniture & Equipment	NPAS Assets	PFI Assets	Total property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carried at historical cost</b>	<b>2,916</b>	<b>1,291</b>	<b>23,246</b>	<b>48,588</b>	<b>69,208</b>	<b>145,249</b>
Valued at current value as at:						
31 March 2016	17,813	0	0	0	0	17,813
31 March 2015	12,250	0	0	0	0	12,250
31 March 2014	29,551	0	0	0	0	29,551
31 March 2013	6,554	0	0	0	0	6,554
31 March 2012	39,172	0	0	0	0	39,172
<b>Total Cost or Valuation</b>	<b>108,256</b>	<b>1,291</b>	<b>23,246</b>	<b>48,588</b>	<b>69,208</b>	<b>250,589</b>

## STATEMENT OF PHYSICAL ASSETS

	31 March 2016	31 March 2015
Estates:		
Police stations	33	37
Other premises	71	72
Houses	11	11
	115	120
Vehicles	1,170	1,094
Helicopters	26	23

**ASSETS HELD FOR SALE**

	Current		Non-Current	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
<b>Balance outstanding at start of year</b>	<b>736</b>	<b>2,842</b>	<b>0</b>	<b>0</b>
Revaluation increase/(decrease) in the CIES	240	(1,745)	0	0
<b>Assets newly classified as held for sale:</b>				
Property, Plant and Equipment	0	3,289	0	0
<b>Assets declassified as held for sale:</b>				
Property, Plant and Equipment	0	(478)	0	0
<b>Assets sold</b>				
Property, Plant and Equipment	(490)	(3,172)	0	0
<b>Balance outstanding at year-end</b>	<b>486</b>	<b>736</b>	<b>0</b>	<b>0</b>

During 2015/16, the PCC and Group has recognised a total impairment loss of £10.4m across a number of properties in its estate.

**13 INTANGIBLE ASSETS**

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

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

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.650m charged to revenue in 2015/16 was absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2015/16		2014/15	
	Other Assets £000	Total £000	Other Assets £000	Total £000
<b>Balance at start of the year</b>				
- Gross carrying amounts	9,118	<b>9,118</b>	7,752	<b>7,752</b>
- Accumulated amortisation	(7,490)	<b>(7,490)</b>	(6,519)	<b>(6,519)</b>
<b>Net carrying amount at start of year</b>	<b>1,628</b>	<b>1,628</b>	<b>1,233</b>	<b>1,233</b>
Additions:				
- Purchases	945	<b>945</b>	1,366	<b>1,366</b>
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	<b>0</b>	0	<b>0</b>
Amortisation for the Period	(650)	<b>(650)</b>	(971)	<b>(971)</b>
<b>Net carrying amount at the end of year</b>	<b>1,923</b>	<b>1,923</b>	<b>1,628</b>	<b>1,628</b>
Comprising:				
- Gross Carrying amounts	<b>10,063</b>	<b>10,063</b>	<b>9,118</b>	<b>9,118</b>
- Accumulated amortisation	<b>(8,140)</b>	<b>(8,140)</b>	<b>(7,490)</b>	<b>(7,490)</b>
	<b>1,923</b>	<b>1,923</b>	<b>1,628</b>	<b>1,628</b>



**14 FINANCIAL INSTRUMENTS**

PCC and Group

**Categories of Financial Instruments**

The following categories of financial instruments are carried in the Balance Sheet:

	Long-Term		Current	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
<b>Investments</b>				
Loans and receivables	0	0	82,377	91,756
Cash held by the Group	0	0	98	103
Cash equivalents	0	0	13,164	2,482
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>95,639</b>	<b>94,341</b>
<b>Debtors</b>				
Financial assets carried at contract amounts	0	0	26,233	19,409
Loans and receivables	0	0	0	0
<b>Total Debtors</b>	<b>0</b>	<b>0</b>	<b>26,233</b>	<b>19,409</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(86,872)	(87,242)	(423)	(9,537)
Bank Overdraft	0	0	(4,648)	(246)
<b>Total Borrowings</b>	<b>(86,872)</b>	<b>(87,242)</b>	<b>(5,071)</b>	<b>(9,783)</b>
<b>Other Long Term Liabilities</b>				
Private Finance Initiative	(96,973)	(99,049)	(2,076)	(1,863)
Pension Liability PCC	(3,672)	(4,131)	0	0
Pension Liability CC	(4,303,305)	(4,470,090)	0	0
<b>Total Other Long Term Liabilities</b>	<b>(4,403,950)</b>	<b>(4,573,270)</b>	<b>(2,076)</b>	<b>(1,863)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	(562)	(4,464)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(562)</b>	<b>(4,464)</b>

**Income, Expenses, Gains and Losses**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2015/16			2014/15		
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Total £'000
Interest expense	11,167	0	11,167	8,996	0	8,996
Impairment losses (gain)	0	(121)	(121)	0	0	0
Exchange rate loss on investment	0	0	0	0	0	0
Fee expense	8	0	8	4	0	4
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>11,175</b>	<b>(121)</b>	<b>11,054</b>	<b>9,000</b>	<b>0</b>	<b>9,000</b>
Interest income	0	(623)	(623)	0	(567)	(567)
Interest income accrued on impaired financial assets	0	0	0	0	0	0
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(623)</b>	<b>(623)</b>	<b>0</b>	<b>(567)</b>	<b>(567)</b>
<b>Net (gain)/loss for the year</b>	<b>11,175</b>	<b>(744)</b>	<b>10,431</b>	<b>9,000</b>	<b>(567)</b>	<b>8,433</b>

### Fair Values of Assets and Liabilities Carried at Amortised Cost

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- for loans from the Public Works Loan Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- for loans receivable prevailing benchmark market rates have been used to provide the fair value;
- no early repayment or impairment is recognised;
- where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2016		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	78,266	119,678	78,600	118,946
Non-PWLB debt	9,029	14,133	18,180	19,556
<b>Total debt</b>	<b>87,295</b>	<b>133,811</b>	<b>96,780</b>	<b>138,501</b>
Trade creditors	562	562	4,464	4,464
<b>Total Financial Liabilities</b>	<b>87,857</b>	<b>134,373</b>	<b>101,243</b>	<b>142,965</b>

The fair value is greater than the carrying amount because the PCC and Group's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

	31 March 2016		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Money market loans < 1 year	82,377	82,420	91,756	91,780
Money market loans > 1 year	0	0	0	0
<b>Total loans and receivables</b>	<b>82,377</b>	<b>82,420</b>	<b>91,756</b>	<b>91,780</b>
Trade debtors	26,233	26,233	19,409	19,409
<b>Total loans and receivables</b>	<b>108,610</b>	<b>108,653</b>	<b>111,165</b>	<b>111,188</b>

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

**15 INVENTORIES**

The value of inventories for both the PCC and Group is shown below.

2015/16	Opening Balance £000	Purchases £000	Expense in Year £000	Write Offs £000	Closing Balance £000
Clothing	1,087	2,004	(2,227)	0	864
Police Support Unit	211	189	(181)	0	219
Fuel	125	1,993	(1,967)	0	151
IT	104	124	(179)	0	49
Other	172	1,702	(1,741)	0	133
NPAS Spare Parts	0	0	0	0	0
NPAS Fuel	147	1,838	(1,915)	0	70
	1,846	7,850	(8,210)	0	1,486

2014/15	Opening Balance £000	Purchases £000	Expense in Year £000	Write Offs £000	Closing Balance £000
Clothing	1,103	1,376	(1,392)	0	1,087
Police Support Unit	195	107	(91)	0	211
Fuel	130	2,460	(2,465)	0	125
IT	172	157	(225)	0	104
Other	175	1,602	(1,605)	0	172
NPAS Spare Parts	504	2,334	(2,838)	0	0
NPAS Fuel	252	2,415	(2,520)	0	147
	2,531	10,451	(11,136)	0	1,846

**16 DEBTORS**

PCC and Group

	31 March 2016 £000	31 March 2015 £000
Central government bodies	33,952	21,816
Other local authorities	22,479	23,723
NHS bodies	172	28
Other entities and individuals - current	8,220	6,690
<b>Total current debtors</b>	<b>64,823</b>	<b>52,257</b>
Long term debtors	15,464	12,317
<b>Total debtors</b>	<b>80,287</b>	<b>64,574</b>

**17 CASH AND CASH EQUIVALENTS**

PCC and Group

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

	31 March 2016 £000	31 March 2015 £000
Cash held by the Group	98	103
Short-term deposits with banks	13,164	2,482
<b>Total</b>	<b>13,262</b>	<b>2,585</b>
Bank current accounts	(4,648)	(246)
<b>Total Cash and Cash Equivalents</b>	<b>8,614</b>	<b>2,339</b>

**18 CREDITORS**

PCC and Group

	31 March 2016 £000	31 March 2015 £000
Central government bodies	10,283	9,559
Other local authorities	15,580	13,871
NHS bodies	429	21
Public corporations and trading funds	0	24
Other entities and individuals PCC	28,096	22,762
Other entities and individuals CC	17,724	16,648
<b>Total current creditors</b>	<b>72,112</b>	<b>62,885</b>
Long term creditors	15,464	12,317
<b>Total creditors</b>	<b>87,576</b>	<b>75,202</b>

**19 PROVISIONS**

PCC and Group

	Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Insurance £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2015</b>	3,801	413	3,052	900	<b>8,166</b>
Additional provisions made in 2015/16	1,211	770	(322)	197	<b>1,856</b>
Amounts used in 2015/16	(724)	(709)	(388)	0	<b>(1,821)</b>
<b>Balance at 31 March 2016</b>	<b>4,288</b>	<b>474</b>	<b>2,342</b>	<b>1,097</b>	<b>8,201</b>

	Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Insurance £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2014</b>	1,921	377	3,404	0	<b>5,702</b>
Additional provisions made in 2014/15	2,939	1,110	(23)	900	<b>4,926</b>
Amounts used in 2014/15	(1,059)	(1,074)	(329)	0	<b>(2,462)</b>
<b>Balance at 31 March 2015</b>	<b>3,801</b>	<b>413</b>	<b>3,052</b>	<b>900</b>	<b>8,166</b>

**Outstanding Legal Cases**

The amount provided of £4.288m in respect of outstanding legal claims is made up of £0.635m for employment tribunals and £0.917m for litigated insurance claims, and £2.736m for other legal cases.

**Injury Compensation Claims**

All of the injury compensation claims are individually insignificant. They relate to personal injury sustained where the PCC and Group is alleged to be at fault. Provision is made for those claims where it is deemed probable that the PCC and Group will have to make a settlement, based on past experience of court decisions about liability and the amount of damages payable. The PCC and Group may be reimbursed by its insurers, but until claims are actually settled no income is recognised.

**Insurance Provision**

The PCC and Group has a provision to meet certain claims made against it. The provision currently bears the first £250,000 of any claim arising from the following policies:

- (i) Public/Products Liability
- (ii) Liability to Employees
- (iii) Motor Vehicles (Third Party Liability)
- (iv) Libel and Slander
- (v) Officials Indemnity

The PCC and Group, on the advice of its insurance brokers, has provided £786k in respect of the anticipated clawback of previous claims settlements under the Municipal Mutual Insurance (MMI) Scheme of Arrangement. MMI was a mutual insurance provider which became technically insolvent in 1992. A recent Supreme Court judgement makes it more unlikely that a solvent run-off will be achieved and as a result 35% of the potential liability is provided for.

#### Recall to Duty Payments

Claims have been lodged against West Yorkshire Police relating to recall to duty payments which could potentially date back several years. A provision of £0.4m has been made.

#### Overtime Payments

Claims have been lodged against West Yorkshire Police relating to overtime payments when officers were deployed away from home to work for another force. The claims have been brought on the basis that overtime payments and/or allowances were not in accordance with Determinations made under the Police Regulations 2003. Claims could potentially date back several years but are unlikely to be determined in the next financial year. A provision of £0.5m has been made.

## 20 USABLE RESERVES

PCC and Group

Movements in usable reserves are detailed in the Movement in Reserves Statement and Note 7.

31 March 2015 £000		31 March 2016 £000
26,200	General Fund Balance	34,682
59	Capital Grants Unapplied Account	206
7,302	Capital Receipts Reserve	7,792
	<b>Earmarked Reserves:</b>	
4,100	Devolution Reserve	4,100
3,647	Viper Reserve	4,050
8,457	PFI Reserve	10,871
198	Regional Working Reserve	198
2,650	Dilapidations Reserve	2,650
16,594	Capital Financing Reserve	16,594
510	PNLD Reserve	510
5,900	Organisational Change Fund	5,900
2,400	Insurance Reserve	2,400
1,632	Community Safety Fund	495
1,000	Partnership Executive Group	808
250	Innovation, Income Generation and Investment	250
16,211	Force Transformation	11,591
5,000	Operational Reserve	5,000
<b>102,111</b>	<b>Total Usable Reserves</b>	<b>108,098</b>

**21 UNUSABLE RESERVES**

The reserves of the PCC and Group have been presented to show a clear distinction between accounting reserves that are unusable and cannot be used to support expenditure and usable reserves.

31 March 2015		31 March 2016
£000		£000
44,183	Revaluation Reserve	34,000
(241)	Capital Adjustment Account	18,277
(317)	Financial Instruments Adjustment Account	(327)
1,240	Collection Fund Adjustment Account	1,704
(4,131)	Pensions Reserve PCC	(3,672)
(4,470,090)	Pensions Reserve CC	(4,303,305)
(67)	Accumulated Absences Adjustment Account PCC	(77)
(16,647)	Accumulated Absences Adjustment Account CC	(17,724)
<b>(4,446,070)</b>	<b>Total Unusable Reserves</b>	<b>(4,271,124)</b>

**Revaluation Reserve**

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2014/15	Revaluation Reserve	2015/16
£000		£000
<b>45,072</b>	<b>Balance at 1 April</b>	<b>44,183</b>
2,762	Revaluation of Assets	2,645
0	Impairment losses not charged to the Surplus/Deficit on the Provision of Services	(8,353)
<b>2,762</b>	<b>Surplus on revaluation of non-current assets not charged to the Surplus/Deficit on the Provision of Services</b>	<b>(5,708)</b>
(3,554)	Amount written off on disposal	(475)
(97)	Downward Revaluation to Capital Adjustment Account	(2,784)
(97)	Difference between fair value depreciation and historical cost depreciation	(1,216)
<b>(3,651)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(4,475)</b>
<b>44,183</b>	<b>Balance at 31 March</b>	<b>34,000</b>

### Capital Adjustment Account

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

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

Note 7 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15 £000	Capital Adjustment Account	2015/16 £000
(4,052)	<b>Balance at 1 April</b>	(241)
	<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>	
(19,413)	Charges for depreciation of non-current assets	(15,600)
(9,259)	Charges for impairment of non-current assets	(11,476)
(971)	Amortisation of intangible assets	(650)
(3,172)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(490)
<b>(32,815)</b>		<b>(28,216)</b>
3,651	Adjusting amounts written out of the Revaluation Reserve	4,475
<b>(29,164)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(23,741)</b>
	<b>Capital financing applied in the year:</b>	
0	Use of the Capital Receipts Reserve to finance new capital expenditure	564
4,882	Capital grants and contributions credited to the CIES that have been applied to capital financing	4,316
8,780	Capital grants and contributions credited to the CIES that have been applied to capital financing NPAS	12,256
1,299	Application of grants to capital financing from the Capital Grants Unapplied Account	(147)
0	Donated NPAS Assets	2,646
8,665	Statutory provision for the financing of capital investment charged against the Police Fund	5,832
9,349	Capital expenditure charged against the Police Fund Balance	16,792
<b>32,975</b>		<b>42,259</b>
<b>(241)</b>	<b>Balance at 31 March</b>	<b>18,277</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The PCC and Group uses the Account to manage premiums paid and discounts received on the early redemption of loans.

Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Police Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the Police Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

Discounts are treated similarly, being credited to the Comprehensive Income and Expenditure Statement, reversed out to the Financial Instruments Adjustment Account and the income posted back over time to the Police Fund Balance.

As a result of past debt restructuring, the balance of premiums and discounts currently included within the Account will be transferred to the Police Fund over a period of years, being fully written out by 2053/54.

2014/15 £000		2015/16 £000
(1,291)	Premiums on repayment of loans	(1,124)
984	Discounts on repayment of loans	807
<b>(307)</b>	<b>Balance at 1 April</b>	<b>(317)</b>
	<b>Movement during the year:</b>	
167	Premiums amortised to Police Fund during year	167
(177)	Discounts amortised to Police Fund during year	(177)
<b>(10)</b>	<b>Amount by which finance costs charged to the CIES different from finance costs chargeable in the year in accordance with statutory requirements</b>	<b>(10)</b>
(1,124)	Premiums on loans c/fwd	(957)
807	Discounts on loans c/fwd	630
<b>(317)</b>	<b>Balance at 31 March</b>	<b>(327)</b>

### Collection Fund Adjustment Account

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

2014/15 £000	Collection Fund Adjustment Account	2015/16 £000
<b>1,315</b>	<b>Balance at 1 April</b>	<b>1,240</b>
(75)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	464
<b>1,240</b>	<b>Balance at 31 March</b>	<b>1,704</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The PCC and Group accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned to be financed as the PCC and Group makes employer's contributions to pension funds or eventually pays pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows substantial shortfall in the benefits earned by past and current employees and the resources the PCC and Group has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.



2014/15 £000	Pensions Reserve GROUP	2015/16 £000
<b>(4,206,157)</b>	<b>Balance at 1 April</b>	<b>(4,474,221)</b>
(48,555)	Actuarial gains or losses on pensions assets and liabilities	361,897
(279,518)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(253,340)
60,009	Employer's pensions contributions and direct payments to pensioners payable in the year	58,687
<b>(4,474,221)</b>	<b>Balance at 31 March</b>	<b>(4,306,977)</b>

2014/15 £000	Pensions Reserve Police and Crime Commissioner	2015/16 £000
<b>(2,353)</b>	<b>Balance at 1 April</b>	<b>(4,131)</b>
(1,444)	Actuarial gains or losses on pensions assets and liabilities	844
(662)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(649)
328	Employer's pensions contributions and direct payments to pensioners payable in the year	264
<b>(4,131)</b>	<b>Balance at 31 March</b>	<b>(3,672)</b>

#### Accumulated Absences Adjustment Account

The Accumulated Absences Adjustment Account represents the value of the future obligation of the PCC and Group to pay officers and staff in respect of unused accumulated absences not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Police Fund Balance is neutralised by transfers to or from the Account.

2014/15 £000	Accumulated Absences Adjustment Account GROUP	2015/16 £000
<b>(12,967)</b>	<b>Balance at 1 April</b>	<b>(16,714)</b>
12,967	Settlement or cancellation of accrual made at the end of the preceding year	16,714
(16,714)	Amounts accrued at the end of the current year	(17,801)
(3,747)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,087)
<b>(16,714)</b>	<b>Balance at 31 March</b>	<b>(17,801)</b>

2014/15 £000	Accumulated Absences Adjustment Account Police and Crime Commissioner	2015/16 £000
<b>(26)</b>	<b>Balance at 1 April</b>	<b>(67)</b>
26	Settlement or cancellation of accrual made at the end of the preceding year	67
(67)	Amounts accrued at the end of the current year	(77)
(41)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(10)
<b>(67)</b>	<b>Balance at 31 March</b>	<b>(77)</b>

**22 CASH FLOW STATEMENT - OPERATING ACTIVITIES**

PCC and Group

2014/15		2015/16
£000		£000
<b>(208,279)</b>	<b>Surplus / (Deficit) for the year</b>	<b>(175,255)</b>
971	Amortisation of intangible fixed assets	650
28,673	Depreciation and impairment of fixed assets	27,076
(4,882)	Capital & Grant Contribution	(4,316)
(8,780)	Capital & Grant Contribution NPAS	(12,256)
0	Donated Assets NPAS	(2,646)
334	Pensions PCC	385
219,175	Pensions CC	194,268
2,464	Provisions set aside in year	35
181	(Increase) / decrease in stock	360
2,846	(Increase) / decrease in debtors	(15,713)
(1,586)	Increase / (Decrease) in creditors	12,375
3,172	Carrying amount of non-current asset sold	490
(3,202)	Proceeds from sale of property, plant & equipment	(1,054)
8,996	Interest paid	11,168
(567)	Interest received	(623)
<b>39,516</b>	<b>Net cash flows from operating activities</b>	<b>34,944</b>

**23 CASH FLOW STATEMENT - INVESTING ACTIVITIES**

PCC and Group

2014/15		2015/16
£000		£000
24,307	Purchase of property, plant and equipment, investment property and intangible assets	36,427
348,060	Purchase of short-term and long-term investments	479,742
(3,202)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(1,054)
(336,960)	Proceeds from short-term and long-term investments	(489,121)
(4,882)	Capital Grants	(4,316)
(8,780)	Capital Grants NPAS	(12,256)
0	Donated assets	(2,646)
(567)	Interest received	(623)
<b>17,976</b>	<b>Net cash flows from investing activities</b>	<b>6,153</b>

**24 CASH FLOW STATEMENT - FINANCING ACTIVITIES**

PCC and Group

2014/15		2015/16
£000		£000
(124,341)	Cash receipts of short- and long-term borrowing	(139,552)
130,698	Repayments of short- and long-term borrowing	149,037
4,202	Cash payments for the reduction of the outstanding liabilities relating to PFI contracts	1,863
8,996	Other payments for financing activities	11,167
<b>19,555</b>	<b>Net cash flows from financing activities</b>	<b>22,515</b>

**25 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS – GROUP**

The following tables and narrative contain information relating to the Group only, they do not include content or reference to PCC single entity statements.

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Senior Management on the basis of budget reports analysed in a different way. These reports are also prepared on a different basis from the accounting policies used in the Financial Statements. In particular:

- no charges are made in relation to capital expenditure (where depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charges to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flow (payment of employer's pensions contributions) rather than current service cost of benefit accrued in the year
- expenditure on some support services is budgeted for centrally and not allocated out;
- no charge is made in relation to accumulated absences (where the accrual for the employee benefits liability is held within the Accumulated Absences Adjustment Account and charged to services in the Comprehensive Income and Expenditure Statement).

The budget reports are presented in line with Senior Management portfolios of the Group as follows:

These represent the Senior Management portfolios in place for the majority of 2015/16. However, these do change periodically and the budget reports are amended accordingly.

<b>Income and Expenditure 2015/16</b>	<b>ACC</b> District East <b>£000</b>	<b>ACC</b> District West <b>£000</b>	<b>ACC</b> Specialist Operations <b>£000</b>	<b>ACC</b> Specialist Crime <b>£000</b>	<b>ACO</b> Finance & Business Services <b>£000</b>	<b>DCC</b> Deputy Chief Constable <b>£000</b>	<b>TOTAL</b> <b>£000</b>
Fees, charges & Other Service Income	(4,362)	(5,542)	(18,861)	(26,604)	(21,299)	(1,548)	<b>(78,216)</b>
<b>Total Income</b>	<b>(4,362)</b>	<b>(5,542)</b>	<b>(18,861)</b>	<b>(26,604)</b>	<b>(21,299)</b>	<b>(1,548)</b>	<b>(78,216)</b>
Employee Expenses	107,715	110,905	28,817	48,289	14,284	20,144	<b>330,152</b>
Other Service Expenses	1,449	1,562	5,863	5,747	44,507	20,566	<b>79,695</b>
Support Service Recharges	62	55	26,184	22	5	17	<b>26,345</b>
<b>Total Expenditure</b>	<b>109,226</b>	<b>112,523</b>	<b>60,864</b>	<b>54,058</b>	<b>58,796</b>	<b>40,727</b>	<b>436,193</b>
<b>Net Expenditure</b>	<b>104,864</b>	<b>106,981</b>	<b>42,003</b>	<b>27,454</b>	<b>37,497</b>	<b>39,178</b>	<b>357,977</b>

<b>Income and Expenditure 2014/15</b>	<b>ACC</b> Local Policing <b>£000</b>	<b>ACC</b> Corporate Services <b>£000</b>	<b>ACC</b> Operational Support <b>£000</b>	<b>ACC</b> Specialist Crime <b>£000</b>	<b>ACO</b> Finance & Business Services <b>£000</b>	<b>DCC</b> Deputy Chief Constable <b>£000</b>	<b>TOTAL</b> <b>£000</b>
Fees, charges & Other Service Income	(3,992)	(5,732)	(18,767)	(28,906)	(17,793)	(1,348)	<b>(76,538)</b>
<b>Total Income</b>	<b>(3,992)</b>	<b>(5,732)</b>	<b>(18,767)</b>	<b>(28,906)</b>	<b>(17,793)</b>	<b>(1,348)</b>	<b>(76,538)</b>
Employee Expenses	109,064	114,064	50,030	47,081	14,227	18,198	<b>352,664</b>
Other Service Expenses	1,727	4,959	11,180	10,855	47,508	16,356	<b>92,585</b>
Support Service Recharges	72	69	18	26	5	16	<b>206</b>
<b>Total Expenditure</b>	<b>110,863</b>	<b>119,092</b>	<b>61,228</b>	<b>57,962</b>	<b>61,740</b>	<b>34,570</b>	<b>445,455</b>
<b>Net Expenditure</b>	<b>106,871</b>	<b>113,360</b>	<b>42,461</b>	<b>29,056</b>	<b>43,947</b>	<b>33,222</b>	<b>368,917</b>

### Reconciliation of Senior Management Portfolio Income and Expenditure to Cost of Service in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures shown by Senior Management portfolios relate to the amounts included in the Comprehensive Income and Expenditure Statement:

	2015/16	2014/15
	£000	£000
<b>Net expenditure in the ACC analysis</b>	<b>357,977</b>	<b>368,917</b>
Net Expenditure of Services and Support Services not included in the analysis	37,230	32,981
Amounts in the CIES not reported to management in the Analysis	141,323	126,437
Amounts included in the Analysis not included in the CIES	(86,818)	(82,670)
<b>Cost of Services in CIES</b>	<b>449,712</b>	<b>445,665</b>

### Reconciliation to Subjective Analysis

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

	ACC Analysis	Support Service not in Analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Total
2015/16	£000	£000	£000	£000	£000
Fees, charges & other service income	(78,216)	(48,908)	0	0	(127,124)
<b>Total Income</b>	<b>(78,216)</b>	<b>(48,908)</b>	<b>0</b>	<b>0</b>	<b>(127,124)</b>
Employee Expenses	330,152	24,306	1,087	10	355,556
Other Service Expenses	79,695	61,693	0	0	141,388
Support Service Recharges	26,345	139	0	0	26,484
Depreciation, Amortisation & Impairment	0	0	27,726	0	27,726
Interest Payments	0	0	0	(6,618)	(6,618)
Capital Financing	0	0	0	(21,524)	(21,524)
IAS 19 Adjustments	0	0	112,510	(58,687)	53,823
<b>Total Expenditure</b>	<b>436,193</b>	<b>86,138</b>	<b>141,323</b>	<b>(86,819)</b>	<b>576,835</b>
<b>Surplus or deficit on the provision of service</b>	<b>357,977</b>	<b>37,230</b>	<b>141,323</b>	<b>(86,819)</b>	<b>449,711</b>

	ACC Analysis	Support Service not in Analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Total
2014/15	£000	£000	£000	£000	£000
Fees, charges & other service income	(76,538)	(45,263)	0	0	(121,801)
<b>Total Income</b>	<b>(76,538)</b>	<b>(45,263)</b>	<b>0</b>	<b>0</b>	<b>(121,801)</b>
Employee Expenses	352,664	23,510	3,747	(4)	379,917
Other Service Expenses	92,585	55,809	0	0	148,394
Support Service Recharges	206	(1,075)	0	0	(869)
Depreciation, Amortisation & Impairment	0	0	29,644	0	29,644
Interest Payments	0	0	0	567	567
Capital Financing	0	0	0	(23,223)	(23,223)
IAS 19 Adjustments	0	0	93,046	(60,010)	33,036
<b>Total Expenditure</b>	<b>445,455</b>	<b>78,244</b>	<b>126,437</b>	<b>(82,670)</b>	<b>567,466</b>
<b>Surplus or deficit on the provision of service</b>	<b>368,917</b>	<b>32,981</b>	<b>126,437</b>	<b>(82,670)</b>	<b>445,665</b>

### 26 AGENCY SERVICES - GROUP

These are levies towards the cost of Forensic Services, Automatic Fingerprint Recognition and DNA Testing. These costs are included in the Group financial statements only.

	2015/16	2014/15
	£000	£000
Forensic Services, Automatic Fingerprint Recognition and DNA	8,393	8,051
<b>Net Cost arising on the agency arrangement</b>	<b>8,393</b>	<b>8,051</b>

**27 CORPORATE AND DEMOCRATIC CORE – MEMBERS ALLOWANCES**

The PCC and Group paid the following amounts to members of the Joint Independent Audit Committee during the year.

	2015/16 £000	2014/15 £000
Allowances	9	9
Expenses	1	1
<b>Total</b>	<b>10</b>	<b>10</b>

**28 OFFICERS' REMUNERATION AND EXIT PACKAGES**

The remuneration paid to senior employees and senior police officers is as follows:

		Salary, Fees and Allowances	Bonuses	Pension Contribution	Total
		£	£	£	£
<b>PCC 2015/16</b>					
Police and Crime Commissioner	01.04.15- 31.03.16	100,000	0	11,000	<b>111,000</b>
Deputy Police and Crime Commissioner	01.04.15- 31.03.16	58,419	0	6,423	<b>64,842</b>
Chief Executive and Solicitor	01.04.15- 31.03.16	116,832	0	12,852	<b>129,684</b>
Treasurer and Chief Finance Officer PCC	01.04.15- 31.03.16	82,067	0	9,065	<b>91,132</b>
<b>CC 2015/16</b>					
Mark Gilmore Chief Constable (Secondment)	01.04.15- 31.03.16	179,158	0	0	<b>179,158</b>
Dee Collins Temporary Chief Constable	01.04.15- 31.03.16	171,207	0	33,642	<b>204,849</b>
Temporary Deputy Chief Constable	01.04.15- 31.03.16	143,426	0	24,656	<b>168,082</b>
Temporary Assistant Chief Constable (District Policing)	06.07.15- 31.03.16	93,726	0	15,198	<b>108,924</b>
Assistant Chief Constable (Protective Services - Crime)	22.06.15- 31.03.16	81,818	0	18,621	<b>100,438</b>
Assistant Chief Constable (Protective Services - Crime)	01.04.15 - 21.06.15	23,724	0	5,543	<b>29,267</b>
Assistant Chief Constable (Protective Services Ops)	01.04.15- 31.03.16	110,646	0	24,656	<b>135,302</b>
Assistant Chief Constable (District Policing East)	01.04.15 - 21.06.15	26,002	0	6,035	<b>32,037</b>
Assistant Chief Constable (Partnerships and Programme of Change))	06.07.15- 31.03.16	77,099	0	17,453	<b>94,552</b>
Temporary Assistant Chief Constable (District Policing West)	01.04.15 - 05.07.15	24,415	0	5,027	<b>29,442</b>
Assistant Chief Officer (Finance & Business Services) and Chief Finance Officer CC	01.04.15- 31.03.16	107,339	0	11,356	<b>118,695</b>
<b>TOTAL GROUP</b>		<b>1,395,878</b>	<b>0</b>	<b>201,526</b>	<b>1,597,404</b>

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		Salary, Fees and Allowances	Bonuses	Pension Contribution	Total
		£	£	£	£
<b>PCC 2014/15</b>					
Police and Crime Commissioner	01.04.14-31.03.15	100,333	0	11,000	<b>111,333</b>
Deputy Police and Crime Commissioner	01.04.14-31.03.15	57,355	0	6,296	<b>63,652</b>
Chief Executive and Solicitor	01.04.14-31.03.15	116,832	0	12,852	<b>129,684</b>
Treasurer and Chief Finance Officer PCC	16.02.15-31.03.15	9,753	0	1,073	<b>10,826</b>
Chief Finance Officer PCC Temporary	05.05.14-15.02.15	67,117	0	7,328	<b>74,445</b>

<b>CC 2014/15</b>					
Mark Gilmore Chief Constable	01.04.14-31.03.15	177,437	0	0	<b>177,437</b>
Dee Collins Temporary Chief Constable	20.06.14-31.03.15	129,194	0	26,041	<b>155,235</b>
Deputy Chief Constable	01.04.14-19.06.14	32,065	0	7,268	<b>39,333</b>
Temporary Deputy Chief Constable	23.06.14-31.03.15	100,454	0	17,831	<b>118,285</b>
Assistant Chief Constable (District Policing West)	01.04.14-22.06.14	22,331	0	5,218	<b>27,549</b>
Assistant Chief Constable (Specialist Crime)	01.04.13-17.08.14	39,822	0	8,685	<b>48,507</b>
Assistant Chief Constable (Protective Services - Crime)	01.04.14-31.03.15	106,838	0	23,947	<b>130,785</b>
Assistant Chief Constable (Protective Services Ops)	01.04.14-31.03.15	107,713	0	23,496	<b>131,210</b>
Assistant Chief Constable (District Policing East)	01.09.14-31.03.15	59,952	0	13,501	<b>73,452</b>
Temporary Assistant Chief Constable (District Policing West)	23.06.14-31.03.15	82,035	0	16,707	<b>98,742</b>
Temporary Assistant Chief Constable (District Policing West)	05.01.15-29.03.15	15,539	0	3,284	<b>18,824</b>
Assistant Chief Constable (Programme of Change)	01.04.14-21.04.14	5,733	0	0	<b>5,733</b>
Assistant Chief Officer (Finance & Business Services) and Chief Finance Officer CC	01.04.14-31.03.15	107,098	0	11,308	<b>118,407</b>
<b>TOTAL GROUP</b>		<b>1,337,602</b>	<b>0</b>	<b>195,836</b>	<b>1,533,438</b>

Other employees and senior police officers, not disclosed in the table above, receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

GROUP	Number of Employees		GROUP	Number of Employees	
	2015/16	2014/15		2015/16	2014/15
Remuneration Band			Remuneration Band		
£50,000 - £54,999	25	34	£80,000 - £84,999	5	11
£55,000 - £59,999	52	36	£85,000 - £89,999	10	4
£60,000 - £64,999	31	11	£90,000 - £94,999	1	1
£65,000 - £69,999	8	11	£95,000 - £99,999	1	1
£70,000 - £74,999	7	5	£100,000 - £104,999	2	0
£75,000 - £79,999	4	1	£110,000 - £114,999	1	0

PCC	Number of Employees	
	2015/16	2014/15
Remuneration Band		
£55,000 - £59,999	1	1

The number of exit packages for the Group with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Packages	Compulsory Redundancies	Other Departures	Total	Exit Packages	Compulsory Redundancies	Other Departures	Total
2015/2016	£	£	£	2015/2016	No	No	No
£0-£20,000	13,113	65,337	78,450	£0-£20,000	1	4	5
£20,001-£40,000	47,005	134,557	181,562	£20,001-£40,000	2	4	6
£40,001-£60,000	93,404	46,601	140,006	£40,001-£60,000	2	1	3
£60,001-£80,000	0	0	0	£60,001-£80,000	0	0	0
£80,001-£100,000	0	0	0	£80,001-£100,000	0	0	0
£100,001-£150,000	118,210	0	118,210	£100,001-£150,000	1	0	1
	271,732	246,495	518,227		6	9	15
2014/2015	£	£	£	2014/2015	No	No	No
£0-£20,000	33,389	112,578	145,967	£0-£20,000	4	8	12
£20,001-£40,000	51,950	42,540	94,490	£20,001-£40,000	2	2	4
£40,001-£60,000	0	40,075	40,075	£40,001-£60,000	0	1	1
£60,001-£80,000	0	62,829	62,829	£60,001-£80,000	0	1	1
£80,001-£100,000	0	88,646	88,646	£80,001-£100,000	0	1	1
£100,001-£150,000	0	242,006	242,006	£100,001-£150,000	0	2	2
	85,339	588,674	674,013		6	15	21

The Group terminated the contracts of a number of employees in 2015/16, incurring liabilities of £0.361m (£0.356m in 2014/15). Severance payments totalling £0.047m were identified as being due in the early part of 2016/17 (£0.056m in 2015/16) and were accrued in the Comprehensive Income and Expenditure Statement.

## 29 EXTERNAL AUDIT COSTS

The Group has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims and non-audit services provided by the Group's external auditors.

	2015/16 £000	2014/15 £000
Fees payable to KPMG with regard to external audit services for the Police and Crime Commissioner	42	56
Fees payable to KPMG with regard to external audit services for the Chief Constable	23	30
<b>Total Group</b>	<b>64</b>	<b>86</b>

**30 GRANT INCOME**

The PCC and Group credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16.

	2015/16	2014/15
	£000	£000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Precept	86,669	83,054
Principal Grant	172,511	183,757
National Non Domestic Rates	130,053	135,099
Council Tax Benefit Grant	14,467	14,467
Precept Freeze Grant	2,226	2,226
Pensions Top Up Grant	82,077	60,958
Pensions Top Up Grant (Backdated Commutations)	16,082	0
Capital Grants	4,316	4,882
Capital Grants NPAS	12,256	8,780
Donated Assets NPAS	2,646	0
<b>Total</b>	<b>523,303</b>	<b>493,223</b>
<b>Credited to Services</b>		
Counter Terrorist Unit	22,710	23,425
Loan Charges Grant	544	557
Incentivisation	1,052	1,921
PCSO Partners	2,940	2,946
PFI Grant Income	12,329	12,329
NPAS Other	0	393
Regional Crime	3,526	4,080
Casualty Reduction	2,172	1,800
Victim Support Grant	2,501	1,189
Other	3,669	2,839
<b>Total</b>	<b>51,443</b>	<b>51,479</b>

**31 RELATED PARTIES**

The PCC and Group is required to disclose material transactions and balances with related parties, bodies or individuals that have the potential to control or exercise significant influence over the PCC and Group or be controlled or influenced by the PCC and Group. Disclosure of these transactions allows readers to assess the extent to which the PCC and Group 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 the PCC and Group.

The PCC and Group has sound arrangements for internal control and corporate governance (including a scheme of delegation and purchase, contract and procurement regulations) which minimise the potential for a single member or officer to constrain the actions of the PCC and Group, and which seek to ensure that the PCC and Group obtains Value for Money in all transactions.

**Relationship with Central Government Departments and other Public Bodies.**

Central Government has significant influence over the general operations of the PCC and Group – it is responsible for providing the statutory framework within which the PCC and Group operates, it provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the PCC and Group has with other parties (e.g. Council tax bills). Grants received from government departments are set out in the subjective analysis in Note 30 on reporting for resource allocation decisions.

**Other Public Sector Bodies**

Local Government provides a proportion of the funding for the PCC and Group. The Police and Crime Panel, which is the body that holds the Police and Crime Commissioner to



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account, is comprised of elected members from each of the Local Authorities in the area, and has specific responsibilities in relation to the Police and Crime Commissioner.

Details of precepts are set out in Note 11. The amounts owing to and from Other Local Authorities at the Balance Sheet date are included in debtors (Note 16) and creditors (Note 18).

Under the Police Reform and Social Responsibility Act 2011 the PCC is allowed to give crime reduction grants to partners, and an allocation previously granted directly from the Home Office transferred to the PCC's main budget allocation in April 2014. During 2015/16 the PCC distributed funding to Local Authority Community Safety Partnerships and other organisations in line with the previous Home Office allocations.

Additionally, the PCC has created, and Chairs, a Partnership Executive Group, with member representation from the office of the police and crime commissioner, police, local authorities, health, crown prosecution service, prison, probation services, fire and rescue service, community safety, youth offending and Victim Support. The group ambition is to work better in partnership to reduce crime and disorder and improve effectiveness within the community safety and criminal justice services. The PCC set aside £500,000 for each of 2014/15 and 2015/16 for this purpose.

### **Key Management**

Key Management personnel within the PCC and Group are also classed as related parties. Key Management are considered to be the PCC, all chief officers, the Chief Executive and other persons having the authority and responsibility for planning, directing and controlling the activities of the PCC and Group, including the oversight of these activities.

The Police and Crime Commissioner is a member of the Association of Police and Crime Commissioners (APCC), the annual subscription paid in the 2015/16 financial year was £0.024m (2014/15 - £0.020m).

Senior officers are members of the National Police Chief's Council (NPCC, formerly ACPO) and engage with the NPCC on force business. The NPCC commenced on 1 April 2014, and the subscription paid during 2015/16 amounted to £0.049m.

The Police and Crime Commissioner, Deputy Police and Crime Commissioner, Chief Executive and Assistant Treasurer are trustees of a newly created charity, intended to develop the business of the Police National Legal Database (PNLD) in the future. Although the charity has been established, the Police and Crime Commissioner, has retained the PNLD assets and intellectual property rights. The intellectual property rights will be retrospectively licensed to PNLD charitable incorporated organisation with effect from 1st September 2015.

Remuneration of Senior Management is disclosed in the Remuneration Report.

Transactions with Pension Schemes are set out in Note 35.

**32 CAPITAL EXPENDITURE AND CAPITAL FINANCING**

The total amount of capital expenditure incurred in the year is shown in the table below, with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the PCC and Group, the expenditure results in an increase in the Capital Financing Requirements (CFR), a measure of the capital expenditure incurred historically by the PCC and Group that has yet to be financed. The CFR is analysed in the second part of this note.

	2015/16	2014/15
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>206,862</b>	<b>215,528</b>
<b>Capital investment</b>		
Property, Plant and Equipment	35,482	22,941
Intangible Assets	945	1,366
<b>Sources of finance</b>		
Capital Receipts	(564)	0
Government grants and other contributions	(4,169)	(6,180)
Government grants and other contributions NPAS	(12,256)	(8,780)
Donated Assets NPAS	(2,646)	0
<b>Sums set aside from revenue:</b>		
Financing from Reserves	(5,034)	(3,789)
Direct revenue contributions	(11,758)	(5,559)
Minimum revenue provision	(5,832)	(8,665)
<b>Closing Capital Financing Requirement (CFR)</b>	<b>201,030</b>	<b>206,862</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (supported)	0	0
Provision for Debt Repayment (MRP)	(5,832)	(8,665)
Assets acquired under PFI contract	0	0
Increase in underlying need to borrowing (unsupported)	0	0
<b>Increase/(decrease) in Capital Financing Requirement (CFR)</b>	<b>(5,832)</b>	<b>(8,665)</b>

**33 LEASES**

The Code of Practice requires the PCC and Group to disclose its obligations under operating and finance leases, and a statement on the assets it holds and leases out to third parties. A finance lease is one which transfers substantially all the risks and rewards of ownership of the asset to the lessee. If the terms of a lease means that the risks and rewards of ownership remain with the lessor, then the lease is accounted for as an operating lease.

**PCC and Group as Lessee****Finance Leases**

The PCC and Group has acquired a number of properties under finance leases. The asset acquired under each lease is carried as Property, Plant and Equipment (PPE) in the Balance Sheet at the following net amounts.

	2015/16	2014/15
	£000	£000
Land and Buildings (PPE)	891	950
PFI Infrastructure (PPE)	69,208	70,719
<b>Total</b>	<b>70,099</b>	<b>71,669</b>

The PCC and Group is committed to making minimum lease payments under the PFI lease comprising settlement of the long-term liability for the interest in the asset acquired by the PCC and Group and finance costs that will be payable in future years while the liability remains outstanding.

In relation to the non PFI lease, a premium was paid at the inception of the lease and therefore no outstanding commitment to make future payments in respect of those leases.

The minimum lease payments in respect of the PFI lease are made up of the following amounts:

	2015/16 £000	2014/15 £000
Finance lease liabilities (net present value of minimum lease payments)		
Current	2,076	1,863
Non-current	96,973	99,049
Finance costs payable in future years	104,771	112,013
<b>Minimum lease payments</b>	<b>203,820</b>	<b>212,925</b>

The minimum lease payments will be paid over the following periods:

	Minimum Lease Payments		Finance Lease Payments	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Not later than 1 year	9,183	9,105	2,076	1,863
Later than one year and not later than five years	36,290	36,336	9,410	8,822
Later than five years	158,347	167,484	87,563	90,227
<b>Minimum lease payments</b>	<b>203,820</b>	<b>212,925</b>	<b>99,049</b>	<b>100,912</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. In 2015/16 £0.463m (2014/15 £0.355m) contingent rents were payable by the PCC and Group.

Further information on PFI can be found in Note 34.

### Operating Leases

The future minimum lease payments due under non-cancellable leases in future years are:

	2015/16 £000	2014/15 £000
No later than one year	1,386	1,619
Later than one year and not later than five years	5,080	4,413
Later than five years	1,472	1,648
<b>Total</b>	<b>7,938</b>	<b>7,680</b>

The PCC and Group does not act as a lessor.

**34 PRIVATE FINANCE INITIATIVES****PFI and similar contracts**

The PFI is a source of funding used for long term major projects, involving a private sector entity for constructing or upgrading property used in the provision of a public service, and operating and maintaining that property for a specified period of time.

In May 2012 the former Police Authority entered into a Private Finance Initiative (PFI) scheme to provide three new operational buildings within West Yorkshire. Payment to the contractor, the unitary payment, began in November 2013 with the opening of the first building and commencement of the service. The second building became operational in February 2014, and the final building became operational in April 2014. The contractor will operate and service the buildings for 25 years after which ownership will revert to the Police and Crime Commissioner at nil cost. The unitary payment will be met from revenue and a PFI grant awarded by the Home Office.

**Property Plant and Equipment**

The buildings are recognised on the Group and PCC Balance Sheets. Movements in their value over the year are detailed in the analysis of movements in Property Plant and Equipment in Note 12.

**Payments**

The Group makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2016 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Service Charge £000	Lifecycle Costs £000	Interest Costs £000	Finance Liability £000	Total Unitary Payment £000
Future payments:					
Payable in 16/17	2,259	91	7,107	2,076	11,533
Between 2 to 5 years	9,064	781	26,880	9,410	46,135
Between 6 to 10 years	11,323	1,989	29,393	14,965	57,670
Between 11 to 15 years	11,323	2,212	23,234	20,899	57,668
Between 16 to 20 years	11,323	3,162	14,765	28,420	57,670
Between 21 to 23 years	6,939	960	3,392	23,279	34,570
<b>Total</b>	<b>52,231</b>	<b>9,195</b>	<b>104,771</b>	<b>99,049</b>	<b>265,246</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the service they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

	2015/16 £000	2014/15 £000
Balance outstanding at start of year	100,912	105,114
Capital expenditure incurred in the year	0	0
Payments during the year	(1,863)	(4,202)
Balance Outstanding at year-end	99,049	100,912
Current liabilities	2,076	1,863
Long Term Liabilities	96,973	99,049
<b>Total Liability</b>	<b>99,049</b>	<b>100,912</b>

Financial transactions in the year have been as follows:

	2015/16 £000	2014/15 £000
Financial transactions in the year have been as follows:-		
PFI grant receipts (in advance)	(12,329)	(12,329)
PFI grant applied	11,953	11,764
Balance contributed to PFI reserve	(376)	(3,070)
Unitary charge	11,997	11,889
Penalties imposed/(Compensation)	(44)	(125)
Total Payment	11,953	11,764

The unitary charge is split into service elements and a construction element. The service element is charged to revenue as it is incurred and the construction element is accounted for as if it were a finance lease.

The unitary payment has been split up as follows:

	2015/16 £000	2014/15 £000
The unitary payment has been split as follows:-		
Fair value of services	2,299	2,218
Lifecycle replacement	86	74
Contingent rent	463	356
Finance lease interest charges	7,241	4,937
Lease redemption	1,864	4,179
Unitary Payment	11,953	11,764

### 35 **DEFINED BENEFIT PENSION SCHEMES**

PCC and Group

As part of the terms and conditions of employment of its officers and other employees, the Group makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Group participates in four pension schemes administered by:  
The West Yorkshire Pension Fund for Staff Pensions, and  
Mouchel, for Police Officer Pensions.

The Local Government Pension Scheme for Group Staff employees:

- This is a funded scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets.

There are three Pension Schemes for Police Officers, which are unfunded schemes:-

- The 1987 Police Pension Scheme for Police Officers (PPS). This scheme was closed to new recruits from April 2006 when a new scheme was introduced with different contribution rates.
- The 2006 New Police Pension Scheme for Police Officers (NPPS). The 2006 scheme was closed to new recruits from April 2015 when a new scheme was introduced.
- The 2015 Police Pension Scheme for Police Officers.

All are unfunded schemes meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Following funding changes introduced on 1 April 2006 the Group now pays an employer's pension contribution into the Pension Fund Account in respect of both schemes.

The schemes provide defined benefits to members (retirement lump sums and pensions) related to pay and service.

### Transactions Relating to Post-employment Benefits

A detailed explanation of the accounting arrangements for all schemes is set out in the notes to the Pension Fund Account.

The cost of retirement benefits is recognised in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Group is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the Police Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Police Fund Balance via the Movement in Reserves Statement during the year:

LGPS = Local Government Pension Scheme.

POLICE PS = Police Pension Scheme.

	PCC	GROUP	GROUP	PCC	GROUP	GROUP
	LGPS	LGPS	POLICE PS	LGPS	LGPS	POLICE PS
	£000	£000	£000	£000	£000	£000
	2015/16	2015/16	2015/16	2014/15	2014/15	2014/15
<b>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>						
<b>Cost of Services</b>						
<i>Service cost comprising:</i>						
Current service costs	520	22,181	73,846	519	17,639	74,936
Past service costs	5	217	16,266	14	471	0
(Gain)/loss from settlements	0		0	0		0
<i>Finance and Investment Income and Expenditure:</i>						
Net interest expense	124	5,281	135,549	129	4,389	182,083
<b>Pension Costs Recognised in the Provision of Services</b>	<b>649</b>	<b>27,679</b>	<b>225,661</b>	<b>662</b>	<b>22,499</b>	<b>257,019</b>
<b>Other Post-employment Benefits charged to the CIES</b>						
<i>Remeasurement of the net defined benefit liability comprising:</i>						
Return on plan assets Actuarial gain/(loss)	0	0	0	0	0	0
Experience (gain)/loss on assets	286	12,221	(98,159)	(865)	(29,378)	(60,936)
Experience (gain)/loss on liabilities	(107)	(4,588)	0	(72)	(2,458)	(611,925)
Actuarial (gain)/loss on changes in demographic assumptions	0	0	0	0	0	0
Actuarial (gain)/loss on changes in financial assumptions	(1,023)	(43,656)	(227,715)	2,381	80,888	672,364
<b>Pension Costs Recognised in Other Comprehensive Income and Expenditure</b>	<b>(844)</b>	<b>(36,023)</b>	<b>(325,874)</b>	<b>1,444</b>	<b>49,052</b>	<b>(497)</b>
<b>Total Pension Costs Recognised in the CIES</b>	<b>(195)</b>	<b>(8,344)</b>	<b>(100,213)</b>	<b>2,106</b>	<b>71,551</b>	<b>256,522</b>
<b>MOVEMENT IN RESERVES STATEMENT</b>						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(649)	(27,679)	(225,661)	(662)	(22,499)	(257,019)
<b>Actual amount charged against the Police Fund Balance for pensions in the year:</b>						
Employers contributions payable to scheme	259	11,056	42,753	322	10,942	44,261
Retirement benefits payable to pensioners	5	197	4,681	6	199	4,607

### Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

The amount included in the Balance Sheet arising from the Group's obligation in respect of its defined benefits plan is as follows:

	PCC	GROUP	GROUP	PCC	GROUP	GROUP
	LGPS	LGPS	POLICE PS	LGPS	LGPS	POLICE PS
	£000	£000	£000	£000	£000	£000
	2015/16	2015/16	2015/16	2014/15	2014/15	2014/15
Fair value of plan assets	8,190	499,352	0	7,949	489,073	0
Present value of the defined benefit obligation	(11,863)	(645,529)	(4,160,800)	(12,081)	(654,847)	(4,308,447)
<b>Pension asset/(liability) recognised on the Balance Sheet</b>	<b>(3,673)</b>	<b>(146,177)</b>	<b>(4,160,800)</b>	<b>(4,132)</b>	<b>(165,774)</b>	<b>(4,308,447)</b>

### Reconciliation of the Movements in the Fair Value of Scheme Assets

	PCC	GROUP	GROUP	PCC	GROUP	GROUP
	LGPS	LGPS	POLICE PS	LGPS	LGPS	POLICE PS
	£000	£000	£000	£000	£000	£000
	2015/16	2015/16	2015/16	2014/15	2014/15	2014/15
<b>Opening fair value of scheme assets</b>	<b>7,949</b>	<b>489,073</b>	<b>0</b>	<b>6,348</b>	<b>434,672</b>	<b>0</b>
Interest income	381	16,247	0	567	19,257	0
<i>Remeasurements gain / (loss)</i>						
The return on plan assets, excluding the amount included in the net interest expense	(286)	(12,221)	98,159	865	29,378	60,936
Contributions from employer	259	11,056	47,434	322	10,942	48,868
Contributions from employees into the scheme	155	6,628	22,730	187	6,341	23,670
Benefits paid	(268)	(11,431)	(168,323)	(339)	(11,517)	(133,474)
<b>Closing fair value of scheme assets</b>	<b>8,190</b>	<b>499,352</b>	<b>0</b>	<b>7,949</b>	<b>489,073</b>	<b>0</b>

### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	PCC	GROUP	GROUP	PCC	GROUP	GROUP
	LGPS	LGPS	POLICE PS	LGPS	LGPS	POLICE PS
	£000	£000	£000	£000	£000	£000
	2015/16	2015/16	2015/16	2014/15	2014/15	2014/15
<b>Opening present value of scheme liabilities</b>	<b>(12,081)</b>	<b>(654,847)</b>	<b>(4,308,447)</b>	<b>(8,702)</b>	<b>(540,036)</b>	<b>(4,100,793)</b>
Current service cost	(520)	(22,181)	(73,846)	(519)	(17,639)	(74,936)
Interest cost	(504)	(21,528)	(135,549)	(696)	(23,646)	(182,083)
Contribution from scheme participants	(155)	(6,628)	(22,730)	(187)	(6,341)	(23,670)
<i>Remeasurement (gain) and loss:</i>						
Actuarial gain/(loss) arising from changes in demographic assumptions	0	0	0	0	0	0
Actuarial gain/(loss) arising from changes in financial assumptions	1,023	43,656	227,715	(2,381)	(80,888)	(672,364)
Actuarial gain/(loss) on liabilities - experience	107	4,588	0	72	2,458	611,925
Past service costs	(5)	(217)	(16,266)	(14)	(471)	0
Benefits paid	272	11,628	168,323	345	11,716	133,474
<b>Closing present value of scheme liabilities</b>	<b>(11,863)</b>	<b>(645,529)</b>	<b>(4,160,800)</b>	<b>(12,081)</b>	<b>(654,847)</b>	<b>(4,308,447)</b>

### Local Government Pension Scheme assets comprised:

	PCC				GROUP			
	2015/16		2014/15		2015/16		2014/15	
	£000	%	£000	%	£000	%	£000	%
Equities	6,192	75.6%	6,073	76.4%	377,510	75.6%	373,652	76.4%
Property	401	4.9%	334	4.2%	24,468	4.9%	20,541	4.2%
Government Bonds	844	10.3%	835	10.5%	51,433	10.3%	51,353	10.5%
Corporate Bonds	377	4.6%	366	4.6%	22,970	4.6%	22,497	4.6%
Cash	106	1.3%	167	2.1%	6,492	1.3%	10,271	2.1%
Other	270	3.3%	175	2.2%	16,479	3.3%	10,760	2.2%
<b>Total Assets</b>	<b>8,190</b>	<b>100.0%</b>	<b>7,949</b>	<b>100.0%</b>	<b>499,352</b>	<b>100.0%</b>	<b>489,073</b>	<b>100.0%</b>

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme was assessed by AON Hewitt, and the Police Pension scheme by Mercers, both independent firms of actuaries. The most recent full actuarial valuations in respect of both schemes were carried out as at 31 March 2015.

The principal assumptions used by the actuaries have been:

	PCC and GROUP			
	LOCAL GOVERNMENT		POLICE	
	PENSION SCHEME		PENSION SCHEME	
	2015/16	2014/15	2015/16	2014/15
<i>Mortality assumptions:</i>				
<i>Longevity at 65 (staff) 60 (officers) for current pensioners:</i>				
Men	22.7	22.6	28.2	28.1
Women	25.6	25.5	30.8	30.6
<i>Longevity at 65 (staff) 60 (officers) for future pensioners:</i>				
Men	24.9	24.8	30.7	30.6
Women	28.0	27.8	33.2	33.1
Rate of Inflation CPI	1.8%	1.9%	2.0%	2.0%
Rate of increase in salaries	3.3%	3.4%	3.5%	3.5%
Rate of increase in pensions	1.8%	1.9%	2.0%	2.0%
Rate for discount rate	3.5%	3.3%	3.5%	3.2%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below 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. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in previous periods.

### Impact on the Defined Benefit Obligation in the Scheme

	PCC		GROUP			
	LOCAL GOVERNMENT PENSION SCHEME		LOCAL GOVERNMENT PENSION SCHEME		POLICE PENSION SCHEME	
	£000		£000		£000	
	2015/16		2015/16		2015/16	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	in Assumption		in Assumption		in Assumption	
<i>Value of Funded Liabilities:</i>						
With above assumptions	(11,863)	(11,863)	(645,529)	(645,529)	(4,160,800)	(4,160,800)
	+0.1%	-0.1%	+0.1%	-0.1%	+0.1%	-0.1%
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(11,555)	(12,091)	(628,780)	(657,969)	(4,087,637)	(4,233,963)
Rate for increase in salaries (increase or decrease by 0.1%)	(11,902)	(11,739)	(647,669)	(638,802)	(3,858,314)	(4,463,286)
Rate for increase in pensions (increase or decrease by 0.1%)	(12,008)	(11,635)	(653,456)	(633,136)		
Rate for increase in inflation (increase or decrease by 0.1%)					(3,908,764)	(4,412,836)
	+1 year	+1 year	+1 year	-1 year	+1 year	-1 year
Adjustment to mortality age (increase or decrease in 1 year)	(12,120)	(11,520)	(659,512)	(626,861)	(3,917,924)	(4,403,676)



### **Impact on the Group's Cash flows**

The objectives of the schemes are to keep employers contributions at as constant a rate as possible.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to services after 31 March 2016 (or services after 31 March 2017 for other main existing public service pension schemes in England and Wales). 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.

The Group's expected contribution to the schemes in 2016/17 is:

Police Pension Scheme £145.6m.

Local Government Pension Scheme £20.7m (The PCC's share of the LGPS is approx. 2.34%).

## **36 CONTINGENT LIABILITIES**

PCC and Group

### **Termination Benefits**

A major programme of organisational change has been put in place to meet the challenge of reduced resources resulting from the Government's Spending Review. This focuses on protecting as far as possible frontline services, whilst making significant savings in back and middle office and support functions. There will as a result be a reduction in both police officer and police staff numbers, to be managed predominantly through natural wastage and police staff voluntary redundancies. The Group has included an estimate of the costs of severance in its medium term financial forecast, to enable it to meet the liabilities as they fall due. At this time it is not possible to predict a value or timing of any obligation falling due.

### **Municipal Mutual Insurance (MMI)**

The Group has taken professional advice on the amount to provide for the clawback from MMI, but there is potential for the eventual liability to exceed the amount provided for in the accounts. Note 19 provides further information.

### **Police Pension Regulations**

The Chief Constable of West Yorkshire, along with other Chief Constables and the Home Office, currently has 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 also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

## 37 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The PCC and Group's activities expose it to a variety of financial risks.

- **Credit risk** the possibility that other parties might fail to pay amounts due to the PCC and Group;
- **Liquidity risk** the possibility that the PCC and Group might not have funds available to meet its commitments to make payments;
- **Re-financing risk** the possibility that the PCC and Group might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- **Market Risk** the possibility that financial loss might arise for the PCC and Group as a result of changes in such measures as interest rate movements.

### Overall procedures for managing risk

The PCC and Group's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the PCC and Group to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the PCC and Group to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The PCC and Group's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the annual budget setting meeting or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the PCC and Group's financial instrument exposure. Actual performance is also reported regularly to the PCC and the Independent Audit Committee Members.

The annual treasury management strategy which incorporates the prudential indicators was approved by the PCC on 14 April 2016 and is available on the Police and Crime Commissioners website. The key issues within the strategy were:

- The Authorised Limit for the 2015/16 was set at £132m for general borrowing and £110m for PFI. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £106m for general borrowing and £100m for PFI. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £5m and £2m based on the PCC and Group's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown later in this note under refinancing and maturity risk.

The implementation of these policies is delegated to the PCC's Treasurer, supported by a central Treasury Team employed by Wakefield Metropolitan District Council. The PCC and Group maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed annually.

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the PCC and Group's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- UK Banks or non UK and domiciled in a country with a minimum Sovereign long term rating of AAA from two out of three agencies, provided the third is no lower than AA+ and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated): Short Term – F1; Long Term – A; Viability Rating/ Financial Strength – Fitch / Moody's only. Non-UK banks BB+/C, Support – 3 (Fitch only);
- Guaranteed banks - Lloyds Banking Group and RBS, provided they continue to be part nationalised or meet the ratings above;
- The PCC and Group's own banker;
- Building Societies meeting the ratings for banks outlined above;
- Money Market Funds with a long term credit rating of AAA;
- UK Government (The DMADF);
- Local authorities including police, fire, parish and community authorities.

Money limits range from £3m to £5m and time limits from 3 months to 3years, with the maximum total amount invested for longer than 364 days limited to £15m (maximum of £10m in the 2-3 year period).

The PCC and Group's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments.

A risk of irrecoverability applies to all of the PCC and Group's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

### Customers

The PCC and Group does not generally allow credit for its customers, such that all of the £26.233m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	Actual 31 March 2016 £000	Actual 31 March 2015 £000
Less than 3 months	21,757	13,176
Three to six months	960	4,346
Six months to one year	1,675	285
More than one year	1,841	1,602
<b>Total</b>	<b>26,233</b>	<b>19,409</b>

The experience of default is illustrated by the debts written off during 2015/16 totalling £0.129m (2014/15 £0.014m).

Collateral – during the reporting period the PCC and Group held no collateral as security.

### Liquidity Risk

The PCC and Group manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The PCC and Group has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The PCC and Group is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	Actual 31 March 2016 £000	Actual 31 March 2015 £000
Less than one year	95,541	94,238
Between one and two years	0	0
Total	95,541	94,238

### Refinancing and Maturity risk

The PCC and Group maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the PCC and Group relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The former Police Authority approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the PCC and Group's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

	Approved minimum limits (%)	Approved maximum limits (%)	Actual 31 March 2016 £000	Actual 31 March 2016	Actual 31 March 2015 £000	Actual 31 March 2015
Less than one year	0	25	423	0.48%	9,538	9.86%
Between one and two years	0	40	406	0.47%	370	0.38%
Between two and five years	0	60	11,471	13.14%	1,341	1.39%
Between five and ten years	0	80	3,574	4.09%	13,257	13.70%
More than ten years	0	100	71,421	81.82%	72,274	74.68%
Total	0	100	87,295	100.00%	96,780	100.00%

## Market Risk

**Interest rate risk** - The PCC and Group is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the PCC and Group, for instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the Police Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The PCC and Group has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the PCC and Group's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	15/16 £000
<b>1% Higher Rates</b>	
Increase in interest payable on variable rate borrowings	0
Decrease in interest receivable on variable rate investments	0
Impact on Surplus or Deficit on the Provision of Service:	
Increase in Government grant receivable for financing costs	0
Decrease in fair value of fixed rate investment assets	282
Impact on Other Comprehensive Income and Expenditure	282
Decrease in fair value of fixed rate borrowings liabilities (no impact on CIES)	16,444

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the note – Fair Value of Assets and Liabilities Carried at Amortised Cost.

### Other Foreign Exchange Risk

Financial assets worth £8.522m to the PCC and Group are held in a Euro Bank Account, as the contract for fixed wing aircraft will be paid in Euros there is no exchange rate risk. However, had it been converted as at 31 March 2016 there would have been a gain of £0.635m.

### Re-classification / De-regulation

There have been no re-classifications, de-regulations or unusual movements of financial instruments, and the PCC and Group does not give or receive any collateral in respect of the instruments.

## 38 OTHER BALANCES

The PCC and Group holds monies on behalf of third parties arising from its operational responsibilities. The amounts are included as Creditors on the Balance Sheet and are as follows:

ACCOUNT	01.4.15 Balance £'000	Expenditure in Year £'000	Receipts in Year £'000	31.3.16 Balance £'000	Description of Account
Drug Trafficking Offences Act	(1,064)	174	(155)	(1,045)	Act empowers Police to retain monies seized during investigation
Misuse of Drugs Act	235	0	(235)	0	Monies forfeited and awarded by court to be used to tackle drug related crime
Income Pending Return to Claimants	(713)	243	(266)	(736)	Cash held for third parties e.g. sudden deaths
Proceeds of Crime Act	(3,980)	2,955	(2,632)	(3,657)	Act empowers Police to seize monies and property during investigations
Police Property Act Fund	(194)	56	(52)	(190)	Proceeds from disposal of property in connection with a criminal offence. The money is then donated to local charities
<b>TOTAL</b>	<b>(5,716)</b>	<b>3,428</b>	<b>(3,340)</b>	<b>(5,628)</b>	

**WEST YORKSHIRE POLICE**

**PENSION FUND**

**STATEMENT**

**OF**

**ACCOUNTS 2015/16**

## WEST YORKSHIRE POLICE

### PENSION FUND ACCOUNT STATEMENTS

2014/15 £'000		2015/16 £'000
	<b>CONTRIBUTIONS RECEIVABLE</b>	
(41,608)	Employer's Contributions	(40,224)
(2,785)	Early Retirements (Ill Health)	(2,529)
(23,671)	Officers' Contributions	(22,730)
	<b>TRANSFERS IN</b>	
(905)	Individual Transfers In from Other Schemes	(787)
<b>(68,969)</b>	<b>TOTAL INCOME RECEIVABLE</b>	<b>(66,270)</b>
	<b>BENEFITS PAYABLE</b>	
105,493	Pensions	110,129
21,276	Commutations and Lump Sum Retirement Benefits	36,822
263	Lump Sum Death Benefits	285
	<b>PAYMENTS TO AND ON ACCOUNT OF LEAVERS</b>	
9	Refunds of Contributions	18
2,886	Individual Transfers Out to Other Schemes	1,093
<b>123,350</b>	<b>TOTAL EXPENDITURE PAYABLE</b>	<b>148,347</b>
60,958	NET AMOUNT PAYABLE FOR THE YEAR	82,077
(60,958)	ADDITIONAL CONTRIBUTION FROM EMPLOYER	(82,077)
0		0



## Notes to the Pension Fund Account

2014/15 £'000	NET ASSETS STATEMENT	2015/16 £'000
0	Contributions Due From Employer	0
0	Unpaid Pension Benefits	0
0	Amount Owing From the Police Fund	0
0		0

### The Police Pension Scheme in England and Wales

The Pension Fund Accounts have been prepared in accordance with the IFRS Code and on an accruals basis. This means the sums due to or from the Pension Fund are included as they fall due, whether or not the cash has been received or paid. The accounting convention adopted is historic cost.

Each individual Police Force is required, under the Police Pension Fund Regulations 2007, to operate a Pension Fund Account and the amounts that must be paid into and out of the Pension Fund Account are specified by the regulations.

The Fund is administered by the Group which pays an employer's contribution to the Fund. The pensions of all retired officers are paid directly from the Fund.

The pension scheme is unfunded and consequently the Fund has no investment assets. Benefits payable are funded by the contributions from the Group and employees and any difference between benefits payable and contributions receivable is met by top-up grant from the Home Office.

Employees' and employer's contributions to the Fund are based on percentages of pensionable pay set nationally by the Home Office, subject to triennial valuation by the Government Actuary's Department. The accounting policies applicable to the Fund are set out in the Statement of Accounting Policies.

The Net Asset Statement does not include liabilities to pay pensions and other benefits after the balance sheet date, see disclosure Note 35 of the Core Statements about the IAS19 liability.

**YORKSHIRE AND**  
**THE HUMBER**  
**LEAD FORCE**  
**COLLABORATION**

**REVENUE**  
**ACCOUNT**

**2015/16**

## NARRATIVE TO THE REVENUE ACCOUNT

The Group engages in collaborative working in partnership with the Yorkshire and Humber Commissioners / Forces to deliver a number of specific services on a regional basis.

The governance of this regional programme of activity is via the Regional Collaboration Board.

Regional collaboration is funded from contributions made by the four regional Police Group's with the level of contribution being dependent upon the assessment of the benefit to be derived from each specific project or initiative.

Where benefit is considered to be equal, contributions are equal with a 25% contribution from each Region. Where benefit is proportionate to size contributions are made in line with each Region's Net Revenue Expenditure (NRE). When all four regional Commissioners and Forces are contributing the NRE percentages are as follows:

West Yorkshire	41.65%
South Yorkshire	25.76%
North Yorkshire	14.57%
Humberside	18.02%

If less than four Commissioners / Forces are contributing the NRE percentages are adjusted on a pro-rata basis.

In accordance with proper accounting practice, the Group has accounted for the regional collaboration arrangement by accounting for all the income and expenditure for the activity and recognises income in the form of contributions from partners will largely only apply where the partners have secured neither joint control of the overall activity nor rights to particular assets or obligations for particular liabilities – ie the other parties are only interested in the lead authority delivering the outcomes it has agreed to provide.

**YORKSHIRE AND HUMBER REGIONAL COLLABORATION**  
**REVENUE ACCOUNT FOR THE PERIOD**  
**1 APRIL 2015 TO 31 MARCH 2016**

2014/15 £000		2015/16 £000
	<b>EXPENDITURE</b>	
21,626	Staff Costs	20,847
966	Property Related Expenses	976
9,722	Supplies and Services	11,116
729	Transport Related Expenses	706
33,043		33,645
	<b>INCOME</b>	
4,344	Other Income	3,678
29,212	Contributions	29,967
33,556		33,645
513	<b>(DEFICIT)/SURPLUS IN YEAR</b>	0

**NPAS**

**REVENUE**  
**ACCOUNT**

**2015/16**

## NARRATIVE TO THE REVENUE ACCOUNT

The primary objective of the NPAS project is to deliver a national service that provides the police service with capability from the air that maximises the benefits of air support to the delivery of frontline services, is achieved at lower cost than the current service (which is managed at a local level), is an integrated part of the wider policing strategy and harnesses innovation in the aviation sector for the benefits of policing.

The NPAS service is being rolled out across the country on a phased basis which commenced in October 2012.

The service is governed by a section 22a collaborative agreement and is under the control of a Strategic Board made up of Police and Commissioners and Chief Constables from each national region. The board determines the budget and the charging policy, and monitors performance.

The NPAS service is funded from contributions made by the each Policing Body receiving a service.

Accounts are provided to the NPAS Strategic Board, the expenditure and income charged to the accounts is in accordance with the Financial Regulations and Standing Orders of the Police and Crime Commissioner for West Yorkshire.

<p><b>NPAS</b></p> <p><b>REVENUE ACCOUNT FOR THE PERIOD</b></p> <p><b>1 APRIL 2015 TO 31 MARCH 2016</b></p>
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2014/15 £000		2015/16 £000
	<b>EXPENDITURE</b>	
17,302	Staff Costs	20,306
1,255	Property Related Expenses	2,060
2,477	Supplies and Services	2,405
14,960	Transport Related Expenses	14,554
35,994		39,325
	<b>INCOME</b>	
32,082	Contributions	38,673
5,122	Other Income	652
37,204		39,325
1,210	<b>(DEFICIT)/SURPLUS IN YEAR</b>	0

## **ANNUAL GOVERNANCE STATEMENT FOR THE POLICE AND CRIME COMMISSIONER FOR WEST YORKSHIRE AND GROUP**

This annual governance statement reflects both the governance framework put in place for the Police and Crime Commissioner (PCC) and Group for the year ended 31 March 2016, including plans for the financial year 2016/17.

### **1. SCOPE OF RESPONSIBILITIES**

The PCC for West Yorkshire is responsible for ensuring that business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The PCC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the PCC is also responsible for putting in place proper arrangements for the governance of the group's affairs and facilitating the exercise of its functions. This includes ensuring that a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, the PCC places reliance on the Chief Constable to support the governance and risk management processes.

This statement explains how the PCC has complied with the principles of the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

In light of the dynamic changes within policing and community safety governance the PCC continues to review the code of corporate governance to ensure it reflects and supports the wider arrangements. The code is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. A copy will be made available on the website at [www.westyorkshire-pcc.gov.uk](http://www.westyorkshire-pcc.gov.uk) or one can be obtained from the Chief Executive, Ploughland House, 62 George Street, Wakefield, WF1 1DL.

In drafting this Annual Governance Statement reliance has been placed on the governance processes within West Yorkshire Police (WYP), as reflected in the WYP Annual Governance Statement which is published alongside the accounts of the Chief Constable.

### **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems and processes, and culture and values by which the PCC Group is directed and controlled and the activities through which it accounts to and engages with the community. The framework enables the PCC to monitor the achievement of Group strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services, including achieving 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 PCC's policies, aims and objectives, to evaluate the likelihood of those risks materialising and the impact should they materialise, and to manage them effectively, efficiently and economically.

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

The key elements that comprise the governance arrangements that have been put in place for the PCC and WYP include:



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## **Identifying and communicating the Police and Crime Commissioner's vision of his purpose and intended outcomes for citizens and service users as set out in his refreshed Police and Crime Plan.**

The PCC made his commitments for policing clear in his election pledges and has set out further commitments in his revised Police and Crime Plan 2014-2018 which sets out a strategic vision for policing, community safety and joint working with the wider criminal justice system across West Yorkshire over the next five years. In doing so he has had regard to the Strategic Policing Requirement and the plan was developed in close consultation with the public of West Yorkshire as well as a wide range of key stakeholders and partners.

Following the re-election of the Police and Crime Commissioner in May 2016 the Police and Crime Plan is currently being reviewed and community consultation is currently underway.

The PCC has formed a Partnership Executive Group (PEG)<sup>1</sup> with a membership at strategic level from policing, community safety, the wider criminal justice system, victims and third sector organisations. The PEG plays a key role in developing this strategic vision and the Police and Crime Panel (PCP) were also consulted on the Plan.

The Police and Crime Plan is based on the PCC's Community Outcomes Framework, a shared vision with partners, and has the overall aim of ensuring that communities in West Yorkshire are safer and feel safer. Local priorities have been set in consultation with individuals and organisations and community safety partnerships which sit within the Plan.

The Plan has been communicated widely via media (including social media such as Facebook, Twitter, You Tube), existing contacts and events and groups attended by the PCC or PCC representatives.

## **Reviewing the PCC's vision and strategy and its implications for governance arrangements**

The Partnership Executive Group (PEG) is consulted around the delivery of the Police and Crime Plan and the group provides the steer for this. Reviewing and renewing the vision and strategy as set out in the Police and Crime Plan will be ongoing as the PCC continues to consult with the Partnership Executive Group but also with a wide range of partners delivering on the ground, community groups and projects, public engagement and consultation events conducted by the PCC but also the Office of the PCC (OPCC).

The partnership structure is now well established with regular meetings held, terms of reference agreed and decision making taking place to support the delivery of the Police and Crime Plan.

The PEG receives quarterly updates from the West Yorkshire Community Safety Forum, Third Sector Advisory Group and the Delivery Group sub-group.

The PCC holds regular strategic planning days with the Chief Officer Team (COT) to look at how WYP can best deliver on the priorities in the Plan.

## **Monitoring performance against operational, financial and other strategic plans**

The PCC has established a performance management framework which includes monthly and quarterly reporting on indicators, commitments and wider relevant information. West Yorkshire Police now present a performance report to a quarterly performance meeting,

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<sup>1</sup>The PEG is made up of representatives from the following: AWAY (Association of West Yorkshire Authorities); Community Safety Partnerships; Crown Prosecution Service; Joint Independent Audit Committee; Local Authorities; Local Criminal Justice Board; NHS England; Police and Crime Commissioner; Police and Crime Panel; Prison Service; Public Health; Victim Support; Voluntary Action Leeds on behalf of Third Sector organisations in West Yorkshire; West Yorkshire Fire & Rescue Authority; West Yorkshire Police; West Yorkshire Probation Trust; Youth Offending Teams.

allowing the PCC to challenge performance and ask key questions based not only on the force report but on issues identified through the wider scanning by his office.

The PCC also holds the Chief Constable to account at Community Outcomes Meetings (COM). These are held formally every six weeks and are reported publicly via the OPCC website.

The PCC also monitors policing performance through his Joint Executive Group which meets on a six weekly basis and includes senior leaders from his office and WYP.

### **National and Regional Performance**

The PCC actively engages in collaborative working in partnership with the Yorkshire and Humber policing bodies to deliver a number of specific critical services on a regional basis most of which are delivered with regard to the Strategic Policing Requirement. The activities are undertaken under the joint control of the regional PCCs.

Regional collaboration is funded from contributions made by the four PCCs with the level of contribution being dependent upon the assessment of the benefit to be derived from each specific project or initiative.

The PCC is a member of the Regional Collaboration Board (RCB), the members of which jointly set strategic direction, scrutinise regional performance, delivery and monitor benefits realisation. The RCB is also responsible for monitoring the performance of the regional response to serious and organised crime.

The PCC is represented on the West Yorkshire Local Resilience Forum which is jointly chaired by the local authority chief executives and the police. It has statutory responsibility for tracking, assessing and addressing strategic risks to, and resilience of, the communities of West Yorkshire and is responsible for civil contingencies arrangements. The PCC also maintains close contact with the North Eastern Counter-Terrorism Unit (NECTU) and is member of the Joint Counter-Terrorism Oversight Group along with the Police and Crime Commissioners of the other areas hosting a CTU.

The PCC is the lead local policing body for the National Police Air Service (NPAS). The primary objective of the NPAS project is to deliver a national service that provides the police service with capability from the air that maximises the benefits of air support to the delivery of frontline services, is achieved at lower cost than the former service which was managed at a local level, is an integrated part of the wider policing strategy and harnesses innovation in the aviation sector for the benefits of policing. The Chief Constable of West Yorkshire Police is the lead local chief constable for NPAS, is the holder of the Police Aviation Operator's Certificate issued by the Civil Aviation Authority and has operational responsibility for delivery of the service across England and Wales.

The PCC has established a Local Strategic Board which meets quarterly. Performance of NPAS is scrutinised at these meetings along with progress to date, the development of the service and the consideration of other relevant information such as expenditure, financial planning, governance and risk. The PCC chairs the National Strategic Board which also meets quarterly and provides governance, oversight and strategic direction on behalf of all policing bodies using the service.

### **Measuring the quality of services for users, to ensure that they are delivered in accordance with the Police and Crime Commissioner's objectives and represent best use of resources**

The PCC manages a comprehensive survey programme that produces reliable and independent information at a neighbourhood level to assess public satisfaction with policing and to understand local priorities and concerns.

The Public Perception Survey has been going for nearly nine years and provides trends over time and has been a valuable resource for the OPCC, West Yorkshire Police and Local

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Authority partners. For the financial year of 2015/16 16,206 completed surveys were returned from members of the public. This represents a 15% response rate.

In addition to this, a community conversation survey was undertaken during 2015/16, which looked to understand community priorities for policing and community safety. 2,991 responses were received and these results fed into policy leads to help direct future work and the budget setting process. There are plans to repeat a similar exercise every year, although the format and method of distribution will be reviewed.

The PCC also undertakes consultation around feelings of safety and local safety concerns through a wide range of events across West Yorkshire. Over the last year the PCC has visited over 100 community groups and neighbourhood policing areas and met with over 100 partner organisations to better understand local policing and community safety needs to inform the work of his office and partners in making sure our communities are safer and feel safer.

Staff in the OPCC, with the PCC, also engage regularly in the communities of West Yorkshire and have attended major events such as Bradford, Leeds and Wakefield Prides, Pudsey Carnival, Beeston Festival, Harold Park Gala, the Emergency Services Open Day and Great Horton Community Festival.

The OPCC is very active on social media, communicating via Twitter and Facebook and through an electronic newsletter to keep communities informed of the decisions that may affect them.

People are encouraged to put forward their views via the website, Facebook and on Twitter.

A casework team handles the majority of daily contact with the OPCC, which amounts to around 100 new cases a month. Specialist software assists with effective case management and reporting in order to identify common issues that members of the public are raising with the office.

The PCC holds monthly surgeries in various locations across West Yorkshire offering appointments for constituents to have face-to-face discussion with the Police and Crime Commissioner as well as additional appointments at the office. This facility offers an additional avenue for people to raise issues with the PCC directly.

## **Risk Management Processes**

The OPCC maintains its own risk register which focuses on key risks associated with delivery of the Police and Crime Plan, and the working of the Office. The PCC also maintains strategic oversight of risk management arrangements in force through attendance at the Risk Management Group chaired by the Deputy Chief Constable and via reports to the Joint Independent Audit Committee. Strategic risk is also considered at the PCC's Good Governance Group which is attended by senior risk owners and the chair of the Joint Independent Audit Committee.

Wherever possible the PCC and WYP Risk Management strategy and processes have been aligned. Although the risk registers remain separate a consistent approach to the scoring and prioritising of risks has been agreed. In order to further embed risk management processes within the OPCC the strategic risk register for the PCC is now reported quarterly to the OPCC Executive Leadership Team. Risk and insurance are closely linked, and insurance policies arranged where appropriate.

## **Defining and documenting the roles and responsibilities of the Police and Crime Commissioner and WYP and its senior officers, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinising WYP activity**

The PCC's Scheme of Delegation, Financial Regulations and Contract Regulations have been developed in accordance with the Home Office Financial Management Code of Practice

to enable effective accountability and govern the relationship between the PCC and WYP. There is a decision making framework which ensures that all decisions by the PCC are published and available for public scrutiny. The Chief Constable also has a Scheme of Delegation for police officers and staff which is consistent with the framework set by the PCC.

### **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members, officers and staff**

There is an officer code of conduct which was reviewed as part of the preparations for transition to the new governance framework. The legislation requires the PCC to have two statutory officers – a chief executive and a chief finance officer. The Monitoring Officer for the PCC is the Chief Executive and Solicitor who also chairs the Good Governance Group while the Treasurer (Chief Finance Officer) chairs the Assets Board. The PCC and CC have adopted a joint business interests and voluntary working policy. The PCC's Scheme of Delegation follows the governance principles used by non-departmental public bodies in requiring any individual exercising delegated authority to seek prior authority before taking decisions that he might regard as novel, contentious or repercussive. The PCC or his senior staff review these decisions and the permission processes.

### **Reviewing and updating standing orders and supporting documentation, which clearly define how decisions are taken and processes and controls required to manage risk.**

The PCC's Scheme of Delegation and Financial regulations, incorporating Contract Standing Orders are regularly reviewed. They are currently being updated to ensure our governance can be as efficient and effective as possible.

### **Undertaking the core functions of an Audit Committee**

The Joint Independent Audit Committee undertakes the core functions of an Audit Committee, and in line with CIPFA guidance considers issues in relation to internal control, risk management and Treasury Management. The Committee receives regular reports from both internal and external audit.

It provides independent assurance to both the PCC and the Chief Constable on the adequacy of the corporate governance and risk management arrangements and the associated control environment.

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

The PCC has a duty to ensure that the Group acts in accordance with the law and associated regulations. The Monitoring Officer and Chief Finance Officer have statutory responsibilities in this regard, and Internal Audit provides an assurance function and an annual independent objective opinion on the control environment, comprising risk management, internal control and governance.

All decision notices taken to the PCC include an analysis of any legal implications. Decisions made by the PCC are published on the website.

### **Whistleblowing and receiving and investigating complaints from the public and handling citizen and other redress**

A confidential reporting policy is in place to enable officers and staff to report any concerns about malpractice or unlawful actions without fear of retribution.

The PCC has made a commitment to putting things right and has a range of policies in order to deal with public complaints. Further resources are being devoted to case work and complaint handling with the creation of specific email addresses and briefing and decision

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templates to record the action taken by the PCC. Public surgeries are arranged on a monthly basis where individuals can make an appointment to raise issues with the PCC.

Complaint handling in WYP is monitored in regular meetings between the Chief Executive and the Head of Professional Standards Department. The PCC and Chief Executive have regular meetings with the local Commissioner from the Independent Police Complaints Commission (IPCC). Specific case work or complaint matters are considered in Community Outcomes Meetings between the PCC and the Chief Constable as are trends and statistical data down to district level. Internal Audit continues to dip-sample complaint files and the PCC is represented on the Independent Advisory Group for the Professional Standards Department.

As noted, matters which are contentious, repercussive or novel are required to be notified to the Police and Crime Commissioner as part of his Scheme of Consent and any material matters are raised in quarterly meetings of the PCC's Good Governance Group chaired by the Chief Executive.

### **Determining the conditions of employment and remuneration of officers and staff**

There are national terms and conditions for police officers, and an approved job evaluation scheme is in place for police staff based upon role profiles for each post. Regular strategic and local consultation is undertaken with staff associations and trade unions.

### **Identifying the development needs of members and officers in relation to their strategic roles, supported by appropriate training**

There is a performance development review process in place which sets objectives and identifies training needs.

A programme of activity took place in advance of the transition to the revised governance arrangements in 2012, including the development by staff of what is now the OPCC of a framework in conjunction with Skills for Justice, using National Occupational Standards and based on the functions required by the OPCC in supporting the PCC to fulfil his role and responsibilities, supported by identification of personal qualities required of officers at different levels.

Members of the Joint Independent Audit Committee undertake development on a regular basis appropriate to their role.

### **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

The PCC's community conversation undertaken in 2015/16 was a wide ranging consultation that included a survey sent to existing contacts, community groups and key stakeholders. It was also promoted via media and social media sources.

The PCC intends to build on his web and social media based consultation and has set up a Youth Advisory Group as he committed to during the election campaign and again in the Police and Crime Plan. The PCC continues to be public facing and engage with all sections of the community, partners and stakeholders to make sure that he is accountable day to day to the people he serves and continues to consult regularly and meaningfully with the people of West Yorkshire.

The Deputy PCC has direct oversight of external affairs including communication and stakeholder engagement.

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## **Incorporating good governance arrangements in respect of partnerships and other group working, and reflecting these in the Police and Crime Commissioner's overall governance arrangements**

A key strength of the PCC's planning is the engagement of a wide range of partners, stakeholders and members of the public in setting his strategic direction. During the year the PCC has held a number of partnership events to assist both statutory and voluntary sector organisations in adapting to the new ways of working.

The PCC continues the good practice by involving a wide range of partners and members of the public in the review of his Police and Crime Plan. Following the re-election of the PCC in May 2016 the Police and Crime Plan is being reviewed with community engagement currently underway.

The Police and Crime Panel both supports the work of the PCC and provides scrutiny on the delivery of the Police and Crime Plan on behalf of the people of West Yorkshire.

The Panel has a number of key statutory functions:

- to review and provide a report on the Annual Report and the Police and Crime Plan;
- to hold Confirmation Hearings for the posts of Deputy Police and Crime Commissioner, Chief Executive and Chief Finance Officer (Treasurer)
- to agree the appointment of Chief Constable (with the power to veto)
- to agree the precept (with the power to veto)

During 2015/16 the PCC attended each of the nine Police and Crime Panel meetings and also met with the Chair on nine occasions.

### **Role of the Chief Financial Officer in Local Government**

CIPFA has published a "Statement of the Role of the Chief Financial Officer in Local Government" which describes the role and responsibilities of the CFO and sets out five key principles that define the core activities and behaviours that underpin the role, and the organisational arrangements required to support them. There is an expectation that authorities will comply with the statement or explain their reasons for not doing so.

The five key principles are that the CFO:

- Is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest
- Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy
- Must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively
- Must lead and direct a finance function that is resourced to be fit for purpose
- Must be professionally qualified and suitably experienced.

The Treasurer undertakes the role of CFO in accordance with the arrangements detailed in the Home Office Financial Management Code of Practice, and in compliance with the CIPFA statement.

### **Review of Effectiveness**

The PCC has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal audit and the system of internal control. These reviews are informed by the work of internal audit and also managers within

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the OPCC who have the responsibility for the development and maintenance of the governance environment. In addition comments made by the external auditors and other review agencies and inspectorates have informed this review.

During 2015/16 the assurance framework put together by the Head of Internal Audit and reported to the PCC and the Joint Independent Audit Committee was updated to gain assurance that all key governance areas are operating effectively.

The roles and processes applied in maintaining and reviewing the effectiveness of the governance framework are outlined below:

The PCC has overall responsibility for the discharge of all the powers and duties placed upon him and has a statutory duty 'to maintain an efficient and effective police force'. The Joint Independent Audit Committee considers the adequacy of the governance framework, referring matters to the PCC and/or Chief Constable as appropriate.

The Chief Constable has responsibility for conducting a review of the effectiveness of the governance framework within WYP at least annually. This review is informed by the work of the Assistant Chief Officer (Finance and Business Services), the Head of Risk and Insurance and managers within the WYP who have responsibility for the development and maintenance of the governance environment. In preparing the Annual Governance Statement for 2015/16 the PCC has placed reliance on this review and the Annual Governance Statement of the WYP.

Complaints against the PCC are the responsibility of the Police and Crime Panel for West Yorkshire or, in the case of serious allegations (i.e. of a criminal nature) are under the jurisdiction of the Independent Police Complaints Commission (IPCC). Monitoring officer responsibilities<sup>2</sup> are undertaken by the Chief Executive in accordance with the Police Reform and Social Responsibility Act 2012.

Internal Audit provided an independent opinion on the adequacy and effectiveness of the system of internal control and concluded that reasonable assurance can be given regarding the overall internal control environment.

Internal Audit has been provided with assurances that weaknesses in the system and/or its operation are being addressed.

In the Annual Audit Letter for 2014/15, the external auditor reported that he had issued an unqualified opinion on the Statement of Accounts and an unqualified conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in use of resources. He also reported that he had not identified any significant weaknesses in the Authority's internal control arrangements.

## **Significant Governance Issues**

Significant governance issues are defined as

- An issue which has prevented or seriously prejudiced achievement of a principal objective
- An issue where additional funding has had to be sought in order to resolve it
- An issue which has resulted in a material impact on the accounts
- An issue which the Head of Audit and Risk has specifically highlighted in the annual audit opinion
- An issue which has attracted significant public interest and has damaged the reputation of the PCC and/or WYP
- An issue which has resulted in formal action being taken by the Chief Finance Officer and/or the Monitoring Officer.

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<sup>2</sup> under the Local Government and Housing Act 1989

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In June 2014 the PCC suspended the Chief Constable under the provisions of the Police Conduct Regulations 2012 in response to a criminal investigation being conducted by the Police Service of Northern Ireland. At the conclusion of that investigation and following a decision by the Public Prosecution Service for Northern Ireland, the PCC lifted the suspension on 18<sup>th</sup> of May 2015. However, the Chief Constable is currently working on temporary alternative duties with the National Police Chiefs' Council pending the outcome of an investigation into alleged conduct matters and has temporarily passed direction and control of the force to the Deputy CC.

The recommendations from the 2013/14 Crawford Review have been largely implemented and the new code of ethics has been communicated and is in the process of being implemented.

The Chief Executive sits on the Police Advisory Board of England and Wales Chief Officer Disciplinary Sub-committee and two Home Office boards which are reviewing the legislation governing police conduct procedures. The Chief Executive contributed to a training programme for newly-appointed PSD officers and staff in order to improve awareness of the role of the PCC in relation to conduct and complaints matters and the context of handling complaints and conduct matters in light of the Crawford Review and gave evidence to the Committee on Standards in Public Life during the course of its enquiry into the governance and standards arrangements of PCCs earlier this year.

The extent of organisational change required to achieve the forecast real terms budget reductions required, together with the Government's policy for further reform of policing means that the PCC and WYP will continue to face an environment of risk.

This will be closely monitored by the PCC and the Chief Constable, who will continuously review the adequacy and effectiveness of the evolving governance arrangements and ensure that any improvements identified are implemented.

Signed

**Mark Burns Williamson**  
**PCC for West Yorkshire**

**Fraser Sampson**  
**Chief Executive and Solicitor**



## **GLOSSARY OF TERMS**

### **Accounting Policies**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising
- Selecting measurement bases for and
- Presenting

Assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or Balance Sheet it is to be presented.

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or
- (b) the actuarial assumptions have changed.

### **Agency Services**

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

### **Appropriations**

Amounts transferred to or from revenue or capital reserves.

### **Budget**

A statement of the PCC's plans in financial terms. A budget is prepared and approved by the PCC prior to the start of each financial year.

### **Capital Expenditure**

Expenditure on the acquisition of a non current asset or expenditure which adds to and not merely maintains the value of an existing non current asset.

### **Capital Receipts**

Proceeds from the sale of an asset, which may be used to finance new capital expenditure or to repay outstanding loan debts as laid down within rules set by Central Government.

### **Chief Constable (CC)**

The Chief Constable is a separate corporation sole, which was established on 22 November 2012 under the Police Reform and Social Responsibility Act 2011.

### **CIPFA**

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

### **Commuted Lump Sums**

These are the amounts paid to officers when they retire, if they choose to have a lower pension.

### **Contingent Liabilities**

A contingent liability is either:

(a) a possible obligation arising from the past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the PCC's control, or

(b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

### **Corporate and Democratic Core**

The represent the cost of delivering public accountability and representation in policy making and meeting our legal responsibilities.

### **Creditors**

Amounts owed by the PCC Group for work done, goods received or services rendered which have not been paid for by the end of the financial year.

### **Current Service Cost (Pensions)**

The increase in the present value of a defined benefits scheme's liabilities expected to arise from the employee service in the current period.

### **Debtors**

Sums of money due to the PCC Group for work done or services supplied but not received at the end of the financial year.

### **Deferred Liabilities**

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

### **Defined Benefits Scheme**

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

### **Depreciation.**

The measure of the cost or revalued amount of the benefits of the non current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction on the useful life of a non current asset whether arising from use, passage of time or obsolescence through either changes in technology or the demand for the service produced by the asset.

### **Financial Year**

The 12 months commencing on 1 April covered by the accounts.

### **IAS19**

The objective of International Accounting Standard (IAS) 19, *Accounting for Retirement Benefits in Financial Statements of Employers* is to prescribe the accounting and disclosure for employee benefits (that is, all forms of consideration given by an entity in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

### **IFRS**

International Financial Reporting Standards, as agreed by the UK accountancy profession and the Accounting Standards Board.

### **Going Concern**

The concept that the PCC Group will remain in operation existence for the foreseeable future,

in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

### **Group**

The term Group refers to the Police and Crime Commissioner for West Yorkshire (PCC) and the Chief Constable for West Yorkshire (CC).

### **Impairment**

A reduction in the value of a non current asset below the amount shown on the balance sheet.

### **Leasing**

A method of financing capital expenditure where a rental charge is paid for a specified period of time. There are two main types of leasing arrangements:-

(a) finance leases which transfer all of the risks and rewards of ownership of a non current asset to the lessee and such assets are included in the non current assets in the balance sheet.

(b) operating leases where the ownership of the asset remains with the leasing company and the annual rental is charged direct to the service revenue accounts.

### **Liquid resources**

Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.

### **Local Policing Body**

The collective term describing elected police and crime commissioners for each police area outside of London and the Mayor's Office for Policing and Crime for the metropolitan police district.

### **Minimum Revenue Provision (MRP)**

The minimum amount that the PCC is statutorily required to set aside from revenue each year as a provision to meet credit liabilities. For the PCC this relates to a principal sum based on a prudent assessment of the useful life of the asset, which is used for the redemption of external debt.

### **Medium Term Financial Strategy (MTFS)**

A statement setting out a forecast of possible spending and government support for a forward three year period and used as a basis for planning.

### **Net Book Value**

The amount at which non current assets are included in the Balance Sheet and being their historical cost or current value, less the cumulative amounts provided for depreciation.

### **Non Current Assets**

Tangible and intangible assets that yield benefits to the PCC for a period of more than one year.

### **Non Distributed Costs**

This is where overheads are not charged or apportioned to activities within the service expenditure analysis in the Income and Expenditure Account.

### **Police and Crime Commissioner (PCC)**

The Police and Crime Commissioner is a separate corporation sole, which was established on 22 November 2012 under the Police Reform and Social Responsibility Act 2011.

### **Precept**

The method by which the PCC Group obtains the income it requires from Council Tax via the appropriate authorities.

**Relevant Police Officer**

The Chief Constable (England and Wales) and any other senior police officer whose salary is £150,000 per year or more.

**Remuneration**

All amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash (e.g. benefits in kind).

**Senior Employee**

A senior employee is an employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 per year (to be calculated pro rata for a part-time employee) and who is:

- (a) the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989
- (b) the head of staff for a relevant body which does not have a designated head of paid services, or
- (c) any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

**Senior Police Officer**

A senior police officer is defined as a member of a police force holding a rank above that of superintendent (i.e. chief superintendent and above).