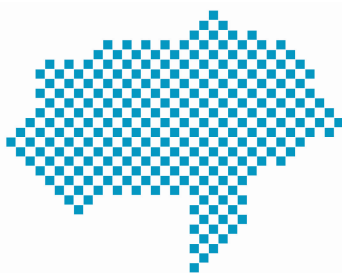


**Police and Crime  
Commissioner  
North Yorkshire**



**STATEMENT OF ACCOUNTS  
WITH  
ANNUAL GOVERNANCE STATEMENT  
2012/13**

**THE POLICE AND CRIME COMMISSIONER  
FOR NORTH YORKSHIRE (NYPCC)  
and the NYPCC Group**



SUBJECT TO AUDIT

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SUBJECT TO AUDIT

## EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS for NYPCC and NYPCC Group

### 1. Introduction

The purpose of this Foreword is to provide a brief explanation of the financial aspects of the Police and Crime Commissioner for North Yorkshire's (NYPCC) activities. It gives an indication, in broad terms, of where NYPCC's money comes from, what it is spent on and the services it delivers.

The Police Reform and Social Responsibility Act 2011 (the Act) received royal assent on 15 September 2011 and North Yorkshire Police Authority (NYPA) was replaced on 22 November 2012 by two "corporation sole" bodies - the Police and Crime Commissioner for North Yorkshire (NYPCC) and the Chief Constable of North Yorkshire Police (CCNY). These bodies are required to prepare separate financial statements.

This transaction involved a transfer of functions from NYPA, but the essentials of service delivery have been maintained.

The financial statements presented here represent accounts for NYPCC and also for the NYPCC Group (the Group). NYPCC has been identified as the parent organisation of CCNY and the requirement to produce group accounts stems from the powers and responsibilities of NYPCC under the Act.

The Group accounts for the year ended 31 March 2013 are presented in the format laid down in "The Code of Practice on Local Authority Accounting in the United Kingdom" (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The transfer has been accounted for under the merger accounting provisions in the Code, and these financial statements are presented as if the functions had been performed by the Group for the whole of the year ending 31 March 2013. Comparatives presented for the Group are those reported for NYPA for the year ending 31 March 2012. No financial statements are presented for NYPA for any part of the year ending 31 March 2013.

The statements included in the accounts are as follows:

#### **Statement of Responsibilities for the Statement of Accounts**

This explains both NYPCC's and the Chief Finance Officer's responsibilities in respect of the Statement of Accounts.

#### **Movement in Reserves Statement**

This Statement shows the movement in the year on the different reserves held by the Group, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for precept setting purposes. The net increase/decrease before transfers to the Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves.

#### **Comprehensive Income and Expenditure Statement**

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. Police and Crime Commissioners raise taxation to cover expenditure in accordance with regulations, and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

#### **Balance Sheet**

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis".

### **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

### **Remuneration Report**

This report provides details of the remuneration, including pensions, of the Senior Officers of the Group, as well as an analysis of remuneration and exit packages payable to officers and staff.

### **Statement of Accounting Policies**

This explains the basis of the preparation of figures in the accounts. The accounts can only be properly appreciated if the policies that have been followed in dealing with material items are explained. Changes in policies from previous years have been clearly shown.

### **Police Pension Fund Account**

This account summarises the income and expenditure related to the Police Pension Schemes. These statements are supported by various notes.

### **Annual Governance Statement**

This statement outlines the Group's governance framework. It is not an audited part of the accounts on which the Auditors give an opinion.

## **2. Accounting Principles**

### **Balance Sheet**

On 22 November 2012, the assets, liabilities and reserves of NYPA were transferred directly to NYPCC and statutory and local arrangements and practice determine that NYPCC continues to hold and maintain direct control of all the assets, liabilities and reserves at the balance sheet date, and is also responsible for the police pension liability.

All payments for the Group are made by NYPCC from the Police Fund and all income and funding is received by NYPCC. NYPCC has the responsibility for managing the financial relationships with third parties and has legal responsibilities for discharging the contractual terms and conditions of suppliers.

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 all the assets, liabilities and reserves of the Group are recognised on the NYPCC Balance Sheet.

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

Under the Act, CCNY is responsible to NYPCC for the day to day provision of the policing functions, including direction and control of police officers. To facilitate this NYPCC delegated certain powers over authorisation of revenue expenditure within the agreed budget and direction and control over police staff to staff under the directional control of CCNY.

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 CCNY CIES, funded by an equal and opposite credit from NYPCC. All income and funding and expenditure directly controlled by NYPCC (which is largely that expenditure which occurs below Cost of Police Services in the Group CIES) will be shown in the NYPCC Single Entity CIES.

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

**Intra-Group Charges**

NYPCC makes charges to CCNY:

- for the use of Long Term Assets, equivalent to the debits made to the NYPCC CIES for the impairment, depreciation, amortisation and revaluation of the assets
- for the current service cost of providing retirement benefits to employees

CCNY makes charges to NYPCC:

- for the cost of policing services

These charges are eliminated in the Group accounts.

**3. Summary of Financial Year 2012/13: Revenue**

The Group incurred revenue expenditure during the year. Revenue Expenditure is generally spent on items which are consumed within the financial year and is financed from Precepts, Government Grants and other income. Details of spend with forecast of outturn are reported throughout the year. There is a direct relationship to the spend of revenue in the year and the Comprehensive Income and Expenditure Statement, however in the accounts a technical treatment is applied which makes a direct comparison to the in-year management position difficult. The summary that follows provides the detail on the outturn spend position compared to the budget. This gives a clearer assessment of performance in the year compared to the budget. The total budget for the year was £136.7m.

The Group operates a Corporate Budget Devolved Resource Management approach with corporate owners of budget, assets and resources for the majority of the budget. Effective management by Budget Holders resulted in an overall underspend and transfer to reserves of £4.0m. This was predicted as the year progressed and where appropriate was factored into the 2013/14 budget setting. The underspend has reduced the future year cost of investments and is contributing to the sustainable North Yorkshire Police (NYP) objective.

The position against the main budget headings is shown below:

**Table 1**

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Force</b>			
Employee Costs	113,310	112,722	588
Police Officers' Pensions III-Health paid by the Group	2,699	2,928	(229)
Premises	4,735	4,823	(88)
Supplies & Services	15,527	13,597	1,930
Transport	3,393	3,171	222
Capital Financing Charges & Transfers to/from Reserves	6,307	11,256	(4,949)
<b>Force Net Expenditure</b>	<b>145,971</b>	<b>148,497</b>	<b>(2,526)</b>
PCC Expenditure	1,080	879	201
Targeted Grant	(7,361)	(8,144)	783
Non-Grant Income	(2,999)	(4,541)	1,542
<b>Total Net Expenditure</b>	<b>136,691</b>	<b>136,691</b>	<b>-</b>
<b>Sources of Finance</b>			
Precepts on District Councils	61,498	61,498	-
National Non-Domestic Rates	30,731	30,731	-
Revenue Support Grant	596	596	-
Central Government Police Grant	43,866	43,866	-
<b>Total Sources of Finance</b>	<b>136,691</b>	<b>136,691</b>	<b>-</b>
<b>Surplus (Deficit) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>

Despite considerable demand placed on resources by the Olympic Torch relay, the Olympics and the European football tournament during the summer months of 2012 the Group continued to reduce costs and at the same time improve services to the public and all of the NYP communities.

Employee costs are the most significant element of the revenue budget and the outturn against these are shown in more detail below:

Table 2

	Outturn Variance £'000
Police salaries	1,330
Staff and PCSO salaries	967
Leavers costs	(6)
Overtime	(326)
Unsocial hours, overnight and hardship	(1,042)
Agency	240
Other employee costs	733
<b>Total Operational Employee Costs</b>	<b>1,896</b>
<b>Non-Operational Employee Costs</b>	<b>(1,308)</b>
<b>Total Employee Costs</b>	<b>588</b>

**Employee Costs**

**Police Salaries** - as Officers retire or transfer out of the Force, Police Officer numbers have reduced faster than anticipated and at the beginning of the year were lower than was assumed when the budget was set. During the year 28 transferees were recruited from other forces and an intake of 14 student officers was made in March 2013.

The resulting underspend on Police Officer salaries has been partly offset by an increase in the actual cost of a Police Officer compared to the standard costing assumption used in the budget. Work has now been done to revise these assumptions and the new standard costs have been used to set the 2013/14 budget. The revised standard costing also takes account of the two year suspension of incremental progression resulting from the Winsor recommendations.

**Police Community Support Officer (PCSO) Salaries** - the recruitment profile of PCSOs was planned to ensure that the average number of PCSOs during the year did not fall below 183 officers. However the planned recruitment of 14 PCSOs during the year identified only 5 PCSOs meeting the Force recruitment standards. This meant that the average PCSO numbers for the year was 182 FTE.

PCSO recruitment plans for 2013/14 are ongoing and following a successful recruitment exercise, 13 new PCSOs started in May 2013. To take account of potential leavers during the year and the impact of the internal Forcewide Police Officer campaign (which is expected to involve a number of existing PCSOs meeting the selection criteria and successfully transferring) a further PCSO recruitment campaign may be required later in the year and a provisional date of March 2014 has been earmarked.

**Staff Salaries** - a number of posts are currently vacant and are being actively recruited into. To assist with the future resilience of the organisation the Group continues to challenge whether recruitment is required whenever a post becomes vacant.

During the year the Group has been considering the time span for filling posts. Once posts are confirmed as required it is important to obtain the resource in a timely and effective manner. Holding lists and geographical campaigns have been considered to try to ensure that resource levels are maintained. The outcome of this work can be seen towards the end of the year as the monthly number of vacancies decreased.

**Unsocial Hours, Overnight and Hardship Allowance** - the 2012/13 budget was set before final confirmation of which of the Winsor recommendations were to be accepted, and therefore did not include the impact of the Winsor recommendations.

**Overtime** - the overtime budget for 2012/13 included £500k to cover the Forcewide impact of policing the Olympic and Paralympics' Games in 2012. The directly attributable overtime costs of Officers who were deployed are included in Non-Operational costs, offset by mutual aid income received to cover the hours worked during the deployment. Only the actual overtime costs indirectly attributable to the summer events are included here, resulting in an underspend of £248k.

The outturn position also includes overtime for mutual aid provided to other forces at short notice. This cost is offset by additional mutual aid income. Charges for Mutual Aid are at a standard rate irrespective of whether the time was provided as overtime or substantive hours.



**Statutory Employee Accruals** - International Financial Accounting Standards require that the cost of providing employee benefits, including paid leave, should be recognised in the period in which the benefit is earned by the employee rather than when it is paid or payable. The extraordinary demands placed on the organisation by the Olympic Torch relay, the Olympics and the European football tournament during the summer months resulted in difficulty for staff to take their full leave entitlement. The Chief Officer Team agreed that those officers and staff affected by annual leave restrictions during this time would be able to automatically carry five days leave forward and up to ten days if agreed by the individual's Director. This has resulted in significantly higher statutory employee accruals in 2012/13 compared to the previous year.

**Agency** - money set aside for particular activities which have not been completed in this financial year resulted in an underspend. £300k of the unused funds will be carried forward to 2013/14 to facilitate work on service requirements and service reconfiguration. This saving is offset by a corresponding transfer to reserves to facilitate the carry forward.

**Other Employee Costs** - overall vacancies have contributed to the underspend on subsistence and training budgets across Directorates. This overall underspend for 2012/13 has been taken into account when setting the 2013/14 budget.

The Force is currently preparing a report to consider paying relocation expenses for Police Officer transferees during 2012/13 and provision has been made in the 2012/13 accounts to cover these payments.

**Non-Operational Employee Costs** - the original budgets for seconded officers and mutual aid were calculated using existing contracts at the budget planning period. New contracts and extensions have increased the actual salary costs. These extra costs are offset by additional income.

### **Pension Costs**

In 2006 a review of Injury on Duty Awards commenced resulting in significant savings over the life of the award. Since then there have been three significant public law cases which have impacted upon the way such reviews are conducted. Following advice from the Home Office the review is on hold until revised guidance is issued. The 2012/13 overspend reflects the backdated cost of successful appeals. Money was set aside to cover these in the 2011/12 accounts, but in the light of the general underspend this has been left in reserves.

### **Premises costs**

There was an overall overspend against the budget. This resulted from higher than anticipated rates valuation for the new Harrogate Beckwith Head site which was partly offset by a reduction in rates due on properties sold or currently empty, additional costs relating to removal and relocation of staff during refurbishment work, professional fees for assistance with tender exercises and additional repair works required on the buildings and grounds.

These overspends have been partly offset by a reduction in utility costs. During 2011/12 Property and Facilities started to replace old inefficient heating systems with more efficient boilers and building management systems to give more control, introduced more efficient light fittings and passive infrared sensors in corridors, locker rooms and washrooms to turn lights off when not in use and installed PV panels on a number of buildings. All these measures have helped to reduce expenditure in 2012/13 and our carbon footprint. These cost reductions have been taken into account when preparing the 2013/14 budget.

### **Supplies and Services**

The operational performance achieved has suppressed the need for a range of elements of expenditure and this, coupled with the level of major incidents, has resulted in underspends across many Supplies and Services budgets. Government figures released during January this year showed that crime in North Yorkshire and the City of York has been reduced by 9% during the past year.

The overall level of crime and stricter submission processes has also resulted in underspends across all of the evidence and forensic budgets. Forensic Science services were regionalised during the year and from September 2012 the cost of forensic submissions has been charged to Regional Collaboration resulting in an underspend on Operational supplies and services and an overspend on Collaboration. An appropriate budget to cover the cost of this service from the Region has been included under Collaboration in 2013/14. Spending against prisoner related budgets such as welfare and medical costs, interpreter and translator fees was also less than expected.

The 2012/13 budget included a provision of £500k for targeted initiatives going forward. These operational initiatives were not mature enough to be delivered before the end of the financial year and it is proposed to carry forward £300k to be used for targeted police service delivery initiatives focused on local objectives. The underspend of £500k is partly offset by a corresponding transfer to reserves of £300k to facilitate the carry forward.

The outturn supplies and services expenditure includes the indirect or consequential Olympic related expenditure such as security services at York, Harrogate and Scarborough during the summer months and the purchase of personal issue long batons and dog police support unit kits for officers deployed at the Olympics.

Other significant underspends include the renewal of the Microsoft Enterprise agreement which has been deferred until 2013/14 and forms part of the comprehensive IT infrastructure review. This underspend is offset by an increase in the transfer to reserves of £240k to facilitate the carry forward. A one off service credit of £113k against the cost of network charges was also received during the year relating to the unsatisfactory performance. ISD has commenced a process of constantly reviewing and challenging their contracts to ensure that the Group has the correct contracts in place and is correctly licensed; ensuring that best value is secured. By negotiating alternative supplies some of the anticipated spend had been incorporated into updated or replacement solutions thereby delivering efficiencies and offsetting potential expenditure. ISD also look for opportunities to deliver work in house and reduce costs. The 2013/14 budget reflects these changes.

The overall underspend on Supplies and Services for 2012/13 has been taken into account when setting the 2013/14 budget.

### Transport

The 2012/13 budget was based on 2010/11 fuel consumption levels supplied by our fuel card service. Since that date more economical vehicles have been purchased as part of the vehicle replacement programme. Together with a reduction in the price of diesel between April 2012 and March 2013 this has resulted in an underspend on fuel. Extended warranty periods with no mileage restrictions and the successful negotiation of a new contract have also led to an underspend on outside contractor repairs and vehicle parts. These changes have been reflected in the budget going forward.

### Capital Financing Costs and Transfer to/from Reserves

A number of changes to the budgeted transfer to and from reserves has resulted in an overspend including:

- £91k net transfer from the Incentivisation Reserve. Income received from the Home Office as the Group's proportion of the funds seized under the Proceeds of Crime Act and not spent is transferred to reserves for use in future years. During 2012/13 these funds have been used to cover the cost of Financial Investigation salaries, the "Why should they" campaign and the purchase of Forensic equipment;
- £240k transfer of the underspend relating to the renewal of the Microsoft enterprise agreement deferred until 2013/14. As mentioned above this is offset by an underspend on supplies and services. This transfer was not anticipated when the 2012/13 budget was set;
- £300k transfer to reserves to be used for targeted police service delivery initiatives focused on local objectives. This transfer was not anticipated when the 2012/13 budget was set. It is offset by an underspend on supplies and services;
- £300k transfer relating to money set aside for particular activities not completed during 2012/13. The unused funds will be carried forward to 2013/14 to facilitate work on service requirements and service reconfiguration. This transfer was not anticipated when the 2012/13 budget was set. It is offset by an underspend on the Agency budget;
- an additional transfer of £635k to increase the insurance provision in line with the actuarial report dated 30 September 2012. This has been partly offset by a £257k underspend on the Legal and Insurance budget and a planned transfer to the Insurance Reserve of £104k no longer required;
- £500k of the general underspend has been transferred to a new Cost of Change Reserve. This reserve had been created to fund potential costs arising as a result of ongoing structural reviews;
- the 2012/13 underspend of £4.0m has been transferred to the Major Capital Reserve.

### Non-Grant Income and Targeted Grant

During the year there has been additional income from a number of sources, the most significant being income to cover administrative costs of members of the public attending road safety courses arising from the upgrade to safety cameras on the A1 and the introduction of the mobile safety camera van. Additional income in other areas includes the sale of electricity following the installation of photovoltaic cells on NYP buildings, recovery of vehicle contract and income from the Borders Agency for the detention of illegal immigrants.

Since the budget was set additional Home Office targeted grants have been agreed for laser scanning, new burdens, Counter Terrorism Unit Pre-Olympics and Youth Crime and Substance Misuse Prevention. However, this is partly offset by the reduction in the Dedicated Security Protection Grant for 2012/13. Any consequential costs relating directly to these grants have been included as expenditure above.

### Segmental Analysis

The results can be analysed across operating segments as follows:

**Table 3**

	Budget £'000	Outturn £'000	Variance £'000
Response and Reassurance	53,192	52,884	308
Crime	24,363	24,629	(266)
Specialist Operations	19,104	19,861	(757)
Corporate	11,493	11,993	(500)
Democratic Core	1,080	879	201
Other	27,459	26,445	1,014
<b>Segment Net Cost of Services (= Total Net Expenditure in Table 1)</b>	<b>136,691</b>	<b>136,691</b>	<b>-</b>

Full details on segment reporting is shown in Statement of Accounts Note 5.

**Table 4**

Current Year	Response and Reassurance £'000	Crime £'000	Specialist Operations £'000	Corporate £'000	Democratic Core £'000	Other £'000	Total £'000
<b>Income</b>							
Targeted Grant Income	109	188	656	6,855	-	336	8,144
Other Income	401	38	855	2,486	(46)	761	4,495
<b>Total Income</b>	<b>510</b>	<b>226</b>	<b>1,511</b>	<b>9,341</b>	<b>(46)</b>	<b>1,097</b>	<b>12,639</b>
<b>Expenditure</b>							
Employee Costs	50,773	23,144	19,171	3,879	436	15,755	113,158
Supplies & Services	1,157	1,405	1,789	3,020	588	6,226	14,185
Premises Costs	(2)	6	48	116	22	4,655	4,845
Transport	1,466	300	363	136	10	906	3,181
Financial and Pension Costs	-	-	1	14,183	(223)	-	13,961
<b>Total Expenditure</b>	<b>53,394</b>	<b>24,855</b>	<b>21,372</b>	<b>21,334</b>	<b>833</b>	<b>27,542</b>	<b>149,330</b>
<b>Segment Net Cost of Services</b>	<b>52,884</b>	<b>24,629</b>	<b>19,861</b>	<b>11,993</b>	<b>879</b>	<b>26,445</b>	<b>136,691</b>

### Response and Reassurance

This segment, which is the largest of the Group's operational segments, includes neighbourhood and community policing services, police community support officers, police station front desk enquiry teams, together with force control room operations.

### Crime

The Crime segment covers all operations associated with the detection and investigation of crime together with associated support services such as scientific and forensics support.

### Specialist Operations

Specialist Operations include key activities such as Major Incident units and operational units (including firearms and road policing).

### Corporate

The Corporate segment includes activities and costs that provide the infrastructure that allows services to be provided and the information that is required for public accountability.

### Democratic Core

Democratic Core includes the cost of operating the NYPCC's office, the Commissioner's Statutory Officers, internal and external audit fees, democratic representation and governance and allowances and expenses for the NYPCC and (up to 22 November 2012) Police Authority members.

### Other

Included within Other are those segments where both income and expenditure is less than 10% of total gross income or expenditure. These include both operational services and support departments.

### Comprehensive Income and Expenditure Statement

The figures for the year shown here can be reconciled to the Comprehensive Income and Expenditure Statement (See Statement of Accounts Note 5). However two main changes arising from the technical treatment required mean that the outturn presented here and the movement on the General Fund Balance in these accounts are different.

These are:

- The collection fund amounts are adjusted at year-end. The debtors and creditors owed to/by the districts are apportioned between the Precepting bodies and these accounts show the authorities' share of that position at the end of the year;
- The employee accumulated absences (time-off in-lieu etc.) owed at the end of the year are calculated and included within the outturn figures at year-end. However, so that this monetary equivalent of time does not have an effect on the council tax, an adjustment is made to remove this from the balance in these accounts.

Table 5

	2012/13
	£'000
<b>Surplus for the Year shown in Table 1</b>	-
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	76,771
Transfers to/from Earmarked Reserves	(9,897)
Transfer from Revenue to General Reserve	(200)
Employee benefit adjustment already included in Management Accounts	(521)
<b>Deficit for the Year on the Provision of Services as per Comprehensive Income and Expenditure Statement</b>	<b>66,153</b>

The major element contributing to the difference between the outturn breakeven position and the overall deficit is the inclusion of charges for pension fund benefits (See Statement of Accounts Note 26 and Police Pension Fund Accounts and Notes). The pension fund amounts also affects the Balance Sheet, resulting in a negative net worth (more liabilities than assets). This treatment is explained further in part 10 which follows. It means that a direct link to the Balance Sheet, reserves and budget monitoring information provided regularly during each year cannot be made without a reconciliation or adjusting out the pension effect.

#### 4. Income from Government Grants and Local Taxpayers

The NYPCC finances its spending through income received from Government Grants and local Taxpayers. The contributions made by each of these sources of funding are shown in Table 1.

Council Tax is the only major source of income under the Group's direct control. The other sources are determined by Central Government.

The Group set a Band D precept of £204.55 in 2012/13, which was the same as 2011/12.

The Group accepted a precept freeze grant offered by Central Government £1.8m in 2012/13. In total, the Group received £75.2m in core grants and National Non-Domestic Rates from Central Government. This compares with a total of £79.0m in 2011/12. Overall this represents a decrease of 4.8% on the previous year.

#### 5. Collaborative Working

The Group continued to engage in collaborative working throughout 2012/13 in partnership with the other Yorkshire and the Humber forces. The governance for this regional programme of activity was via the Joint Police Authority Committee (JPAC) until 22 November 2012 and is now via the Regional Collaboration Board in accordance with the Heads of Agreement. The administration of activities is via the Regional Programme Team including the financial administration of regional budgets which is led by West Yorkshire PCC (WYPCC).

The accounting arrangements for regional working are to account for this regional activity as a Joint Arrangement Not an Entity (JANE) in line with the Code guidance. WYPCC have produced Memorandum accounts within their financial statements summarising all pertinent transactions. The impact of regional working on NYPCC primary statements is as follows:

- The Comprehensive Income and Expenditure Statement incorporates the Group's contribution to the regional work for 2012/13 financial year (See Statement of Accounts Note 13b);
- Humberside PCC (HPCC) have lead responsibility within the regional programme for property matters. One property is leased under these arrangements and is shown in Humberside accounts, however the potential future impact of this arrangement on NYPCC has been disclosed as a contingent liability (see Statement of Accounts Note 27);
- The Cash Flow statement incorporates the cash outflow associated with regional contributions paid to WYPCC.

Current plans are to proceed to explore opportunities where possible with regional working on either a four, three or two force basis with Yorkshire and the Humber. A number of regional units already operate e.g. strategic roads policing and regional procurement. Other collaborative opportunities including forensic services and underwater search facilities have been agreed and will be fully established during 2013/14. The contribution to regional working in the year was £1.5m. This level will increase if activities are expanded.

This will have an impact on the financial position. One of the drivers is to reduce costs and overheads. At present the requirement to achieve savings has been planned and met without taking savings from regional working into account.

As joint arrangements are established the financial impact will be brought into the Medium Term Financial Plans, budget and balance sheet. It needs to be recognised that along with the savings, potential costs will accrue either one-off from, for example, redundancies or ongoing, for example, pension cost increases and pension liability due to a smaller workforce. There may also be other changes to the asset base as surplus property may occur that could be disposed of.

To maximise the effective use of the estate, other locally based opportunities will be pursued in line with the Police and Crime Plan.

## 6. Summary of the Financial Year 2012/13: Capital Expenditure

Capital Expenditure is spent on items which provide value to the Group for more than one year and is financed from Government Grants, income realised from the sale of capital assets, revenue contributions, loans and reserves.

The original budget for the 2012/13 Capital Programme was £11.9m including £4.9m slippage brought forward from 2011/12, and £1.0m of additional approvals were made during the year making a total budgeted spend of £12.9m. This was reduced to £6.7m as a result of slippage and under/over spends during the year. A number of cost reductions were achieved to planned expenditure over the year. Of the amount not spent, £5.4m was slippage to be carried forward into 2013/14 and £0.8m was underspend which was taken into account within the last Medium Term Financial Plan.

The investments made contribute to the Sustainable NYP objective, many being those which will contribute towards reduced revenue costs in the future or enable a consolidation of other assets.

A specific decision to continue with capital investments in spite of the need to make savings was made by the Authority and has been continued by the Commissioner. This has enabled the re-provision of the Harrogate Police Station to be completed, the opening of a further four local police stations and refurbishment of a number of buildings. The fleet has continued to be re-provided taking into account environmental factors as well as value for money. This approach continues into future years with a focus on ensuring efficient and effective delivery and cost reduction investments.

Alongside making the savings required to balance the budget moving forward the Group has committed to continued investment to support delivery. Using a prioritisation model that assesses risks as well as opportunities for the complete portfolio of works, the Group is able to continue to invest in future years with a focus on ensuring efficient and effective delivery and cost reduction investments.

The overall capital position is as follows:

**Table 6**

Scheme Description	Original Budget £'000	Spend £'000	Variance £'000
Rolling Programs: includes Fleet and IS	5,793	2,237	3,556
Estates: includes remedials and major projects	5,946	4,142	1,804
Externally funded	198	-	198
Other schemes	932	285	647
<b>Total</b>	<b>12,869</b>	<b>6,664</b>	<b>6,205</b>
The expenditure was incurred across the following asset categories:			
Assets under Construction (Note 14 to the Statement of Accounts)		922	
Other Property, Plant and Equipment (Note 14 and Note 18b to the Statement of Accounts)		5,501	
Intangible Assets (Note 16 to the Statement of Accounts)		184	
Assets Held for Sale (Note 17 to the Statement of Accounts)		57	
<b>Total</b>		<b>6,664</b>	
The capital expenditure was funded as follows: -			
		£'000	%
Capital Expenditure in year		6,664	
Donated Vehicle		-	
<b>Total Financing requirement</b>		<b>6,664</b>	
<b>Financed by:</b>			
Capital Receipts		579	8.7%
Capital Grants		1,110	16.7%
Lease finance received		70	1.0%
Sums set aside from Revenue and Revenue Reserves		4,905	73.6%
<b>Total Financing</b>		<b>6,664</b>	<b>100.0%</b>



The variations on the capital programme consist of the following:

**Table 7**

<b>Scheme Description</b>	<b>Variance £'000</b>	<b>Explanation</b>
Rolling Investment Programmes £5.8m allocation for 2012/13	Outturn: Total expenditure of £2.2m with slippage of £3.2m and underspend of £0.4m.	Reorganisation of the IT strategy has resulted in a delay in expenditure giving rise to the slippage. The majority of the underspend arises due to reduced activity in relation to betterment in vehicle prices.
Estates £5.9m allocation for 2012/13	Outturn: Total expenditure of £4.2m with slippage of £1.5m and underspend of £0.3m.	Slippage is mainly due to the re-priorisation in the Local Police Station programme. The underspend is a result of savings in the provision of the new Harrogate Police Station.
Externally funded £0.2m allocation for 2012/13	Outturn: Total expenditure of £nil with slippage of £nil and an underspend of £0.2m.	The programme initially identified for completion in the year was cancelled.
Other Programmes and Projects £0.9m allocation for 2012/13	Outturn: Total expenditure of £0.3m with slippage of £0.6m and underspend of £nil.	Delays in the expenditure in relation to the new Safety Camera Vans account for the majority of the slippage.

The capital expenditure plans and funding sources for future years are included in the Authority's Medium Term Financial Plan (MTFP).

## 7. Achievements

The outturn position has provided the platform to achieve the following:

The Commissioner has clearly set out the vision for NYPCC within the Police and Crime Plan which is for our communities to "Be Safe, Feel Safe". This is supported by the aim for North Yorkshire Police to be the most responsive force in the country. There are six key goals that underpin this vision. These goals and some of the key areas of development and achievement that have been progressed since the inception of the NYPCC are set out below.

### Reduce Harm

- Integrated service delivery in respect of Domestic Violence resources
- Updated and enhanced escalation processes for Anti Social Behaviour Management
- Introduction of a Multi Agency Safeguarding Hub with City of York Council and the central referral unit with the Chief Constable of North Yorkshire
- Initial groundwork for the development of Automatic Number Plate Recognition capability has been established
- Three additional safety camera vans have been implemented and are already producing results across the County and City of York
- Significant regional collaboration activity has been established throughout the financial year which incorporates intelligence sharing and specialist capabilities
- The 2013/14 programme has already introduced a dedicated Major Crime Unit to provide dedicated resources to the most serious, low volume high impact, crime investigation areas whilst preserving front line local policing resources

### People First

- A more strategic approach to delivering Community Safety is currently being considered across the County and City of York
- A new Community Fund has been launched to allow local people and organisations to secure funding for projects important in their local area or community
- A review of existing Complaints handling and investigations processes has been undertaken to identify options for more enhanced independence and transparency
- Recruitment of Police Officers, PCSOs and Special Constables have all been undertaken or are in the process of being undertaken to ensure the right resources are in the right place at the right time and that they are fit for purpose to deliver operational policing to our communities
- The development of a Victims Charter is underway and will take cognisance of current national developments in this area
- The development of further Equalities, Diversity and Human Rights initiatives have been progressed including extensive work to promote awareness of Hate Crime. These arrangements are supported by formal Board governance structures
- Introduction of further Local Police Stations/Offices to complement the existing estate

### More with less

- Increased resilience and capability through regional collaboration
- Exploration of partnership opportunities with a range of public sector partners
- Procurement processes seek to identify greater economies of scale in partnership with local partners and to promote ethical procurement processes
- Further savings achieved during this financial year from a range of activities outlined elsewhere in these statements resulting in a £4m underspend

### Fit for the Future

- Initiation of the development of a costed business case for a new 'northern base' to replace Newby Wiske Hall, combined with a new custody suite for the northern part of the police force area and flexible, modern accommodation for operational and support functions
- Joint use facilities with partners explored and delivered during the year
- Reviews initiated for Training and Information Technology to identify and bolster capacity and capability required to be fit for the future

### Drive Justice

- Review of Crime Directorate structure to deploy resources to meet the needs of the community including repeat offenders
- York Youth Offending Team and North Yorkshire Youth Offending Team Partnership Boards working collaboratively. As part of this Board early triage system being developed when young people are brought into custody for the City of York. NYP led on national measures introducing new Youth Caution and Conditional Cautions in April which allows for intervention/ diversion and reparation at an early stage
- The group leads for the LCJB Reducing Reoffending Board on developing restorative Justice outcomes in partnership with other criminal justice agencies. A three month Reducing Reoffending measure has been developed

### Police UK

- NYP is a senior partner in the North Yorkshire Local Resilience Forum and has significant input into the development of new initiatives and ways of working
- NYP maintains strong links with National groups and has maintained its national commitment to Public Order requirements
- The Group continues to campaign to ensure a fair funding formula with representation at a National and Regional level in various forums. The formula is due to be reviewed and at present the group receives a funding top-up of £9.4m which reflects the nature of policing in this area

## 8. Fixed Assets (See Statement of Accounts Notes 14 to 18)

The Group has decided to undertake property valuations on a rolling two year basis. All the larger properties plus investment properties and Assets Held for Sale and approximately 50% of the rest of the portfolio are valued each year. The valuers, Mouchel Parkman, have confirmed from the work undertaken by Mr G Tyerman MRICS no material impairments are required for the properties that have not been valued at 31 March 2013. The valuations are undertaken in accordance with the RICS Valuation Standards ("The Red Book") published by the Royal Institution of Chartered Surveyors.

The depreciation and amortisation charges for the year, amounting to £5.3m (2011/12 £4.6m) have been charged to the Comprehensive Income and Expenditure Statement within Net Cost of Services.

During the year expenditure was incurred on the new build police office and custody provision located at Harrogate. A total of £16.6m has been expended to date. The total project delivered within budget and the construction phase was completed in May 2012.

The sale of surplus property continued in line with the Estates Strategy with 3 disposals of property consisting of former police houses and empty property. This contributed £0.6m to fund the capital programme. The disposals strategy continues into future years with a planned downsize of the estate and consolidation into locations which meet operational demand and which infrastructure is cost effective and productive in size and facilities.

The revaluation of Land and Buildings includes £7.8m in respect of the new Harrogate Police Station at Beckwith Knowle for which construction was completed during 2012/13. This is the first time that this asset has been valued. The shortfall between construction cost and fair value as calculated by the valuer is a result of the method of valuation, which is based on capitalised rental value of the office space and attaches a relatively small value to the custody suite. This revaluation has no impact on the amount funded by taxpayers.



## 9. Borrowing (See Statement of Accounts Note 23)

Total borrowing for capital purposes (as at 31 March 2013) amounted to £471k, equivalent to debt outstanding of £0.59 per head of population. The borrowing represents the balance of the debt inherited by the Group on its formation in April 1995. Given the excellent progression of the change programme and achievement of savings no further borrowing has been necessary.

The debt is analysed in the accounts as £236k of long-term borrowing and £235k included in current liabilities (being debt repayable within the next twelve months). The borrowing will be repaid in full by 31 March 2015. The Group is proactive in managing its debt and overall funding and has recognised the need to borrow in the future to invest in infrastructure and capital assets. The ongoing need to make investments to respond to national requirements continues, as does the need to kit and equip officers and staff to enable them to be as effective and productive as possible. The Group has therefore adopted an approach of continuing with major investments and replacement projects as a long-term strategic view of policing delivery has been taken.

In line with the Treasury Management Strategy, careful consideration will be taken to ensure a balance of economic outlook, cash flow, reserve balances and affordability are taken into account for borrowing decisions.

The Group utilises capital grant, revenue budget contributions, reserves and borrowing to fund capital expenditure. The Medium Term Financial Plan, along with the funding strategy, considers all funding options and implications alongside the revenue impact for future years. These are then all taken into account as part of budget setting, which itself balances financing with performance outputs and investment in resources.

## 10. Pensions (See Statement of Accounts Note 26)

As part of the terms and conditions of officers and employees, the Group offers retirement benefits in accordance with national agreements and schemes. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Group's net pension liability at 31 March 2013 has been calculated by the actuaries, in accordance with International Accounting Standard 19, to be £1,340.2m.

The Group participates in three pension schemes:

- The Local Government Pension Scheme (LGPS) for Police Staff, administered by North Yorkshire County Council. This is a funded scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets;
- Two Police Pension Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The liabilities of £1,340.2m show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability has a substantial impact on the net worth of the Group as recorded in the Balance Sheet. The impact results in a negative overall balance of £1,265.8m. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Finance is only required to be raised to cover Police Pensions when the pensions are actually paid. Funding arrangements for the Police Pension Fund are detailed in the Police Pension Fund Accounts.

During 2011 there was a national consultation and report produced in relation to pensions. Lord Hutton reported on the long-term reform of public service pensions. The wide remit included both the LGPS and police pension schemes. There are likely to be changes to the continuance of final salary pension schemes, but the changes in total are still to be negotiated. However the changes will be aimed at longer-term stability and viability. There is no reason to expect that these will adversely affect the liability position rather they should, as intended, improve it.

## 11. Provisions and contingencies

Details are provided in Statement of Accounts Notes 25 and 27.

## 12. Events after the Reporting period

Details are provided in Statement of Accounts Note 28.

## 13. Impact of current economic climate and Medium Term Financial Plan (MTFP) Implications

As a result of the current economic downturn and the need to reduce public sector spending, the Group has had to prepare for the funding reductions identified within the budget settlement. The planning undertaken in previous years anticipated future spending constraints and funding reductions. The assumptions in relation to costs and funding were continually reviewed with a resulting increasing funding gap emerging.

## 14. Accounting Policies and Presentation of the Accounts

The accounting policies adopted in the preparation of the accounts are set out formally in the Statement of Accounting Policies which follow.

Under the Audit Commission Act 1998 members of the public have the right to inspect the Group's accounts and supporting documents, and to question the auditor, or make objections to the matters contained in them. The times at which the accounts are deposited for inspection are advertised in the Northern Echo and Yorkshire Post.

Every effort has been made to ensure the accuracy of these accounts and compliance with accounting requirements.

The Group's external auditors are:

Mazars  
Tower Bridge House  
St Katherine's Way  
London  
E1W 1DD

Signed:..... Dated:  
Chief Finance Officer for the Police and Crime Commissioner for North Yorkshire

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS of NYPCC and the NYPCC Group

### The Responsibilities of the Police and Crime Commissioner for North Yorkshire

The Police and Crime Commissioner is required to:

- Make arrangements for the proper administration of their financial affairs and to ensure that one of their officers has the responsibility for the administration of those affairs. In this Police and Crime Commissioner's Office, that officer is the Police and Crime Commissioner's Chief Finance Officer.
- Manage their affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### The Responsibilities of the Police and Crime Commissioner's Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Police and Crime Commissioner's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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.

The Chief Finance Officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certificate by the Police and Crime Commissioner's Chief Finance Officer

I certify that the Statement of Accounts has been prepared in accordance with proper accounting practice and presents a true and fair view of the financial position of the Police and Crime Commissioner for North Yorkshire at 31 March 2013, and its income and expenditure for the year then ended.

Signed: ..... Dated:  
Chief Finance Officer for the Police and Crime Commissioner for North Yorkshire

## MOVEMENT IN RESERVES STATEMENT for the YEAR ENDED 31 March 2013 (Group)

	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2011</b>	<b>8,726</b>	<b>19,388</b>	-	-	<b>28,114</b>	<b>(1,018,248)</b>	<b>(990,134)</b>
Surplus/(deficit) on provision of services (accounting basis)	(60,657)	-	-	-	(60,657)	-	(60,657)
Other comprehensive income and expenditure	3/26	-	-	-	-	(8,401)	(8,401)
<b>Total Comprehensive income and expenditure</b>	<b>(60,657)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(60,657)</b>	<b>(8,401)</b>	<b>(69,058)</b>
Adjustments between accounting basis & funding basis under regulations	1	74,516	-	-	74,516	(74,516)	-
<b>Net increase/(decrease) before transfers to Earmarked reserves</b>	<b>13,859</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,859</b>	<b>(82,917)</b>	<b>(69,058)</b>
Transfers (to)/from Earmarked reserves	2	(13,812)	699	-	(13,113)	13,113	-
<b>Increase/(decrease) in year</b>	<b>47</b>	<b>699</b>	<b>-</b>	<b>-</b>	<b>746</b>	<b>(69,804)</b>	<b>(69,058)</b>
<b>Balance at 31 March 2012</b>	<b>8,773</b>	<b>20,087</b>	<b>-</b>	<b>-</b>	<b>28,860</b>	<b>(1,088,052)</b>	<b>(1,059,192)</b>
Surplus/(deficit) on provision of services (accounting basis)	(66,153)	-	-	-	(66,153)	-	(66,153)
Other comprehensive income and expenditure	3/26	-	-	-	-	(139,120)	(139,120)
<b>Total Comprehensive income and expenditure</b>	<b>(66,153)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(66,153)</b>	<b>(139,120)</b>	<b>(205,273)</b>
Adjustments between accounting basis & funding basis under regulations	1	76,771	-	-	76,771	(76,771)	-
<b>Net increase/(decrease) before transfers to Earmarked reserves</b>	<b>10,618</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,618</b>	<b>(215,891)</b>	<b>(205,273)</b>
Transfers (to)/from Earmarked reserves	2	(9,897)	4,992	-	(4,905)	4,905	-
<b>Increase/(decrease) in year</b>	<b>721</b>	<b>4,992</b>	<b>-</b>	<b>-</b>	<b>5,713</b>	<b>(210,986)</b>	<b>(205,273)</b>
<b>Balance at 31 March 2013</b>	<b>9,494</b>	<b>25,079</b>	<b>-</b>	<b>-</b>	<b>34,573</b>	<b>(1,299,038)</b>	<b>(1,264,465)</b>
Reserves held for:							
Capital purposes	-	16,318	-	-	16,318	-	-
Revenue purposes	8,773	3,769	-	-	12,542	-	-
<b>Total at 31 March 2012</b>	<b>8,773</b>	<b>20,087</b>	<b>-</b>	<b>-</b>	<b>28,860</b>		
Capital purposes	-	20,799	-	-	20,799	-	-
Revenue purposes	9,494	4,280	-	-	13,774	-	-
<b>Total at 31 March 2013</b>	<b>9,494</b>	<b>25,079</b>	<b>-</b>	<b>-</b>	<b>34,573</b>		

An analysis of Unusable Reserves is provided in Note 3 to the accounts.

## MOVEMENT IN RESERVES STATEMENT for the YEAR ENDED 31 March 2013 (PCC)

	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance acquired</b>	<b>8,773</b>	<b>20,087</b>	-	-	<b>28,860</b>	<b>(1,088,052)</b>	<b>(1,059,192)</b>
Surplus/(deficit) on provision of services (accounting basis)	(66,153)	-	-	-	(66,153)	-	(66,153)
Other comprehensive income and expenditure	3/26	-	-	-	-	(139,120)	(139,120)
<b>Total Comprehensive income and expenditure</b>	<b>(66,153)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(66,153)</b>	<b>(139,120)</b>	<b>(205,273)</b>
Adjustments between accounting basis & funding basis under regulations	1	76,771	-	-	76,771	(76,771)	-
<b>Net increase/(decrease) before transfers to Earmarked reserves</b>	<b>10,618</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,618</b>	<b>(215,891)</b>	<b>(205,273)</b>
Transfers (to)/from Earmarked reserves	2	(9,897)	4,992	-	(4,905)	4,905	-
<b>Increase/(decrease) in year</b>	<b>721</b>	<b>4,992</b>	<b>-</b>	<b>-</b>	<b>5,713</b>	<b>(210,986)</b>	<b>(205,273)</b>
<b>Balance at 31 March 2013</b>	<b>9,494</b>	<b>25,079</b>	<b>-</b>	<b>-</b>	<b>34,573</b>	<b>(1,299,038)</b>	<b>(1,264,465)</b>
Reserves held for:							
Capital purposes	-	20,799	-	-	20,799		
Revenue purposes	9,494	4,280	-	-	13,774		
<b>Total at 31 March 2013</b>	<b>9,494</b>	<b>25,079</b>	<b>-</b>	<b>-</b>	<b>34,573</b>		

An analysis of Unusable Reserves is provided in Note 3 to the accounts.

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT for the Year Ended 31 March 2013  
for NYPCC and the NYPCC Group**

	Note	2012/13				2011/12		
		Gross	Group	Net	PCC	Gross	Income	Net
		Expenditure	Income	Expenditure	Net	Expenditure		Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Local Policing		68,579	(3,326)	65,253	(3,326)	64,668	(3,416)	61,252
Dealing with the Public		14,645	(685)	13,960	(685)	14,351	(742)	13,609
Criminal Justice Arrangements		13,232	(1,393)	11,839	(1,393)	12,323	(1,310)	11,013
Roads Policing		8,987	(591)	8,396	(591)	9,009	(559)	8,450
Specialist Operations		12,674	(640)	12,034	(640)	11,690	(804)	10,886
Intelligence		9,493	(474)	9,019	(474)	9,667	(485)	9,182
Investigation		21,015	(1,157)	19,858	(1,157)	19,399	(1,361)	18,038
Investigative Support		4,784	(195)	4,589	(195)	4,281	(214)	4,067
National Policing		5,624	(3,939)	1,685	(3,939)	7,229	(4,230)	2,999
<b>Cost of Police Services</b>		<b>159,033</b>	<b>(12,400)</b>	<b>146,633</b>	<b>(12,400)</b>	<b>152,617</b>	<b>(13,121)</b>	<b>139,496</b>
Corporate and Democratic Core		1,395	1	1,396	1,396	1,416	(11)	1,405
Non-Distributed Costs:								
- Past Service Cost	26	60	-	60	60	-	-	-
- Curtailment Cost	26	105	-	105	105	840	-	840
<b>Net Cost of Services</b>		<b>160,593</b>	<b>(12,399)</b>	<b>148,194</b>	<b>(10,839)</b>	<b>154,873</b>	<b>(13,132)</b>	<b>141,741</b>
Intragroup Funding	5c			-	159,033			-
Other Operating Income and Expenditure	6			20,700	20,700			13,136
Financing and Investment Income and Expenditure	8			55,018	55,018			59,088
Taxation and Non-Specific Grant Income	9			(157,759)	(157,759)			(153,308)
<b>(Surplus) or deficit on the Provision of Services</b>				<b>66,153</b>	<b>66,153</b>			<b>60,657</b>
<b>Other Comprehensive Income and Expenditure</b>								
(Surplus) or deficit on revaluation of non-current assets	3a			(526)	(526)			189
Actuarial (gains)/losses on pensions assets and liabilities	26			139,646	139,646			8,212
<b>Other Comprehensive (Income) and Expenditure</b>				<b>139,120</b>	<b>139,120</b>			<b>8,401</b>
<b>Total Comprehensive (Income) and Expenditure</b>				<b>205,273</b>	<b>205,273</b>			<b>69,058</b>

**BALANCE SHEET as at 31 March 2013  
for NYPCC and the NYPCC Group**

		31 March 2013	31 March 2013	31 March 2012
		Group	PCC	
	Note	£'000	£'000	£'000
<b>Long-Term Assets</b>				
Property Plant and Equipment	14	39,447	39,447	35,837
Investment Property	15	1,363	1,363	955
Intangible Assets	16	1,273	1,273	1,769
Assets under construction	14	-	-	14,501
<b>Total Long-Term Assets</b>		<b>42,083</b>	<b>42,083</b>	<b>53,062</b>
<b>Current Assets</b>				
Assets held for sale	17	2,135	2,135	520
Short-term Investments		-	-	-
Inventories	20	185	185	247
Short-term Debtors	21	11,924	11,924	11,643
Cash & Cash Equivalents	22	36,085	36,085	31,888
<b>Total Current Assets</b>		<b>50,329</b>	<b>50,329</b>	<b>44,298</b>
<b>Total Assets</b>		<b>92,412</b>	<b>92,412</b>	<b>97,360</b>
<b>Current Liabilities</b>				
Cash & Cash Equivalents	22	(10)	(10)	(479)
Short-term Borrowing	23	(235)	(235)	(236)
Short-term Creditors	24	(13,549)	(13,549)	(14,186)
Short-term Provisions	25	(1,713)	(1,713)	(1,356)
<b>Total Current Liabilities</b>		<b>(15,507)</b>	<b>(15,507)</b>	<b>(16,257)</b>
<b>Total Assets less Current Liabilities</b>		<b>76,905</b>	<b>76,905</b>	<b>81,103</b>
<b>Long-Term Liabilities</b>				
Long-term Provisions	25	(923)	(923)	(998)
Long-term Borrowing	23	(236)	(236)	(471)
Pension Fund Liability	26	(1,340,160)	(1,340,160)	(1,138,826)
Other Long-term Liabilities	23	(51)	(51)	-
<b>Total Long-Term Liabilities</b>		<b>(1,341,370)</b>	<b>(1,341,370)</b>	<b>(1,140,295)</b>
<b>Net Assets (Liabilities)</b>		<b>(1,264,465)</b>	<b>(1,264,465)</b>	<b>(1,059,192)</b>
<b>Reserves</b>				
<b>Usable Reserves</b>				
Earmarked Reserves	2	25,079	25,079	20,087
General Fund Balance		9,494	9,494	8,773
Capital Receipts Reserve		-	-	-
Capital Grants Unapplied Account		-	-	-
<b>Total Usable Reserves</b>		<b>34,573</b>	<b>34,573</b>	<b>28,860</b>
<b>Unusable Reserves</b>				
Revaluation Reserve		3,209	3,209	3,306
Capital Adjustment Account		40,118	40,118	49,221
Pensions Reserve		(1,340,160)	(1,340,160)	(1,138,826)
Collection Fund Adjustment Account		148	148	79
Accumulated Absences Account		(2,353)	(2,353)	(1,832)
<b>Total Unusable Reserves</b>	3	<b>(1,299,038)</b>	<b>(1,299,038)</b>	<b>(1,088,052)</b>
<b>Total Reserves</b>		<b>(1,264,465)</b>	<b>(1,264,465)</b>	<b>(1,059,192)</b>

**CASH FLOW STATEMENT**  
**for the YEAR ENDED 31 March 2013**  
**for NYPCC and the NYPCC Group**

	2012/13 Group £'000	2012/13 PCC £'000	2011/12 £'000
<b>Net deficit / (surplus) on the provision of services</b>	<b>66,153</b>	<b>66,153</b>	<b>60,657</b>
Adjustments to net deficit / (surplus) on the provision of services for non-cash movements:			
Net increase in provisions	(282)	(282)	(375)
Movement in pension liability	(61,688)	(61,688)	(66,446)
Depreciation, impairments and revaluations	18e (15,444)	(15,444)	(7,962)
Increase / (decrease) in debtors	272	272	5,587
(Increase) / decrease in provision for bad debts	9	9	(39)
Decrease in creditors	657	657	253
Increase / (decrease) in inventories	(61)	(61)	35
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,111)	(1,111)	(3,116)
	<u>(77,648)</u>	<u>(77,648)</u>	<u>(72,063)</u>
Adjustments for items included in the net deficit / (surplus) on the provisions of services that are investing and financing activities:			
Proceeds of disposal of non-current assets	579	579	2,047
<b>Net Cash Flows from Operating Activities</b>	<b>29 (10,916)</b>	<b>(10,916)</b>	<b>(9,359)</b>
Net Cash Flows from Investing Activities	30 6,085	6,085	4,748
Net Cash Flows from Financing Activities	31 165	165	235
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(4,666)</b>	<b>(4,666)</b>	<b>(4,376)</b>
Cash and cash equivalents acquired	22 -	(31,409)	-
Cash and cash equivalents at the beginning of the reporting period	22 (31,409)	-	(27,033)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>22 (36,075)</b>	<b>(36,075)</b>	<b>(31,409)</b>



## REMUNERATION REPORT 2012/13 for NYPCC and the NYPCC Group

### Remuneration of Senior Officers

Up to the appointment of the Police and Crime Commissioner (PCC) on 22 November 2012, remuneration of senior officers was approved by the Management Board, a committee of the North Yorkshire Police Authority. From 22 November 2012, the Chief Constable approves the remuneration of senior police officers and the remuneration of other senior officers is approved by the PCC.

Up to 22 November 2012 membership of the Management Board comprised the following:

Jane Kenyon (Chairman)  
Bill Baugh (Vice Chairman)  
Tony Hargreaves  
Carl Les  
Keith Orrell

All of the members of the Board were members of the Police Authority. Jane Kenyon, the Chairman of the Management Board, was also the Chairman of the Police Authority.

The Management Board exercised delegated powers from the Police Authority to determine all conditions of service issues relating to Chief Police Officers and senior officers of the Authority including, where applicable, remuneration and related matters. Many aspects, particularly those concerning Chief Police Officer conditions of service, are governed by legislation or statutory guidelines and national policy and follow national agreements.

In setting the condition of service the Board and the Police and Crime Commissioner have regard to the following factors:

- the need to recruit, retain and motivate suitably qualified people to carry out their different responsibilities
- regional/local variations in labour markets and their effects on the recruitment and retention of staff
- differences in terms and conditions of employment between the public and private sector and taking account of relative job security and value of benefits in kind
- changes in national pay systems, including flexibility and the reward of success, and job weight in differentiating the remuneration of particular posts
- the relevant legal obligations, including anti-discrimination legislation regarding age, gender, race, sexual orientation, religion and belief and disability.

Total remuneration of senior police officers comprises elements that are set centrally for all police forces in the UK and other elements that are set locally. Pay elements that are set centrally include base salary, accommodation allowances and pension benefits. Centrally-set elements for serving police officers are determined in accordance with the Police Regulations 2003 (as amended).

For the purposes of this report the senior officers comprised the following personnel during the year:

Police and Crime Commissioner (from 22 November 2012)  
Chief Constable \*  
Deputy Chief Constable \*  
Assistant Chief Constables \*  
Chief Officer Resources  
Chief Executive  
Treasurer of the Police Authority (to 22 November 2012)  
Chief Finance Officer for the Police and Crime Commissioner (from 22 November 2012)  
\* serving police officers.

Where applicable disclosures are also provided for employees who have fulfilled the above roles on a temporary or acting basis.

Summary of Remuneration of Senior Officers

	2012/13			2011/12		
	Members	Senior Officers	Total	Members	Senior Officers	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Salaries and short-term benefits	117	642	759	188	675	863
Post-employment benefits	-	128	128	-	136	136
Termination benefits	-	248	248	-	-	-
<b>Total</b>	<b>117</b>	<b>1,018</b>	<b>1,135</b>	<b>188</b>	<b>811</b>	<b>999</b>

	2012/13	2012/13	2011/12
	Group	PCC	
	£'000	£'000	£'000
Salaries and short-term benefits	759	106	863
Post-employment benefits	128	16	136
Termination benefits	248	-	-
<b>Total</b>	<b>1,135</b>	<b>122</b>	<b>999</b>

Remuneration of other employees

Levels of pay for other employees are determined in accordance with the following:

- Police officer remuneration is determined in accordance with the Police Regulations 2003 (as amended)
- Remuneration of support staff is agreed by the Police Support Staff council

Remuneration of Members of the Police Authority (up to 22 November 2012)

There were 17 members of the Police Authority. Nine of the members were councillors from the North Yorkshire County Council and the City of York Council and Borough Councils. The remaining eight members were independent (but there was a vacancy). The accounts reflect that there were councillor member changes and a total of 16 (2011/12 17) individuals served as members during the year.

A joint Committee of the local councils was responsible for the appointment of the councillors while the independent members were selected by an Independent Panel established in accordance with statute and appointed by the Authority.

North Yorkshire Police Authority members were entitled to claim an allowance for the work that they carried out for the Authority. In addition, members were able to claim for mileage or public transport costs when attending Authority meetings or attending an event on behalf of the Authority.

The allowance scheme was approved and published by the Police Authority and set out the allowances payable in all these cases. The allowance scheme was reviewed annually.

Amounts payable to members for allowances and reimbursed expenses are detailed below:

	2012/13	2011/12
	£'000	£'000
	(to 22 November 2012)	
Salary & Members' Allowances	92	144
Special Responsibility Allowance	9	13
Telephone and Computers	1	3
Travel and Subsistence	14	26
Conferences and Training	1	1
Tribunal and Panel Members	-	1
<b>Salaries and short term benefits</b>	<b>117</b>	<b>188</b>
National Insurance	4	7
<b>Total</b>	<b>121</b>	<b>195</b>

	2012/13 £'000	2011/12 £'000
At the year-end the following was owing to:		
Members of the Authority	-	3
Tribunal and Panel Members	-	-
<b>Total</b>	<b>-</b>	<b>3</b>

### Remuneration entitlements of Senior Officers

#### Salary

Pay and allowances for the Police and Crime Commissioner are set by the Home Office acting on the advice of the Senior Salaries Review Board. Basic salary for serving police officers is determined and approved by the Secretary of State for the Home Office each year. Salaries are set for all police officers of all ranks up to and including Chief Constables. Pay reviews are carried out each year and any increases are applicable from 1 September. Pay reviews for other senior officers are agreed with the Police Support Staff Council. Any increases are also applicable from 1 September.

#### Other Allowances and Benefits

Other allowances and benefits include allowances and expenses paid, in addition to basic salary, that are chargeable to UK income tax. They comprise the following:

- (a) Accommodation allowance;
- (b) Car available for private use or car allowance paid as additional salary;
- (c) Healthcare;
- (d) Personal development and training;
- (e) Relocation - Relocation benefits comprise amounts payable through a combination of cash and non-cash items, and are referenced as such in the tables of Senior Officer Remuneration below.

Accommodation allowances are a historic payment and were paid to police officers who resided in their own accommodation as opposed to Police Houses. They are not paid to any police officers joining the Force after April 1995, other than those that may be transferred from other Forces and who are already in receipt of accommodation allowances.

#### Allowances

For the purposes of the disclosures that follow, amounts disclosed as allowances are those that are included with salary.

#### Benefits in Kind

Benefits in kind include the estimated value of any benefits that are provided to senior officers in forms other than cash. During the year benefits in kind included the cash equivalents of cars provided to senior officers as disclosed to HM Revenue and Customs on form P11D.

#### Performance Bonus

Bonuses for senior police officers are regulated by way of a national agreement reached at the Police Negotiating Board in 2003. The levels of bonuses are determined annually, upon eligibility, in accordance with the national scheme. Eligible senior police officers comprise the Chief Constable, the Deputy Chief Constable and any Assistant Chief Constable (ACC) who has reached the top of the national pay scale for the rank of ACC. Bonuses for the Chief Executive and the Chief Officer Resources are considered annually in accordance with a locally negotiated scheme for those officers individually. In all cases, individuals may be eligible for performance bonuses based on annual performance targets covering a variety of indicators including individual performance as well as organisational-based performance targets.

Performance bonuses are paid in the year following the end of the financial year to which the bonus relates. No bonus payments were made in 2012/13 nor in 2011/12.

#### Pension Benefits

The pension figure included in the disclosures below represents the value of the employer's pension contribution to the senior officer's pension pot, in whichever scheme he/she is a member.

#### Police Officers

Those members of the senior officer team who are also serving police officers are eligible to join the Police Pension Scheme. During 2012/13 all eligible senior officers were members of the Police Pension Scheme 1987.

The scheme is a defined benefit scheme, providing pension benefits linked to final salary. The scheme is a 40/60ths scheme, with a full pension payable under the scheme after 30 years' service. The maximum pension payable is 40/60ths of salary. The accrual rate for the scheme is 1/60th of salary for each year worked for the first 20 years service and 2/60ths for each year for the following 10 years and nil thereafter. At retirement members may opt to give up (commute) part of their pension entitlement in return for a lump sum cash payment.

Senior officers' contributions are currently at the rate of 12.5% of pensionable salary. (See Police Pension Fund Account and Note 26 to the accounts for further information on the Police Pension schemes).

**Other Senior Officers**

Those members of the Senior Officer team who are not serving police officers are eligible to participate in the Local Government Pension Scheme ("LGPS"). During 2012/13 all eligible senior officers except the Police and Crime Commissioner were members of the scheme.

The scheme is a defined benefit scheme, providing pension benefits linked to final salary. The current scheme provides for an accrual rate of 1/60th of salary for each year of service. There is no time limit to the amount of service that can be built up but benefits must be taken by age 75. At retirement members may opt to give up (commute) part of their pension entitlement in return for a lump sum cash payment.

Senior officers' contributions are currently at the rate of between 7.2% and 7.5% of pensionable salary. (See Note 26 to the accounts for further information on the Local Government Pension Scheme).

A summary of Senior Officer Remuneration for the year ended 31 March 2013 is presented below:

	Salary	Benefits in kind	Allowance	Value of employers pension contribution	Termination Benefits	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>PCC and Group:</b>						
Police and Crime Commissioner:						
J Mulligan wef 22/11/12	25	-	-	-	-	25
Chief Executive:						
J Holderness	81	-	-	16	-	97
Treasurer and CFO*:						
J Heeley	-	-	-	-	-	-
<b>Group only:</b>						
Chief Constable:						
G Maxwell up to 31/5/12 (1)	11	-	11	4	248	274
T Madgwick (Acting) wef 1/6/12 (2)	92	-	3	22	-	117
Deputy Chief Constable:						
T Madgwick up to 31/5/12 (2)	18	-	1	4	-	23
S Cross (Acting) wef 1/6/12 (2)	88	-	5	21	-	114
Assistant Chief Constable:						
S Cross up to 31/5/12 (2)	17	-	1	4	-	22
I Spittal wef 1/6/12 (2)	83	-	3	20	-	106
Chief Officer Resources and Chief Constable's CFO*:						
J Carter (3)	116	-	10	22	-	148
<b>Total</b>	<b>531</b>	<b>-</b>	<b>34</b>	<b>113</b>	<b>248</b>	<b>926</b>

\* CFO - Chief Finance Officer

Benefits types payable: (1) a,b,c,d (2) a,b,c (3) b,c

The Chief Officer Resources received an allowance for providing her own vehicle for business purposes, this is shown under allowances. Chief Constable Maxwell had a vehicle allowance included in allowances. The other Operational Police Officers use vehicles provided by the force. These are not included in benefits in kind as they are for operational use although these are also available for personal purposes.

The Treasurer (and latterly the PCC Chief Finance Officer) function was discharged via a contract with West Yorkshire Police Authority and then West Yorkshire Police and Crime Commissioner and the remuneration of the post holder is reflected in those accounts.

On 1 May 2013 the Group completed a review of strategic management and from this date G. Macdonald was appointed as the Commissioner's Chief Finance Officer.

The statutory accounts include a provision of £201k in relation to termination benefits for the Chief Executive, who will be leaving in July 2013. This will be reported as part of his remuneration in 2013/14. The 2011/12 statutory accounts included a provision of £248k in relation to an exit package payable to Chief Constable Maxwell in May 2012. This is reported as part of his remuneration in 2012/13.

A summary of Senior Officer Remuneration for the year ended 31 March 2012 is presented below:

	Benefits type payable	Salary £'000	Benefits in kind £'000	Allowance £'000	Value of employers pension contribution £'000	Total £'000
Chief Constable: G.Maxwell	a,b,c,d	133	5	29	32	199
Deputy Chief Constable	a,b,c	64	3	4	15	86
Assistant Chief Constable 1	a,b,c	45	1	3	11	60
Assistant Chief Constable 2	a,b,c	111	4	7	27	149
Assistant Chief Constable 3	a,b	53	4	2	13	72
Chief Officer Resources: J.Carter	b,c	116	-	10	23	149
Chief Executive of the Police Authority: J.Holderness	-	81	-	-	15	96
Treasurer of the Police Authority: J.Heeley	-	-	-	-	-	-
<b>Total</b>		<b>603</b>	<b>17</b>	<b>55</b>	<b>136</b>	<b>811</b>

The Deputy Chief Constable position was vacant in the early part of the year and was covered on a temporary basis by the Assistant Chief Constables, acting in rotation. Remuneration is shown against the substantive role of the post holder.

Up to 30 November 2011 the Chief Officer Resources also undertook the role of Treasurer of the Police Authority. With effect from 1 December 2011 the Treasurer function was discharged via a contract with West Yorkshire Police Authority (WYPA) and the Treasurer's remuneration is reflected in the WYPA accounts.

The statutory accounts include a provision of £248k in relation to an exit package payable to the Chief Constable in May 2012. This will be reported as part of his remuneration in 2012/13.

#### Officers and Staff

	2012/13 Group	2012/13 PCC	2011/12
Average number of officers and staff, including Senior Officers	<b>2,711</b>	<b>7</b>	<b>2,902</b>

The number of individuals, excluding senior officers, who have received total remuneration greater than or equal to £50,000 per annum (in bands of £5,000) are listed below. The figures below represent the amounts paid in each year, taking account of starting and leaving dates, where retiring staff have been replaced during the year, and include officers seconded to other Forces. Total remuneration comprises gross salaries and allowances, taxable benefits as declared to HM Revenue and Customs on form P11D, and any bonus amounts in relation to the year in question (paid or payable). Total remuneration excludes any termination benefits payable and does not include employer's pension or national insurance contributions.

The table includes 90 police officers (2011/12 100) below the rank of Chief Superintendent.

Total remuneration	2012/13 Group	2012/13 PCC	2011/12
£50,000 to £54,999	52	-	59
£55,000 to £59,999	33	-	33
£60,000 to £64,999	8	-	6
£65,000 to £69,999	3	-	1
£70,000 to £74,999	4	-	9
£75,000 to £79,999	5	-	8
£80,000 to £84,999	3	-	2
£85,000 to £89,999	1	-	3
£90,000 to £94,999	-	-	1
<b>Total</b>	<b>109</b>	<b>-</b>	<b>122</b>

### Termination benefits

The Group terminated the contracts of a number of employees in 2012/13, incurring liabilities of £278k (PCC £201k) (£644k in 2011/12) payable to Senior Officers and staff in the form of compensation for loss of office and enhanced pension benefits.

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

Group	Number of Compulsory Redundancies		Number of Other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
							£'000	£'000
£0 - £20,000	-	(10)	-	5	-	(5)	(8)	(60)
£20,001 - £40,000	-	3	1	2	1	5	22	212
£40,001 - £60,000	-	1	-	-	-	1	-	79
£60,001 - £80,000	-	-	1	-	1	-	63	55
£80,001 - £100,000	-	-	-	1	-	1	-	110
£200,001 - £250,000	-	-	1	1	1	1	201	248
<b>Total</b>	<b>-</b>	<b>(6)</b>	<b>3</b>	<b>9</b>	<b>3</b>	<b>3</b>	<b>278</b>	<b>644</b>

Some of the exit package costs provided for in the 2011/12 accounts were settled at different figures than estimated, and the adjustments are recorded in 2012/13, resulting in the negative costs declared for the £0-£20,000 band in 2012/13.

16 of the leavers provided for in 2010/11 (£0 - £20,000 band) were in the event successful in obtaining suitable alternative employment within the Authority, and the numbers and costs not paid were adjusted for in 2011/12, resulting in the negative redundancies declared in 2011/12.

PCC	Number of Compulsory Redundancies		Number of Other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
							£'000	£'000
£200,001 - £250,000	-	-	-	-	1	-	1	201
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>201</b>

## ACCOUNTING POLICIES for the YEAR ENDED 31 March 2013 for NYPCC and the NYPCC Group

### 1. General and Changes in Accounting Policy

These financial statements are prepared in accordance with the Accounts and Audit (England) Regulations 2011 and proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 "the Code" and the Service Reporting Code of Practice for Local Authorities 2012/13 ("SeRCOP"), supported by International Financial Reporting Standards ("IFRS") and statutory guidance.

The accounts have been prepared on a going concern basis using a historical cost convention, modified by the revaluation of certain categories of non-current assets and financial instruments.

The principal accounting policies adopted are set out below.

### 2. Transfer of Functions from North Yorkshire Police Authority

The Police Reform and Social Responsibility Act 2011 (the Act) received royal assent on 15 September 2011, and North Yorkshire Police Authority (NYPA) was replaced on 22 November 2012 by two "corporation sole" bodies - the Police and Crime Commissioner for North Yorkshire (NYPCC) and the Chief Constable of North Yorkshire Police (CCNY). These bodies are required to prepare separate financial statements.

This transaction involved a transfer of functions, but the essentials of service delivery have been maintained.

The financial statements presented here represent accounts for NYPCC and also for the NYPCC Group (the Group). NYPCC has been identified as the parent organisation of CCNY and the requirement to produce group accounts stems from the powers and responsibilities of NYPCC under the Act.

The transfer has been accounted for under the merger accounting provisions of the Code, and these financial statements are presented as if the functions had been performed by the Group for the whole of the year ending 31 March 2013. Comparatives presented for the Group are those reported for NYPA for the year ending 31 March 2012. No financial statements are presented for NYPA for any part of the year ending 31 March 2013.

### 3. Accounting Principles

#### Balance Sheet

On 22 November 2012, the assets, liabilities and reserves of NYPA were transferred directly to NYPCC and statutory and local arrangements and practice determine that NYPCC continues to hold and maintain direct control of all the assets, liabilities and reserves at the balance sheet date, and is also responsible for the police pension liability.

All payments for the Group are made by NYPCC from the Police Fund and all income and funding is received by NYPCC. NYPCC has the responsibility for managing the financial relationships with third parties and has legal responsibilities for discharging the contractual terms and conditions of suppliers.

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 all the assets, liabilities and reserves of the Group are recognised on the NYPCC Balance Sheet.

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

Under the Act, CCNY is responsible to NYPCC for the day to day provision of the policing functions, including direction and control of police officers. To facilitate this NYPCC delegated certain powers over authorisation of revenue expenditure within the agreed budget and direction and control over police staff to staff under the directional control of CCNY.

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 CCNY CIES, funded by an equal and opposite credit from NYPCC. All income and funding and expenditure directly controlled by NYPCC (which is largely that expenditure which occurs below Cost of Police Services in the Group CIES) will be shown in the NYPCC Single Entity CIES.

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



### Intra-Group Charges

NYPCC makes charges to CCNY:

- for the use of Long Term Assets, equivalent to the debits made to the NYPCC CIES for the impairment, depreciation, amortisation and revaluation of the assets
- for the current service cost of providing retirement benefits to employees

CCNY makes charges to NYPCC:

- for the cost of policing services

These charges are eliminated in the Group accounts.

## 4. Transition to International Financial Reporting Standards ("IFRS")

In 2010/11 accounts were presented in accordance with IFRSs for the first time. Local authorities were required to account for the transition to IFRS in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards, except where interpretations or adaptations to fit local authorities are detailed in the Code.

The exemptions that are applicable to the group in preparing financial statements are detailed below:

- The depreciated historical cost of an asset as at 1 April 2009 remains the depreciated historical cost of that asset as at 31 March 2009 under the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice ("the SORP"), rather than requiring a retrospective review of the depreciation policy, measurement of useful life and residual cost.
- In adopting International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 4 Determining Whether an Arrangement Contains a Lease, it has been determined whether an arrangement existing as at 1 April 2009 contained a lease on the basis of facts and circumstances existing at that date. Where it has been determined that an arrangement contains a lease, that lease has been accounted for retrospectively from the commencement of the lease.
- The requirements of the Code in relation to accounting for the depreciation of significant components of an asset and the de-recognition of old components and recognition of new components have been applied to new assets completed on or after 1 April 2010 and to significant improvements to existing assets incurred from 1 April 2010.

## 5. New International Accounting Standards Adopted for the first time in this Financial Period

Under the Code, the amendments to International Financial Reporting Standard ("IFRS") 7 Financial Instruments: Disclosures applies to these accounts for the first time.

This amendment relates to disclosures about the transfer of financial assets. However the Group has not transferred any financial assets that fall within IFRS 7, so this IFRS has not impacted on these financial statements.

## 6. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date of provision of the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.



## 7. Grants and Contributions

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

- the conditions attached to the payments will be complied with, and
- that the grants or contributions will be received.

Amounts recognised as due 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 acquired using 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 revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

### Police Pension Top-Up Grant

The top-up grant receivable from the Home Office in respect of the Police Pension Fund is credited to the Comprehensive Income and Expenditure Statement after Net Cost of Services, as part of Taxation and Non-Specific Grant Income. The equal and opposite amounts payable to the Police Pension Fund are shown within the Other Operating Income and Expenditure line of the Comprehensive Income and Expenditure Statement, so that the impact on Council Tax payers is eliminated. This treatment is in line with the requirements of the Police Pension Fund Regulations 2007 (SI 1932/2007) (updated by SI 1887/2008).

### Donated Assets

Donated assets received are recognised immediately on receipt as Property, Plant and Equipment and the value of the donation is recognised in the relevant service line in the Comprehensive Income and Expenditure Statement, provided that conditions have been satisfied. The fair value of donated assets received for which conditions have not been satisfied are carried in the Balance Sheet in the Donated Assets Account. When conditions are satisfied, the donation is credited to the Comprehensive Income and Expenditure Statement. When donation income is credited to the Comprehensive Income and Expenditure Statement, it is reversed out of the General Fund Balance in the Movement in Reserves Statement.

### Capital Grants

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General 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.

## 8. Employee benefits

### Short Term Employee Benefits

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include wages and salaries, annual leave, flexitime, time-off in-lieu and re-rostered rest days and are recognised as an expense for services in the year in which employees render service. An accrual is made for the costs 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 wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the relevant service line in the Comprehensive Income and Expenditure Statement and then reversed out through the Movement in Reserves Statement so that benefits are charged to the Council Tax payer in the financial year in which the absence occurs.

### 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, and are charged on an accruals basis to the relevant service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when there is a demonstrable commitment to the termination of the employment of an officer or group of officers or to the making of an offer to encourage voluntary redundancy.

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

### Retirement Benefits

Officers and staff participate in pension schemes, with separate schemes for Police Officers and for Police Staff. All schemes provide members with defined benefits (retirement lump sums and pensions) related to pay and service.

The main aspects of these pension schemes are:-

- (a) The attributable assets of each scheme are included in the Balance Sheet at fair value.
- (b) The attributable liabilities of each scheme are measured on an actuarial basis using the projected unit credit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of earnings for current employees.
- (c) Scheme liabilities are discounted at a rate that is determined by reference to market yields at the end of the reporting period on high quality corporate bonds.
- (d) The surplus/deficit in each scheme is the excess/shortfall of the fair value of assets in the scheme over/below the present value of the scheme liabilities.
- (e) The change in the net pensions liability for each scheme is analysed into seven components:
  - Current service cost - the increase in liabilities as a result of years of service earned this year. The current service cost is stated net of employees' contributions, so as to reflect the part of the total pensions liabilities that are to be funded by the Group - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service costs - the increase in liabilities arising from current year decisions 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.
  - Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Expected return on assets - the annual investment return on the fund assets attributable to the Group, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Gains or losses on settlements or 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/losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve
  - Contributions paid to the fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund Balance to be charged with the amount payable to the pension funds or directly to pensioners in the year, not the amount calculated in accordance with relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations 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 funds and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than 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.

## 9. Funding of Police Pension Fund

The top-up grant receivable from the Home Office in respect of the Police Pension Fund is included in the Comprehensive Income and Expenditure Statement. The amounts payable to the Police Pension Fund are shown within Other Operating Income and Expenditure so that the impact on Council Tax payers is eliminated. This treatment is in line with the requirements of the Police Pension Fund Regulations 2007 (SI 1932/2007) (updated by SI 1887/2008).

## 10. Value Added Tax (VAT)

Income and expenditure excludes any amounts related to recoverable VAT. All VAT collected is payable to HM Revenue and Customs and the majority of VAT paid is recoverable from it.

## 11. Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2012/13 ("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 - costs relating to the Group's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary pension benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

## 12. Segmental Reporting

Decisions about resource allocation within the Group are made using internal management reports which show net expenditure on a segmental basis, using methodologies which in some cases are different from the accounting policies in the financial statements. In particular interest and capital charges are not included in the management reports. The cost of retirement benefits is based on payment of employers' pension contributions rather than the current service cost of benefits accrued during the year. Segment information in these financial statements is based on the Groups' internal management reporting. Segments are reported where expenditure is 10% or more of the gross expenditure or where income is 10% or more of the gross income within the net cost of services.

Internal management reporting does not include information on segment assets or liabilities and, accordingly, information on segment assets and liabilities has not been included in the notes to the accounts.

The functions performed are reported using the following segments:

### Response and Reassurance

This segment, which is the largest of the operational segments, includes neighbourhood and community policing services, Police Community Support officers, police station front desk enquiry teams and force control room operations.

### Crime

The Crime segment covers all operations associated with the detection and investigation of crime together with associated support services such as scientific and forensics support.

### Specialist Operations

Specialist Operations include key activities such as Major Incident units and operational units (including firearms and road policing).

### Corporate

The corporate segment includes activities and costs that provide the infrastructure that allows services to be provided, and the information that is required for public accountability.

### Democratic Core

Democratic core includes the cost of operating the NYPCC's office, the Commissioner's Statutory Officers, internal and external audit fees, democratic representation and governance and allowances and expenses for the NYPCC and (up to 22 November 2012) Police Authority members.

### Other

Included within Other are those segments where both income and expenditure is less than 10% of total gross income or expenditure. These include both operational services and support departments.

### 13. Jointly Controlled Operations - Regional Working

The Group engages in collaborative working in partnership with the other Yorkshire and the Humber forces to deliver a number of specific services on a regional basis. The governance for this regional programme of activity was via a Joint Police Authority Committee (JPAC) until 22 November 2012 when a Regional Collaboration Board was constituted in accordance with the Heads of Agreement. The administration of activities is via the Regional Programme Team including the financial administration of regional budgets which is led by the Police and Crime Commissioner for West Yorkshire Police (WYPCC).

The participating Commissioners use their own resources to undertake this venture and the accounting arrangements for regional working are to account for this as a Joint Arrangement Not an Entity ('JANE') in line with CIPFA guidance:

- Each Commissioner accounts for the assets it controls, the liabilities it incurs, the expenses that it incurs and the income receivable in relation to amounts re-charged to the venture.
- The Police and Crime Commissioner for Humberside (HPCC) has lead responsibility within the regional programme for property matters. One property has been leased under these arrangements and is shown in the HPCC financial statements, however the potential future impact of this arrangement for the Group has been disclosed as a contingent liability in the notes to these financial statements.

WYPCC financial statements include memorandum accounts summarising all pertinent transactions.

### 14. Property, Plant & Equipment

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

#### Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis (subject to a de minimus level of £1,000), provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, such components are separately recognised, either on initial acquisition of the assets, or when the asset is enhanced or re-valued.

#### Measurement

Property, Plant and Equipment are initially measured at cost, comprising:

- Purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- The initial estimate of the costs of dismantling and removing the item at the end of its useful life and restoring the site on which it is located.

Borrowing costs incurred whilst assets are under construction are not capitalised - these are debited to the Comprehensive Income and Expenditure Statement as incurred.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the fair value of donated assets received for which conditions have not been satisfied are carried in the Balance Sheet in the Donated Assets Account. When conditions are satisfied, the donation is credited to the Comprehensive Income and Expenditure Statement.

Assets acquired under finance leases are measured at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Assets are then carried in the Balance Sheet using the following measurement basis:

- Land and Buildings, Police Houses, Plant and Equipment and Vehicles - fair value, determined as the lower of net current replacement cost (existing use value) and net realisable value in existing use. For non-property assets that have short useful lives or low values (or both), depreciated historical cost is used as a proxy for fair value.
- Assets in the course of construction - cost less any accumulated impairment losses until brought into use, when they are valued and reclassified.

Assets included in the balance sheet at fair value are re-valued sufficiently regularly to ensure that their carrying value is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Revaluation gains and losses are not permitted to have an impact on the General Fund Balance. Any gains and losses charged to the Comprehensive Income and Expenditure Statement are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

## 15. Investment Properties

Investment Properties are properties that are held to earn rentals, and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or for administrative purposes. Investment Properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Investment Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains or losses on revaluation are debited or credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal, but disposals are otherwise accounted for in accordance with Accounting Policy 19.

Revaluation and disposal gains and losses are not permitted to have an impact on the General Fund Balance. Gains are credited and losses charged to the Comprehensive Income and Expenditure Statement are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

All lease agreements entered into in respect of investment properties let to third parties are operating leases. Rental income from investment property is recognised on a straight-line basis over the term of the lease and is credited to Financing and Investment income and expenditure in the Comprehensive Income and Expenditure Statement. Any lease incentives granted are recognised as an integral part of the total rental income.

## 16. Assets Held for Sale

Non-current assets are reclassified as an Asset Held for Sale when it become probable that the carrying amount will be recovered principally through a sale transaction rather than its continuing use. This condition is regarded as met when:

- a sale is highly probable;
- the asset is available for immediate sale in its present condition;
- management are committed to the sale;
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets Held for Sale are revalued 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 previous losses recognised in the Surplus or Deficit on the Provision of Services. Assets Held for Sale are not depreciated.

If an asset no longer meets the criteria to be classified as an Asset Held for Sale, it is classified back to non-current assets and valued at the lower of:

- the carrying amount before it was classified as held for sale; adjusted for depreciation, amortisation and/or revaluations that would have been recognised had it not been classified as held for sale, and
- the recoverable amount at the date of the decision not to sell.

Assets to be abandoned or scrapped are not reclassified as Assets Held for Sale.

The eventual disposal of an Asset Held for Sale is accounted for in accordance with Accounting Policy 19.

Disposal gains and losses are not permitted to have an impact on the General Fund Balance. Gains and losses charged to the Comprehensive Income and Expenditure Statement are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

## 17. Intangible Assets

### Purchased Software

Expenditure on non monetary assets that do not have physical substance but are identifiable and controlled by the Group as a result of past events is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset.

Expenditure on software is recognised initially at cost. Amounts are only revalued where the fair value can be determined by reference to an active market. In practice, no software licences held meet this criterion, and they are therefore carried at amortised cost.

Revaluation gains and losses are not permitted to have an impact on the General Fund Balance. Any gains and losses charged to the Comprehensive Income and Expenditure Statement would therefore be reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Expenditure incurred on an intangible asset after it has been recognised does not meet the recognition requirements of the Code and is charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

All expenditure on website development is charged to the Comprehensive Income and Expenditure Statement, since the website is primarily intended to promote services.

### Internally Generated Assets

All expenditure on the development of intangible assets is charged to the Comprehensive Income and Expenditure Statement, since the expenditure does not meet the recognition requirements of the Code.

### Other Intangibles

At 31 March 2013 no other intangible assets were held.

## 18. Impairment of Tangible and Intangible Assets

This policy applies to the impairment of Property, Plant and Equipment, Investment Properties, Assets Held for Sale and Intangible Assets, modified as set out in the specific accounting policies for these categories of assets.

Tangible and intangible assets are reviewed annually to determine whether there is any indication that those assets have suffered an impairment. Where such indication exists, and if the differences are estimated to be material, the recoverable amount of the asset is estimated and an impairment loss is recognised for the shortfall (if any).

The recoverable amount is the higher of fair value (less costs to sell) and value in use. Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from the asset.



If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment in respect of a non-revalued asset is recognised as an expense against the relevant service line in the Comprehensive Income and Expenditure Account. An impairment loss on a revalued asset is recognised in the Revaluation Reserve to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset and thereafter in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Impairment gains and losses are not permitted to have an impact on the General Fund Balance by statutory arrangements. The gains and losses are therefore reversed out of the General 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.

## 19. Disposals of Tangible and Intangible Assets

This policy applies to the disposal of Property, Plant and Equipment, Investment Properties, Assets Held for Sale and Intangible Assets, modified as set out in the specific accounting policies for these categories of assets.

When an asset is disposed of or decommissioned, the carrying value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) 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.

Where a significant separate component of an asset is replaced or restored, the carrying amount of the old component is de-recognised to avoid double counting. This includes de-recognition of significant parts of an asset not previously recognised as a separate component.

Amounts received for a disposal in excess of £10,000 are categorised as Capital Receipts and are credited to the Capital Receipts Reserve (the usable element) or the Capital Adjustment Account (the set-aside element, if applicable) and can then only be used for new capital investment or set aside to reduce the underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

Where there is deferred credit held in respect of the asset disposed off (eg a balance on the Donated Assets Account) this is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Disposal gains and losses are not permitted to have an impact on the General Fund Balance by statutory arrangements. The gains and losses are therefore reversed out of the General 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.

## 20. Depreciation of Tangible Assets and Amortisation of Intangible Assets

This policy applies to Property, Plant and Equipment and Intangible Assets, modified as set out in the specific accounting policies for these categories of assets.

Depreciation is provided for on all Property, Plant and Equipment assets with a determinable finite life (i.e. excluding Land) that are available for use by the systematic allocation of their depreciable amounts over their useful lives. Amortisation is similarly charged on Intangible Assets.

Depreciation is calculated in the following bases:-

- Land is not depreciated;
- Buildings (excluding Assets under Construction) - straight line allocation over the life of the asset, as assessed by the valuer at the time of valuation. Lives used range between 20 and 50 years;
- Vehicles, Plant, Furniture and Equipment - a percentage of the value of each class of asset in the Balance Sheet. Percentages used are based on estimated lives of up to 5 years, as advised by a suitably qualified officer.

Amortisation of intangible fixed assets is calculated on the following basis:

- A percentage of the value in the Balance Sheet. Percentages used are based on finite useful lives of between 2 and 7 years, as advised by a suitably qualified officer.

Where an asset has major components with different estimated useful lives, these are depreciated or amortised 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.

Depreciation and amortisation are not permitted to have an impact on the General Fund Balance by statutory arrangements. The amounts charged to the Comprehensive Income and Expenditure Statement are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

## **21. Charges to the Comprehensive Income and Expenditure Statement for the Use of Tangible and Intangible Assets**

The Comprehensive Income and Expenditure Statement is debited with the following amounts to record the real cost of holding tangible and intangible assets during the year:

- Depreciation attributable to tangible fixed assets;
- Amortisation attributable to intangible fixed assets;
- Revaluation and impairment losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

The Group is not required to raise Council Tax to cover depreciation, amortisation or revaluation and impairment losses. However, an annual provision from revenue is required to contribute towards the reduction of the overall borrowing requirement equal to an amount calculated on a prudent basis determined in accordance with statutory guidance. Depreciation, amortisation and revaluation and impairment losses are therefore replaced by the contribution in the General 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.

## **22. Short Term Investments**

Short-Term Investments comprise interest-bearing deposits, held with banks and other financial institutions, maturing more than three months from the date of acquisition. They are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the deposits are derecognised or impaired, as well as through the amortisation process.

## **23. Inventories**

Inventories are included in the Balance Sheet at average prices. Obsolete and slow moving items are written off during the year and reduce the value of inventories shown in the Balance Sheet.

This treatment differs from the requirements of the Code, which requires stocks to be shown at the lower of cost and net realisable value. It is considered that this difference in treatment does not have a material effect on the accounts.

All inventories comprise supplies that are intended for use in the provision of services.

## **24. 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 (e.g. 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 all the amounts due will not be able to be collected.

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.

## 25. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits that are repayable on demand. Cash equivalents are defined as deposits which:

- are repayable on demand or maturing within three months of the date of acquisition;
- are readily convertible to known amounts of cash; and
- are not subject to a significant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents are shown net of outstanding bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

## 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 (e.g. expense relating to council tax and general rates) 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, a creditor is recognised in respect of the receipt in advance.

## 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 and includes both the most straightforward financial instruments (e.g. trade payables and receivables) and the most complex such as equity instruments.

Typical financial instruments are trade payables and trade receivables, borrowings, bank deposits and investments.

### Financial Liabilities

Financial liabilities 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 the estimated future cash payments over the life of the instrument to the amount at which it was initially recognised. 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.

The Group has not given any financial guarantees.

The Group has not had any gains or losses on the repurchase or early settlement of borrowing, nor any premiums or discounts on financial liabilities.

## Financial Assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market;
- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments. The Group does not hold any available-for-sale assets.

## Loans and Receivables

Loans and receivables are recognised when the Group 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 credits to the Financing and Investment Income and Expenditure 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.

## Immaterial Transaction Costs

Immaterial transaction costs that the Code would usually require to be applied to adjust a financial instrument's initial carrying amount are written off immediately to Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement.

The Group has not made any soft loans and no assets have been identified as impaired. There have not been any gains or losses arising on the de-recognition of a Financial Asset.

The Group has not transferred any financial assets.

## Compliance

In compliance with CIPFA guidance, the Group has:

- Adopted CIPFA's Treasury Management in the Public Services: Code of Practice;
- Set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

## 28. Provisions, Contingent Liabilities and Contingent Assets

### Provisions

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

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year the Group becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service in the Comprehensive Income and Expenditure Statement.

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 if it is virtually certain that reimbursement will be received if the obligation is settled.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives rise to a possible obligation whose existence will only be 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 either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

### Contingent Assets

A contingent asset arises where an event has taken place that gives rise to a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## 29. Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. Leases that do not meet the definition of finance leases are accounted for as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a 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, but the Group does not have any contracts of this type.

### 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 corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. 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 finance charge debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- a charge for the acquisition of the interest in the asset - applied to write down the lease liability.

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 Group at the end of the lease period.

The Group is not required to raise Council Tax to cover depreciation, amortisation 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, amortisation and revaluation and impairment losses are therefore replaced by the contribution in the General 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 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 assets.

Certain freehold properties are let to third parties. These arrangements are all operating leases and the properties are classified as Investment Property. Rental income from investment property is recognised on a straight-line basis over the term of the lease and is classified as income within the appropriate segment in the Comprehensive Income and Expenditure Statement, even where this does not match the pattern of payments receivable.

### 30. Events after the Balance Sheet Date

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. There are two types of events:

- Adjusting events are those that provide evidence of conditions that existed at the end of the reporting period. Where any adjusting events are found amounts recognised in the Statement of Accounts are updated to reflect those adjusting events;
- Non-adjusting events are those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not updated for non-adjusting events, but where material, 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.

### 31. 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 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, 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 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.

### 32. Reserves

Specific amounts are set aside as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to Comprehensive Income and Expenditure Statement in that year to count against the Net Cost of Services. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net impact on Council Tax payers.

Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, retirement and employee benefits. These do not represent usable resources - these reserves are explained in the relevant policies.

The Group has a Policy on Provisions and Reserves. This policy was adopted by NYPC on 22 November 2012 and reviewed on 30 April 2013. The treatment of reserves and provisions within the accounts is in line with this policy.

### 33. Critical Accounting Estimates and Judgements

In applying the Accounting Policies, the Group has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The following critical judgements have been made in the Statement of Accounts.

#### Future government funding

There is a high degree of uncertainty about future levels of funding for police services. However it has been determined that this uncertainty is not sufficient to provide an indication that the assets might be impaired as a result of a need to close facilities and/or reduce levels of service provision.

### 34. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures based on assumptions about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### Property, Plant and Equipment

- Assets are depreciated over useful lives that are dependent on assumptions about the level of maintenance and repairs that will be incurred in relation to individual assets. The current economic climate makes it uncertain whether current spending on repairs and maintenance will be sustainable, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge for buildings would increase by £53k for every year that useful lives had to be reduced.

- Valuation of assets and consideration of impairment depends on a number of complex judgements and a firm of Surveyors and Valuers is engaged to provide expert advice about the assumptions to be applied. The valuation (and any impairment review) is commissioned in accordance with UKPS 1.3 of the Royal Institution of Chartered Surveyors (RICS) Valuation Standards.

The effects on the asset valuation of changes in the assumptions interact in complex ways and are difficult to evaluate.

#### Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Firms of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.

If, for example, pensioners lived on average 2 years longer than assumed, the pensions liability would increase by approximately 3.6%. However, the assumptions interact in complex ways. During 2012/13, the actuaries advised that the net pensions liability had increased by £9.5m because of estimates being corrected as a result of experience and decreased by £24m attributable to updating of the assumptions.

#### Provisions

A provision has been made for the settlement of ongoing claims not covered by insurers, based on claims received, historical experience of claims not received at the Balance Sheet date and estimated settlement values.

An increase over the forthcoming year of 10% in either the number of claims or the estimated average settlement would have the effect of adding £264k to the provision needed.

Due to the nature of the claims experience it is difficult to make a dependable assessment of the window during which particular litigation might determine, and consequently when any cost may be incurred.

A change of 10% between long term and current provisions would result in a change of £171k between current liabilities and long term liabilities.

#### Employee Benefits

The Group has made an accrual for employee benefits outstanding at the year end, comprising flexi-time, annual leave and re-rostered rest days. The accrual is estimated based on returns from each department and data captured from the Duties Management system.

Approximately 76% of the accrual (£1.8m) relates to rest days in lieu (RDIL). An increase or decrease of 5% in the number of RDIL owed would change the accrual by £90k.

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

The Code requires adoption of the following standards with effect from 1 April 2013:

(i) Amendments to IAS 1 "Presentation of Financial Statements" (issued in June 2011) require items recorded under Other Comprehensive Income and Expenditure on the Comprehensive Income and Expenditure Statement to be grouped into:

- those that will not be reclassified subsequently to profit or loss; and
- those that will be reclassified subsequently to profit or loss when specific conditions are met

All the items recorded by the Group in these accounts as Other Comprehensive Income and Expenditure are of the type that will not be reclassified subsequently to profit or loss, so this presentation change would not have had an impact on these accounts.

(ii) Amendments to IAS 19 "Employee Benefits" (issued in June 2011) require changes to the presentation of Other Long-Term Employee Benefits and Termination Benefits.

The Group does not have any employee benefits plans (other than post employment benefits) which are not expected to be settled wholly before 12 months after the end of the accounting period so the changes to Other Long Term Employee Benefits would not have had an impact on these accounts.

The changes to the recognition and measurement of termination benefits would not have had a significant impact on the presentation of figures in these accounts.

(iii) Amendments to IAS 19 "Employee Benefits" (issued in June 2011) require changes to the presentation of Post Employment Benefits (i.e. Pension Schemes).

There are new classes of components of defined benefit cost to be recognised in the financial statements (net interest on the defined benefit liability and remeasurements of the net defined benefit liability) and new recognition criteria for past service costs. It is not expected that implementation these changes would have had a significant impact on the presentation of figures in these accounts. It is estimated that the implementation of these changes on 1 April 2013 will not result in any prior year adjustments in the Group accounts.

## NOTES TO THE ACCOUNTS for NYPCC and the NYPCC Group

### 1. Supplementary information to the Movement in Reserves Statement (Group)

Analysis of adjustments between accounting basis and funding basis under regulations:

Current year (Group)	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation and impairment	4,624	-	-	-	4,624	(4,624)	-
Amortisation of Intangible Assets	680	-	-	-	680	(680)	-
Movement on Donated Assets Account	-	-	-	-	-	-	-
Revaluation of Property, Plant & Equipment	9,888	-	-	-	9,888	(9,888)	-
Movement in fair value of Investment Properties	(27)	-	-	-	(27)	27	-
Movement in fair value of Assets Held for Sale	279	-	-	-	279	(279)	-
Net book value of disposals	1,111	-	-	-	1,111	(1,111)	-
Sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(579)	-	-	579	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(579)	(579)	579	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(1,110)	-	-	-	(1,110)	1,110	-
Application of grants to capital financing	-	-	-	-	-	-	-
Amounts by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	61,688	-	-	-	61,688	(61,688)	-
Amount by which precept income included in the Comprehensive Income & Expenditure statement is different from the amount taken to the General Fund under statute	(69)	-	-	-	(69)	69	-
Statutory provision for the repayment of debt	(235)	-	-	-	(235)	235	-
Amount by which the charge for accumulating compensating absences included in the Comprehensive Income & Expenditure Statement is different from the amount taken to the General Fund under statute	521	-	-	-	521	(521)	-
Income in relation to Donated Assets	-	-	-	-	-	-	-
<b>Total</b>	<b>76,771</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,771</b>	<b>(76,771)</b>	<b>-</b>



1. Supplementary information to the Movement in Reserves Statement (PCC)

Analysis of adjustments between accounting basis and funding basis under regulations:

Current year (PCC)	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation and impairment	4,624	-	-	-	4,624	(4,624)	-
Amortisation of Intangible Assets	680	-	-	-	680	(680)	-
Movement on Donated Assets Account	-	-	-	-	-	-	-
Revaluation of Property, Plant & Equipment	9,888	-	-	-	9,888	(9,888)	-
Movement in fair value of Investment Properties	(27)	-	-	-	(27)	27	-
Movement in fair value of Assets Held for Sale	279	-	-	-	279	(279)	-
Net book value of disposals	1,111	-	-	-	1,111	(1,111)	-
Sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(579)	-	-	579	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(579)	(579)	579	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(1,110)	-	-	-	(1,110)	1,110	-
Application of grants to capital financing	-	-	-	-	-	-	-
Amounts by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	61,688	-	-	-	61,688	(61,688)	-
Amount by which precept income included in the Comprehensive Income & Expenditure statement is different from the amount taken to the General Fund under statute	(69)	-	-	-	(69)	69	-
Statutory provision for the repayment of debt	(235)	-	-	-	(235)	235	-
Amount by which the charge for accumulating compensating absences included in the Comprehensive Income & Expenditure Statement is different from the amount taken to the General Fund under statute	521	-	-	-	521	(521)	-
Income in relation to Donated Assets	-	-	-	-	-	-	-
<b>Total</b>	<b>76,771</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,771</b>	<b>(76,771)</b>	<b>-</b>

1. Supplementary information to the Movement in Reserves Statement

Analysis of adjustments between accounting basis and funding basis under regulations

Prior Year	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation and impairment	3,950	-	-	-	3,950	(3,950)	-
Amortisation of Intangible Assets	646	-	-	-	646	(646)	-
Movement on Donated Assets Account	-	-	-	-	-	-	-
Revaluation of Property, Plant & Equipment	3,681	-	-	-	3,681	(3,681)	-
Movement in fair value of Investment Properties	(358)	-	-	-	(358)	358	-
Movement in fair value of Assets Held for Sale	43	-	-	-	43	(43)	-
Net book value of disposals	3,116	-	-	-	3,116	(3,116)	-
Sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,047)	-	-	2,047	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(2,047)	(2,047)	2,047	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(979)	-	-	-	(979)	979	-
Application of grants to capital financing	-	-	-	-	-	-	-
Amounts by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	66,446	-	-	-	66,446	(66,446)	-
Amount by which precept income included in the Comprehensive Income & Expenditure statement is different from the amount taken to the General Fund under statute	212	-	-	-	212	(212)	-
Statutory provision for the repayment of debt	(235)	-	-	-	(235)	235	-
Amount by which the charge for accumulating compensating absences included in the Comprehensive Income & Expenditure Statement is different from the amount taken to the General Fund under statute	47	-	-	-	47	(47)	-
Income in relation to Donated Assets	(6)	-	-	-	(6)	6	-
<b>Total</b>	<b>74,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,516</b>	<b>(74,516)</b>	<b>-</b>

## 2. Earmarked Reserves

Current Year (Group and PCC)	At 1 April 2012/ Acquired by the PCC	Transfers (to)/from Revenue	Transfers to Finance Capital	Transfers between Revenue Reserves	Total Movement on Reserves	At 31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Reserve	-	3,188	(594)	(2,594)	-	-
Estates Strategy Reserve	3,541	3,177	-	-	3,177	6,718
Major Capital Reserve	12,777	4,000	(4,215)	1,519	1,304	14,081
<b>Capital Reserves</b>	<b>16,318</b>	<b>10,365</b>	<b>(4,809)</b>	<b>(1,075)</b>	<b>4,481</b>	<b>20,799</b>
Insurance Reserve	1,219	96	(96)	-	-	1,219
Confiscated Monies Reserves	143	(75)	-	-	(75)	68
Revenue CRDP Reserve	1,114	(1,566)	-	1,066	(500)	614
Collaboration Reserve	-	-	-	-	-	-
Harmonisation Reserve	-	-	-	-	-	-
Cost of Change Reserve	-	500	-	-	500	500
Transitional Costs	-	-	-	-	-	-
Priority Spending Reserve	-	600	-	-	600	600
Major Incident Reserve	805	-	-	-	-	805
Governance Reserve	219	(218)	-	-	(218)	1
Revenue Initiatives	269	195	-	9	204	473
Investment Initiatives	-	-	-	-	-	-
<b>Revenue Reserves</b>	<b>3,769</b>	<b>(468)</b>	<b>(96)</b>	<b>1,075</b>	<b>511</b>	<b>4,280</b>
<b>Total</b>	<b>20,087</b>	<b>9,897</b>	<b>(4,905)</b>	<b>-</b>	<b>4,992</b>	<b>25,079</b>

Prior Year	At 1 April 2011	Transfers (to)/from Revenue	Transfers to Finance Capital	Transfers between Revenue Reserves	Total Movement on Reserves	At 31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Reserve	-	3,148	(1,580)	(1,568)	-	-
Estates Strategy Reserve	-	3,541	-	-	3,541	3,541
Major Capital Reserve	9,318	6,844	(11,497)	8,112	3,459	12,777
<b>Capital Reserves</b>	<b>9,318</b>	<b>13,533</b>	<b>(13,077)</b>	<b>6,544</b>	<b>7,000</b>	<b>16,318</b>
Insurance Reserve	933	322	(36)	-	286	1,219
Confiscated Monies Reserves	10	133	-	-	133	143
Revenue CRDP Reserve	1,252	(336)	-	198	(138)	1,114
Collaboration Reserve	1,522	-	-	(1,522)	(1,522)	-
Harmonisation Reserve	1,000	-	-	(1,000)	(1,000)	-
Transitional Costs	3,370	-	-	(3,370)	(3,370)	-
Priority Spending Reserve	199	-	-	(199)	(199)	-
Major Incident Reserve	805	-	-	-	-	805
Governance Reserve	125	94	-	-	94	219
Revenue Initiatives	656	75	-	(462)	(387)	269
Investment Initiatives	198	(9)	-	(189)	(198)	-
<b>Revenue Reserves</b>	<b>10,070</b>	<b>279</b>	<b>(36)</b>	<b>(6,544)</b>	<b>(6,301)</b>	<b>3,769</b>
<b>Total</b>	<b>19,388</b>	<b>13,812</b>	<b>(13,113)</b>	<b>-</b>	<b>699</b>	<b>20,087</b>

### 3. Unusable Reserves

		31 March 2013	31 March 2013	31 March 2012
		Group	PCC	
	Note	£'000	£'000	£'000
Revaluation Reserve	3a	3,209	3,209	3,306
Capital Adjustment Account	3b	40,118	40,118	49,221
Pensions Reserve	3c	(1,340,160)	(1,340,160)	(1,138,826)
Collection Fund Adjustment Account	3d	148	148	79
Accumulated Absences Account	3e	(2,353)	(2,353)	(1,832)
<b>Total Unusable Reserves</b>		<b>(1,299,038)</b>	<b>(1,299,038)</b>	<b>(1,088,052)</b>

#### 3 (a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Group arising from increases in the value of its Property, Plant and Equipment. 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.

		2012/13	2012/13	2011/12
		Group	PCC	
	Note	£'000	£'000	£'000
<b>Balance at 1 April / Acquired by the PCC</b>		<b>3,306</b>	<b>3,306</b>	<b>3,777</b>
Surplus or deficit on revaluation of non-current assets not posted to Surplus/Deficit on the Provision of Services	18c	526	526	(189)
Difference between fair value and historical cost depreciation		(568)	(568)	(101)
Accumulated gains on assets sold or scrapped		(55)	(55)	(181)
Amount written off to the Capital Adjustment Account	3b	-	-	-
<b>Balance at 31 March</b>		<b>3,209</b>	<b>3,209</b>	<b>3,306</b>

#### 3 (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 as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Group.

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

Note 1 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

		2012/13	2012/13	2011/12
	Note	Group	PCC	
		£'000	£'000	£'000
<b>Balance at 1 April / Acquired by the PCC</b>		<b>49,221</b>	<b>49,221</b>	<b>43,637</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
- Charges for depreciation and impairment on non-current assets and amortisation of intangible assets		(5,304)	(5,304)	(4,596)
- Revaluation adjustments on Property, Plant and Equipment	18c	(9,888)	(9,888)	(3,681)
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(1,111)	(1,111)	(3,116)
Adjusting amounts written out of the Revaluation Reserve	3a	623	623	282
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure		579	579	2,047
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		1,110	1,110	979
- Application of grants to capital financing of capital investment charged against the General Fund		-	-	-
- Statutory provision for the financing of capital investment charged against the General Fund		235	235	235
- Capital expenditure charged against the General Fund		4,905	4,905	13,113
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		27	27	358
Movements in the market value of Assets held for Sale debited or credited to the Comprehensive Income and Expenditure Statement		(279)	(279)	(43)
Movement in Donated Assets Account debited or credited to the Comprehensive Income and Expenditure Statement		-	-	-
Income in relation to Donated Assets		-	-	6
<b>Balance at 31 March</b>		<b>40,118</b>	<b>40,118</b>	<b>49,221</b>

### 3 (c) 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 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 the costs. However, statutory arrangements require benefits earned to be financed as the Group makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the 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.

	2012/13 Group £'000	2012/13 PCC £'000	2011/12 £'000
<b>Balance at 1 April / Acquired by the PCC</b>	<b>(1,138,826)</b>	<b>(1,138,826)</b>	<b>(1,064,168)</b>
Actuarial gains or losses on pension assets and liabilities	(139,646)	(139,646)	(8,212)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(82,103)	(82,103)	(87,896)
Employer's pension contributions and direct payments to pensioners payable in the year	20,415	20,415	21,450
<b>Balance at 31 March</b>	<b>(1,340,160)</b>	<b>(1,340,160)</b>	<b>(1,138,826)</b>

### 3 (d) Collection Fund Adjustment Account

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

	2012/13 Group £'000	2012/13 PCC £'000	2011/12 £'000
<b>Balance at 1 April / Acquired by the PCC</b>	<b>79</b>	<b>79</b>	<b>291</b>
Amount by which precept income credited to the Comprehensive Income and Expenditure Statement is different from precept income calculated for the year in accordance with statutory requirements	69	69	(212)
<b>Balance at 31 March</b>	<b>148</b>	<b>148</b>	<b>79</b>

### 3 (e) Accumulated Absences Account

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

	2012/13 Group £'000	2012/13 PCC £'000	2011/12 £'000
<b>Balance at 1 April / Acquired by the PCC</b>	<b>(1,832)</b>	<b>(1,832)</b>	<b>(1,785)</b>
Settlement or cancellation of accrual made at the end of the preceding year	1,832	1,832	1,785
Amounts accrued at the end of the current year	(2,353)	(2,353)	(1,832)
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(521)	(521)	(47)
<b>Balance at 31 March</b>	<b>(2,353)</b>	<b>(2,353)</b>	<b>(1,832)</b>

#### 4. Leases

##### The Group as Lessee

The Group leases a number of properties, which have been accounted for as operating leases. The total rentals payable in 2012/13 were £349k (PCC Enil) (2011/12 £352k).

The Group uses certain other equipment financed under an operating lease. The amount paid in 2012/13 was £195k (PCC Enil) (2011/12 £278k).

##### Commitments under Operating Leases

At the balance sheet date the Group was committed to making total payments of £544k (PCC Enil) (2011/12 £630k) under operating leases.

Group	Expiring in less than 1 year	Expiring between 1 and 5 years	Expiring in over 5 years	Total
	£'000	£'000	£'000	£'000
2013 Land and Buildings	98	95	156	349
Plant and Equipment	126	69	-	195
<b>Total</b>	<b>224</b>	<b>164</b>	<b>156</b>	<b>544</b>
2012 Land and Buildings	77	120	155	352
Plant and Equipment	74	204	-	278
<b>Total</b>	<b>151</b>	<b>324</b>	<b>155</b>	<b>630</b>

##### The Group as Lessor

The Group leases out certain investment properties to tenants under operating leases. Under the terms of the operating leases no contingent rents are payable.

#### 5 (a) Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice for Local Authorities (SeRCOP). However, decisions about resource allocation are taken on the basis of budget reports analysed across operational departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on some support services is budgeted and accounted for centrally.



5 (a) Amounts Reported for Resource Allocation Decisions

Current Year - Group	Response & Reassurance £'000	Crime £'000	Specialist Operations £'000	Corporate £'000	Democratic Core £'000	Other £'000	Total £'000
<b>Income</b>							
Targeted grant	109	188	656	6,855	-	336	8,144
Other income	401	38	855	2,486	(46)	761	4,495
	<b>510</b>	<b>226</b>	<b>1,511</b>	<b>9,341</b>	<b>(46)</b>	<b>1,097</b>	<b>12,639</b>
<b>Expenditure</b>							
Employee costs	50,773	23,144	19,171	3,879	436	15,755	113,158
Supplies and services	1,157	1,405	1,789	3,020	588	6,226	14,185
Premises costs	(2)	6	48	116	22	4,655	4,845
Transport	1,466	300	363	136	10	906	3,181
Financial	-	-	1	14,183	(223)	-	13,961
	<b>53,394</b>	<b>24,855</b>	<b>21,372</b>	<b>21,334</b>	<b>833</b>	<b>27,542</b>	<b>149,330</b>
<b>Segmental Net Cost of Police Services</b>	<b>52,884</b>	<b>24,629</b>	<b>19,861</b>	<b>11,993</b>	<b>879</b>	<b>26,445</b>	<b>136,691</b>
<b>Reconciliation to the Comprehensive Income and Expenditure Statement (CIES):</b>							<b>136,691</b>
Less:							
Amounts not included in Net Cost of Police Services						(10,331)	
Amounts reported below Cost of Police services in CIES						(1,296)	
Plus:							
Amounts not included in Segmental Net Cost of Police Services						21,569	9,942
<b>Net Cost of Police Services</b>							<b>146,633</b>

5 (a) Amounts Reported for Resource Allocation Decisions

Current Year - PCC	Response & Reassurance £'000	Crime £'000	Specialist Operations £'000	Corporate £'000	Democratic Core £'000	Other £'000	Total £'000
<b>Income</b>							
Targeted grant	109	188	656	6,855	-	336	8,144
Other income	401	38	855	2,486	(46)	761	4,495
	<b>510</b>	<b>226</b>	<b>1,511</b>	<b>9,341</b>	<b>(46)</b>	<b>1,097</b>	<b>12,639</b>
<b>Expenditure</b>							
Employee costs	-	-	-	-	436	-	436
Supplies and services	-	-	-	11	588	-	599
Premises costs	-	-	-	64	22	-	86
Transport	-	-	-	-	10	-	10
Financial	-	-	-	10,619	(223)	-	10,396
	-	-	-	<b>10,694</b>	<b>833</b>	-	<b>11,527</b>
<b>Segmental Net Cost of Police Services</b>	<b>(510)</b>	<b>(226)</b>	<b>(1,511)</b>	<b>1,353</b>	<b>879</b>	<b>(1,097)</b>	<b>(1,112)</b>
<b>Reconciliation to the Comprehensive Income and Expenditure Statement (CIES):</b>							<b>(1,112)</b>
Less:							
Amounts not included in Net Cost of Police Services						(10,331)	
Amounts reported below Cost of Police services in CIES						(1,251)	
Plus:							
Amounts not included in Segmental Net Cost of Police Services						294	(11,288)
<b>Net Cost of Police Services</b>							<b>(12,400)</b>

## 5 (a) Amounts Reported for Resource Allocation Decisions

Prior Year	Response & Reassurance £'000	Crime £'000	Specialist Operations £'000	Corporate £'000	Democratic Core £'000	Other £'000	Total £'000
<b>Income</b>							
Targeted grant	39	360	591	5,926	-	1,083	7,999
Other income	334	68	718	2,043	11	2,282	5,456
	<b>373</b>	<b>428</b>	<b>1,309</b>	<b>7,969</b>	<b>11</b>	<b>3,365</b>	<b>13,455</b>
<b>Expenditure</b>							
Employee costs	50,161	23,358	19,201	3,742	536	19,425	116,423
Supplies and services	914	1,438	1,820	2,024	537	5,783	12,516
Premises costs	461	9	69	30	24	3,599	4,192
Transport	1,540	349	368	55	15	950	3,277
Financial	-	7	7	17,455	95	-	17,564
	<b>53,076</b>	<b>25,161</b>	<b>21,465</b>	<b>23,306</b>	<b>1,207</b>	<b>29,757</b>	<b>153,972</b>
<b>Segmental Net Cost of Police Services</b>	<b>52,703</b>	<b>24,733</b>	<b>20,156</b>	<b>15,337</b>	<b>1,196</b>	<b>26,392</b>	<b>140,517</b>

## Reconciliation to the Comprehensive Income and Expenditure Statement (CIES):

							140,517
Less:							
Amounts not included in Net Cost of Police Services						(14,047)	
Amounts reported below Cost of Police services in CIES						(1,214)	
Plus:							
Amounts not included in Segmental Net Cost of Police Services						14,240	(1,021)
<b>Net Cost of Police Services</b>							<b>139,496</b>

## 5(b) Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Current Year - Group	Segmental analysis £'000	Amounts not reported to management for decision making £'000	Net Cost of Police Services £'000	Amounts reported below Net Cost of Police Services £'000	Surplus / Deficit on Provision of Services £'000
Fees, charges & other service income	4,270	(14)	4,256	14	4,270
Interest and investment income	225	(225)	-	225	225
Precept income	-	-	-	61,567	61,567
Government grants and contributions	8,144	-	8,144	96,192	104,336
<b>Total income</b>	<b>12,639</b>	<b>(239)</b>	<b>12,400</b>	<b>157,998</b>	<b>170,398</b>
Employee expenses	113,158	5,716	118,874	75,860	194,734
Other service expenses	25,765	(798)	24,967	798	25,765
Depreciation, amortisation and impairment	-	15,192	15,192	252	15,444
Interest payments	76	(76)	-	76	76
Repayment of loan	235	(235)	-	-	-
Transfers to/from Reserves	10,096	(10,096)	-	-	-
Gain or loss on disposal of non-current assets	-	-	-	532	532
<b>Total Expenditure</b>	<b>149,330</b>	<b>9,703</b>	<b>159,033</b>	<b>77,518</b>	<b>236,551</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>136,691</b>	<b>9,942</b>	<b>146,633</b>	<b>(80,480)</b>	<b>66,153</b>

## 5(b) Reconciliation to Subjective Analysis

Current Year - PCC	Segmental £'000	Amounts not reported to analysis management for decision making £'000	Net Cost of Police Services £'000	Amounts reported below Net Cost of Police Services £'000	Surplus / Deficit on Provision of Services £'000
Fees, charges & other service income	4,270	(14)	4,256	14	4,270
Interest and investment income	225	(225)	-	225	225
Precept income	-	-	-	61,567	61,567
Government grants and contributions	8,144	-	8,144	96,192	104,336
<b>Total income</b>	<b>12,639</b>	<b>(239)</b>	<b>12,400</b>	<b>157,998</b>	<b>170,398</b>
Employee expenses	436	6,236	6,672	75,860	82,532
Other service expenses	684	760	1,444	798	2,242
Depreciation, amortisation and impairment	-	15,192	15,192	252	15,444
Interest payments	76	(76)	-	76	76
Repayment of loan	235	(235)	-	-	-
Transfers to/from Reserves	10,096	(10,096)	-	-	-
Gain or loss on disposal of non-current assets	-	-	-	532	532
Intragroup funding (note 5(c))	-	(23,308)	(23,308)	159,033	135,725
<b>Total Expenditure</b>	<b>11,527</b>	<b>(11,527)</b>	<b>-</b>	<b>236,551</b>	<b>236,551</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(1,112)</b>	<b>(11,288)</b>	<b>(12,400)</b>	<b>78,553</b>	<b>66,153</b>

## 5(b) Reconciliation to Subjective Analysis

Prior Year	Segmental Analysis £'000	Amounts not reported to management for decision making £'000	Net Cost of Police Services £'000	Amounts reported below Net Cost of Police Services £'000	Surplus / Deficit on Provision of Services £'000
Fees, charges & other service income	5,074	(19)	5,055	25	5,080
Interest and investment income	382	(315)	67	315	382
Precept income	-	-	-	61,352	61,352
Government grants and contributions	7,999	-	7,999	91,956	99,955
<b>Total income</b>	<b>13,455</b>	<b>(334)</b>	<b>13,121</b>	<b>153,648</b>	<b>166,769</b>
Employee expenses	116,423	5,150	121,573	73,320	194,893
Other service expenses	23,413	(646)	22,767	646	23,413
Depreciation, amortisation and impairment	-	8,277	8,277	(315)	7,962
Interest payments	89	(89)	-	89	89
Repayment of loan	235	(235)	-	-	-
Transfers to/from Reserves	13,812	(13,812)	-	-	-
Gain or loss on disposal of non-current assets	-	-	-	1,069	1,069
<b>Total Expenditure</b>	<b>153,972</b>	<b>(1,355)</b>	<b>152,617</b>	<b>74,809</b>	<b>227,426</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>140,517</b>	<b>(1,021)</b>	<b>139,496</b>	<b>(78,839)</b>	<b>60,657</b>

## 5(c) Intragroup Funding

2012/13  
PCC  
£'000

## Charges from the PCC to CCNY

Credited to the same headings as the costs they are recharging, as part of Cost of Police Services

Amounts equivalent to:

- difference between service costs calculated under IAS19 and pension contributions charged to segmental cost of services	6,378
- increase in accrual for employee accumulated absences	520
- amounts charged to Income & Expenditure for Property, Plant and Equipment	15,192
- increase in provisions	635
- interest charge on finance leases	1
- inventories expensed	1,274
<b>Recharges deducted in Cost of Police Services</b>	<b>24,000</b>

## Charges from CCNY to the PCC

Charged to Cost of Police Services

- expenditure to be charged to provisions	353
- democratic core costs	339
	<b>692</b>

Charged to Surplus or deficit on the Provision of Services

- gross expenditure on policing services	<b>159,033</b>
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## 6. Other Operating Income and Expenditure

	2012/13	2011/12
	Group and PCC	
	£'000	£'000
Police Pension Top-up Grant paid to Pension Scheme	19,889	12,024
Gains and losses on the disposal of non-current assets	532	1,069
Movement in fair value of Assets Held for Sale	279	43
<b>Total</b>	<b>20,700</b>	<b>13,136</b>

## 7. Gains and losses on disposal of non-current assets

An analysis of the gains and losses on disposal of non-current assets is shown below.

Group and PCC	2012/13	2012/13	2012/13	2011/12	2011/12	2011/12
	Net Book Value	Proceeds	Total	Net Book Value	Proceeds	Total
	£'000	£'000	£'000	£'000	£'000	£'000
(Gain) / loss on:						
Property, plant and equipment	532	-	532	1,069	-	1,069
Assets held for sale	579	(579)	-	2,047	(2,047)	-
<b>Total</b>	<b>1,111</b>	<b>(579)</b>	<b>532</b>	<b>3,116</b>	<b>(2,047)</b>	<b>1,069</b>



8. Financing and investment income and expenditure

	2012/13	2012/13	2012/13	2011/12	2011/12	2011/12
	Group and PCC			Group and PCC		
	Expenditure	Income	Total	Expenditure	Income	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest payable:						
On bank account	11	-	11	3	-	3
On other loan	65	-	65	86	-	86
Pensions interest cost	60,073	-	60,073	65,018	-	65,018
Expected return on pensions assets	-	(4,928)	(4,928)	-	(5,381)	(5,381)
Interest income from cash and cash equivalents and short-term investments	-	(225)	(225)	-	(315)	(315)
Amounts in relation to Investment Properties:						
Net rental expenditure	64	(15)	49	49	(14)	35
Movement in fair value	-	(27)	(27)	-	(358)	(358)
<b>Total</b>	<b>60,213</b>	<b>(5,195)</b>	<b>55,018</b>	<b>65,156</b>	<b>(6,068)</b>	<b>59,088</b>

Investment Property Rentals

Gross and net rental income from Investment Properties

	2012/13	2011/12
	Group and PCC	
	£'000	£'000
Properties let to tenants under operating leases:		
Gross rent receivable	15	14
Property operating expenses	(7)	(5)
	<b>8</b>	<b>9</b>
Properties that did not generate any rental income:		
Property operating expenses	(57)	(44)
<b>Net rental expenditure</b>	<b>(49)</b>	<b>(35)</b>

9. Taxation and Non-Specific Grant Income

	2012/13	2011/12
	Group and PCC	
	£'000	£'000
Precept Income	Note 10	61,352
Non-Domestic Rates redistribution		24,221
Home Office grant payable towards the cost of retirement benefits		12,024
Non-ringfenced Government Grants:		
- Police Grant		47,245
- Revenue Support Grant		7,487
Capital Grants and contributions		979
<b>Total</b>		<b>153,308</b>

**10. Precept Income**

The Police and Crime Commissioner levies a precept on all the District and Unitary Councils within North Yorkshire equivalent to the amount needed to collect in Council Tax on behalf of the Police and Crime Commissioner for North Yorkshire.

	2012/13	2011/12
	£'000	£'000
<b>Group and PCC</b>		
Note		
Precept set by Police and Crime Commissioner	61,483	61,289
Collection fund surplus received	15	275
	<u>61,498</u>	<u>61,564</u>
Adjustment of surplus to accruals basis	3d 69	(212)
<b>Total</b>	<u><u>61,567</u></u>	<u><u>61,352</u></u>

The constituent Councils' contributions were as follows:-

	2012/13	2011/12
	£'000	£'000
<b>Group and PCC</b>		
Craven	4,622	4,597
Hambleton	7,430	7,399
Harrogate	12,741	12,614
Richmondshire	3,974	3,929
Ryedale	4,412	4,370
Scarborough	8,385	8,489
Selby	6,242	6,226
York	13,761	13,728
<b>Total</b>	<u><u>61,567</u></u>	<u><u>61,352</u></u>

## 11. Grant Income

In addition to the grants included in Taxation and Non-Specific Grants Income (Note 9), the Group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

	2012/13	2011/12
	Group and PCC	
	£'000	£'000
<b>Credited to Services - Operational</b>		
Anti-Terrorism	478	546
Criminal Records Bureau	325	370
Debt Charges Grant	153	164
Economic Crime Unit	73	253
Local Criminal Justice Board Grant	35	44
PCSO Funding / Neighbourhood Police Grant	3,402	3,422
Special Officers Training Grant	2	11
Domestic Violence Coordinators	100	107
Odyssey	-	35
95 Alive	6	29
Impact	-	22
Precept Freeze Grant	1,844	1,532
National Procurement Hub	11	3
Special Police Grant	-	751
Laser Scanning Technology	112	-
Operation Apollo	7	-
New Burdens Council Tax Reform	27	-
Youth Crime and Substance Misuse	85	-
SARC	3	-
Commissioning of Healthcare	2	-
Pre-Olympic Safety and Security	22	-
Business Crime Reduction	15	-
Targeting Metal Theft	13	-
<b>Total</b>	<b>6,715</b>	<b>7,289</b>
<b>Credited to Services - Non-Operational</b>		
Anti-Terrorism	694	710
Olympic Games Safety and Security	665	-
Independent Domestic and Sexual Violence Advisors	70	-
<b>Total</b>	<b>1,429</b>	<b>710</b>
<b>Total Credited to Services</b>	<b>8,144</b>	<b>7,999</b>

The Group has received a number of grants that have yet to be recognised as income as they have conditions attached to them which have not been met during the year. At 31 March 2013 current liabilities include £78k (PCC £78k) (2012 £205k) in respect of Revenue Grants received in advance and Enil (PCC Enil) (2012 £4k) in respect of Capital Grants received in advance.

## 12. Other amounts credited/charged to the Comprehensive Income and Expenditure Statement

### 12 (a) Movement in provisions

There has been a significant increase in provisions for other insurances. This follows an actuarial review which enabled a quantification of the potential cost of claims not yet made (see Note 25).

### 12 (b) Inventories expensed during the period

	2012/13	2011/12
	Group and PCC	
	£'000	£'000
Uniforms/other items	803	295
Garage	411	340
Write-down of inventories recognised	60	9
<b>Total inventory charges recognised in the Comprehensive Income &amp; Expenditure Statement</b>	<b>1,274</b>	<b>644</b>

There were no reversals of any previous write-down in inventories.

### 12 (c) Sponsorship

The Police and Crime Commissioner has the power to receive gifts, loans of property and sponsorship up to a limit of 1% of the annual revenue budget (2012/13 limit £1.4m). Contributions are made under specific agreements and if not utilised in the year of receipt are carried forward. During the year £19k (PCC £nil) (2011/12 £33k) was utilised by the Group from the sponsorship and donation accounts in reflection of expenditure primarily on focused safety and crime reduction initiatives. £7k (PCC £7k) (2011/12 £12k) has been carried forward into 2013/14.

### 12 (d) Police Authority and Police and Crime Commissioner Costs

In 2012/13 costs of the former Police Authority up to 22 November 2012 and the Police and Crime Commissioner thereafter were:

	2012/13	2012/13	2011/12
	Authority	PCC	Authority
	£'000	£'000	£'000
	up to 22	from 22	
	November 2012	November 2012	
PCC	-	31	-
Statutory Officers	114	101	352
Termination Cost	-	201	-
Direct Members Costs	121	-	195
Support : Employees Costs	87	46	262
Support : Other Costs	21	6	25
External Audit Fees	33	17	73
Internal Audit Fees	38	20	58
Subscriptions	9	4	22
PCC Initiatives	141	69	106
Other	12	31	64
<b>Total Expenditure</b>	<b>576</b>	<b>526</b>	<b>1,157</b>
Income	-	-	(56)
<b>Net Expenditure</b>	<b>576</b>	<b>526</b>	<b>1,101</b>

Further details of members of the former Police Authority, and their remuneration, are contained in the Remuneration Report.

**12 (e) Audit Fees**

The Group incurred the following fees relating to external audit and inspection.

	2012/13 Group £'000	2012/13 PCC £'000	2011/12 £'000
External Audit Fees	68	48	73
Other services	-	1	-
<b>Total</b>	<b>68</b>	<b>49</b>	<b>73</b>

**13. Partnership Arrangements****13 (a) Local Criminal Justice Board (LCJB)**

The Force provides financial management on behalf of the LCJB, which is a combined Board made up of Criminal Justice Agencies.

During 2012/13 the Group did not receive any additional funding (PCC £nil) (2011/12 £nil) from the Office for Criminal Justice Reform on behalf of the LCJB. Group expenditure of £37k (PCC £nil) (2011/12 £44k) has been incurred in 2012/13 and included in these accounts. The expenditure has been funded by grant income received in 2010/11 carried forward.

**13 (b) Regional Collaboration**

The Regional Collaboration Programme was developed following the Home Office withdrawal of its plans in 2005 to merge Police Forces. Regional Collaboration is very different to a formal merger and is bringing opportunities to the participating Forces across many policing activities whilst retaining local Police Forces, local identity and local accountability.

Governance arrangements are in place to support regional collaboration. A Joint Police Authority Committee (JPAC) was constituted under section 101 and 107 of the Local Government Act 1972 until 22 November 2012, when it was replaced by a Regional Collaboration Board. The Board is a sub-committee of each participating Commissioner and was the first of its kind in the country. It comprises the Commissioners plus other officers from each of the participating forces and was formed to support Section 23 of the Police Act 1996/Police and Justice Act 2006. Income and expenditure charged to the Regional Collaboration programme is in accordance with the Financial Regulations and Standing Orders of West Yorkshire Police and Crime Commissioner.

Regional Collaboration is funded from contributions made by the four participating forces. Where there is deemed to be equal benefit the contribution is based on equal shares. Where benefit is not deemed to be equal, the level of contribution from each Force is dependant upon an assessment of the benefit to be derived from each specific project or initiative, primarily based upon net revenue expenditure proportions.

West Yorkshire Police and Crime Commissioner (WYPCC) publish memorandum accounts for the Regional Collaboration Programme within their Financial Statements. The memorandum accounts for 2012/13 show the following information:

	2012/13	2011/12
	£'000	£'000
Staff Costs	8,957	6,368
Property related expenses	502	379
Supplies and services	2,725	1,418
Transport related expenses	545	729
<b>Expenditure</b>	<b>12,729</b>	<b>8,894</b>
Contributions	11,197	7,712
Other income – Home Office	1,663	1,240
<b>Income</b>	<b>12,860</b>	<b>8,952</b>
<b>Surplus in year</b>	<b>131</b>	<b>58</b>
<b>Contributions</b>		
West Yorkshire	4,796	3,090
South Yorkshire	2,740	1,987
North Yorkshire	1,504	1,189
Humberside	2,157	1,446
<b>Total Contributions</b>	<b>11,197</b>	<b>7,712</b>

The participating Commissioners have agreed to the adoption of a lead force model to provide managers and staff/officers engaged in Regional Working with consistent Human Resources policy and practices. South Yorkshire Police and Crime Commissioner (SYPC) has agreed to act as the lead force. Under this arrangement, SYPC will employ police staff on a permanent, substantive basis and Police Officers will be seconded to South Yorkshire Police. The other Police and Crime Commissioners within the Yorkshire and Humberside Region have agreed to indemnify SYPC to ensure that any costs are shared between them in the event of any employment tribunal or civil court claims related to regional employment.

Specific Home Office funding related to services delivered via the regional structure are shown within the contributions. Expenditure is included under the appropriate cost headings within the Comprehensive Income and Expenditure Statement "Net Cost of Services".

The total net expenditure of this Group during 2012/13 in relation to the Yorkshire and the Humber regional collaboration work was £1.6m (PCC £nil) (2011/12 £1.2m), of which £1.6m (PCC £nil) (2011/12 £1.2m) was contributed directly to the Joint Arrangement managed by WYPCC.

Regional Collaboration costs have had the following impact on the Group Cost of Police Services shown on the face of the CIES. There is no impact on the PCC's single entity accounts.

Current Year - Group	Share of Regional Expenditure	Group Expenditure	Total Expenditure	Group Income	Net Impact
	£'000	£'000	£'000	£'000	£'000
Roads Policing	476	-	476	-	476
Operational Support	68	-	68	-	68
Intelligence	53	-	53	-	53
Investigations	670	-	670	-	670
Investigative Support	279	-	279	-	279
National Policing	-	711	711	(680)	31
<b>Total</b>	<b>1,546</b>	<b>711</b>	<b>2,257</b>	<b>(680)</b>	<b>1,577</b>

Prior Year	Share of Regional Expenditure	Authority Expenditure	Total Expenditure	Authority Income	Net Impact
	£'000	£'000	£'000	£'000	£'000
Roads Policing	377	-	377	-	377
Intelligence	578	-	578	-	578
Investigations	234	-	234	-	234
National Policing	-	590	590	(591)	(1)
<b>Total</b>	<b>1,189</b>	<b>590</b>	<b>1,779</b>	<b>(591)</b>	<b>1,188</b>

## 14. Property, Plant and Equipment

Movements in Property, Plant and Equipment during the year ending 31 March 2013 were as follows:

Current Year - Group and PCC	Note	Police Stations and other commercial properties £'000	Police Houses £'000	Plant and Equipment £'000	Vehicles £'000	Assets under Construction £'000	Total £'000
<b>Cost or Valuation</b>							
Opening Value at 1 April 2012 / Acquired by the PCC		25,294	1,872	13,002	9,183	14,501	63,852
Additions		2,742	-	1,100	1,659	922	6,423
Disposals		(417)	-	(193)	(1,162)	-	(1,772)
Reclassifications		13,305	(679)	-	-	(15,423)	(2,797)
Revaluations	18c	(10,593)	(33)	-	-	-	(10,626)
Impairments	18d	-	-	-	-	-	-
<b>Closing Value at 31 March 2013</b>		<b>30,331</b>	<b>1,160</b>	<b>13,909</b>	<b>9,680</b>	<b>-</b>	<b>55,080</b>
<b>Depreciation</b>							
Opening Value at 1 April 2012 / Acquired by the PCC		(104)	(24)	(8,209)	(5,177)	-	(13,514)
Charge for the year		(1,324)	(39)	(1,774)	(1,487)	-	(4,624)
Reclassifications		-	-	-	-	-	-
Write back depreciation on disposals		18	-	151	1,072	-	1,241
Write back depreciation on revaluations	18c	1,227	37	-	-	-	1,264
Write back depreciation on impairments	18d	-	-	-	-	-	-
<b>Closing Value at 31 March 2013</b>		<b>(183)</b>	<b>(26)</b>	<b>(9,832)</b>	<b>(5,592)</b>	<b>-</b>	<b>(15,633)</b>
<b>Net Book Value as at 31 March 2013</b>		<b>30,148</b>	<b>1,134</b>	<b>4,077</b>	<b>4,088</b>	<b>-</b>	<b>39,447</b>

Net book value at 31 March 2013 can be analysed as follows:

Property, Plant and Equipment	39,447
Assets under Construction	-
	<b>39,447</b>



Movements in Property, Plant and Equipment during the year ending 31 March 2012 were as follows:

Prior Year	Note	Police Stations and other commercial properties £'000	Police Houses £'000	Plant and Equipment £'000	Vehicles £'000	Assets Under Construction £'000	Total £'000
<b>Cost or Valuation</b>							
Opening Value at 1 April 2011		27,432	3,264	11,991	8,772	5,125	56,584
Additions		3,805	-	1,295	1,045	9,376	15,521
Disposals		(1,078)	-	(284)	(634)	-	(1,996)
Reclassifications		-	(1,676)	-	-	-	(1,676)
Revaluations	18c	(4,865)	284	-	-	-	(4,581)
Impairments	18d	-	-	-	-	-	-
<b>Closing Value at 31 March 2012</b>		<b>25,294</b>	<b>1,872</b>	<b>13,002</b>	<b>9,183</b>	<b>14,501</b>	<b>63,852</b>
<b>Depreciation</b>							
Opening Value at 1st April 2011		(125)	(44)	(6,681)	(4,396)	-	(11,246)
Charge for the year		(687)	(57)	(1,811)	(1,395)	-	(3,950)
Reclassifications		-	-	-	-	-	-
Write back depreciation on disposals		30	-	283	614	-	927
Write back depreciation on revaluations	18c	678	77	-	-	-	755
Write back depreciation on impairments	18d	-	-	-	-	-	-
<b>Closing Value at 31 March 2012</b>		<b>(104)</b>	<b>(24)</b>	<b>(8,209)</b>	<b>(5,177)</b>	<b>-</b>	<b>(13,514)</b>
<b>Net Book Value as at 31 March 2012</b>		<b>25,190</b>	<b>1,848</b>	<b>4,793</b>	<b>4,006</b>	<b>14,501</b>	<b>50,338</b>
<b>Net Book Value as at 1 April 2011</b>		<b>27,307</b>	<b>3,220</b>	<b>5,310</b>	<b>4,376</b>	<b>5,125</b>	<b>45,338</b>

Net book value at 31 March 2012 can be analysed as follows:

Property, Plant and Equipment	35,837
Assets under Construction	14,501
	<u>50,338</u>

Land and Buildings (police stations and other commercial properties plus police houses) are held at market valuation. The Group has decided to undertake property valuations on a rolling two year basis. All the larger properties plus approximately 50% of the rest of the portfolio are valued each year. The valuers, Mouchel Parkman, have confirmed from the work undertaken by Mr G Tyerman MRICS that no material impairments are required for the properties that have not been valued at 31 March 2013. The valuations are undertaken in accordance with the RICS Valuation Standards ("The Red Book") published by the Royal Institution of Chartered Surveyors.

The depreciation charge for the year, amounting to £4.6m (PCC £4.6m) (2011/12 £3.9m), has been charged to the Comprehensive Income and Expenditure Statement within Net Cost of Services.

Land and Buildings include a Police Box valued at £28k which is not being depreciated on the advice of the valuers.

## 15. Investment Property

Movements in investment property during the year are shown below:

		2012/13	2011/12
		Group and PCC	
Note	£'000	£'000	£'000
<b>Balance at 1 April / Acquired by the PCC</b>		955	1,167
Additions - other expenditure		-	-
Reclassification from Property, Plant & Equipment		706	-
Reclassification to Assets Held for Sale		(325)	(570)
Revaluations included in CIES	18c	27	358
<b>Balance at 31 March</b>		<b>1,363</b>	<b>955</b>

All Investment Properties are freehold. Investment Properties are those held to earn rentals or for capital appreciation or both, rather than for use in the provision of services or for administrative purposes. All Investment Properties are either unlet or let to tenants under operating leases.

Investment Properties are held at market valuation and are valued each year. The valuations are undertaken in accordance with the RICS Valuation Standards ("The Red Book") published by the Royal Institution of Chartered Surveyors.

At the balance sheet date the Group held a total of 6 investment properties (PCC 6) (2011/12 7). All these properties were previously operational properties which are no longer required for operational purposes.

## 16. Intangible Assets

Intangible Assets comprise purchased software only. Movements during the year are shown below:

		2012/13	2011/12
		Group and PCC	
		£'000	£'000
<b>Cost</b>			
<b>Balance at 1 April / Acquired by the PCC</b>		4,039	3,415
Additions - purchased		184	624
<b>Balance at 31 March</b>		<b>4,223</b>	<b>4,039</b>
<b>Amortisation</b>			
<b>Balance at 1 April / Acquired by the PCC</b>		(2,270)	(1,624)
Charge for the year		(680)	(646)
<b>Balance at 31 March</b>		<b>(2,950)</b>	<b>(2,270)</b>
<b>Net Book Value at 31 March</b>		<b>1,273</b>	<b>1,769</b>

The amortisation charge for the year, amounting to £680k (PCC £680k) (2011/12 £646k), has been charged to the Comprehensive Income and Expenditure Account within Net Cost of Services.

## 17. Assets Held for Sale

		2012/13	2011/12
		Group and PCC	
	Note	£'000	£'000
<b>Balance at 1 April / Acquired by the PCC</b>		520	408
Assets newly classified as held for sale:			
Property, Plant and Equipment		2,091	1,676
Investment Properties		325	570
Additions		57	-
Disposals		(579)	(2,047)
Revaluations	18c	(279)	(87)
<b>Balance at 31 March</b>		<b>2,135</b>	<b>520</b>

## 18. Analysis of amounts in relation to Non-Current Assets

## 18 (a) Financing of Non-Current Assets

The additions to non-current assets totalled £6.7m (PCC £6.7m) (2011/12: £16.1m including a £6k donated vehicle). The table below shows the resources that have been used to finance the additions. Where capital expenditure is to be financed in future years by charges to revenue, the expenditure results in an increase in the Capital Financing Requirement (CFR). The CFR is a measure of the capital expenditure incurred historically that has yet to be financed.

		2012/13	2011/12
		Group and PCC	
	Note	£'000	£'000
<b>Opening Capital Financing Requirement</b>		1,057	1,292
<b>Capital Expenditure:</b>			
Property, Plant and Equipment		6,423	15,515
Donated Vehicle		-	6
Intangible Fixed Assets	16	184	624
Assets Held for Sale	17	57	-
		<b>7,721</b>	<b>17,437</b>
<b>Sources of finance:</b>			
Capital Receipts		(579)	(2,047)
Capital Grants		(1,110)	(979)
Sums set aside from Revenue and Revenue Reserves	2	(4,905)	(13,113)
Lease Finance received		(70)	-
Donation Income		-	(6)
Minimum Revenue Provision		(235)	(235)
<b>Closing Capital Financing Requirement</b>		<b>822</b>	<b>1,057</b>
		2012/13	2011/12
		Group and PCC	
		£'000	£'000
<b>Explanation of movements in year</b>			
Increase (decrease) in underlying need to borrowing (supported by government financial assistance)		(235)	(235)
Increase (decrease) in underlying need to borrowing (unsupported by government financial assistance)		-	-
<b>Increase/(decrease) in Capital Financing Requirement</b>		<b>(235)</b>	<b>(235)</b>

## 18 (b) Major Capital Schemes

The major items of capital expenditure are detailed in the table below:

Description		2012/13	2011/12
		Group and PCC £'000	£'000
Rolling Programs:	IS Replacement Equipment	562	373
	Fleet Programme	1,534	1,040
	Plant and Equipment	141	66
Estates:	Estates Strategy - Major Schemes	2,055	3,677
	Capital work-in-progress - new build	2,087	9,375
	Force Control Room Relocation	-	617
Other Schemes:	Airwave Handheld Radios	-	737
	Other Schemes (Below £200K)	285	254
	Donated Vehicle	-	6
<b>Total</b>		<b>6,664</b>	<b>16,145</b>

The expenditure was incurred across the following asset categories:

Property, Plant and Equipment	6,423	15,521
Assets Held for Sale	57	-
Intangible Assets	184	624
<b>Total</b>	<b>16,145</b>	<b>-</b>

## 18 (c) Revaluation

The revaluations have had the following impact on these accounts:

Current Year - Group and PCC	Land and Buildings	Police Houses	Sub Total	Investment Properties	Assets Held for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation charged/(credited) to Revaluation Reserve	(454)	(72)	(526)	-	-	(526)
Revaluation charged/(credited) to Income and Expenditure	9,820	68	9,888	(27)	279	10,140
<b>Total</b>	<b>9,366</b>	<b>(4)</b>	<b>9,362</b>	<b>(27)</b>	<b>279</b>	<b>9,614</b>
Cost	10,593	33	10,626	(27)	279	10,878
Depreciation	(1,227)	(37)	(1,264)	-	-	(1,264)
<b>Total</b>	<b>9,366</b>	<b>(4)</b>	<b>9,362</b>	<b>(27)</b>	<b>279</b>	<b>9,614</b>

Prior Year	Land and Buildings	Police Houses	Sub Total	Investment Properties	Assets Held for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation charged/(credited) to Revaluation Reserve	437	(292)	145	-	44	189
Revaluation charged/(credited) to Income and Expenditure	3,750	(69)	3,681	(358)	43	3,366
<b>Total</b>	<b>4,187</b>	<b>(361)</b>	<b>3,826</b>	<b>(358)</b>	<b>87</b>	<b>3,555</b>
Cost	4,865	(284)	4,581	(358)	87	4,310
Depreciation	(678)	(77)	(755)	-	-	(755)
<b>Total</b>	<b>4,187</b>	<b>(361)</b>	<b>3,826</b>	<b>(358)</b>	<b>87</b>	<b>3,555</b>

At 31 March 2013 the cost or valuation of assets subject to revaluation can be analysed as follows (all other assets are held at cost):

Group and PCC	Land and Buildings £'000	Police Houses £'000	Sub Total £'000	Investment Properties £'000	Assets Held for Sale £'000	Total £'000
Properties last revalued at:						
31 March 2013	26,750	725	27,475	1,363	2,135	30,973
31 March 2012	3,169	330	3,499	-	-	3,499
Earlier than 31 March 2011	412	105	517	-	-	517
<b>Total</b>	<b>30,331</b>	<b>1,160</b>	<b>31,491</b>	<b>1,363</b>	<b>2,135</b>	<b>34,989</b>

The revaluation of Land and Buildings includes £7.8m in respect of the new Harrogate Police Station at Beckwith Knowle for which construction was completed during 2012/13. This is the first time that this asset has been valued. The shortfall between construction cost and fair value as calculated by the valuer is a result of the method of valuation, which is based on capitalised rental value of the office space and attaches a relatively small value to the custody suite.

#### 18 (d) Impairment

##### Property, Plant and Equipment, Investment Properties and Assets Held for Sale

The surveyors were requested to review the condition of the assets not valued at 31 March 2013 and have confirmed that they do not consider that there is any material impairment in connection with the condition of these properties (31 March 2012 - none).

The surveyors provided information on changes in market values on a district by district basis and the Group has concluded that the changes in market value are not material. Accordingly, no impairments have been recorded at 31 March 2013 (31 March 2012 - none).

##### Intangible Assets

There were no impairments of intangible assets at 31 March 2013 (31 March 2012 - none)

#### 18 (e) Amounts charged to Comprehensive Income and Expenditure Account

		2012/13 Group and PCC £'000	2011/12 £'000
Depreciation of Property, Plant and Equipment	Note 14	4,624	3,950
Revaluation	18c	9,888	3,681
Impairment		-	-
<b>Sub-Total Property, Plant and Equipment</b>		<b>14,512</b>	<b>7,631</b>
Amortisation of Intangible Fixed Assets	16	680	646
Revaluation Investment Properties	18c	(27)	(358)
Revaluation Assets Held for Sale	18c	279	43
<b>Total</b>		<b>15,444</b>	<b>7,962</b>

**18 (f) Capital Commitments**

At 31 March the Group was committed to the following capital expenditure:-

	31 March 2013	31 March 2012
	Group and PCC	
	£'000	£'000
IS Replacement Equipment	32	-
Plant and Equipment	22	112
Estates Strategy	-	1,219
Major Capital New Provision	273	3,516
Fleet Vehicles	829	550
Automated Number Plate Recognition	-	11
Software/System Upgrades	19	135
Information Systems Rolling Programme	-	36
Estates Transformation Programme Improvements	-	9
<b>Total as at 31 March</b>	<b>1,175</b>	<b>5,588</b>

Capital commitments related to the following asset categories:

Property, Plant and Equipment	1,156	5,437
Intangible Assets	19	151
<b>Total</b>	<b>1,175</b>	<b>5,588</b>

The Group had no commitments in relation to repairs or maintenance at the year end (PCC £nil) (2011/12: £nil).

**19. Financial Instruments**

	Long-term		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	Group and PCC		Group and PCC	
	£'000	£'000	£'000	£'000
<b>Debtors</b>				
Loans and receivables (incl accrued interest)	-	-	44,308	38,793
<b>Total Debtors</b>	<b>-</b>	<b>-</b>	<b>44,308</b>	<b>38,793</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	236	471	235	236
<b>Total Borrowings</b>	<b>236</b>	<b>471</b>	<b>235</b>	<b>236</b>
<b>Other Long-Term Liabilities</b>				
Finance lease liabilities	51	-		
<b>Total Other Long-Term Liabilities</b>	<b>51</b>	<b>-</b>		
<b>Creditors</b>				
Financial liabilities at amortised cost	-	-	10,079	11,117
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>10,079</b>	<b>11,117</b>

## Income, Expense, Gains and Losses

	2012/13			2011/12		
	Group and PCC					
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
£'000	£'000	£'000	£'000	£'000	£'000	
Interest expense	(76)	-	(76)	(89)	-	(89)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(76)</b>	<b>-</b>	<b>(76)</b>	<b>(89)</b>	<b>-</b>	<b>(89)</b>
Interest income	-	225	225	-	315	315
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>225</b>	<b>225</b>	<b>-</b>	<b>315</b>	<b>315</b>
<b>Net gain/(loss) for the year</b>	<b>(76)</b>	<b>225</b>	<b>149</b>	<b>(89)</b>	<b>315</b>	<b>226</b>

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

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

- For Public Works Loan Board (PWLB) and other loans payable, the discount rate used is the PWLB rate for new borrowing;
- 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 value of each class of financial assets and liabilities which are carried in the Balance Sheet at amortised cost is disclosed below.

## Financial Liabilities - carried at amortised cost

	31 March 2013		31 March 2012	
	Group and PCC			
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Bank overdraft	10	10	479	479
Short-term borrowing	235	235	236	236
Long-term borrowing	236	311	471	632
Other Creditors	9,931	9,931	10,638	10,638
<b>Financial liabilities</b>	<b>10,412</b>	<b>10,487</b>	<b>11,824</b>	<b>11,985</b>
<b>Current</b>	<b>10,176</b>	<b>10,176</b>	<b>11,353</b>	<b>11,353</b>
<b>Long-term</b>	<b>236</b>	<b>311</b>	<b>471</b>	<b>632</b>
	<b>10,412</b>	<b>10,487</b>	<b>11,824</b>	<b>11,985</b>

The fair value is greater than the carrying amount because the long-term borrowing is at a fixed rate and the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

## Financial Assets - Loans and receivables

	31 March 2013		31 March 2012	
	Group and PCC		Carrying amount	Fair value
	Carrying amount	Fair value		
	£'000	£'000	£'000	£'000
Short-term investments	-	-	-	-
Cash and cash equivalents	36,085	36,086	31,888	31,889
Debtors	9,460	9,460	8,151	8,151
Provision for doubtful debts	(1,237)	(1,237)	(1,246)	(1,246)
<b>Total Financial Assets</b>	<b>44,308</b>	<b>44,309</b>	<b>38,793</b>	<b>38,794</b>

The differences between fair value and the carrying amount are attributable to fixed interest instruments receivable being held with interest rates that are higher than the prevailing rate estimated to be available at 31 March.

## 20. Inventories

	31 March 2013	31 March 2012
	Group and PCC	
	£'000	£'000
Uniforms/Other Items	94	137
Garage	91	110
<b>Total as at 31 March</b>	<b>185</b>	<b>247</b>

All inventories comprise supplies used in the provision of services.

## 21. Debtors

	31 March 2013	31 March 2012
	Group and PCC	
	£'000	£'000
<b>Amounts receivable from related parties:</b>		
Central government bodies	5,695	4,410
Other Local Authorities (including Police and Crime Commissioners)	382	647
NHS bodies	-	1
Other debtors external to general government	3,383	3,093
	9,460	8,151
Provision for Doubtful Debts	(1,237)	(1,246)
	8,223	6,905
Value Added Tax	713	1,628
Payments in advance	2,988	3,110
<b>Total as at 31 March</b>	<b>11,924</b>	<b>11,643</b>

Other Local Authorities (including Police and Crime Commissioners) includes £113k (PCC £113k) (2011/12 £54k) in respect of regional collaboration with other Police and Crime Commissioners in Yorkshire and Humberside.

All debtors at the end of the current and previous year are due within one year.



Movement in the provision for doubtful debts during the year was as follows:

	2012/13	2011/12
<b>Group and PCC</b>		
	£'000	£'000
<b>Balance at 1 April / Acquired by the PCC</b>	(1,246)	(1,207)
Written off as uncollectable	-	-
Recovered during the year	-	-
Provided against in year	9	(39)
<b>Balance at 31 March</b>	<b>(1,237)</b>	<b>(1,246)</b>

The Group does not generally allow extended credit for customers, such that only £268k (PCC £268k) (2011/12 £269k) of the £706k (PCC £706k) (2011/12 £631k) listed debtors balance is past its due date for payment. The past due amount can be analysed as follows:

	31 March 2013	31 March 2012
<b>Group and PCC</b>		
	£'000	£'000
Less than three months	168	(11)
Three to six months	3	73
Six months to one year	27	58
More than one year	70	149
<b>Total</b>	<b>268</b>	<b>269</b>

## 22. Cash and cash equivalents

	31 March 2013	31 March 2012
<b>Group and PCC</b>		
	£'000	£'000
Cash at bank and in hand	22	22
Short-term deposits falling due within 3 months	36,063	31,866
<b>Cash and short-term deposits</b>	<b>36,085</b>	<b>31,888</b>
Bank current account	(10)	(479)
<b>Total cash and cash equivalents</b>	<b>36,075</b>	<b>31,409</b>

## Banking Arrangements

The Group (PCC) has the following facilities with North Yorkshire Barclays Corporate:

- BACS £24,500,000
- Company Barclaycard £215,000
- Business Internet Banking £10,000,000

The Group (PCC) holds two current accounts, one is a holding account from which wages and salaries are paid, the other is for general banking and at the end of each day cleared balances are automatically swept into the Business Premium account which earns 0.25%. There are also two Treasury Fixed Deposit accounts.

The Group (PCC) does not have a formal overdraft facility in place and no security is provided to the bank for the above banking arrangements. At 31 March 2013 and 31 March 2012 cheques written but not yet presented at the bank resulted in the bank account balance showing as overdrawn.

### 23. Borrowing

The Group (PCC) has a loan transferred from North Yorkshire County Council. The loan is unsecured and is repayable in equal instalments of £235,400 per annum. Interest is due on the loan at a fixed rate of 9.145% per annum.

An analysis of the remaining repayments for the loan is presented below. It is based on the remaining period at the balance sheet date to the contractual maturity date. The amounts presented are the contractual undiscounted cash flows based on the earliest date on which the Group can be required to pay.

	31 March 2013	31 March 2012
	Group and PCC	
	£'000	£'000
Within one year	235	236
Between one and two years	235	236
Between two and five years		235
	<b>470</b>	<b>707</b>
Less: amount due for settlement within one year (shown within current liabilities)	(235)	(236)
<b>Amount due for settlement after one year</b>	<b>236</b>	<b>471</b>

The Group has acquired some operational IT equipment under finance leases. The assets acquired are carried as Property, Plant and Equipment in the Balance Sheet at the following amounts:

	31 March 2013	31 March 2012
	Group and PCC	
	£'000	£'000
Plant and Equipment	69	-

	31 March 2013	31 March 2012
	Group and PCC	
	£'000	£'000
The minimum lease payments are made up of the following amounts:		
Within one year	19	-
Between one and two years	24	-
Between two and five years	27	-
	<b>70</b>	<b>-</b>
Less amount due for settlement within one year (within current liabilities)	(19)	-
<b>Amount due for settlement after one year</b>	<b>51</b>	<b>-</b>

### 24. Creditors

	31 March 2013	31 March 2012
	Group and PCC	
	£'000	£'000
<b>Amounts due to related parties:</b>		
Central government bodies	391	82
Other local authorities (including Police and Crime Commissioners)	1,351	570
NHS bodies	2	3
Public corporations and trading funds	3	80
HMRC employment taxes and national insurance	2,288	2,186
Other creditors external to government	8,891	10,462
Income received in advance	545	593
Grants received in advance	78	209
<b>Total as at 31 March</b>	<b>13,549</b>	<b>14,185</b>

Other local authorities (including Police and Crime Commissioners) includes £300k (PCC £300k) (2011/12 £118k) in respect of regional collaboration with other Police and Crime Commissioners in Yorkshire and Humberside (see Note 13 (b)).

## 25. Provisions

Group and PCC	Employee Related £'000	Other Insurance £'000	Total £'000
<b>At 1 April 2012 / Acquired by the PCC</b>	<b>778</b>	<b>1,576</b>	<b>2,354</b>
Additional provision required	718	(83)	635
Amounts utilised during year	(191)	(162)	(353)
Unused amounts credited to income statement	-	-	-
Effect of discount	-	-	-
<b>At 31 March 2013</b>	<b>1,305</b>	<b>1,331</b>	<b>2,636</b>

Provisions have been analysed between short-term and long-term as follows:

Group and PCC	Employee Related £'000	Other Insurance £'000	Total £'000
<b>2012/13</b>			
Short-term	841	872	1,713
Long-term	464	459	923
<b>Total</b>	<b>1,305</b>	<b>1,331</b>	<b>2,636</b>

Group and PCC	Employee Related £'000	Other Insurance £'000	Total £'000
<b>2011/12</b>			
Short-term	669	687	1,356
Long-term	109	889	998
<b>Total</b>	<b>778</b>	<b>1,576</b>	<b>2,354</b>

All cases are individually insignificant. Employee Related provisions relate to claims arising from the Group's employers liability cover, together with other employee related provisions. Other Insurance provisions relate to claims arising from the Group's non-employee related insurance cover, principally motor and material damage claims.

Sums have been set aside to provide for the settlement of ongoing claims not covered by insurers (identified as Provisions) and to provide for other possible events that might give rise to claims retained in Reserves. Based on past experience of the time taken to settle claims, an estimate has been made of the proportion of claims which are likely to be settled within 12 months of the balance sheet date, and these are provided as current liabilities.

The Group has made arrangements with its insurers to provide cover for:

- liability claims subject to a policy excess of £75,000 for any one occurrence;
- liability and third party motor claims aggregating over £1.2 million;
- third party motor claims subject to an excess of £75,000 for any one occurrence;
- material damage to property, together with consequential business interruption, subject to a policy excess of £1,000 for any one occurrence in respect of all risks cover, £250 for any one occurrence in respect of cover for Money and £75,000 for any one occurrence for all other incidents;
- computer, motor uninsured loss recovery, engineering, airside liability, fidelity guarantee, personal accident, travel and contract works subject to policy terms and conditions.

A thorough review of the level of provisions has identified an increase in the amount required to be held as a provision against outstanding insurance claims.

There are no reimbursements from third parties expected in relation to any of the above provisions.

## 26. Retirement Benefits

### Participation in Pension Schemes

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

The Group participates in three pension schemes:-

- The Local Government Pension Scheme (LGPS) for Police Staff, administered by North Yorkshire County Council. This is a funded defined benefit final salary scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Two Police Pension Schemes for Police Officers. These are unfunded defined benefit final salary schemes, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards will become members of the new scheme and the previous scheme has been closed to new members. The Group's participation in the Police Schemes is administered by Mouchel Business Services.

Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pension funds for the year is less than the amounts payable, the Group must annually transfer to the pension funds an amount required to meet the deficit. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by a central government pension top-up grant. If however the pension funds are in surplus for the year, the surplus is required to be transferred from the pension funds to the Group which must then repay the amount to central government.

### Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund Balance.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

	2012/13			2011/12	
	Group and PCC			Total	Total
	LGPS	Police Pension Scheme 1987	Police Pension Scheme 2006		
£'000	£'000	£'000	£'000	£'000	
<b>Comprehensive Income and Expenditure Statement</b>					
Net Cost of Services					
Current Service Cost	4,243	20,530	2,020	26,793	27,419
Past Service Cost - exceptional item	-	60	-	60	-
Curtailment Cost	105	-	-	105	840
	4,348	20,590	2,020	26,958	28,259
Financing and Investment Income and Expenditure:					
Interest Cost	6,313	53,110	650	60,073	65,018
Expected return on assets in the scheme	(4,928)	-	-	(4,928)	(5,381)
	1,385	53,110	650	55,145	59,637
Net charge (credit) to surplus or deficit on provision of services	5,733	73,700	2,670	82,103	87,896
Other comprehensive income					
Actuarial (gains) and losses on scheme assets and liabilities	6,945	126,676	6,025	139,646	8,212
<b>Net charge (credit) to Comprehensive Income and Expenditure Statement</b>	<b>12,678</b>	<b>200,376</b>	<b>8,695</b>	<b>221,749</b>	<b>96,108</b>
<b>Movement in Reserves Statement</b>					
Reversal of net charges made to surplus or deficit on provision of services for retirement benefits in accordance with IAS19	5,733	73,700	2,670	82,103	87,896
Actual amount charged against the General Fund Balance for the year					
Employers contribution payable to the scheme	(4,994)	(11,866)	(1,275)	(18,135)	(19,250)
Retirement benefits payable to pensioners	-	(2,280)	-	(2,280)	(2,200)
<b>Total</b>	<b>739</b>	<b>59,554</b>	<b>1,395</b>	<b>61,688</b>	<b>66,446</b>

The figures for the Police Pension Scheme 1987 include the Injury Awards which are funded directly by the Group.

In addition to the recognised gains and losses included in the Group Comprehensive Income and Expenditure Statement, actuarial losses of £139.6m (PCC £139.6m) (2011/12 gains £8.2m) are included in the Group Movement in Reserves Statement. The cumulative amount of actuarial losses recognised in the Group Other Comprehensive Income and Expenditure (previously the Statement of Total Recognised Gains and Losses) since the inception of revised accounting for pension benefits in 2003/04 is £531.2m (PCC £139.6m) (2011/12 £391.6m).

## Assets and Liabilities in Relation to Retirement benefits

## Reconciliation of present value of scheme liabilities

	2012/13			2011/12	
	Group and PCC				
	Funded Liabilities	Unfunded Liabilities		Total	Total
	LGPS	Police Pension Scheme 1987	Police Pension Scheme 2006		
£'000	£'000	£'000	£'000	£'000	
Balance at 1 April / acquired by PCC	(122,161)	(1,091,580)	(11,790)	(1,225,531)	(1,145,980)
Current service cost	(4,243)	(20,530)	(2,020)	(26,793)	(27,419)
Interest cost	(6,313)	(53,110)	(650)	(60,073)	(65,018)
Contributions by scheme participants	(1,651)	(5,710)	(790)	(8,151)	(7,991)
Actuarial gains and (losses)	(16,458)	(148,780)	(3,960)	(169,198)	(16,260)
Benefits paid	2,648	41,960	-	44,608	37,977
Curtailment cost	(105)	-	-	(105)	(840)
Past service costs	-	(60)	-	(60)	-
<b>Balance at 31 March</b>	<b>(148,283)</b>	<b>(1,277,810)</b>	<b>(19,210)</b>	<b>(1,445,303)</b>	<b>(1,225,531)</b>

## Reconciliation of fair value of the scheme assets

	2012/13			2011/12	
	Group and PCC				
	LGPS	Police Pension Scheme 1987	Police Pension Scheme 2006	Total	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	86,705	-	-	86,705	81,812
Expected return on plan assets	4,928	-	-	4,928	5,381
Actuarial gains and (losses)	9,513	-	-	9,513	8,048
Employer contributions	4,994	14,146	1,275	20,415	21,450
Contributions by scheme participants	1,651	5,710	790	8,151	7,991
Benefits paid	(2,648)	(41,960)	-	(44,608)	(37,977)
<b>Balance at 31 March</b>	<b>105,143</b>	<b>(22,104)</b>	<b>2,065</b>	<b>85,104</b>	<b>86,705</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in respective markets.

The actual gain on scheme assets in the year was £14.4m (PCC £14.4m) (2011/12 gain £1.3m).

## Scheme History

	2012/13	2011/12	2010/11	2009/10	2008/09
	Group and PCC			restated	restated
	£'000	£'000	£'000	£'000	£'000
<b>Present value of liabilities:</b>					
LGPS	(148,283)	(122,161)	(112,880)	(112,397)	(69,985)
Police Pension Scheme 1987	(1,277,810)	(1,091,580)	(1,024,870)	(1,115,030)	(747,090)
Police Pension Scheme 2006	(19,210)	(11,790)	(8,230)	(5,110)	(1,650)
<b>Total liabilities</b>	<b>(1,445,303)</b>	<b>(1,225,531)</b>	<b>(1,145,980)</b>	<b>(1,232,537)</b>	<b>(818,725)</b>
<b>Fair value of assets (LGPS):</b>	<b>105,143</b>	<b>86,705</b>	<b>81,812</b>	<b>70,131</b>	<b>39,365</b>
<b>Surplus/(deficit) in the scheme:</b>					
LGPS	(43,140)	(35,456)	(31,068)	(42,266)	(30,620)
Police Pension Scheme 1987	(1,277,810)	(1,091,580)	(1,024,870)	(1,115,030)	(747,090)
Police Pension Scheme 2006	(19,210)	(11,790)	(8,230)	(5,110)	(1,650)
<b>Total</b>	<b>(1,340,160)</b>	<b>(1,138,826)</b>	<b>(1,064,168)</b>	<b>(1,162,406)</b>	<b>(779,360)</b>

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £1,340.2m (PCC £1,340.2m) (2011/12 £1,138.8m) has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,265.8m (PCC £1,265.8m) (2011/12 £1,059.2m). However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Finance is only required to be raised to cover Police Pensions when the pensions are actually paid. Funding arrangements for the Police Pension Fund are detailed in the Police Pension Fund Accounts.

The projected employer contribution rates for 2013/14 as provided by the Actuary are as follows:

Scheme	Percentage of pensionable pay
Local Government Pension Scheme (LGPS)	16.8%
Police Pension Scheme 1987	55.2%
Police Pension Scheme 2006	48.8%

These are the projected rates that would be required to fully cover the pension costs arising in the year and do not represent the actual cost or contributions to be made.

## History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2012/13	2011/12	2010/11	2009/10	2008/09
	Group and PCC			restated	restated
	%	%	%	%	%
<b>Differences between the expected and actual return on assets:</b>					
Percentage of scheme assets	11.6%	(5.0%)	0.9%	30.4%	29.3%
<b>Experience gains and losses on liabilities:</b>					
Percentage of scheme liabilities	(2.1%)	(1.5%)	(1.3%)	(0.5%)	(1.7%)

The Group expects to make employer contributions of £4.2m (PCC £0.04m) to the Local Government Pension Scheme in the year to 31 March 2014. Employer contributions to the Police Pension Schemes in the same period are expected to be £12.376m (PCC £nil).

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Pension Schemes liabilities have been assessed by the Government Actuary's Department ("GAD") and the LGPS liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the LGPS being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuaries have been:-

	Local Government Pension Scheme		Police Pension Schemes	
	2012/13	2011/12	2012/13	2011/12
Long-term expected rate of return in assets in the scheme:				
Equity investments	7.0%	7.0%	-	-
Government bonds	2.8%	3.1%	-	-
Other bonds	3.9%	4.1%	-	-
Cash/liquidity	0.5%	0.5%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.6 yrs	22.2 yrs	23.4 yrs	23.3 yrs
Women	25.3 yrs	24.8 yrs	25.8 yrs	25.7 yrs
Longevity at 65 for future pensioners				
Men	24.4 yrs	23.6 yrs	25.7 yrs	25.6 yrs
Women	27.2 yrs	26.4 yrs	27.9 yrs	27.8 yrs
Rate of inflation	2.4%	2.6%	2.5%	2.5%
Rate of increase in salaries	4.15%	4.35%	4.75%	4.7%
Rate of increase in pensions	2.4%	2.6%	1.33%	2.50%
Rate for discounting scheme liabilities	4.4%	5.1%	4.3%	4.9%
Take up of option to convert annual pension into retirement grant	50.0%	50.0%	-	-

The Police Pension Schemes have no assets to cover their liabilities. The LGPS assets consist of the following categories, by proportion of the total assets held:

	31 March 2013	31 March 2012
Equity Investments	64.0%	70.8%
Government Bonds	13.1%	20.2%
Other Bonds	10.1%	8.2%
Cash / Liquidity	0.4%	0.8%
Property	3.7%	-
Other	8.7%	-
	<b>100.0%</b>	<b>100%</b>

### 27. Contingent Liabilities

The Group has not made provision in these accounts for the potential outcome of legal proceedings pending conclusion in relation to Civil and Employment Claims where it is not considered probable that a payment or a transfer of economic benefits will be required to settle the obligations.

On behalf of the Police and Crime Commissioners for Yorkshire and Humberside the Police and Crime Commissioner for Humberside has entered into a property lease arrangement. The annual costs associated with this property are shared between the four forces within the region. The Group has agreed to indemnify the Police and Crime Commissioner for Humberside against the future costs in the unlikely event that the joint collaborative arrangements are discontinued during the lifetime of the lease arrangements.



The Regional Collaboration Board has agreed to the adoption of a lead force/authority model to provide managers and staff/officers engaged in Regional Working with consistent Human Resources policy and practices. The Police and Crime Commissioner for South Yorkshire has agreed to act as the lead Police and Crime Commissioner. Under this arrangement, the Police and Crime Commissioner for South Yorkshire will employ police staff on a permanent, substantive basis and Police officers will be seconded to South Yorkshire Police.

This Group has agreed to indemnify the Police and Crime Commissioner for South Yorkshire for its share of any costs in the event of any employment tribunal or civil court claims related to regional employment. This indemnity is unlimited. At this time, it is not possible to predict the value or timing of any obligations falling due as a result of this indemnity.

Note 25 (Provisions) explains the treatment in respect of provision for amounts as known at the date of these accounts.

## 28. Events after the Reporting Period

The Group has considered events that have occurred since the Balance Sheet date, up to the date that the accounts have been authorised for issue. Other than as mentioned below, no events have been identified which could materially impact on the figures in these Financial Statements, nor which would require disclosure to maintain the fair presentation of the Financial Statements.

No material or significant events have occurred after the reporting period at the time of compiling these accounts which are not already referred to or which amend the content of the Statement of Accounts.

The Commissioner is required to provide the Home Secretary with a proposed Stage 2 transfer scheme by 16 September 2013. The Stage 2 scheme is a requirement of the Police Reform and Social Responsibility Act 2011. The scheme needs to contain the proposed transfer of staff to the Chief Constable, which has to be effected by 1 April 2014.

The Commissioner has considered the advice and the amount of outstanding technical issues that need to be resolved and concluded that a transfer will not be formally effected or proposed prior to the 1 April date. The intention of both the Commissioner and Chief Constable is to present a Stage 2 transfer scheme that includes both staff transfers and assets and liabilities. However the latter are dependant upon a number of technical issues that require national resolution and no proposals will be made in a premature fashion if there is a potential to create an accounting or impractical financial impact. The Commissioner and Chief Constable are committed to submitting an agreed position. There is also full commitment to consultation as the process of preparing a scheme develops.

## 29. Net Cash Flows from Operating Activities

Net Cash Flows from Operating Activities include:

	2012/13	2011/12
	Group and PCC	
	£'000	£'000
Interest received	206	331
Interest paid	76	89

## 30. Net Cash Flows from Investing Activities

	2012/13	2011/12
	Group and PCC	
	£'000	£'000
Purchase of Property, Plant and Equipment, Investment Property, Intangible Assets and Assets under Construction	6,664	16,145
Purchase of Short-Term Investments	13,750	17,650
Proceeds from the sale of Property, Plant and Equipment and Assets Held for Sale	(579)	(2,047)
Proceeds from Short-Term Investments	(13,750)	(27,000)
<b>Net Cash Flows from Investing Activities</b>	<b>6,085</b>	<b>4,748</b>

**31. Net Cash Flows from Financing Activities**

	2012/13	2011/12
	Group and PCC	
	£'000	£'000
Cash receipts of short- and long-term borrowing	(71)	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases	1	-
Repayments of short- and long-term borrowing	235	235
<b>Net Cash Flows from Financing Activities</b>	<b>165</b>	<b>235</b>

**32. Related Party Transactions**

The 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 Group or be controlled or influenced by the Group. Disclosure of these transactions allows readers to assess the extent to which the 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 Group.

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

**Central Government**

Central Government has effective control over the general operations of the Group. It is responsible for providing the statutory framework within which the Group operates, provides a substantial part of the Group's funding in the form of grants and prescribes the terms of many of the transactions the Group has with other parties.

Central Government has a role, together with the Police and Crime Commissioner and the Chief Constable, in the tripartite system of police governance. Government Grants received by the Group are set out in Notes 9 and 11. Grant receipts outstanding at 31 March 2013 are included in Debtors (Note 21).

**Other Local Authorities (including Other Police and Crime Commissioners)**

Local Government provides a proportion of the funding for the Group and previously nominated Members of the Authority. Details of precepts are set out in Note 10. Transactions with the Yorkshire and Humberside Police and Crime Commissioners in respect of Regional Collaboration are set out in Note 13(b). The amounts owing to and from Other Local Authorities at the Balance Sheet date are included in Debtors (Note 21) and Creditors (Note 24).

**Key Management**

Key Management of the Group are also classed as related parties. Key Management are considered to be the Police and Crime Commissioner and other senior officers (as defined in the Remuneration Report) and other persons having the authority and responsibility for planning, directing and controlling the activities of the Group, including the oversight of these activities.

Remuneration of Key Management is disclosed in the Remuneration Report.

Up to 22 November 2012, members of the Authority had control over the Authority's financial and operating policies. Members' allowances are disclosed in the Remuneration Report.

During the period up to 22 November 2012 accommodation and meeting facilities to the value of £nil (PCC £nil) (2011/12 £2k) were provided by a company controlled by one Member of the former Police Authority. The balance owing by the Group to the company at 31 March 2013 was £nil (PCC £nil) (2011/12 £nil).

The Group is a member of the Association of Police and Crime Commissioners (APCC) and the Association of Police and Crime Chief Executives (APACE) and senior officers engage with APCC and APACE on Group business. During 2012/13 the Group incurred subscription and conference costs of £11k (PCC £11k) (2011/12 £21k). £nil (PCC £nil) was outstanding at 31 March 2013 (2011/12 £nil).

Senior police officers are members of the Association of Chief Police Officers (ACPO) and engage with ACPO on force business. During 2012/13 the Group incurred subscriptions and other costs of £26k (PCC £nil) (2011/12 £42k). The Group received £56k (PCC £56k) (2011/12 £93k) from ACPO in relation to reimbursement of costs of officers seconded to ACPO. At 31 March 2013 £nil (PCC £nil) (2011/12 £26k) was owed to the Group by ACPO.

In the period up to 22 November 2012, the Group paid rental and service costs of £nil (PCC £nil) (2011/12 £6k) to an organisation in which a former member of the Authority was employed. £nil (PCC £nil) was outstanding at 31 March 2013 (2011/12 £nil).

The Group purchased and received services to a value of £52k (PCC £nil) (2011/12 £55k) from, and provided services to the value of £35k (PCC £nil) (2011/12 £43k) to, organisations in which members (up to 22 November 2012) or senior officers had positions on the governing body. In all instances transactions were made with proper consideration of declaration of interest. The relevant members or senior officers did not take part in any discussion or decision in relation to the transactions. Where appropriate, details of these transactions are recorded in the Register of Members interests. At 31 March 2013 £nil (PCC £nil) (2011/12 £nil) was owed by the Group to these organisations.

### Pension Schemes

Transactions with Pension Schemes are set out in Note 26.

## 33. Nature and Extent of Risks arising from Financial Instruments

### Key Risks

The Group's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk** the possibility that other parties might fail to pay amounts due to the Group
- **Liquidity risk** the possibility that the Group might not have funds available to meet its commitments to make payments
- **Refinancing risk** the possibility that the 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 Group as a result of changes in such measures as interest rates movements.

### Overall procedures for managing risk

The 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 based on the Local Government Act 2003 and associated regulations. These require the 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 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 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 Government guidance.

These are required to be approved 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 Group's financial instrument exposure. Actual performance is also reported after each year, as a mid-year update.

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Police Authority for 2012/13 on 13 February 2012 and adopted by the Police and Crime Commissioner. The key issues within the Strategy were:

- The Authorised Limit for 2012/13 was set at £22.5m. This was the maximum limit of external borrowings or other long-term liabilities
- The Operational Boundary was expected to be £8.1m. This was 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 100% and 50% based on the net debt.

These policies are implemented by the Financial Services Directorate on behalf of the Group. The 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 periodically.

### Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which is based solely upon the use of "specified investments", with all investments being sterling denominated with maturities up to a maximum of 364 days and meeting a minimum "high" credit rating. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

This Group uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2012/13 was approved by the Authority on 12 February 2012 and adopted by the Police and Crime Commissioner. It forms part of the Treasury Management Strategy.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings.

The Group's maximum exposure to credit risk in relation to its investments in banks and building societies of £36.1m (2011/12 £31.9m) 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 Group's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

The following analysis summarises the Group's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

	Total		Estimated maximum exposure to default	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	Group and PCC		Group and PCC	
	£'000	£'000	£'000	£'000
Short-term investments	-	-	-	-
Cash and cash equivalents	36,085	31,888	-	-
Other debtors and amounts owed by related parties	8,223	6,905	1,237	1,246
<b>Total</b>	<b>44,308</b>	<b>38,793</b>	<b>1,237</b>	<b>1,246</b>

No breaches of the Group's counterparty criteria occurred during the reporting period and the Group does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

An age analysis of the amounts due from debtors is disclosed in Note 21.

Collateral - During the reporting period the Group held no collateral as security.

### **Liquidity Risk**

The 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 Group has ready access to borrowings from the money markets to cover any day-to-day cash flow needs, and the PWLB and money markets for access to longer-term funds. The 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.

All sums owing are due to be paid in less than one year.

### **Refinancing and Maturity risk**

The Group maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the 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 Group's approved treasury and investment strategies address the main risks and the Financial Services Directorate addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of existing and proposed financial liabilities and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the 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 profile of financial liabilities is set out in Note 23.

## Market Risk

### Interest Rate Risk

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

- Borrowings at variable rates - the interest expense charged to the Comprehensive Income and Expenditure Statement will rise (however the Group does not currently have any variable rate borrowings)
- 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 Comprehensive Income and Expenditure Statement 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 General 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 Group has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the 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 Financial Services Directorate monitors 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 rate borrowings would be postponed.

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

	2012/13 Group and PCC £'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	341
Decrease in fair value of fixed rate investment assets	19
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	10
	<hr/>

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 Note 19 - Fair Value of Assets and Liabilities carried at Amortised Cost

### Price Risk

The Group does not generally invest in equity shares or marketable bonds.

### Foreign Exchange Risk

The Group has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to gains or losses arising from movements in exchange rates.

**POLICE PENSION FUND ACCOUNT**  
for the YEAR ENDED 31 March 2013

	2012/13	2012/13	2012/13	2011/12
	Police Pension Scheme 1987	Police Pension Scheme 2006	Total Police Pension Fund Account	£'000
	£'000	£'000	£'000	£'000
<b>Contributions receivable</b>				
From Employer				
Normal	11,239	1,275	12,514	12,982
Early retirement	627	-	627	448
Reimbursement of unabated pensions of '30+' Police Officers	3	-	3	1
	<u>11,869</u>	<u>1,275</u>	<u>13,144</u>	<u>13,431</u>
From Members	5,656	551	6,207	5,799
	<u>17,525</u>	<u>1,826</u>	<u>19,351</u>	<u>19,230</u>
<b>Transfers in</b>				
Individual transfers from other schemes	60	237	297	473
Received from other PCCs re pre-1974 pensioners	142	-	142	164
<b>Benefits payable</b>				
Pensions	(28,199)	-	(28,199)	(25,955)
Commutations and lump sum retirement benefits	(11,241)	-	(11,241)	(5,672)
Lump sum death benefits	(236)	-	(236)	-
<b>Payments to and on account of leavers</b>				
Refunds of contributions	-	(3)	(3)	(4)
Individual transfers out to other schemes	-	-	-	(140)
Paid to other PCCs re pre-1974 pensioners	-	-	-	(120)
<b>Deficit for the year before transfer from the Police and Crime Commissioner of amount equal to the deficit</b>	<u>(21,949)</u>	<u>2,060</u>	<u>(19,889)</u>	<u>(12,024)</u>
Additional funding payable by the PCC to fund the deficit for the year	21,949	(2,060)	19,889	12,024
<b>Net amount payable/receivable for the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**POLICE PENSION FUND NET ASSETS STATEMENT**  
at 31 March 2013

		31 March 2013	31 March 2012
	Note	£'000	£'000
Current Assets	5	62	75
Current Liabilities	6	(62)	(75)
<b>Net Assets</b>		<u>-</u>	<u>-</u>



## NOTES TO THE POLICE PENSION FUND ACCOUNTS

### 1. Accounting Policies

The Pension Fund Accounts have been prepared in accordance with the IFRS Code and on an accruals basis. This means that 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 historical cost.

### 2. Operation of Police Pension Schemes

The Group operates two Pension Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due. The second scheme was introduced in April 2006, with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards will become members of the new scheme and the previous scheme has been closed to new members.

The charge in the accounts of the Group represents the net cost of pensions and other benefits paid, after deducting contributions receivable from members. Members contribution rates vary between 9.5% and 11% of pensionable pay.

### 3. Funding of Police Pension Schemes

The funding arrangements for Police Pension Schemes changed on 1 April 2006. Before 1 April 2006 the schemes did not have a percentage of pensionable pay type of contribution, rather the Authority was responsible for paying pensions of former employees on a pay-as-you-go basis. Under the new funding arrangements the schemes remain unfunded but the Group no longer meets the pension outgo directly, instead the Group pays an employer's contribution, based on a percentage of pay, into the Pension Fund. Each individual Police and Crime Commissioner in England and Wales is required by legislation to operate a Pension Fund for Police Officers and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation.

Under the new arrangements, the Pension Fund will be balanced to nil at the end of the year by either paying over to the Group the amount by which amounts receivable by the Fund for the year exceeded the amounts payable or by receiving cash from the Group equal to the amount by which the amount payable from the pension fund for the year exceeded the amount receivable.

The Group will either pay an amount equal to the amount received from the Pension Fund to the Home Office or receive a pension top-up grant from the Home Office equal to the amount paid to the Pension Fund.

### 4. Liabilities in Relation to Retirement Benefits

The Pension Fund Accounts do not take account of liabilities to pay pensions and other benefits after the period end. Details of the liabilities for retirement benefits attributable to the Group at 31 March 2013, and of the basis for assessing those liabilities, are included in note 26 to the Statement of Accounts.

The present value of the Police Pension scheme liabilities, based on the most recent full valuation of the scheme (as at 31 March 2007) and updated to the balance sheet date are disclosed below. A valuation at 31 March 2012 is currently in progress.

	31 March 2013	31 March 2012
	£'000	£'000
Police Pension Scheme 1987	1,277,810	1,091,580
Police Pension Scheme 2006	19,210	11,790
<b>Total present value of liabilities</b>	<b>1,297,020</b>	<b>1,103,370</b>

Full details of the liabilities for retirement benefits attributable to the Group at 31 March 2013, and of the basis for assessing those liabilities, are included in Note 26 to the Statement of Accounts.



5. Current Assets

	31 March 2013	31 March 2012
	£'000	£'000
Short-term debtors	62	75
<b>Total</b>	<b>62</b>	<b>75</b>

6. Current Liabilities

	31 March 2013	31 March 2012
	£'000	£'000
Reduction in funding receivable from the Group	62	58
Accruals	-	17
<b>Total</b>	<b>62</b>	<b>75</b>

**INDEPENDENT AUDITOR'S REPORT TO  
THE MEMBERS OF NORTH YORKSHIRE  
POLICE AUTHORITY**

SUBJECT TO AUDIT

## ANNUAL GOVERNANCE STATEMENT THE POLICE AND CRIME COMMISSIONER FOR NORTH YORKSHIRE (NYPCC) and the NYPCC Group

This Annual Governance Statement (AGS) provides the position as at 31 March 2013. It describes the Police and Crime Commissioner's governance environment including the robust underpinnings that the Police & Crime Commissioner for North Yorkshire (the Commissioner) has implemented for discharging governance responsibilities. Where possible to do so the Commissioner and Chief Constable of North Yorkshire Police (the Chief Constable) have adopted a joint approach to governance and the development of an enhanced internal control environment.

The Commissioner is committed to delivering good governance and to support this coordinated a root and branch review of the governance arrangements that prevailed at the time of taking office. The review was predicated on five underlying business principles that reflect the core purpose of the introduction of Police and Crime Commissioners. This purpose is fundamentally different from the previous Police Authority system. It ensures the Commissioner is directly accountable via their electoral mandate and works in partnership to commission services for the benefit of local people. These principles are: -

### **1. Putting the public first**

The new system allows the public to influence decisions before they are made. Previously decision-making was done in public, but in reality involved very little actual public participation. The Commissioner and the Chief Constable are also hosting quarterly public meetings at which members of the public can have a dialogue with both parties on matters of interest and concern.

### **2. Working in partnership with the Chief Constable**

With the introduction of the Executive Board, the Commissioner, the Chief Constable and their senior staff and advisors discuss and debate decisions together. This ensures both the Commissioner and the Chief Constable can be confident that decision-making is effective. It also minimises the risk of each 'blaming' the other should things go wrong as decisions are genuinely collaborative.

### **3. Minimising bureaucracy and encouraging innovation**

The Commissioner and Chief Constable are jointly committed to ensuring resources are focused on frontline policing. The new system reduces the number of steps required to reach a decision, thus reducing bureaucracy and empowering teams to make appropriate local decisions. They also wish to facilitate innovation 'from the bottom up' through police officers and staff being able to come to the Executive Board and present their ideas.

### **4. A risk-based approach to scrutiny and performance**

The police service has always monitored risk and there are numerous systems in place to manage risk. The new governance system puts operational, financial, legal and ethical risk at the heart of the corporate performance regime. This is supported by an entirely new Joint Independent Audit Committee and the Police and Crime Panel with specific responsibility for scrutinising the performance of the Commissioner.

### **5. Transparency**

The Police Service is a public service and as such there is a clear commitment to transparently provide as much information as is feasibly possible in the public domain. This ranges from information about the services that North Yorkshire Police delivers, how to access them, what they cost, and how they perform. The Chief Constable and Commissioners websites already include information on senior salaries and expenses and will continue to be enhanced to provide clear accountability for public expenditure. For example the Commissioner has committed to publishing expenditure over £50 that goes beyond the statutory requirements for publication which set a threshold of £500.

To compliment what content is published the access to this information for the public is a key feature of the transparency agenda. The Commissioner has taken steps to make published information as accessible as possible. The format of the information on the current website will be enhanced through the development of a new website designed to focus on the needs of the public and providing information that is searchable and clearly identifiable.

The scope and detail of the Annual Governance Statement is set out over 8 key themes that are set out over the pages that follow. The underlying business principles above run throughout the key themes.

Section 3 of this AGS provides an overview of the governance environment. For ease of illustration the key features of these arrangements along with any identified Areas for Development for progression during 2013 / 2014 are presented in tabular format insofar as they relate to:

1. The Commissioner's arrangements for establishing and monitoring the achievement of objectives and arrangements for the performance management of the police service and reporting
2. The Commissioner's arrangements to identify, assess and manage the risks to achieving objectives.
3. Arrangements to facilitate policy and decision making for and on behalf of the Commissioner
4. Arrangements for the Commissioner to ensure the effective and efficient use of resources and assets
5. Arrangements for the Commissioner to ensure compliance with established policies, procedures, laws and regulations
6. Arrangements for the management of the Commissioner's financial affairs
7. The Commissioner's arrangements to extend governance principles to partnerships
8. The Commissioner's arrangements for consulting and engaging with stakeholders.

These are considered alongside the respective delegations to each of the Statutory Officers of the Commissioner and the Chief Constable. These are key roles upon which the Commissioner and Chief Constable rely to provide assurance as to the continuous development of the governance environment. The Monitoring Officer arrangements are supplemented by a protocol which provides for the statutory functions of that office to be facilitated in conjunction with the Force Solicitor.

The governance environment as outlined in this AGS also acknowledges the preparatory activity underway in order to give effect to the Stage 2 Transfer Scheme required by paragraph 10 to Schedule 15 of the Police Reform and Social Responsibility Act 2011.

As a review of the governance environment throughout the financial year to 31 March 2013, by necessity this AGS will also acknowledge the governance arrangements of the Commissioner's statutory predecessor, North Yorkshire Police Authority prior to the transfer of Strategic Governance responsibilities to the Commissioner. The features of that environment are set out at Appendix A. By convention that year on year comparison appears as a feature of this AGS. However shortly after taking office the Commissioner undertook a root and branch review of the strategic decision making and scrutiny arrangements, building upon a non statutory memorandum of understanding concluded between the Commissioner and Chief Constable upon the Commissioner taking office. The result of the Strategic Leadership, Statutory Officers, Decision Making and Senior Management review was the establishment of a collegiate approach to decision making between the Commissioner and the Chief Constable; facilitating the Commissioner's involvement and influence over concepts and initiatives at an early stage and allowing her office to engage the public in consultation over matters of significant public interest whilst respecting the operational independence of the Chief Constable.

## 1 . SCOPE OF RESPONSIBILITIES

The Police and Crime Commissioner for North Yorkshire is responsible for ensuring that business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Commissioner also has a duty under paragraph 6 of the Police Reform and Social Responsibility Act to make arrangements to secure the maintenance of the police force and to secure that the police force exercises its functions in an efficient and effective manner.

In discharging this overall responsibility, the Commissioner is also responsible for putting in place proper arrangements for governance in facilitating the exercise of her functions. This includes ensuring arrangements are in place to deliver and maintain sound system of internal control and that arrangements are in place for the management of risk.

In exercising this responsibility, the Commissioner places reliance on the Chief Constable to support the governance and risk management processes in his day to day management of the Force and in the use of resources transferred to him by the Commissioner.

## 2 . THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises:

- o the systems and processes, and culture and values by which the Commissioner directs and controls
- o activities through which the Commissioner accounts to and engages with the community.

It enables the Commissioner to monitor the delivery of the Police and Crime Plan and to consider whether the Plan 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 an integral feature of its design is to manage by reference to risk. It is based around a mature culture which provides for a mutual understanding of risk and opportunity used to inform decisions relating to the investment of resources. The system of internal control relies upon the identification and prioritisation of risks to the achievement of the Commissioner's vision and goals.

### 3 . THE GOVERNANCE FRAMEWORK

The governance regime introduced by the Commissioner gives effect to the provisions of the Police Reform & Social Responsibility Act 2011. This framework was designed so that:

- where statutory powers provide for non-operational decision making that rest with the Commissioner at Law, the Commissioner gives consent for certain decisions to be reached by the Chief Constable
- there is clarity on which statutory powers of the Commissioner have been delegated to the Commissioner's staff
- the decision making structure provides for effective management of resources
- proportionate control mechanisms are in place in order to secure probity in the use of public resources and value for money
- the Commissioner can be assured that the highest standards of openness, transparency, integrity, respect for others and corporate governance in the exercise of functions
- the Commissioner is seen to be accountable to the people of the area for the delivery of the service

The governance regime has been subject to some refinement since its initial iteration. These refinements were necessary due to changes in the configuration of the Commissioner's senior officers. The following tabular illustration details the key features of the framework consequent to changes implemented to take effect by 1 May 2013.

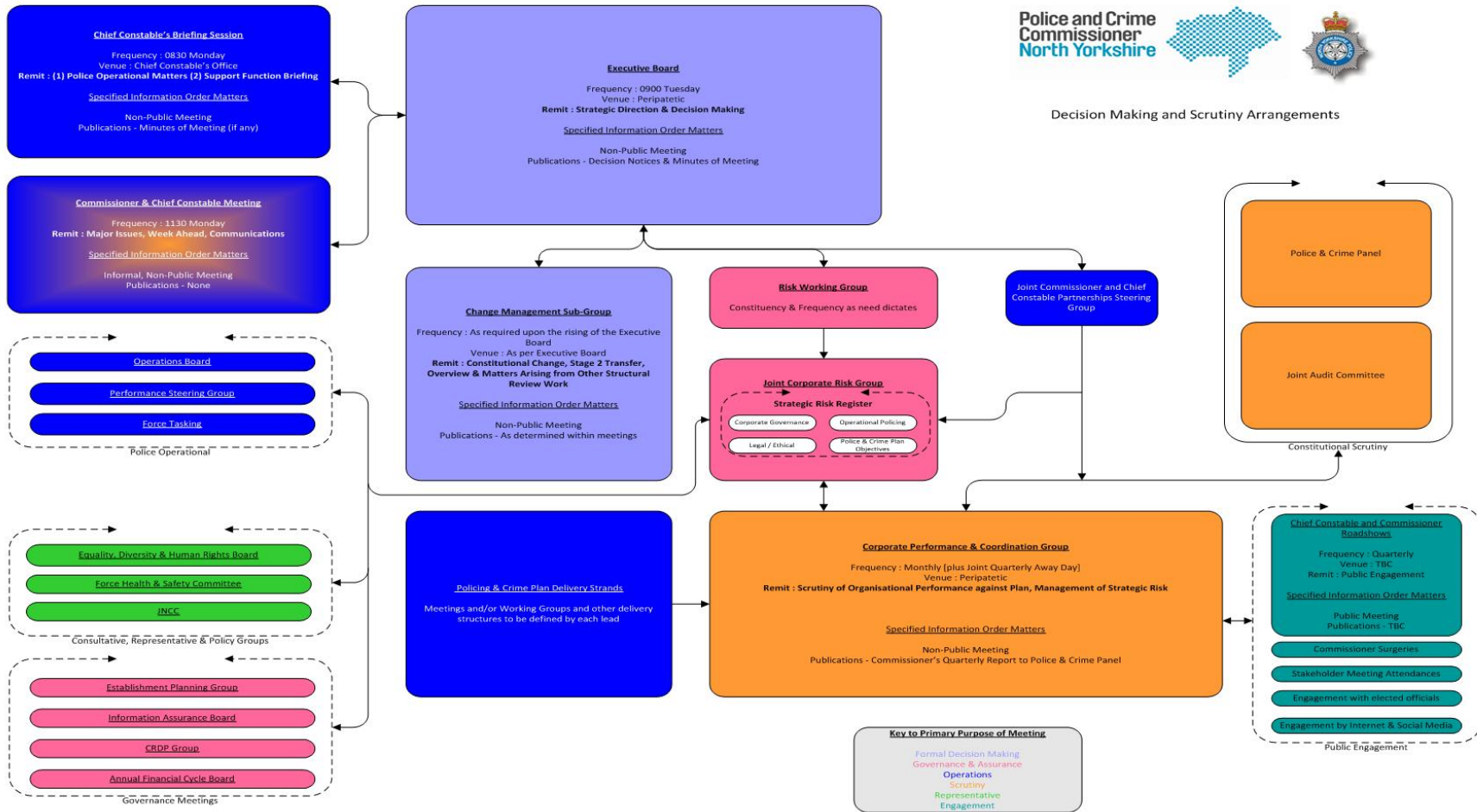
By law the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. It is however the Commissioner who is required to hold him to account for the exercise of those functions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

The Delivery of the Governance Framework is underpinned by the Decision Making and Scrutiny Arrangements adopted by the Commissioner and the Chief Constable. A key driver for the Commissioner is to ensure that significant decisions are made following an appropriate level of engagement with the public. A further aim is to ensure that strategy development is informed in a manner that reflects the joint commitment to deliver both effective policing and the wider aspects of the Police and Crime Commissioner role. To support both of these aims the Commissioner and the Chief Constable undertook a review of senior management and executive roles and the model through which the Force and Commissioner would both deliver and discharge statutory governance and scrutiny requirements.

The model of Decision Making and Scrutiny Arrangements is represented in schematic form below.



Decision Making and Scrutiny Arrangements



## Statement of Principles

The Commissioner and Chief Constable, in developing this framework, have been mindful of the Nolan Principles of public life and have constructed Business Principles for delivery of services to complement these themes

### Nolan Principles

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

### Business Principles

- Putting the public first
- Working in partnership with the Chief Constable
- Minimising bureaucracy and encouraging innovation
- A risk based approach to scrutiny and performance
- Transparency

The key features of the model that facilitate the intended method of working include:

### Executive Board

To make informed strategic decisions following appropriate level of community engagement and incorporating feedback.

### Joint Corporate Risk Group

Jointly chaired by the Deputy Chief Constable and Commissioner's Chief Executive Officer to oversee and ensure that activity is focussed on delivering according to risk and that risk is managed in a collective way in line with the joint Risk Management Strategy.

This Group will own the Strategic Risk Register and ensure sufficient organisational understanding of its contents.

Risks and mitigating action required will be brought to the attention of the Commissioner and the Chief Constable via the Corporate Performance and Co-Ordination Group.

### Police and Crime Plan Delivery Strands

The Strand Leads shall establish delivery mechanisms appropriate to the objectives. The intention is to ensure that there is cross organisational contribution to the achievement of the Police and Crime Plan objectives. It is not simply a case of objective owners being responsible for delivery, the approach is that each area of the organisation will be required to demonstrate how they are contributing to the Police and Crime Plan objectives.

### Corporate Performance and Co-Ordination Group

Jointly chaired by the Commissioner and the Chief Constable. The group will scrutinise performance and will do this via a risk based approach. It will focus on the risks pertinent to the delivery of the plan objectives and any emerging themes from the Corporate Risk Register infrastructure.

Future considerations will include the expansion of this model beyond NYP into the wider aspects of the Commissioner's role.

Over time the approach will develop into a focus on six months ahead and with increasing focus on risk awareness and prevention. The style is one which supports a learning environment.

### Joint Independent Audit Committee

The Joint Independent Audit Committee supports both the Commissioner and Chief Constable. It provides an additional assurance mechanism on the overall governance arrangements and adopts a critical friend approach.

### Police and Crime Panel

The Police and Crime Panel is a valuable resource and is responsible for scrutinising the Commissioner, promoting openness in the transaction of Police business and also supporting the Commissioner in the effective exercise of their functions.

The Panel has a range of statutory functions and whilst these are distinct and separate from the Commissioner the role that the panel has to play in enabling the effective delivery of the totality of policing in North Yorkshire is recognised and respected.

The following table describes the key elements of the systems and processes that comprise the governance arrangements that have been put in place by the Commissioner. A separate Annual Governance Statement has been prepared that reflects the position in relation to those areas of the governance environment that are wholly discrete to the Chief Constable.

	Commissioner's Arrangements	Police & Crime Plan Goals	Areas for Development
1.	It is recognised that the Commissioner must have arrangements for monitoring the achievement of the vision, goals and outcomes contained in the Police and Crime Plan and arrangements for performance management in that regard.		
1.1	<p>The Commissioner's communication arrangements (including but not limited to the formal protocols adopted pursuant to decision notice 05/2012 are designed to ensure that the Commissioner can effectively engage with the communities of North Yorkshire. This allows for the Commissioner to seek community input in relation to Police and Crime Plan priorities and bring to life the Vision, "Be safe, feel safe" . In doing so this enables the Commissioner to:</p> <ul style="list-style-type: none"> <li>• ensure that the Chief Constable is held to account for policing delivery</li> <li>• maintain Commissioner accountability for overall policing and crime delivery</li> <li>• ensure positive and fair representation of the police to the public as a means of increasing trust and confidence</li> <li>• promote the delivery of community safety projects funded through community safety grants given by the Commissioner</li> <li>• ensure that the public are closely involved in consultation upon matters of public interest at as early a stage as possible</li> </ul>	<p>1. Reduce harm</p> <p>2. Put people first</p>	<p>To act on the recommendations of the external scrutiny sought by the Commissioner regarding the communications function. This will inform the design and capacity of the function in order to service the Commissioner's internal and external communication requirements. These requirements will enable delivery of the people first goal in understanding and responding to individual and local needs in order to reduce harm.</p>
1.2	<p>The Commissioner sought feedback from communities prior to the publication of the Police and Crime Plan 2013 – 2017. It is recorded in the plan that the Commissioner shall regularly review the plan in order that it continuously reflects community crime and community safety priorities.</p> <p>The plan lists a variety of ways in which the Commissioner shall engage with and feedback to the community. This engagement activity is integral to the ongoing development and review of the plan to ensure that it may be refined in order to continuously reflect the needs of the communities of North Yorkshire and deliver the Be safe, feel safe vision.</p> <p>Further details of the arrangements to discharge the Commissioner's obligation to engage with the communities she serves (so as to carry into effect the legitimate desires and aspirations of the public) are set out later in this table at section 8.</p>	<p>2. Put people first</p>	<p>Completion of quarterly performance reviews against the Police and Crime Plan Deliverables (PCP).</p> <p>Embedding the new decision-making and scrutiny arrangements ensuring public consultation in incorporated at the earliest opportunity.</p> <p>Develop mechanisms to enable the monthly Corporate Coordination and Performance Group to discharge its terms of reference to monitor and scrutinise performance and to determine and embed priorities to support the achievement of objectives.</p> <p>Establish a schedule of quarterly public meetings ("Roadshows") at which performance is scrutinised.</p> <p>Establishment a working rapport with the Police &amp; Crime Panel in the scrutiny of the Commissioner's activities.</p> <p>To continuously exploit community engagement opportunities.</p>



1.3	<p>A Medium Term Financial Plan (MTFP) is updated quarterly and incorporated into budget reports and quarterly out turn reports. These will be reported to the Corporate Performance and Coordination Group.</p> <p>The MTFP is complemented by the Workforce Plan which provides the required link between financial and people planning. This is supported by the calendar of recruitment activity which schedules recruitment and promotion activity in response to organisational financial requirements.</p>	<p>1. Reduce harm</p> <p>3. Deliver more with less</p> <p>5. Drive justice</p> <p>6. Police UK</p>	<p>The development of the MTFP will incorporate the extended areas of the Commissioner's responsibility for Policing and Crime Prevention in North Yorkshire.</p> <p>Future strategic planning activities will build on existing Partnership arrangements and where appropriate commission alternative delivery methods. Specifically this will incorporate the identification of how partnership plans and related innovations contribute towards the "More with Less" goal of the Police and Crime Plan. The associated funding and resource requirements will be built in to the MTFP.</p>
1.4	<p>The Commissioner and Chief Constable are committed to working in Partnership to deliver the shared vision and goals of the Police &amp; Crime Plan. Delivery will be supported by the Decision Making &amp; Scrutiny Arrangements in order to identify key areas and investment need.</p> <p>Where the opportunity exists to develop Joint Strategies, this will be embraced in order to support the business model adopted by the Commissioner and Chief Constable.</p>	<p>3. Deliver more with less</p> <p>4. Fit for the future</p>	<p>The development and review of Joint Corporate Strategies will be required to ensure the full remit of the Commissioner's responsibilities is satisfied, for example, a Commissioning Strategy.</p>
1.5	<p>A planning and forecasting tool has been developed to support the delivery of the Police and Crime Plan. This is subject to regular refinement in order to ensure that its component elements remain mutually complementary. These include the Medium Term Financial Plan, the Medium Term People Plan, Corporate Strategies and the Capital &amp; Revenue Development plan. This informs annual budget setting and progress is subject to appropriate scrutiny through the Performance Management Framework.</p>	<p>1.Reduce harm</p> <p>4. Fit for the future</p> <p>5. Drive Justice</p> <p>6. Police UK</p>	<p>The planning and forecasting tool requires the incorporation of commissioning and partnership activity to ensure the full remit of the Police and Crime Plan. This will have particular focus on delivering "More with Less" and ensuring that policing in North Yorkshire is "Fit for the Future".</p>
1.6	<p>A Corporate Performance &amp; Co-Ordination Group (CPCG) has been established and meets monthly in order to enable the Commissioner to:</p> <ul style="list-style-type: none"> <li>• scrutinise, on behalf of the community, information pertaining to North Yorkshire Police performance in relation to the delivery of Police and Crime Plan</li> </ul>	<p>1. Reduce harm</p> <p>5. Drive justice</p>	<p>The Corporate Performance and Coordination Group has to develop and define how performance will be managed and reported. The precise method for delivering the product of CPCG scrutiny to inform the deliberations of the Police &amp; Crime Panel needs to be settled upon and brought into effect in line with the performance, accountability and public accessibility elements of the Police and Crime Plan.</p>

	<ul style="list-style-type: none"> <li>• hold the Chief Constable to account for the delivery of the Police and Crime Plan.</li> </ul> <p>The Corporate Performance &amp; Coordination Group is designed to develop a risk based basis for performance management and scrutiny. This will be the basis of onward reporting for consideration of the Police &amp; Crime Panel.</p> <p>These arrangements will be supported by the Chief Constable's Performance arrangements. A fuller explanation of those Performance management arrangements are included within the Chief Constable's AGS.</p>	6. Police UK	
<p>2. The Commissioner and Chief Constable are fully committed to delivering against and achieving the outcomes of the Police and Crime Plan. Risks are always present and may have operational, financial, legal or reputational impacts. Effective management of these risks is important and there is a strategic commitment to work in away that balances risk aversion and risk taking. The Commissioner and Chief Constable have the following arrangements to identify, assess and manage the risks to achieving objectives.</p>			
2.1	<p>The Commissioner and Chief Constable have enhanced the approach to risk management in a manner that allows additional support for decision making and to reflect the change to the governance regime. Refinements consequent to the review of the Commissioners senior executives are to be incorporated into a revised strategy for formal adoption by the Commissioner and Chief Constable in early course.</p> <p>The changes place risks and opportunities arising from business meetings at the heart of performance and scrutiny functions in a way that supports the continued delivery of business objectives and Police and Crime Plan goal outcomes for the communities of North Yorkshire.</p>	4. Fit for the future	<p>Finalisation and formal adoption of the joint Risk Management Strategy for the Commissioner and the Chief Constable which sets out the intention to engage frankly with organisational risk.</p> <p>Embedding the new way of managing risk that forms a key part of performance management and scrutiny function.</p> <ul style="list-style-type: none"> <li>• recent and ongoing changes to the structure of the Commissioners senior executives</li> <li>• the need to promote the cultural change to ensure success of the new ways of working</li> <li>• successfully delivering change whilst continuing to discharge 'business as usual' activities</li> <li>• new concepts and initiatives that present themselves as a means to the discharge of the Commissioner's functions</li> <li>• Reflecting the relevant aspects of the respective Governance statements in a manner that is conducive to active monitoring by relevant groups.</li> </ul>
2.2	<p>The Commissioner has extended (until March 2014) the contract for the provision of Internal Audit services from the West Yorkshire Police and Crime Commissioner to both the Commissioner and the Chief Constable of North Yorkshire Police.</p> <p>The Commissioner and Chief Constable have established an Independent Audit Committee in line with the Financial Management Code of Practice. The detailed arrangements for the operation of the Joint Independent Audit Committee are set out in its terms of reference.</p>	4. Fit for the future	<p>Ensure that the Risk Management and Internal Audit functions are sufficiently integrated in a manner that enhances the Commissioner and Chief Constable joint internal control environment.</p> <p>This will include active engagement of the internal audit function at relevant governance meetings.</p> <p>The annual work programme will require consideration of the incorporation of partnership activity.</p>

			<p>The audit schedule has now been published.</p> <p>Ensure that the deliberations of the Joint Corporate Risk Group consider emerging themes pertinent to operational risk that may require utilisation of audit resource.</p>
2.3	Business Continuity Planning arrangements are in place to ensure the continued delivery of critical functions. Where necessary refinements are in hand to reflect emerging organisational structures and will be further developed to ensure continued delivery during transitional activity.	4. Fit for the future	Ensure that business continuity plans continue to ensure organisational resilience during and subsequent to any structural changes.
2.4	The former Internal Control, risk & Compliance Group has now been reconstituted as a Risk Working Group, able to conduct its deliberations on a Legally Professionally Privileged basis. The Group will inform and "feed" the Joint Corporate Risk Group	4. Fit for the future	To embed the revised arrangements.
2.5	<p>The arrangements for the collation and dissemination of points of organisational learning from a range of sources are delivered under the auspices of Professional Standards.</p> <p>The Commissioner and Chief Constable recognise that there are many opportunities for, and internal and external sources of Organisational Learning.</p>	<p>1. Reduce harm</p> <p>2. Put people first</p> <p>4. Fit for the future</p>	<p>A recently published WY Internal Audit report recommended the greater involvement of other departments in the dissemination and implementation of Organisational Learning. In particular changes to procedures and practices which arise from lessons learned and it is therefore envisaged that a "whole Force" approach to organisational learning will be adopted in future.</p> <p>The Joint Corporate Risk Group shall explore opportunities to communicate points of organisational learning in a manner that supports the Commissioner's "people first" goal. These include;</p> <ul style="list-style-type: none"> <li>• Problem Solving Plan outcome measures that are reviewed against activity and then shared as best practice ( for example a specific operation at York where practices were then shared across the force to support crime reduction and prevention initiatives)</li> <li>• Operations shared at Force TT&amp;CG or Ops Board that are good examples of best practice (documented through the minutes and actions and scrutiny of the actions being completed).</li> <li>• Formal debriefs from operations (e.g. firearms or policed events)</li> <li>• Peer group sharing of good practice across a function (for example in R&amp;R where monthly team briefings are formulated and cascade briefed across the function and sometimes to other functions that highlight learning or best practice)</li> </ul>
2.6	The Commissioner has indicated her wish to ensure that matters relating to the handling of complaints against police (in particular, the investigation of complaints against police) are conducted with the maximum degree of independence from the Force in order to reassure the public that the Police will not be investigating their own potential default, when complaints are made. The final shape and structure of the arrangements for Complaints, Standards and Ethics within NYP has yet to be decided upon. A decision in this regard has a partial dependency upon the Home Secretary's anticipated announcement in respect the proportion of Police Force Professional Standards Department funding that she wishes to transfer to enhance the Capacity and Capability of the Independent Police Complaints Commission.	2. Put people first	In delivering the Commissioner's "people first" goal and specifically the stated intentions of assurance and transparency, the Commissioner and Chief Constable will adopt a statement of intent that seeks to define the direction of travel toward the Police and Crime Plan objective to achieve the maximum degree of independence and transparency in complaints handling and investigations.

<p>3. The Commissioner has undertaken a fundamental review and established new arrangements to facilitate policy and decision making. A critical aspect of the new arrangement is the intention to consult and engage with communities on major strategic decisions and to make such decisions in a consultative and transparent manner. Senior Management focus has been placed on ensuring that the arrangements to ensure compliance with established policies, procedures, laws and regulations by the Commissioner are robust. This has included a review of Senior and Statutory Officers roles and the way in which decision making is discharged.</p>			
<p>3.1</p>	<p>A policy of joint working has been implemented this includes an Executive Board to set strategy for both organisations and allows for joint consideration of decisions that are retained by the Commissioner. The arrangements in the latest iteration have had effect since 1 May 2013.</p> <p>The Scheme of Delegation sets out how the Commissioner has arranged for the exercise of the statutory functions of a Police and Crime Commissioner pursuant to The Police Reform and Social Responsibility Act 2011. It specifically details:</p> <ul style="list-style-type: none"> <li>• the arrangements made by the Commissioner for persons to carry out functions on behalf of the Commissioner</li> <li>• how decisions are made and by whom</li> <li>• practical arrangements for ensuring the most efficient discharge of the Commissioner's functions, whilst ensuring that relevant professional advice has been sought</li> <li>• arrangements for recording and publication of decisions</li> </ul> <p>The Scheme of Delegation is supplemented by the Commissioner's Financial Regulations, Contract Regulations and Property Procedure Rules. These set out in more detail parameters by which those with delegated powers shall operate and exercise responsibility for the proper administration of the Commissioner's affairs.</p>	<p>2. Put people first</p>	<p>The development of an additional interactive tool for officers and staff will be developed to enhance the existing policies and procedures that support current regulations. This internal tool will provide a user friendly system for identifying key delegations and associated approval routes.</p> <p>Arrangements for defining and developing policies to be settled.</p>
<p>3.2</p>	<p>The Police and Crime Panel convenes regularly throughout the year and provides a valuable scrutiny and support function to the Commissioner.</p> <p>The statutory regime sets out the powers and duties of the Police and Crime Panel.</p>	<p>4. Fit for the future</p>	<p>Embed and enhance the Commissioner's positive working relationship with the Police and Crime Panel. Ensure that the scrutiny of performance at the Corporate Performance &amp; Coordination Group is made available to the Police and Crime Panel in an appropriate form in order to enable their scrutiny of the arrangements and in turn its scrutiny of the Commissioner.</p>
<p>3.3</p>	<p>The Joint Independent Audit Committee has been established. This body provides assurance in relation to the systems of internal control utilised by the Commissioner and Chief Constable.</p>	<p>3. Deliver more with less 4. Fit for the future</p>	<p>Build positive relationships with the new member(s) and Chairman.</p> <p>Ensure the Audit Committee understand, support and derive assurance from the enhanced joint corporate risk management arrangements.</p> <p>A risk based programme of work is being developed to complement the Decision Making and Scrutiny arrangements.</p>

3.4	<p>The Memorandum of Understanding between the Commissioner and the Chief Constable reflect how it is envisaged that the Policing Protocol will be given effect in the delivery of Policing services in North Yorkshire.</p> <p>By law the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. It is however the Commissioner who is required to hold him to account for the exercise of those functions and those of the persons under his direction and control. This is done in a manner that recognises the commitment of the Commissioner and Chief Constable to abide by the working principles of the Policing Protocol as set out in the Schedule to the Policing Protocol Order 2011.</p>	<p>1. Reduce harm</p> <p>2. Put people first</p> <p>3. Deliver more with less</p> <p>4. Fit for the future</p> <p>5. Drive justice</p> <p>6. Police UK</p>	<p>Keep the Memorandum of Understanding under constant review and ensure that the necessary scheme of governance is developed and adopted to reflect the governance and delivery settlement arrived at pursuant to Stage 2 transfer.</p>
3.5	<p>The Commissioners Statutory Officers are identified in the Scheme of Delegation. These officers have specific designated duties in order to ensure that the Commissioner's functions are conducted lawfully and that the use of resources demonstrates value for money. Protocols are in place for these roles.</p>	<p>4. Fit for the future</p>	<p>To conduct a review of these arrangements in 6 months in order to take account of how their effectiveness and identify any emerging risks and issues.</p>
3.6	<p>Arrangements for a declaration of Disclosable Interests including gifts and hospitality have been adopted by the Commissioner. These arrangements are included in the Code of Conduct for the Police and Crime Commissioner.</p> <p>There are comprehensive arrangements in place for the Commissioner's staff and Police Officers in the Gifts, Gratuities and Hospitality procedure. These have been revised and enhanced in light of the recommendations arising from the HMIC's integrity related "Without Fear or Favour" report.</p> <p>As part of the Final Accounts process, Related Party Transaction details are sought from senior officers and staff in both organisations.</p>	<p>2. Put people first</p>	<p>Enhance the arrangements for monitoring and ensuring compliance on an ongoing basis in a manner that matches the stated Police and Crime Plan Commitment to performance, accountability and public accessibility.</p> <p>The Commissioner has committed to publishing all items of expenditure over £500 in this regard.</p>
<p>4. Having arrangements for ensuring the economical, effective and efficient use of resources and assets is essential to delivering the goals and outcomes of the Police and Crime Plan. This goes to the heart of the "people first" and "fit for the future" aspects of the police and crime plan</p>			
4.1	<p>The Medium Term Financial Plan continues to be developed in order to address the funding requirements of policing demands in North Yorkshire.</p> <p>The Commissioner has approved a Treasury Management Strategy which sets out the management approach to investment and cash flow and the management of risk in that regard.</p>	<p>3. Deliver more with less</p> <p>4. Fit for the future</p>	<p>The Commissioner and Executive recognise there significant financial challenges in future. This remains under constant review in relation to the delivery of the Police and Crime plan.</p>

4.2	Revisions to the Financial Regulations and the Devolved Resource Manual have been implemented to reflect the changes in the Governance environment.	3. Deliver more with less 4. Fit for the future	
4.3	The statutory Chief Finance Officers carry out regular reviews of the management accounts and the Capital & Revenue Development Programme (CRDP) out turn. Additional scrutiny is provided for at the Annual Financial Cycle Board and the CRDP Delivery Board. The key features of these reviews are incorporated into quarterly out turn reports to the Corporate Performance & Coordination Group.	1. Reduce harm 2. Put people first 3. Deliver more with less 4. Fit for the future 5. Drive justice 6. Police UK	<p>There is commitment from the Executive Board to actively consider the forecasted out turn and target resources at activities in support of the Police and Crime Plan as the year progresses. Opportunities will be maximised where efficiencies are identified in order to invest in the following areas;</p> <ul style="list-style-type: none"> <li>• Proactive police initiatives</li> <li>• Reassurance police initiatives</li> <li>• Crime prevention initiatives</li> </ul> <p>These shall be targeted and focussed to address community priorities identified within the Police and Crime plan.</p>
4.4	<p>The Quarterly Management Accounts reports will be submitted to the CPCG. The annual Statutory Statement of Accounts and associated Management Accounts Final Outturn reports are presented to Executive Board.</p> <p>The CPCG has the relevant Commissioner and Force senior management representation to effectively scrutinise these reports.</p> <p>The implications of Management Accounts and Final Outturn reports are incorporated into the Quarterly MTFP updates presented to Executive Board.</p>	3. Deliver more with less 4. Fit for the future	
4.5	A Fundamental part of the decision making and scrutiny arrangements is the inclusion within related decision making proposals the requirement to explain business benefits.	1. Reduce harm 2. Put people first	Continue to ensure that Public consultation remains at the forefront of the decision making process.
4.6	The 2013/14 budget has been balanced by the removal of further efficiencies.	3. Deliver more with less 4. Fit for the future	<p>Significant budget gaps remain for future years despite prudent provision for loss of central government grant anticipated as a result of the upcoming Comprehensive Spending Review. Work is in progress to identify the most practical method of delivering further efficiencies to cover these gaps.</p> <p>The gap has been identified as having a range between £1.5m to £4.5m for 2014/15 based on a range of assumptions. The Commissioner recognises the need for engagement needed at national level via the Home Office and Local MPs</p>

<p>4.7</p>	<p>The Commissioner's Asset Management Strategy is complemented by rolling replacement programmes for property, vehicle and IT assets. These continue to inform the development of the Capital and Revenue Development Programme. As before these are utilised to inform the Medium term planning.</p> <p>The Asset Management Strategy is underpinned by a number of strategies and work streams. In respect of the Estates and Transport functions, the programmes are mature and have been in place for a number of years in respect of the maintenance and repair of the estate and vehicles and the replacement of vehicles via an annual replacement programme. Additionally, the Estates strategy looks at estates assets to determine if those assets are effectively supporting operational service delivery and securing best value for the organisation. This approach underpins the acquisitions and disposals work streams within the Estates Function.</p> <p>The Commissioner has given active consideration to the development of a Northern Base. A proposal was developed to look at re-provision of the Northallerton Police Station and the very old and outdated custody suite in that facility. As the Headquarters (HQ) facility is in the same locality (and had been identified in the Estates Strategy as a facility that should be considered for re-provision) it is logical to consider the HQ site alongside the Northallerton Police Station and custody suite re-provision in order to secure the benefits that would arise from having a single facility to accommodate both functions.</p>	<p>3. Deliver more with less</p> <p>4. Fit for the future</p>	<p>The IT strategy is less well developed and currently subject to review. The desire to move toward a mobile workforce, supported by a robust technical infrastructure and appropriate assets will undoubtedly form a significant part of the Asset Management Strategy as the organisation moves towards a Role Based Assets delivery model.</p> <p>IT strategy will be developed by Autumn 13 in line with the operation vision for mobile working.</p> <p>Work is ongoing on role based asset and development activity will continue when the responsibility for role based assets transfers to Head of Workforce Support Services. This will inform the content of an IT asset capital rolling programme in future.</p> <p>The necessary work to prepare for the establishment of a new Northern base, will continue.</p> <p>These are activities that support the Police and Crime Plan "fit for the future" goal.</p>
<p>4.8</p>	<p>Organisational transition has continued by virtue of the change in the strategic governance arrangements for the police service.</p> <p>Implementation of changes continues as the impact of the recent Strategic Management changes is translated to the next levels of management.</p>	<p>1. Reduce harm</p> <p>2. Put people first</p> <p>3. Deliver more with less</p> <p>4. Fit for the future</p> <p>5. Drive justice</p> <p>6. Police UK</p>	<p>The preparation of a Stage 2 transfer scheme will engage further transitional considerations. Arrangements for monitoring the implementation of additional transition are to be settled.</p> <p>Opportunities for collaboration with other North Yorkshire public sector partners are being explored in line with the Fit for the Future goal.</p>
<p>4.9</p>	<p>Understanding, addressing and efficiently meeting demand through preventative and commissioning activity.</p>	<p>1. Reduce harm</p>	



		2. Put people first	
5. There is acknowledgement and commitment from key role holders to take personal responsibility in executing their functions with probity and the utmost integrity. In doing so they embrace and promote the Nolan principles (Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership). They further undertake to utilise the law to appropriate effect in pursuit of the organisations objectives			
5.1	As per 3.5 above the Commissioner has appointed a Monitoring Officer (the Commissioner's Chief Executive Officer) as set out in the Scheme of Delegation and Monitoring Officer Protocol. Similarly the Commissioner and the Chief Constable have appointed Chief Finance Officers pursuant to paragraph 6(1)(b) of Schedule 1 to the Police Reform and Social Responsibility Act 2011.	4. Fit for the future	The newly appointed Chief Executive Officer and the Head of Legal Services shall undertake a review of the monitoring officer protocol in early course.
5.2	The Scheme of Delegation and supporting instruments which detail the expectations of those empowered to make decisions under that scheme are published on the Commissioner's website and on the intranet.	2. Put people first	
5.3	The Commissioner has published on her website procedural arrangements for the consideration of complaints against those staff not under the direction and control of the Chief Constable.  In addition the Commissioner has also published a Code of Conduct. This is referenced at 3.6 above.  The arrangements for dealing with complaints against Police Officers and police staff are set out in recently revised regulations and IPCC statutory guidance. In addition NYP publish a local complaints procedure which reflects statutory arrangements.  There is a standing invitation for the Commissioner or her delegate to inspect complaints files and other PSD records.	2. Put people first	The revised arrangements for dealing with complaints contain a greater emphasis upon the local resolution of complaints and have resulted in a considerably enhanced workload for PSD's as a result of transfer of the responsibility for dealing with the majority of complaint related appeals from the IPCC to Police Forces.
5.4	The Commissioner has adopted Anti-Fraud, Anti-Corruption and Confidential Reporting Arrangements which provide for the Head of Professional Standards to co-ordinate this aspect of the Commissioner's affairs.  The Anti-Fraud, Anti-Corruption and Confidential Reporting Arrangements procedure is readily available to staff.	2. Put people first  5. Drive justice	There has been an exponential year on year rise of use by members of NYP of the Anonymous Messenger system the existence of which contributes to reassurance for the organisation and contributes to the creation of an unsafe environment for those who may choose to act corruptly. It is essential that these arrangements remain in place and continue to be regularly promoted.
5.5	Awareness Raising in relation to the Anonymous Messenger and other reporting systems is promoted by the Head of Professional Standards.		
5.6	Arrangements for the servicing of requests for information pursuant to the Data Protection Act and Freedom of Information Act are co-ordinated by the Civil Disclosure Unit.  The Commissioner has committed to meeting and where possible exceeding under the Elected Local Policing Bodies (Specified Information) Order.	2. Put people first	Completion of the Commissioner's new website to incorporate the products of the review of transparency and compliance undertaken by the legal advisors.



5.7	<p>The provision of Equality and Human Rights compliance advice to the Commissioner and Chief Constable is provided under the auspices of Legal Services. This is focussed on compliance in a manner that permits the seizure of opportunities for people from minority groups to actively contribute to the development of improved, inclusive policing services.</p> <p>The EDHR Leadership Board continues to meet regularly to co-ordinate the joint approach to such matters.</p>	2. Put people first	Develop the role of the Equality, Diversity and Human Rights Board so that emerging opportunities for community engagement can be considered by the Executive Board where necessary.
5.8	<p>Changes in the structure of North Yorkshire Police envisage the transfer of management of the Chief Constable's Delivery Unit (CCDU) from Professional Standards to Organisational Development under the leadership of the Commissioner's Chief Finance Officer. The administration of Policies and Procedure will therefore also be transferred.</p>		
<p>6. The arrangements for the management of the Commissioner's financial affairs have been put in place and the Statutory officer arrangements will be subject to a 6 month assessment. Ongoing scrutiny is arranged for the forthcoming period and an audit schedule has been approved and published.</p>			
6.1	<p>The Commissioner has approved Financial and Contract Regulations, Property Procedure Rules and a Scheme of Delegation which set out a framework within which the Financial affairs of the Commissioner and the Chief Constable are managed.</p> <p>The statutory Chief Finance Officers have responsibility for the overall management, monitoring and control of the financial affairs of the Commissioner and the Chief Constable.</p> <p>These arrangements have shared access to the resources of the Finance team and their statutory responsibilities and working relationship is supplemented by a Chief Finance Officer Protocol and Information Sharing Protocol.</p> <p>The Commissioner has adopted Treasury management policies and procedure which comply with the "Code of Practice for Treasury Management".</p>	<p>3. Deliver more with less</p> <p>4. Fit for the future</p>	As part of adopting a learning approach, a review of the arrangements as for their efficiency shall be undertaken in 6 months.
6.2	<p>The statutory duties of the Monitoring Officer and the Chief Finance Officers in relation to financial management derive from five principal sources:</p> <ul style="list-style-type: none"> <li>o Section 151 of the Local Government Act 1972</li> <li>o Section 114 of the Local Government Financial Act 1988</li> <li>o Local Government Act 2000 (particular decisions contrary to policy or budget)</li> <li>o Local Government Act 2003 (prudential limits for borrowing and investment)</li> <li>o Accounts and Audit Regulations 2003 (as amended)</li> </ul>	<p>3. Deliver more with less</p> <p>4. Fit for the future</p>	

6.3	<p>A Statutory Code of Practice is in place for financial administration within the police service setting out the respective responsibilities of the Commissioner the Chief Constable and the Statutory Officers. Within the North Yorkshire Police Service, the Commissioners Chief Finance Officer is the principal advisor to the Commissioner on all financial matters. In NYP financial advice to the office of the Chief Constable is provided by the Chief Constable's Chief Finance Officer who is also a member of the Executive Board.</p>	<p>3. Deliver more with less 4. Fit for the future</p>	
6.4	<p>The Chief Constable's Chief Finance Officer drafts the Medium Term Financial Plan as part of the annual budget report and quarterly out turn reports and presents it to the Corporate Performance &amp; Coordination Group. The Commissioner's Chief Finance Officer ensures production of the necessary financial information to support the Commissioner in considering and approving the Revenue Budget, Precept, Capital Plan, Efficiency Plan and Treasury Management Position annually and amendments during the year as required.</p> <p>The Commissioner's Chief Finance Officer is responsible for determining the accounting procedures, the form of financial records and statements and for maintaining the financial accounts of the Group and seeks assurance from the Chief Constable's Chief Finance Officer in that regard. The Chief Constable's Chief Finance Officer ensures that proper accounting arrangements are established throughout the Force. The Chief Constable's Chief Finance Officer is responsible for the satisfactory operation of financial and accounting systems within North Yorkshire Police and the Commissioner's Chief Finance Officer undertakes this role for the Commissioner.</p>	<p>3. Deliver more with less 4. Fit for the future</p>	
6.5	<p>A Devolved Resource Manual has been updated and maintained under the new governance arrangements. The Commissioner and the Chief Constable will publish annual statements of account that conform to all statutory and professional requirements, codes of practice and timetables</p>	<p>3. Deliver more with less 4. Fit for the future</p>	<p>The development and incorporation of partnership working will require consideration at the next six monthly cycle of review of the DRM.</p>
6.6	<p>Mazars LLP have been appointed auditors to both organisations for 2012/13. They will publish annual audit letters in the autumn setting out their assessment of the accounts and the extent to which the value for money in the use of resources has been achieved.</p>	<p>3. Deliver more with less 4. Fit for the future</p>	
<p>7. Many aspects of the Police and Crime Plan will be achieved through partnerships and joint delivery with partners will be the key to successfully achieving the outcomes of a number of aspects of the plan. The Commissioner needs to be assured that partner agencies and those delivering on our behalf, share our overall approach to good governance.</p>			

7.1	<p>The governance arrangements in respect of partnerships including Community Safety Partnerships have been maintained for 2012/13 financial year.</p> <p>A Section 22A agreement with complementary subordinate functional agreements (also amounting to section 22A agreements in their own right) is in place in relation to police collaboration in Yorkshire and the Humber.</p>	<ol style="list-style-type: none"> <li>1. Reduce harm</li> <li>2. Put people first</li> <li>3. Deliver more with less</li> <li>4. Fit for the future</li> <li>5. Drive justice</li> <li>6. Police UK</li> </ol>	<p>The future development of partnership arrangements will be led by the Commissioner's Office working closely with the Chief Constable and partner agencies.</p> <p>Future business planning processes will incorporate the development of a Commissioning Strategy. This strategy will inform future partnership requirements in order to put people first in delivering services to communities that drive justice.</p>
7.2	<p>The governance arrangements associated with Regional working remain with the Commissioners' replacing the previous Police Authority representation at respective board structures.</p>	<ol style="list-style-type: none"> <li>1. Reduce harm</li> <li>2. Put people first</li> <li>3. Deliver more with less</li> <li>4. Fit for the future</li> <li>5. Drive justice</li> <li>6. Police UK</li> </ol>	<p>All Regional Collaborative working activity should be assessed under the same principles as any other partnership activity when considering how best to achieve the organisational service requirements. The future Commissioning Strategy would be intended to take cognisance of this.</p> <p>The management and governance arrangements of Regional Working will be considered in light of how they support the Commissioner and Chief Constable in relation to the adopted business model and the delivery of the vision and goals in the Police &amp; Crime Plan.</p>
8. arrangements for consulting and communicating with stakeholders			
8.1	<p>One of the fundamental duties of the Commissioner is to ensure that the public are informed, involved and have a genuine say in shaping how policing is delivered across North Yorkshire. The Commissioner has developed a plan for engagement that includes statutory means such as consulting on the Police and Crime Plan and issuing an Annual Report.</p>	<ol style="list-style-type: none"> <li>2. Put People First</li> </ol>	<p>The consultation on the first Police and Crime Plan was far more wide ranging than had ever been the case before. However, the Commissioner wishes to develop her engagement activities to ensure greater, more inclusive representation of all communities and that the focus on online and digital engagement is balanced by the needs of older and more vulnerable members of the public to have more accessible means to feedback views and ensure their priorities are met.</p>

8.2	<p>Representing the public and championing their cause with the police and partners has become a core part of the Commissioner's role. She executes this by meeting with representatives of a range of public bodies including housing associations, residents groups, membership organisations, charities, the voluntary sector and with individual members of the public through a programme of meetings and surgeries.</p>	2. Put People First	<p>Geographical coverage for surgeries needs to be considered in a more planned and systematic way and publicising surgeries needs to be done more effectively. The importance of the Commissioner's 'Third Sector Thursdays' needs to be emphasised, particularly as the commissioning strategy is developed.</p>
8.3	<p>Engaging with stakeholders and partners is also a vital part of the Commissioner's activities and is instrumental in developing an effective future commissioning strategy</p>	2. Put People First	<p>The Commissioner has an on-going programme of engaging with elected members and officers from local government including Parish, District, Borough, County and City councils. She also meets regularly with all eight Members of Parliament in Westminster and locally. These activities need to be formalised and regular communications developed to ensure that partners are fully engaged in the Commissioner's plans and work. There also needs to be more 'joined up' working across key strategic issues, which will be done by the recently refreshed Community Safety Forum and reform of the Community Safety Partnerships</p>
8.4	<p>Police Officers, staff and their representatives are vitally important stakeholders for the Commissioner and she has in place regular meetings with the Police Federation and UNISON, as well as dialogue with representatives of the Police Superintendents Association. In addition, regular informal sessions are held with members of the workforce and she hosts webchats monthly during which officers and staff are encouraged to participate.</p>	2. Put People First	
8.5	<p>The Commissioner has put in place new communication tools and methods to ensure that she keeps the public and stakeholders informed, up to date and involved. She is also committed to being as transparent as possible and to provide information quickly and easily.</p>	2. Put People First	<p>A new website and community-based communication tools are to be launched, which mean that information is far more easily accessible and readily available. These tools need to be developed with the user experience at the forefront to ensure full transparency and ease of access to information. The Commissioner is also committed to providing the public with a range of practical tools that will help them access services.</p>

**4. REVIEW OF EFFECTIVENESS**

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:

- the system of internal audit
- the system of internal control.

These reviews have been undertaken by the Commissioner, the Commissioner’s Chief Executive Officer, the Commissioner’s Chief Finance Officer the Force Solicitor and the Head of Professional Standards. Their work has been informed by the work of internal auditors, and also senior members of the Commissioner’s staff 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 the period March - June, a comprehensive review of the governance environment took place. The focus has been on the Joint arrangements developed by the Commissioner and Chief Constable with a view to the identification of areas for development for the coming financial period.

The review was carried out in the light of the recent changes in police service governance. It took into account the following key organisational drivers:

- The need to prepare and deliver a Stage 2 transfer scheme as required by the Home Secretary in a manner which provides for stability following any necessary structural modifications
- Increasing challenges to the longer term financial and operational sustainability of Policing in North Yorkshire and the need to deliver the Police and Crime Plan goals while acknowledging Financial pressures
- The requirement for the police service nationally to continue to deliver savings over the next few years in light of the continuing Comprehensive Spending Review pressures and budget and the settlement received by the Commissioner
- The impact on the Police Fund consequent to the implementation of the Hutton and Winsor review recommendations and the changes to police officer and staff terms and conditions and pensions.

The Commissioner’s Chief Finance Officer has reviewed these for their impact and the findings were presented to the Commissioner to enable an updated AGS to be prepared.

The findings of the relative elements of the review itself and the overall assessment of the effectiveness of the governance framework will be included within plans for service delivery in order to address weaknesses and ensure continuous improvement of the system is in place.

**5 . SIGNIFICANT GOVERNANCE ISSUES**

The review of the Governance environment has identified areas where further development of the governance arrangements are necessary to satisfy the governance standards required of the Commissioner. These areas of development, and the steps we propose to take to address them are outlined in tabulated form above. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

.....JuliaMulligan - Police and Crime Commissioner for North Yorkshire

.....JoannaCarter - Commissioner’s Chief Executive Officer

.....GaryMacdonald - Commissioner’s Chief Finance Officer

APPENDIX A

North Yorkshire Police Authority Overview of Governance Environment

**1. arrangements for establishing and monitoring the achievement of the organisations objectives and arrangements for the performance management of the police service and the reporting thereof.**

1.1 together, the Force and Authority maintained a Community Engagement Strategy which sought to ensure that community views about the current performance of the force and future service development needs were captured and analysed and used to prompt performance and policy review activity and service response priority development. The strategy was heavily based on the development of Safer Neighbourhood Policing. Active engagement with the community and maintenance of the Service Standards were a key element of NYPA scrutiny activity. Developments were considered to enable a continued focus on the community up to and post the appointment of the Police and Crime Commissioner.

1.2 the 3 year policing strategy and policing plan set out the long term objectives of the Police in North Yorkshire. It was the policy statement within which North Yorkshire Police defined the ambitions, improvements, services and functions over the medium term. It was reviewed annually following an organisational strategic assessment (which includes an analysis of how service was perceived by the community through the Community Engagement strategy) in a process that was linked to the updating of the Medium Term Financial Plan (MTFP) and the setting of the annual budget. The 2012/15 Strategy identified 6 priority areas with specific targets for service improvement.

1.3 the Medium Term Financial Plan (MTFP) set out how the Policing Strategy was to be financed over the medium term. The Plan was subject to quarterly update and was approved quarterly by the Police Authority. A Medium Term People Plan (MTPP), specifically a "workforce plan" was also developed and presented to members alongside the MTFP in order to demonstrate the alignment of the approach to Financial and People Planning. A version of the MTFP was considered when the annual budget was set.

1.4 The Authority and Force had in place a comprehensive series of Corporate Strategies setting out the organisation's strategic approach to the achievement of the Policing Strategy objectives

1.5 A 5 year Business Development Plan was utilised to set out the major areas of service improvement identified as necessary across the organisation to achieve the objectives in the Policing Plan. This was subject to regular refinement in order to ensure that its component elements remain mutually complementary. These include the Medium Term Financial Plan, the Medium Term People Plan (workforce plan), the, Corporate Strategies and the Capital & Revenue Development plan. This informed annual budget setting and progress was subject to appropriate scrutiny through the Performance Management Framework.

1.6 A Performance Management Framework enabled proportionate scrutiny on organisational performance. Force side refinements include the consolidation of Force side meetings into the BCU Operational Board chaired by ACC Safer Neighbourhood Delivery. This complemented the development of the single BCU and addressed operational and organisational business. There was quarterly reporting by the Chief Constable of key performance indicators and other organisational performance measures to the Full Authority. The Performance and Scrutiny Board were presented with in depth performance analysis on thematic issues as determined by the Scheme of Delegation.

**2. arrangements to identify, assess and manage the risks to achieving objectives**

2.1 The Authority and Force had a joint approach to Risk Management which was laid out in the Corporate Risk Management Strategy. Application of the Strategy was overseen by the Risk Management Group chaired by the Chief Constable. The Chairs of the Police Authority's Policy and Planning and Ethics and Standards Boards, together with the Authority Chief Executive were members of this Group as was Chief Officer Resources. Latterly, as a consequence of an internal audit recommendation the Risk Management Group was effectively "wound down" and the oversight role undertaken by the Internal Control, Risk & Compliance Working Group. Risk Registers continued to be maintained at Corporate, Directorate and Service Unit levels. The generic risk assessment methodology was consistently applied to change initiatives, specific projects or areas of policy development to facilitate full integration into corporate planning and control.

2.2 Internal Audit arrangements operated to best practice professional standards through a collaborative Joint Service Arrangement with West Yorkshire Police Authority and were assessed and validated by the Audit Commission. The Police Authority Collaboration agreement pertaining to Internal Audit Services and the Audit Strategy were endorsed at Ethics and Standards Board. The annual work programme was set out in an Audit Plan following the production of an Audit Needs Assessment and consultation with the Chief Constable, the External Auditor and the Authority. The Ethics and Standards Board approved the Audit Plan and received, thereafter, regular progress reports and information on detailed findings and recommendations. The Internal Auditor expressed an opinion to the NYPA Ethics and Standards Board on the controls in place for the Authority on an annual basis.

2.3 A risk-based Business Continuity Planning framework enabled the Force and Authority to fully comply with the requirements of the Civil Contingencies Act 2004. Business Continuity Plans are in place for all critical and non-critical Directorate/Service Units and live exercising of those plans was undertaken periodically.

2.4 The Chief Officer Resources as Chair of the Internal Control, Risk and Compliance Working Group maintained a working awareness of key internal control issues which were considered as part of the review of the Governance environment to feature in the Annual Governance Statement and Areas for Development.

2.5 The Performance Management framework was a major component of the organisation's management of risk to the achievement of key objectives.

2.6 The Professional Standards Directorate (PSD) undertook the collation and dissemination of lessons learned or points of organisational learning. These were drawn from a vastly expanded range of sources and from every Directorate of the Force as well as complaints and other professional standards investigations. The Force's risk management system was used as the electronic receptacle for NYP's Organisational Learning database. The use of the system for this purpose enabled earlier identification of emerging corporate risks which may have arisen from organisational learning points, as well as effecting more efficient recognition of measures for the management of existing identified corporate and other risks. Guidance to address issues arising from organisational learning was disseminated by way of a regularly distributed Organisational Learning Bulletin to the workforce. The Organisational Learning function, situated as it is within PSD, acted as an additional instrument for rectifying professional practice and an effective supplement to internal governance measures within the Force.

### **3. arrangements to facilitate policy and decision making for and on behalf of the Authority**

3.1 The Authority maintained a Constitution which set out its role within the tripartite system of governance in the police service and how it undertook that role. The Code of Corporate Governance and the Annual Governance Statement set out how the tripartite structure of governance operated and its impact on decision making within the North Yorkshire police service. For all non-operational policing decisions, the Scheme of Delegation set out how the Police Authority operated, how decisions were made and by whom, and the procedures followed to ensure that these were efficient, transparent and accountable to local people. Alongside the Scheme of Delegation, detailed Financial and Contract Regulations and Property Procedure Rules set out the parameters of decision making throughout the organisation. These were reviewed and updated at least annually to ensure that they remained consistent with the operating requirements of the Police Service and the Authority and, increasingly, partner organisations with whom the police service deliver services collaboratively.

3.2 All 17 Members of NYPA met together as the Authority 5 times per year to approve the budget, Policing Plan and Strategy, Final Accounts, etc. However, most of the Authority's decision making and oversight and scrutiny functions, as described in the Scheme of Delegation, were undertaken by four Boards. All meetings were open to the general public. At its annual meeting in June each year the Authority appointed its Chair, to act until the next annual meeting.

3.3 One of the four Boards was the Ethics and Standards Board, which had been in operation since January 2011. The principal role of the Board was to act as the responsible body charged with ensuring that a sound system of internal control operated throughout the organisation. In doing so, it provided independent assurance to the Authority on the adequacy of the risk management framework and the associated control environment and independent scrutiny of the Authority's financial performance to the extent that it affected the Authority's exposure to risk and weakened the control environment. It also provided oversight of the Financial and Contract Regulations and Property Procedure Rules. This Board undertook an annual self assessment of its effectiveness.

3.4 The Chief Constable and his Strategic Leadership Team were responsible for all operational policing decisions and, subject to the provisions of the Scheme of Delegation, for managing the police service in accordance with the strategic framework and direction established by the Authority and for co-ordinating the use of resources throughout the organisation.

3.5 Statutory Officers / Codes and Protocol were in place. The Chief Constable's independence of decision making on operational policing matters is set out in the Police Act 1996. Non-operational decision making powers were delegated to him by the Police Authority to enable him to undertake the management of North Yorkshire Police. The Authority employed officers who were designated specific duties to ensure that the Authority acted lawfully and used its resources wisely and protocols were in place for these roles.

3.6 Registers of interests, gifts and hospitality were maintained for Members, Police Officers and police staff. Details of Related Party Transactions were sought from all Members and senior officers and reported in the Annual Financial Statements.

### **4. arrangements for ensuring the economical, effective and efficient use of resources and assets**

4.1 A Finance and Funding Strategy was in place to provide the strategic basis for the Medium Term Financial Plan and setting out the longer term approach of the Authority to the resourcing needs of the service



4.2 Budgeting and financial control systems, were set out in the Financial Regulations and the Devolved Resource Manual (DRM) was in place and applied consistently throughout the organisation.
4.3 Regular reviews of management accounts and Capital and Revenue Development Plan spending was carried out by SLT Members and the Authority's Finance and Resources Thematic Group, covering income/expenditure trends against forecasts and possible impacts on balances, reserves and provisions.
4.4 Quarterly (and annual) corporate financial performance reports were submitted to Full Authority
4.5 The Authority/Force maintained a Business Benefits Strategy ensuring that all proposals for service improvement, especially those which entailed investment of resources, were subject to business benefit evaluation measures. All proposals for major new investment were subject to Business Case approval by the Police Authority before they were accommodated within the MTFP and the Business Development Plan (BDP). Financial efficiencies identified as business benefits during this process were withdrawn from the MTFP in the year they were anticipated to be met. Post implementation reviews of Business Development Plan projects were carried out by the Chief Constable and/or the Authority as appropriate to ensure that the anticipated benefits accrued.
4.6 The Authority/Force delivered considerable savings over the past few years via a force wide change programme. The savings and reduced level of budget and predicted expenditure along with resource were represented in the MTFP and MTPP (workforce plan). These saving areas and cost reduction achieved and required in future years were considered when the budget was set and were directly linked into future medium term financial planning.
4.7 The Asset Management Strategy was a fundamental aspect of ensuring service delivery, delivering savings and future planning. As a consequence it directly linked to the Capital and Revenue Development Programme which in turn influenced and informed assumptions within the Medium Term Financial Plan and Medium Term People Plan (workforce plan).
4.8 During the 2011/12 year the output of the Nine Steps Programme of change was implemented as a corporate change programme. This achieved cost reductions and overall savings to meet the MTFP projections in light of public sector funding cuts and the implications for policing in North Yorkshire. The resultant structural and behavioural change had aspects that covered the whole organisation. Ongoing monitoring of the implementation of reviews continued through the Strategic Advisory Group. Preparation for the change in strategic governance to the Commissioner commenced in the latter stages of the 2011/12 year and throughout the early stages of the 2012/13 year and was undertaken by a Joint Force and Authority Change Board, informed and supported by a series of focussed work streams.
4.9 Clearly defined Financial and Contract Regulations and Property Procedure Rules set out arrangements for incurring actual expenditure, collecting income, making claims for grants, buying/selling property, etc. These were refined during 2012/13 so as to reflect, the change to procurement processes as a result of the introduction of the Yorkshire & Humber regional procurement initiative and the Asset Transfer requirements of the Police Reform and Social Responsibility Act 2011 and the election of the Police and Crime Commissioner and the appointment of the Police and Crime Panel
4.10 Independent monitoring of all of the above was undertaken by the Chief Executive/Monitoring Officer, Section 151 Officer (Treasurer) and Internal Audit Service on a regular basis
<b>5. arrangements to ensure compliance with established policies, procedures, laws and regulations by the Authority</b>
5.1 The Authority Chief Executive was the officer designated by the Police Authority as the Monitoring Officer and was responsible for performing the duties imposed by Section 5 of the Local Government and Housing Act 1989 pertaining to the legality of the Authority's operation. There was a protocol setting out how this role was fulfilled in association with NYP's Director of Legal and Compliance Services. Similarly, the Authority's Treasurer, had responsibility under s.151 of the Local Government Act to ensure proper financial arrangements and use of public money. Together, they had statutory responsibility to ensure the lawfulness of activity, prevent and report maladministration and see that the Authority's rules and regulations were complied with. The Treasurer made use of Internal Audit services in that role. In addition to carrying out the work specified in the Annual Audit Plan, the Internal Auditor also provided: <ul style="list-style-type: none"> <li>• advice and assistance to service managers in the design and implementation of system controls</li> <li>• support to managers in the prevention and detection of fraud, corruption and other irregularities</li> </ul>
5.2 The Authority's rules and procedures were published on the Authority's web site and on the NYP Intranet service. All staff within the service empowered to make decisions were made aware of the material and how to access it.



<p>5.3 The Police Service has a statutory complaints procedure that is advertised by leaflets and published on the NYP website. The procedure includes targets for acknowledging and responding to complaints in full. The service is also subject to a statutory conduct and performance regime. The Complaints Procedure was overseen by the Police Authority, the Independent Police Complaints Commission and Her Majesty's Inspectorate of Constabulary. The Police Authority also had a procedure for considering complaints against both members and officers of the Authority which was advertised on its web site</p>
<p>5.4 NYPA members played a significant role in ensuring compliance and propriety. NYPA members adopted a Code of Conduct to ensure high standards in the way they undertook their duties. Members were required to complete a Register of Interests which was publicly available. The Authority established a Standards Committee, which trained and advised Members on the Code of Conduct and monitored its operation. Members also undertook voluntary vetting checks. Finally, the Standards Committee had in place procedures for the investigation and determination of complaints against Members</p>
<p>5.5 The Authority had approved and implemented formal Anti-Fraud and Anti-Corruption and Confidential Reporting arrangements which included confidential reporting (Whistle-blowing) provisions and Counter Fraud arrangements, prepared by the Professional Standards Directorate (PSD). The Authority's Ethics and Standards Board had oversight of the operation of the Anti-fraud, Anti-corruption and Confidential reporting arrangements. The strategy included clear mandatory guidance for the ethical and lawful conduct of business activities by all members, officers and employees, of both NYPA and NYP, as well as providing such mandatory guidance to those people who acted as contractors, agents or volunteers in connection with the business of the Force or the Authority</p>
<p>5.6 The existence of Anonymous Messenger and other Professional Standards reporting lines were the subject of regular promotion internally through various media. The fact that Anonymous Messenger continued to receive an increasing volume of messages indicated the efficacy of the proactive culture of integrity promoted within the Force and Authority.</p>
<p>5.7 The requirements of the Data Protection and Freedom of Information legislation were co-ordinated within NYP by the Information Compliance function which also ensured that arrangements were in place to ensure appropriate security and quality of information held by the police service</p>
<p>5.8 There were arrangements in place to ensure that the organisation was well placed to demonstrate compliance with the Public Sector Equality Duty (PSED). Oversight was monitored through Member representation at the Equality, Diversity and Human Rights Leadership Group.</p>
<p>5.9 Whilst the Authority had statutory governance responsibilities the NYP Professional Standards Directorate (PSD) had active oversight of:</p> <ul style="list-style-type: none"> <li>• the Chief Constable's Delivery Unit (which conducted audits; acted as single point of contact for Her Majesty's Inspectorate of Constabulary (HMIC) inspections and Internal Audit; arranged Chief Constable's Quarterly Challenge Days etc;</li> <li>• the Force Policies and Procedures maintenance and review function;</li> <li>• an expanded Organisational Learning function (drawing organisational learning from an expanded range of sources from across all Directorates of the Force)</li> </ul>
<p>5.10 Within the Force the Internal Control, Risk &amp; Compliance Working Group, chaired by Chief Officer Resources with representatives from Professional Standards, Human Resources and Legal &amp; Compliance Services convened regularly throughout the year to deliberate on significant internal control risks and issues, integrity matters and litigation risks and issues and make onward recommendations where deemed appropriate</p>
<p>5.11 Her Majesty's Inspectorate of Constabulary undertook a review of integrity within the Police Service of England and Wales during the summer and autumn of 2011. The resultant report entitled "Without Fear or Favour" had been commissioned by the Home Secretary following the phone hacking allegations and sought to explore the appropriateness of Police relationships with the media and other parties where there may be undue influence. As part of the review of the governance environment in 2011/12 it was considered appropriate undertake the "Self-Check Integrity Questionnaire" that accompanied the HMIC report. This was undertaken by the Force and proportionate amendments to procedure implemented during 2012/13.</p>
<p><b>6. arrangements for the management of the Authority's financial affairs</b></p>
<p>6.1 The Authority had approved Financial and Contract Regulations and Property Procedure Rules. The purpose of these rules was to set out a framework within which the Authority conducted the financial affairs of the Police Service. These rules were designed to ensure that proper financial arrangements were in place and operational at all times. They were applied by the Police Authority Treasurer for operation throughout NYP and NYPA and were subject to annual review. There were alongside this a series of policies and strategies that the Authority adopted to govern the way in which financial activities were undertaken. This included comprehensive strategies and practices for Treasury Management. The Authority complied with the Code of Practice in relation to Treasury Management.</p>

6.2 The statutory duties of the NYPA Treasurer in relation to financial management were derived from five principal sources:

- o Section 151 of the Local Government Act 1972
- o Section 114 of the Local Government Financial Act 1988
- o Local Government Act 2000 (particular decisions contrary to policy or budget)
- o Local Government Act 2003 (prudential limits for borrowing and investment)
- o Accounts and Audit Regulations 2003 (as amended)

6.3 The Authority maintained a statutory Code of Practice for financial administration within the police service setting out the respective responsibilities of the Authority and its Treasurer and the Chief Constable and the Chief Officer Resources. Within the North Yorkshire Police Service, the Treasurer was the principal advisor to the Authority on all financial matters. NYP SLT received financial advice to the office of the Chief Constable through the Chief Officer Resources who was a member of that team. During 2012/13 Treasurer services to NYPA were provided through arrangement with West Yorkshire Police Authority, this mode of operation was reviewed throughout 2012/13 to take into consideration the transfer of Strategic Governance to Police and Crime Commissioners and any related guidance on the respective roles of statutory officers within Police Forces.

6.4 The COR prepared the Medium Term Financial Plan and presented it quarterly to the Policy and Planning Board and annually to the Authority when it approved the Revenue Budget, Capital Plan, Efficiency Plan and Treasury Management Position. The Treasurer was responsible for determining the accounting procedures, the form of financial records and statements and for maintaining the financial accounts of the Authority and seeks assurance from COR through the Chief Constable in that regard. The COR ensured that proper accounting arrangements are established throughout the Force. The Chief Constable was responsible for the satisfactory operation of financial and accounting systems within North Yorkshire Police and the Chief Executive within North Yorkshire Police Authority

6.5 The Devolved Resource Manual set out the expectations of all budget holders relating to financial administration and budgetary and financial control. The Authority prepared and published an annual Statement of Accounts that conformed to all statutory and professional requirements, codes of practice and timetables

6.6 The external auditor for 2012/13 are Mazars LLP : they will publish an Annual Audit and Inspection Letter setting out their assessment of the Authority's governance arrangements and the extent to which the Authority achieved value for money in the use of resources prior to the transfer of governance responsibility to the Commissioner.

**7. arrangements to extend the governance principles to partnerships**

7.1 The Authority and Force, separately and together, engaged with a number of external agencies in a significant number of partnership enterprises, statutory or otherwise. The Authority ensured that appropriate governance arrangements were in place for those partnerships where it was a separate statutory partner. NYP kept under review its relationships within key partnerships and continued to ensure that those remained effective and met the requirements of NYP and the community

7.2 The Force and Authority became increasingly involved in joint service delivery with other regional forces and authorities through collaboration arrangements and agreements. Such arrangements were overseen by a formal Joint Committee of all 4 Authorities in the region; a Regional Chief Constables Group and a Regional Collaboration Board comprised of Chairs of Police Authorities and Chief Constables. A Section 22A agreement with complementary subordinate functional agreements (also amounting to section 22A agreements in their own right) was put in place in relation to police collaboration in Yorkshire and the Humber during 2012/13.

**8. arrangements for consulting and communicating with stakeholders**

8.1 together, the Force and Authority maintained a Community Engagement Strategy which sought to ensure that community views about the current performance of the force and future service development needs were captured and analysed and used to prompt performance and policy review activity and service response priority development. The strategy was heavily based on the development of Safer Neighbourhood Policing. Active engagement with the community and maintenance of the Service Standards were a key element of NYPA scrutiny activity. Developments were considered to enable a continued focus on the community up to and post the appointment of the Police and Crime Commissioner.

8.2 Each Safer Neighbourhood Team (SNT) identified key individual network of partners and stakeholders with which to engage and a rolling programme of community meetings to attend. The intelligence was analysed and used locally to establish local neighbourhood service priorities and corporately to drive organisational improvement.

8.3 NYPA retained its own consultation capacity to gauge public opinion of matters specifically within its remit (eg precept consultation, etc)

8.4 NYPA made extensive use of the Council tax leaflet, media campaigns and web sites to give public messages and feedback on performance as well as increasing the access of the public to information about the work of the service and to enable the public to hold the Authority and the police to account

## GLOSSARY OF TERMS

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

**ACCRUED BENEFITS:** The benefits for service up to a given point in time, whether vested rights or not.

**ACTUARIAL GAINS AND LOSSES:** For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

**ACTUARIAL VALUATION:** A valuation of assets held, an estimate of the present value of benefits to be paid and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

**AGENCY SERVICES:** The provision of services by a Police and Crime Commissioner or Chief Constable (the agent) on behalf of another Police and Crime Commissioner or Chief Constable, which is legally responsible for providing those services. The responsible Police and Crime Commissioner or Chief Constable reimburses the Police and Crime Commissioner or Chief Constable providing the service.

**AMORTISED COST:** The cost of an intangible asset after amortisation, which is the systematic allocation of the depreciable amount of an asset over its useful life.

**ANNUAL GOVERNANCE STATEMENT:** Describes the governance framework incorporating the systems and processes, culture and values by which the Group is directed and controlled and the activities through which it accounts to and engages with the community.

**APPROPRIATIONS:** Amounts transferred to or from revenue or capital reserves.

**ASSET:** An item which has a value; for example, land and buildings, vehicles, equipment, cash.

**AUDIT COMMISSION:** An independent body, established under the Local Government Finance Act 1982. It is the responsibility of the Audit Commission to appoint external auditors to Police and Crime Commissioners and Chief Constables.

**BALANCES:** The total general balances available are the accumulated surplus of income over expenditure which enable operation without borrowing until the first precept and grant payments are received in the early part of the financial year. Balances are also used to cover any unexpected expenditure during the financial year.

**BALANCE SHEET:** This sets out the financial position of an organisation on a particular date. It shows the balances and reserves at the organisation's disposal, its long-term indebtedness, the fixed and net current assets employed in its operations and summarised information on the fixed assets held.

**BUDGET:** A statement of an organisation's plans in financial terms. A budget is prepared and approved before the start of each financial year and is used to monitor actual expenditure throughout the year.

**CAPITAL ADJUSTMENT ACCOUNT:** The account through which all financing of fixed assets is charged.

**CAPITAL EXPENDITURE:** Expenditure on new assets or on the enhancement of existing assets so as to prolong their life or enhance market value.

**CAPITAL FINANCING CHARGES:** The repayment of loans and interest used to pay for capital projects.

**CAPITAL GRANT:** Grant from Central Government used to finance specific schemes in the capital programme. Where capital grants are receivable these are used, as far as possible, to finance capital expenditure to which they relate in the year that the grant is received.

**CAPITAL RECEIPTS:** The proceeds from the sale of an asset, which may be used to finance new capital expenditure or to repay outstanding loan debt, as laid down within rules set by Central Government.

**CAPITAL RESERVE:** Created to provide an alternative source of financing for capital expenditure and to ensure some stability in the level of capital programmes that can be financed.

**CASH FLOW STATEMENT:** This summarises the cash receipts and payments of the Group arising from transactions for both revenue and capital purposes.

**CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA):** This is the main professional body for accountants working in the public services.

**COLLECTION FUND:** A fund administered by each District Council in which individuals' Council Tax payments are paid. The Police and Crime Commissioner raises a precept on the fund to finance part of their net revenue expenditure.

**COLLECTION FUND ADJUSTMENT ACCOUNT:** The account through which to implement the accruals basis for recording the precept in these accounts without affecting the bottom line for taxpayers.

**COMPONENT ACCOUNTING:** Component accounting requires that where an asset has several components, which can be physically separated from the principal asset and which have significantly different useful lives, these should be recognised separately and should be depreciated based on their respective useful lives. Component accounting aims to improve depreciation accounting and thus improves the measurement of operating results. It also facilitates accounting for replacements.

**CONTINGENCY:** The sum of money set aside to meet unforeseen expenditure or liability.

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

**CREDIT APPROVAL:** Authorisations given by Central Government to local authorities, which enable them to finance capital expenditure by borrowing or other credit arrangements such as leasing.

**CREDITORS:** Individuals or organisations to whom money is owed at the end of the financial year.

**CURRENT ASSETS AND LIABILITIES:** Current assets are items that can be readily converted into cash. Current liabilities are items that are due immediately or in the short term.

**CURRENT SERVICE COSTS (PENSIONS):** The increase in the present value of a defined benefit scheme's liabilities expected to arise from the employee service in the current period.

**CURTAILMENT:** For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

**DEBTORS:** Individuals or organisations from whom money is owed at the end of the financial year.

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

**DEFERRED PENSIONS:** Individuals who have ceased to be active members but are entitled to benefits payable at a later date.

**DEFINED BENEFIT SCHEME:** A pension scheme which defines the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

**DEPRECIATION:** An annual charge to reflect the extent to which an asset has been worn out or consumed during the financial year.

**DIRECT REVENUE FINANCING:** Resources provided from the revenue budget to finance the cost of capital projects.

**DISCRETIONARY BENEFITS:** Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under discretionary powers.

**EARMARKED RESERVES:** These reserves represent monies set aside that can only be used for a specific purpose.

**EXPECTED RATE OF RETURN ON PENSION ASSETS:** For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**EXTRAORDINARY ITEMS:** Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside ordinary activities and are not expected to recur.

**FINANCE AND OPERATING LEASE:** A Finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be included within the fixed assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the relevant service revenue account.

**FINANCIAL REGULATIONS:** A written code of procedures approved by the Police and Crime Commissioner, intended to provide a framework for proper financial management.

**FIXED ASSETS:** Tangible assets that yield benefits for a period of more than one year.

**FORMULA SPENDING SHARE (FSS):** An assessment by Central Government of how much a Police and Crime Commissioner needs to spend to provide a common level of service, having regard to their individual circumstances. It is used to distribute Revenue Support Grant and Police Grant.

**GAD:** The Government Actuaries Department. They provide estimates of the liabilities of the Police Pension Scheme.

**GOING CONCERN:** The concept that an organisation will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

**GOVERNMENT GRANTS:** Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**IMPAIRMENT:** A reduction in the value of an asset from the balance sheet value occurring as a result of a change in the condition and consumption of the asset or as a result of market conditions.

**INCOME AND EXPENDITURE ACCOUNT:** This summarises the resources generated and consumed for the year and shows how the costs have been financed.

**INTEREST INCOME:** The money earned from the investment of surplus cash.

**INTEREST COSTS (PENSIONS):** For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS):** Standards and Interpretations adopted by the International Accounting Standards Board (IASB). They comprise:  
(a) International Financial Reporting Standards;  
(b) International Accounting Standards; and  
(c) Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

**INVESTMENTS (PENSION FUND):** The investments of a Pension Fund will be accounted for in the statements of that Fund. However, sponsoring bodies are also required to disclose, as part of disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

**MINIMUM REVENUE PROVISION (MRP):** The statutory minimum amount which a Police and Crime Commissioner is required to set aside on an annual basis as a provision to redeem debt.

**NET BOOK VALUE:** The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**NET CURRENT REPLACEMENT COST:** The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**NATIONAL NON-DOMESTIC RATES (NNDR):** The business rate in the pound is the same for all non-domestic ratepayers and is set annually by the government. Income from business rates goes into a central government pool that is then distributed according to resident population.

**NON-OPERATIONAL ASSETS:** Non-operational assets are fixed assets held but not directly occupied or used in the delivery of services. They include surplus properties awaiting disposal and assets that are under construction.

**OPERATIONAL ASSETS:** Fixed assets held and occupied, used or consumed in the direct delivery of those services for which they have either a statutory or discretionary responsibility.

**OUTTURN:** The actual amount spent in the financial year.

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

**PAYMENTS IN ADVANCE:** These represent payments prior to 31 March for supplies and services received by the Group after 1 April.

**PENSION FUND:** A fund which makes pension payments on retirement of its participants.

**POLICE GRANT:** A grant paid by the government to Police and Crime Commissioners as a proportion of the Formula Spending Share or FSS.

**PRECEPT:** The income which the Police and Crime Commissioner requires the District Council to raise from Council Tax on behalf of the Police and Crime Commissioner.

**PROJECTED UNIT METHOD:** An accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings. The scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners, and their dependents, allowing where appropriate for future increases and
- the accrued benefits for members in service at the valuation date.

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

**PUBLIC WORKS LOAN BOARD (PWLb):** A government agency which provides longer-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

**RECEIPTS IN ADVANCE:** These represent income received prior to 31 March for supplies and services provided by the Group after 1 April.

**RESERVES:** Monies set aside by the Group that do not fall within the definition of provisions.

**RETIREMENT BENEFITS:** All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVENUE CONTRIBUTIONS TO CAPITAL:** Contribution from the Comprehensive Income and Expenditure Statement to finance capital expenditure and thus reduce the requirement to borrow.

**REVENUE SUPPORT GRANT (RSG):** General government grant support towards expenditure.

**REVALUATION RESERVE:** This account represents the difference between the current valuation of fixed assets and the historic costs of those assets. This Account came into effect 1 April 2007.

**SCHEME LIABILITIES:** The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employee is committed to provide for service up to the valuation date.

**SERVICE REPORTING CODE OF PRACTICE FOR LOCAL AUTHORITIES (SeRCOP):** A CIPFA guide to accounting for best value which provides a consistent and comparable calculation of the cost of services.

**SETTLEMENT:** An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligations and the assets used to effect the settlement.

**SPONSORSHIP:** The voluntary provision of non-public funds, services, equipment or other resources that enable the enhancement or extension of the normal service provided.

**STATEMENT OF ACCOUNTING POLICIES:** This explains the basis of the figures in the accounts. The accounts can only be properly appreciated if the policies that have been followed in dealing with material items are explained. Changes in policies from previous years have been clearly shown.

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS:** This explains the responsibilities of both the Police and Crime Commissioner and Police and Crime Commissioner's Chief Finance Officer in respect of the Statement of Accounts.

**STATEMENTS OF STANDARD ACCOUNTING PRACTICE (SSAP):** These standards were adopted by the Accounting Standards Board (ASB) from its predecessor, the Accounting Standards Committee (ASC), and regulate the preparation and presentation of financial statements. Any new Standards are now referred to as Financial Reporting Standards (FRS). The CIPFA Code of Practice on Local Authority Accounting 2007 requires compliance to these Standards or disclosures in the notes if there are any material departures from those Standards.



**TRANSFER VALUES:** Payment made by one pension scheme to another in respect of accrued pension rights when a member of a scheme changes pensionable employment.

**TREASURY MANAGEMENT POLICY (TMP):** This is a policy adopted to manage investments, cash flows, and banking transactions. It governs the control of risks associated with these activities and the pursuit of optimum investment return balanced with security of investment.

**WORK IN PROGRESS:** The cost of work done on an uncompleted project at the balance sheet date.

SUBJECT TO AUDIT

## ACRONYMS

ACC	Assistant Chief Constable
ACPO	Association of Chief Police Officers
APACE	Association of Policing and Crime Chief Executives
APCC	Association of Police and Crime Commissioners
ASC	Accounting Standards Committee
CC	Chief Constable
CCNY	Chief Constable of North Yorkshire Police
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
DCC	Deputy Chief Constable
FRS	Financial Reporting Standards
FSS	Formula Spending Share
FTE	Full Time Equivalent
GAD	Government Actuary's Department
HM	Her Majesty
HMRC	Her Majesty's Revenue and Customs
HO	Home Office
HPCC	Police and Crime Commissioner for Humberside
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IS	Information Systems
ISD	Information Services Department
IT	Information Technology
JANE	Joint Arrangement Not an Entity
JPAC	Joint Police Authorities Committee
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LCJB	Local Criminal Justice Board
LGPS	Local Government Pension Scheme
MRP	Minimum Revenue Provision
MTFP	Medium Term Financial Plan
NHS	National Health Service
NYP	North Yorkshire Police
NYPA	North Yorkshire Police Authority
NYPCC	Police and Crime Commissioner for North Yorkshire
PCC	Police and Crime Commissioner
PCSO	Police Community Support Officer
PFI	Private Finance Initiative
PPE	Property, Plant and Equipment
PWLB	Public Works Loan Board
RICS	Royal Institution of Chartered Surveyors
SeRCOP	Service Reporting Code of Practice
SORP	Statement of Recommended Practice
SSAP	Statements of Standard Accounting Practices
SYPC	Police and Crime Commissioner for South Yorkshire
TMP	Treasury Management Practices
UK	United Kingdom
VAT	Value Added Tax
WYPA	West Yorkshire Police Authority
WYPCC	Police and Crime Commissioner for West Yorkshire