The Police and Crime Commissioner for Merseyside

Annual Financial Report 2014 - 2015

Contents

Foreword by the Chief Finance Officer

By the Chief Finance Officer

The annual financial report includes the Statement of Accounts and the Annual Governance Statement for 2014/15.

INTRODUCTION

The purpose of this foreword is to provide a concise and understandable guide to the most significant aspects reported in the accounts. It also explains the purpose of the financial statements that follow and provides a summary of the Police and Crime Commissioner's (PCC) and the Group (i.e. PCC and Chief Constable) financial activities during 2014/15 and its financial position as at 31st March 2015.

BACKGROUND

The Police Reform and Social Responsibility (PRSR) Act 2011 created the post of a directly elected Police and Crime Commissioner (PCC) for Merseyside. The PCC's election took place on the 15th November 2012, with the people of Merseyside voting for Jane Kennedy to oversee policing and crime matters in their area. The PCC took up her office on the 22nd November 2012 and will hold office until May 2016. The PCC is responsible for making sure the service provided by the Merseyside Police is efficient and effective. This is done by:-

- Holding the Chief Constable to account for the delivery of local policing;
- Setting and updating a Police and Crime Plan;
- Setting the force budget and precept;
- Regularly engaging with the public and communities; and
- Appointing, and where necessary dismissing, the Chief Constable.

The Chief Constable is responsible for maintaining the Queen's Peace and the enforcement of the law, through the direction and control over the Force's officers and staff. The Chief Constable is accountable to the Commissioner for the delivery of efficient and effective policing and the management of resources and expenditure by the Force. The Commissioner effectively commissions the police service from the Chief Constable.

The Commissioner is scrutinised by a Police and Crime Panel in order to promote openness and transparency in the transaction of police and crime business. The Panel also supports the Commissioner in the effective exercise of her functions. The Panel comprises twelve elected members (representing each of the five Local Authorities in Merseyside) and two independent members. Knowsley Metropolitan Borough Council provides administration and support to the Panel.

The PRSR Act established two separate legal entities as 'corporations sole, i.e. the PCC for Merseyside and the Chief Constable of Merseyside Police Force. Under the PRSR Act the PCC is responsible for producing its own set of accounts, along with the consolidated Group accounts. In addition, the Chief Constable is also required to produce a separate set of accounts. The Statement of Accounts for 2014/15 shows the financial position of the PCC and the consolidated Group.

STATEMENT OF ACCOUNTS

The purpose of the Statement of Accounts is to provide details of the PCC and the Group financial activities for the year ending 31st March 2015. The financial statements for 2014/15 have been prepared in accordance with The Code of Practice on Local Authority Accounting in the UK 2014/15 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is recognised by statute as representing proper accounting practice. This Code of Practice is based on International Financial Reporting Standards (IFRS) and also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

Foreword by the Chief Finance Officer

The financial statements may not always appear straightforward since they have to meet technical, legal and professional standards. This foreword provides a brief explanation and overview of the financial performance of the PCC and the Group and highlights any significant features.

The accounts that follow this foreword provide further detail of the financial affairs of the PCC and the Group and are comprised of:-

- **Independent Auditor's Report**, this sets out the opinion of the external auditor, Grant Thornton UK LLP, on whether the PCC and Group accounts presented give a 'true and fair view' of the financial position and operations of the PCC and the Group for 2014/15;

- **Statement of Responsibilities for the Statement of Accounts**, this statement sets out the responsibilities of the PCC and the PCC Chief Finance Officer;

- **the Movement in Reserves Statement**, this statement shows the movement in the year on the different reserves held by the PCC and the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce the council tax precept) and unusable reserves (i.e. those that the PCC and the Group are not able to use to provide services);

- **the 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. Elected Policing Bodies, i.e. PCC's, raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost;

- **the Balance Sheet**, this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the PCC and the Group. The net assets of the PCC and Group (assets less liabilities) are matched by the reserves held by the PCC and the Group;

- **the Cash Flow Statement** shows the changes in cash and cash equivalents of the PCC and the Group during the reporting period. The statement shows how the PCC and the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities;

- **notes to the Financial Statements**, these notes include a Statement of the Accounting Policies used as the basis of preparing the financial statements, information required by the Code of Practice that is not presented elsewhere in the financial statements, i.e. notes that break down lines presented on the face of the financial statements into their significant components (e.g. sub-classifications of property, plant and equipment) and information that is not provided elsewhere in the financial statements, but is relevant to an understanding of any of them (e.g. transactions with related parties); and

- **the Pension Fund Account,** which summarises the amounts received into and paid out of the police officer pension fund operated by the PCC and the Group during the year.

A glossary of terms has also been prepared and is included at the end of the Statement of Accounts to assist readers in understanding the technical accounting terminology.

Significant Changes to the Accounting Policies

Accounting policies are the principles applied to show the effect of transactions and events on the financial statements. The PCC, the Chief Constable and the Group accounts have adopted consistent accounting policies. It is noted that the policies remain largely unchanged from those applied in 2013/14. However, the following significant change has been made:-

- **Accounting for Collaboration**

There are new requirements for collaborative arrangements under the amended provisions of the Code following the issue of five new (or amended) accounting standards.

There were previously three options to consider for joint arrangements: jointly controlled operations, jointly controlled assets and jointly controlled entities. Under the 2014/15 Code there are just two options: joint operations and joint ventures.

Consequently, it has been necessary to undertake a review of all our collaborative arrangements to ensure the correct accounting treatment in the 2014/15 Statement of Accounts and to consider the potential impact on the financial statements of any changes in accounting requirements. This review has assessed our collaborative arrangements (with the exception of the National Police Air Service and the Joint Control Centre) to be jointly controlled operations. The Comprehensive Income and Expenditure Statement has been debited with the PCC Group's share of expenditure incurred and credited with the PCC Group's share of income earned from the activity of the operation. If material, the PCC Group will recognise on its Balance Sheet its share of the assets that it controls and the liabilities that it incurs.

The new requirements for collaborative arrangements have not had any impact upon the net expenditure reported for collaborations.

ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement explains how the PCC has complied with its own Code of Corporate Governance, and also provides assurance on the system of internal control that the PCC maintains and on the way it conducts its affairs.

FINANCIAL PERFORMANCE FOR THE YEAR 2014/15

Revenue Outturn

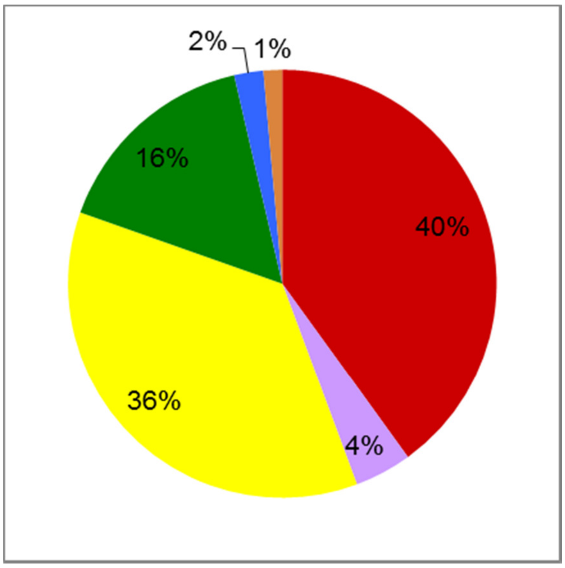
The PCC Budget for 2014/15 was constructed under the principle of financial devolution, which allows budget holders to better manage the resources at their disposal and improve accountability to the Chief Constable, and ultimately the PCC. The net revenue expenditure of the Group during 2014/15 amounted to £327.744m. In broad terms the following tables and pie charts on page 4 show where the PCC and the Group's money came from and how it was spent.

Foreword by the Chief Finance Officer

This table sets out where the PCC and the Group's resources came from

	£m	%
General Police Grant	131.199	40%
Council Tax Support Funding	14.103	4%
DCLG Formula Funding	118.205	36%
Precepts	52.375	16%
Collection Fund	0.911	0%
Specific Grants	7.220	2%
Total Government Grants and Taxation	**324.013**	**99%**
Planned Contribution from Reserves	4.642	1%
Planned Contribution to General Balances	(0.911)	0%
TOTAL Resources	**327.744**	**100%**

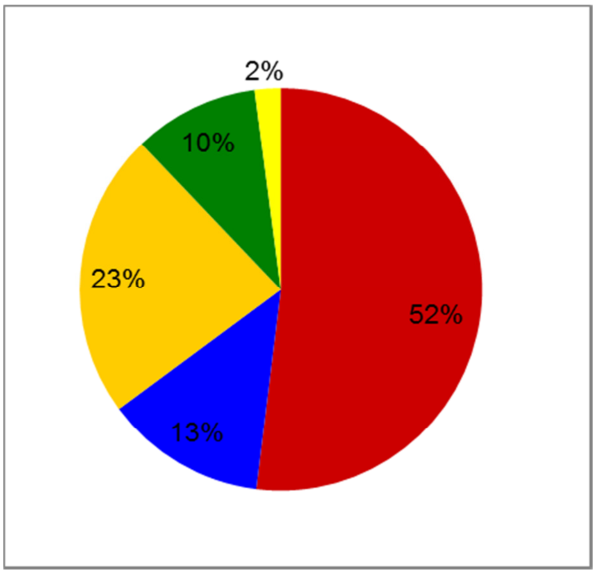
Where the money came from



This table analyses Group spending over the main types of expenditure

	£m	%
Police Pay	170.281	52%
Police Pensions	42.393	13%
Support Staff Pay	75.187	23%
Other Income /Expenditure	32.997	10%
Net Operating Expenditure	**320.858**	
Contributions to Reserves	6.886	2%
TOTAL Expenditure	**327.744**	**100%**

How the money was spent



Foreword by the Chief Finance Officer

As can be seen from the tables on page 4, the Group received the majority of its income from Government Grants (82%), with the precept, which is raised locally and is collected by the District Councils along with their council tax, accounting for only 16%.

The outturn position for 2014/15 shows total net operating expenditure of £320.858m. This represents an under-spend on the revenue budget of £6.886m, i.e. 2%, compared to the 2014/15 budget. The under-spend is made up of a number of factors including:-

- revenue savings achieved across service departments within the Force, through a more efficient use of resources, scrutiny of spending and the holding of vacancies to provide greater flexibility to enable the Force to re-engineer its service;

- a lower than anticipated capital expenditure, particularly on the Estate Strategy has resulted in a reduction in capital charges due to the PCC and Group;

- continuing improvements in quality control around forensic submissions has resulted in revenue savings; and

- the suspension of the PCC carry over rules to aid financial resilience in 2015/16.

The majority of the under spend has been transferred to the Restructure Reserve to help support the Medium Term Financial Strategy (MTFS). In addition, contributions have been made to the Estate Strategy Reserve, the Chief Constables Priority Fund, the Proceeds of Crime Income (POCA) Reserve, the PCC Crime Prevention Strategy Reserve, the Victims Support Reserve and the Invest to Save Reserve.

The budget for 2014/15 included a savings target of £13.496m to balance the budget. As a consequence of this, the PCC and Chief Constable undertook a series of reviews under the Strategic Excellent Policing programme aimed at identifying savings to meet this shortfall whilst minimising the impact on performance. During the year £14.456m of savings were achieved, some £0.960m above the original savings target. The excess of savings were achieved due to savings being realised ahead of schedule, consequently these savings will be carried forward against the savings targets in 2015/16. The excess savings made in 2014/15 have been transferred to the Invest to Save Reserve to be reinvested by the PCC and Chief Constable in initiatives that will generate efficiency savings.

The outturn position for 2014/15 provides a financially resilient outcome for the financial year and helps the financial position going forward by identifying significant recurring budgetary savings. In addition, the utilisation of the under spend will provide an element of greater resilience and flexibility in enabling the PCC and the Force to address the significant financial challenges ahead, as well as provide some opportunity to fund essential investment in the estate and enable the PCC and Chief Constable to invest in initiatives that will assist the achievement of the Police and Crime plan priorities.

Capital Outturn

A significant capital programme was also undertaken in the year with actual expenditure amounting to £10.810m. The major items of capital expenditure in the year included:-

- the commencement of the approved Estate Strategy, in respect of the planning and development of the Operation Command Centre and the Wirral and Knowsley estate;

- the completion of the construction of the Joint Command and Control Centre;

- the on-going vehicle replacement programme; and
- the continuation of strategic IT developments.

Expenditure on the capital programme was less than originally budgeted due to lower than anticipated expenditure on the Estate Strategy programme in 2014/15.

In order to finance the capital programme the PCC received Home Office funding of £3.435m, other contributions of £0.290m, utilised £6.523m of reserves and £0.305m of capital receipts, with the balance of £0.257m being financed through internal borrowing. The PCC did not need to undertake any long term borrowing during the year to fund its capital programme.

Loans and Investments

The PCC is directly responsible for loans, investments and for borrowing money as she holds the Police Fund. The Chief Constable is not able to borrow money. Short-term borrowing and lending, which are defined as for less than 365 days, are undertaken by the PCC to ensure that there are sufficient funds available each day to cover its outgoings. Long-term borrowing can only be taken out to fund capital projects for which the PCC has no other funds to cover.

All investments and borrowing are undertaken in accordance with the Prudential Code. One of the requirements of the Prudential Code is that the PCC adopts the CIPFA Code of Practice for Treasury Management in Local Authorities, which it has done. In addition, the PCC approves a Treasury Management Strategy annually and then monitors performance against this and the Prudential Indicators.

During 2014/15 the PCC did not take out any long-term borrowing. However, short-term borrowing and lending was undertaken and all these were undertaken within the PCC's approved prudential indicators and in line with the approved Treasury Management strategy.

External Debt

At 31st March 2015 the PCC had total external borrowing of £19.5m to cover short-term cash flow requirements. This figure is well within the Authorised Limit for external debt for 2014/15 of £50.0m, as approved by the PCC. The cash flow position and the market rates for borrowing are monitored to decide the appropriate time to externally borrow funds.

Pension Liabilities

Police Officers and Police Staff are offered retirement benefits by the PCC and Group as part of their terms and conditions of employment. In accordance with International Accounting Standard (IAS) 19, the PCC and Group are required to ensure that its accounts reflect the fair value of the assets and liabilities of the schemes and that benefits earned are recognised in the accounting periods in which they arise. As at the 31st March 2015 the PCC and Group had the following net pension liabilities:-

	£m
Police Pension Scheme (i.e. Police Officers)	4,219.820
Local Government Pension Scheme (i.e. PCC and Police Staff)	165.784
Total	**4,385.604**

Foreword by the Chief Finance Officer

In accordance with IAS 19 the PCC and Group's accounts incorporate a negative pensions reserve to show the estimated liability in relation to the retirement benefits. However, considering the above liability and the overall impact it has on the Balance Sheet, it must be taken into account that;-

- The police officer pension scheme is a statutory scheme, as specified by Police Regulations, whereby the Group pays an employer's contribution of 24.2% of pensionable pay for all serving police officers into the Police Pension Fund Account. If there is insufficient money in the Pension Fund Account to meet all expenditure commitments in any particular year, the Home Office will fund the deficit. In practice, therefore, the significant liability of £4.220 billion will be covered by future employer contributions and the receipt of Home Office grant monies.

- PCC and Police Staff are entitled to join the Local Government Pension Scheme (LGPS) as administered by Wirral Metropolitan Borough Council. The disclosed liability of £165.784m in respect of LGPS is likely to be funded in a number of ways, including potential changes to contribution rates and improved performance of the Fund's investments.

Further information on pension liabilities is provided in the pension notes.

2015/16 AND BEYOND

In 2015/16 the PCC was able to set a balanced budget, with the delivery of £15.396m of savings by the Force, the utilisation of £8.394m of reserves and by raising £54.698m through the council tax requirement. The budget in 2015/16 will provide sufficient resources to enable the Chief Constable to maintain a budgeted establishment of 3,678 Police Officers and protect frontline operations as far as possible in 2015/16. In addition, the resources will assist the Chief Constable in achieving the priorities set out in the PCC's Police and Crime plan.

However, the latest Medium Term Financial Strategy (MTFS) forecasts that the PCC and Force will be required to identify £19.474m of savings in 2016/17 and potentially a further £14.159m in 2017/18 and £13.799m in 2018/19, giving an anticipated overall savings requirement of £47.412m over the MTFS period. Consequently, the PCC and Force face a very significant financial and policing challenge in the years ahead. A strategy aimed at addressing the deficit in 2016/17 and beyond is currently being developed by the Chief Constable, in partnership with the PCC.

Overall, the PCC and Group is currently in a sound financial position, with some resilience to meet unforeseen circumstances, a major issue with regard to an emergency service such as the Police Service. Within a tight financial regime, the PCC and Chief Constable have protected, as much as possible operational performance through investing in the operational priorities set out by the PCC in the Police and Crime Plan.

FURTHER INFORMATION

This publication provides a review of the financial performance of the PCC for 2014/15. A summary set of accounts will also be produced and published on the PCC's website, at *www.merseysidepcc.info*. Comments are invited on the usefulness and readability of the Statement of Accounts, the summary document and the Annual Governance Statement through the website.

The Foreword by the Chief Finance Officer was signed by John Riley on 30th June 2015.

John Riley

Chief Finance Officer to the Office of the Police and Crime Commissioner

30th June 2015

Independent Auditors report to the Police and Crime Commissioner for Merseyside

We have audited the financial statements of the Police and Crime Commissioner for Merseyside for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Group and PCC Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the PCC Comprehensive Income and Expenditure Statement, the Group and PCC Balance Sheet, the Group and PCC Cash Flow Statement and the related notes and include the Merseyside Police Pension Fund financial statements comprising the Pension Fund Account, the Net Assets Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the Police and Crime Commissioner for Merseyside, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner Single Entity and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Foreword by the Chief Finance Officer to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Merseyside as at 31 March 2015 and of its expenditure and income for the year then ended;

- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the Foreword by the Chief Finance Officer for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Police and Crime Commissioner to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Police and Crime Commissioner and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Independent Auditors report to the Police and Crime Commissioner for Merseyside

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Police and Crime Commissioner has proper arrangements for:

- Securing financial resilience; and challenging how it secures economy, efficiency and effectiveness
- Challenging how it secures economy, efficiency and effectiveness

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Merseyside put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner for Merseyside in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

The Independent Auditor's Report to the Police and Crime Commissioner for Merseyside was signed by Fiona Blatcher on 23rd September 2015.

Fiona Blatcher
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton
Royal Liver Building
Liverpool L3 1PS

23 September 2015

Statement of Responsibilities for the Statement of Accounts

1. The Police and Crime Commissioner's responsibilities

The Police and Crime Commissioner is required to:-

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

I approve these Statement of Accounts.

The Statement of Responsibilities was signed by Jane Kennedy on 18th September 2015.

Rt Hon Jane Kennedy
Police and Crime Commissioner

2. The Chief Finance Officer's responsibilities

The Chief Finance Officer is responsible for the preparation of the Statement of Accounts of the Police and Crime Commissioner (PCC) and the PCC Group 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; and
- complied with the Code of Practice on Local Authority Accounting.

The Chief Finance Officer has also:-

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

I certify that the Statement of Accounts presents a 'true and fair view' of the financial position of the PCC and the Group at the accounting date and of the Income and Expenditure for the year ended 31st March 2015.

Signed

The Statement of Responsibilities was signed by John Riley on 18th September 2015.

John Riley CPFA
Chief Finance Officer to the Office of the Police and Crime Commissioner
18th September 2015

The Group Movement in Reserves Statement 2013/14 (comparative figures)

This statement shows the movement in the 2013/14 financial year on the different reserves held by the Group, analysed into ‘usable’ reserves and ‘unusable’ reserves. The ‘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 (**CIES**). These are different from the statutory amounts charged to the General Fund Balance for council tax setting. The ‘net increase or (decrease) before transfers to earmarked reserves’ line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Group. An analysis of the unusable reserves for 2013/14 can be found in **note 2.4**.

Group	Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2013		**9,450**	**31,064**	**28**	**19**	**40,561**	**(3,728,457)**	**(3,687,896)**
Deficit on provision of services on an accounting basis		(191,302)	0	0	0	**(191,302)**	**0**	**(191,302)**
Remeasurements of the net defined benefit liability	**8.14**	0	0	0	0	**0**	**232,118**	**232,118**
Surplus on revaluation of non-current assets		0	0	0	0	**0**	**11,707**	**11,707**
Total Comprehensive Income and Expenditure		**(191,302)**	**0**	**0**	**0**	**(191,302)**	**243,825**	**52,523**
Adjustments between accounting basis and funding basis under regulations:								
Depreciation,impairment,amortisation and revaluations charged to the CIES		12,251	0	0	0	**12,251**	**(12,251)**	**0**
Capital grants and contributions credited to the CIES	**3.3**	(7,066)	0	0	0	**(7,066)**	**7,066**	**0**
Net loss on sale of non current assets		244	0	491	0	**735**	**(735)**	**0**
Use of capital receipts to fund capital expenditure	**4.6**	0	0	(518)	0	**(518)**	**518**	**0**
Actual amounts charged against the Pension Fund for the year	**8.6**	(57,038)	0	0	0	**(57,038)**	**57,038**	**0**
Difference in pension costs between accounting basis (IAS 19) and funding basis	**8.6**	260,565	0	0	0	**260,565**	**(260,565)**	**0**
Difference in council tax income (between accounting and funding basis)		(1,220)	0	0	0	**(1,220)**	**1,220**	**0**
Difference in employee remuneration costs (between accounting and funding basis)		(1,139)	0	0	0	**(1,139)**	**1,139**	**0**
Statutory provision for repayment of debt (minimum revenue provision)	**4.6**	(1,319)	0	0	0	**(1,319)**	**1,319**	**0**
Repayment of inherited debt	**4.6**	(235)	0	0	0	**(235)**	**235**	**0**
Capital expenditure charged to the General Fund Balance	**4.6**	(1,029)	0	0	0	**(1,029)**	**1,029**	**0**
Total adjustments		**204,014**	**0**	**(27)**	**0**	**203,987**	**(203,987)**	**0**
Net increase/(decrease) before transfers to earmarked reserves		**12,712**	**0**	**(27)**	**0**	**12,685**	**39,838**	**52,523**
Transfers to and from earmarked reserves	**2.3**	**(12,588)**	**7,565**	**0**	**0**	**(5,023)**	**5,023**	**0**
Balance as at 31st March 2014		**9,574**	**38,629**	**1**	**19**	**48,223**	**(3,683,596)**	**(3,635,373)**

The Group Movement in Reserves Statement 2014/15

This statement shows the movement in the 2014/15 financial year on the different reserves held by the Group, analysed into 'usable' reserves and 'unusable' reserves. The '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 (**CIES**). These are different from the statutory amounts charged to the General Fund Balance for council tax setting. The 'net increase or (decrease) before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Group. An analysis of the unusable reserves for 2014/15 can be found in **note 2.5**.

Group	Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2014		**9,574**	**38,629**	**1**	**19**	**48,223**	**(3,683,596)**	**(3,635,373)**
Deficit on provision of services on an accounting basis		(194,854)	0	0	0	**(194,854)**	**0**	**(194,854)**
Remeasurements of the net defined benefit liability	**8.14**	0	0	0	0	**0**	**(396,584)**	**(396,584)**
Surplus on revaluation of non-current assets		0	0	0	0	**0**	**21,382**	**21,382**
Total Comprehensive Income and Expenditure		**(194,854)**	**0**	**0**	**0**	**(194,854)**	**(375,202)**	**(570,056)**
Adjustments between accounting basis and funding basis under regulations:								
Depreciation,impairment,amortisation and revaluations charged to the CIES		11,652	0	0	0	**11,652**	**(11,652)**	**0**
Capital grants and contributions credited to the CIES	**3.3**	(3,725)	0	0	0	**(3,725)**	**3,725**	**0**
Net gain on sale of non current assets		(54)	0	305	0	**251**	**(251)**	**0**
Use of capital receipts to fund capital expenditure	**4.6**	0	0	(305)	0	**(305)**	**305**	**0**
Actual amounts charged against the Pension Fund for the year	**8.6**	(57,975)	0	0	0	**(57,975)**	**57,975**	**0**
Difference in pension costs between accounting basis (IAS 19) and funding basis	**8.6**	248,315	0	0	0	**248,315**	**(248,315)**	**0**
Difference in council tax income (between accounting and funding basis)		(1,047)	0	0	0	**(1,047)**	**1,047**	**0**
Difference in employee remuneration costs (between accounting and funding basis)		(312)	0	0	0	**(312)**	**312**	**0**
Statutory provision for repayment of debt (minimum revenue provision)	**4.6**	(1,310)	0	0	0	**(1,310)**	**1,310**	**0**
Repayment of inherited debt	**4.6**	(235)	0	0	0	**(235)**	**235**	**0**
Capital expenditure charged to the General Fund Balance	**4.6**	(485)	0	0	0	**(485)**	**485**	**0**
Total adjustments		**194,824**	**0**	**0**	**0**	**194,824**	**(194,824)**	**0**
Net increase/(decrease) before transfers to earmarked reserves		**(30)**	**0**	**0**	**0**	**(30)**	**(570,026)**	**(570,056)**
Transfers to and from earmarked reserves	2.3	**941**	**(7,466)**	**0**	**0**	**(6,525)**	**6,525**	**0**
Balance as at 31st March 2015		**10,485**	**31,163**	**1**	**19**	**41,668**	**(4,247,097)**	**(4,205,429)**

The PCC Movement in Reserves Statement 2013/14 (comparative figures)

This statement shows the movement in the 2013/14 financial year on the different reserves held by the PCC, analysed into 'usable' reserves and 'unusable' reserves. The 'deficit on the provision of services' line shows the true economic cost of providing the PCC's services, more details of which are shown in the PCC's Comprehensive Income and Expenditure Statement (**CIES**). These are different from the statutory amounts charged to the General Fund Balance for council tax setting. The 'net increase or (decrease) before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the PCC. An analysis of the unusable reserves for 2013/14 can be found in **note 2.6**.

PCC	Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total PCC Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2013		**9,450**	**31,064**	**28**	**19**	**40,561**	**104,093**	**144,654**
Deficit on provision of services on an accounting basis		11,000	0	0	0	**11,000**	**0**	**11,000**
Remeasurements of the net defined benefit liability		0	0	0	0	**0**	**298**	**298**
Surplus on revaluation of non-current assets	**4.4**	0	0	0	0	**0**	**11,707**	**11,707**
Total Comprehensive Income and Expenditure		**11,000**	**0**	**0**	**0**	**11,000**	**12,005**	**23,005**
Adjustments between accounting basis and funding basis under regulations:								
Depreciation,impairment,amortisation and revaluations charged to the CIES		12,251	0	0	0	**12,251**	**(12,251)**	**0**
Capital grants and contributions credited to the CIES	**3.3**	(7,066)	0	0	0	**(7,066)**	**7,066**	**0**
Net loss on sale of non current assets		244	0	491	0	**735**	**(735)**	**0**
Use of capital receipts to fund capital expenditure	**4.6**	0	0	(518)	0	**(518)**	**518**	**0**
Actual amounts charged against the Pension Fund for the year		(103)	0	0	0	**(103)**	**103**	**0**
Difference in pension costs between accounting basis (IAS 19) and funding basis		189	0	0	0	**189**	**(189)**	**0**
Difference in council tax income (between accounting and funding basis)		(1,220)	0	0	0	**(1,220)**	**1,220**	**0**
Statutory provision for repayment of debt (minimum revenue provision)	**4.6**	(1,319)	0	0	0	**(1,319)**	**1,319**	**0**
Repayment of inherited debt	**4.6**	(235)	0	0	0	**(235)**	**235**	**0**
Capital expenditure charged to the General Fund Balance	**4.6**	(1,029)	0	0	0	**(1,029)**	**1,029**	**0**
Total adjustments		**1,712**	**0**	**(27)**	**0**	**1,685**	**(1,685)**	**0**
Net increase/(decrease) before transfers to earmarked reserves		**12,712**	**0**	**(27)**	**0**	**12,685**	**10,320**	**23,005**
Transfers to and from earmarked reserves	**2.3**	**(12,588)**	**7,565**	**0**	**0**	**(5,023)**	**5,023**	**0**
Balance as at 31st March 2014		**9,574**	**38,629**	**1**	**19**	**48,223**	**119,436**	**167,659**

The PCC Movement in Reserves Statement 2014/15

This statement shows the movement in the 2014/15 financial year on the different reserves held by the PCC, analysed into 'usable' reserves and 'unusable' reserves. The 'surplus on the provision of services' line shows the true economic cost of providing the PCC's services, more details of which are shown in the PCC's Comprehensive Income and Expenditure Statement (**CIES**). These are different from the statutory amounts charged to the General Fund Balance for council tax setting. The 'net increase or (decrease) before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the PCC. An analysis of the unusable reserves for 2014/15 can be found in **note 2.7**.

PCC	Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total PCC Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2014		**9,574**	**38,629**	**1**	**19**	**48,223**	**119,436**	**167,659**
Deficit on provision of services on an accounting basis		(3,791)	0	0	0	**(3,791)**	**0**	**(3,791)**
Remeasurements of the net defined benefit liability		0	0	0	0	**0**	**(236)**	**(236)**
Surplus on revaluation of non-current assets	4.4	0	0	0	0	**0**	**21,382**	**21,382**
Total Comprehensive Income and Expenditure		**(3,791)**	**0**	**0**	**0**	**(3,791)**	**21,146**	**17,355**
Adjustments between accounting basis and funding basis under regulations:								
Depreciation,impairment,amortisation and revaluations charged to the CIES		11,652	0	0	0	**11,652**	**(11,652)**	**0**
Capital grants and contributions credited to the CIES	3.3	(3,725)	0	0	0	**(3,725)**	**3,725**	**0**
Net gain on sale of non current assets		(54)	0	305	0	**251**	**(251)**	**0**
Use of capital receipts to fund capital expenditure	4.6	0	0	(305)	0	**(305)**	**305**	**0**
Actual amounts charged against the Pension Fund for the year		(71)	0	0	0	**(71)**	**71**	**0**
Difference in pension costs between accounting basis (IAS 19) and funding basis		105	0	0	0	**105**	**(105)**	**0**
Difference in council tax income (between accounting and funding basis)		(1,047)	0	0	0	**(1,047)**	**1,047**	**0**
Transfer of pension liabilities to CC	8.2	(1,068)	0	0	0	**(1,068)**	**1,068**	**0**
Statutory provision for repayment of debt (minimum revenue provision)	4.6	(1,310)	0	0	0	**(1,310)**	**1,310**	**0**
Repayment of inherited debt	4.6	(235)	0	0	0	**(235)**	**235**	**0**
Capital expenditure charged to the General Fund Balance	4.6	(485)	0	0	0	**(485)**	**485**	**0**
Total adjustments		**3,762**	**0**	**0**	**0**	**3,762**	**(3,762)**	**0**
Net increase/(decrease) before transfers to earmarked reserves		**(29)**	**0**	**0**	**0**	**(30)**	**17,384**	**17,355**
Transfers to and from earmarked reserves	2.3	**941**	**(7,466)**	**0**	**0**	**(6,525)**	**6,525**	**0**
Balance as at 31st March 2015		**10,486**	**31,163**	**1**	**19**	**41,668**	**143,345**	**185,014**

The Group 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. The Group raises taxation to cover expenditure in accordance with statutory regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2013/14			Group	2014/15			
Gross Expenditure Restated*	Gross Income Restated*	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
173,080	(8,165)	**164,915**	Local policing		171,520	(6,105)	**165,415**
28,560	(369)	**28,191**	Dealing with the public		29,845	(740)	**29,105**
39,461	(2,024)	**37,437**	Criminal justice arrangements		33,677	(1,702)	**31,975**
15,708	(2,275)	**13,433**	Roads policing		15,937	(1,990)	**13,947**
41,541	(3,203)	**38,338**	Specialist operations		42,994	(2,815)	**40,179**
29,585	(2,954)	**26,631**	Intelligence		29,455	(1,716)	**27,739**
83,333	(1,778)	**81,555**	Investigation		74,693	(871)	**73,822**
12,160	(270)	**11,890**	Investigative support		9,894	(287)	**9,607**
18,084	(11,140)	**6,944**	National policing		16,947	(4,397)	**12,550**
7,900	0	**7,900**	Non-distributed costs		4,777	0	**4,777**
5,283	(46)	**5,237**	Corporate and democratic core		4,921	(30)	**4,891**
454,695	**(32,224)**	**422,471**	**Cost of Services**		**434,660**	**(20,653)**	**414,007**
734	(62,376)	**(61,642)**	Other operating expenditure/(income)	**3.1**	323	(62,448)	**(62,125)**
164,097	(273)	**163,824**	Financing and investment expenditure/(income)	**3.2**	166,466	(392)	**166,074**
0	(333,351)	**(333,351)**	Taxation and non specific grant income	**3.3**	0	(323,102)	**(323,102)**
619,526	**(428,224)**	**191,302**	**Deficit on Provision of Services**		**601,449**	**(406,595)**	**194,854**
(11,707)	0	**(11,707)**	Surplus on revaluation of non-current assets	**4.4**	(21,382)	0	**(21,382)**
(232,118)	0	**(232,118)**	Remeasurements of the net defined benefit liability	**8.14**	396,584	0	**396,584**
(243,825)	**0**	**(243,825)**	**Other Comprehensive Income and Expenditure**		**375,202**	**0**	**375,202**
375,701	**(428,224)**	**(52,523)**	**Total Comprehensive Income and Expenditure**		**976,651**	**(406,595)**	**570,056**

*The comparative figures for Cost of Services Gross Expenditure and Gross Income have been restated from the 2013/14 Statement of Accounts. See **Note 9** for details of the restatement. The restatement has no impact on the Net Total Comprehensive Income and Expenditure or the General Fund Balance.

The PCC (Single Entity) 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. The PCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The PCC receives all the income and funding for the Group and in turn provides funding to the CC to undertake day-to-day policing and crime reduction services during the year.

2013/14 Restated*			PCC	Note	2014/15		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
4,705	(12,870)	**(8,165)**	Local policing		4,480	(10,585)	**(6,105)**
998	(1,367)	**(369)**	Dealing with the public		1,086	(1,826)	**(740)**
1,160	(3,184)	**(2,024)**	Criminal justice arrangements		1,250	(2,952)	**(1,702)**
330	(2,605)	**(2,275)**	Roads policing		286	(2,276)	**(1,990)**
820	(4,023)	**(3,203)**	Specialist operations		741	(3,556)	**(2,815)**
697	(3,651)	**(2,954)**	Intelligence		802	(2,518)	**(1,716)**
1,964	(3,742)	**(1,778)**	Investigation		2,106	(2,977)	**(871)**
286	(556)	**(270)**	Investigative support		295	(582)	**(287)**
294	(11,434)	**(11,140)**	National policing		330	(4,727)	**(4,397)**
1,009	0	**1,009**	Non-distributed costs		277	0	**277**
5,283	(46)	**5,237**	Corporate and democratic core		4,921	(30)	**4,891**
410,197	0	**410,197**	PCC funding to CC for financial resources consumed	**3.13**	404,925	0	**404,925**
427,743	**(43,478)**	**384,265**	**Cost of Services**		**421,499**	**(32,029)**	**389,470**
479	(62,376)	**(61,897)**	Other operating expenditure/income	**3.1**	62	(62,448)	**(62,386)**
256	(273)	**(17)**	Financing and investment expenditure/(income)	**3.2**	201	(392)	**(191)**
0	(333,351)	**(333,351)**	Taxation and non specific grant income	**3.3**	0	(323,102)	**(323,102)**
428,478	**(439,478)**	**(11,000)**	**Deficit/(Surplus) on Provision of Services**		**421,762**	**(417,971)**	**3,791**
(11,707)	0	**(11,707)**	Surplus on revaluation of non-current assets	**4.4**	(21,382)	0	**(21,382)**
(298)	0	**(298)**	Remeasurements of the net defined benefit liability		236	0	**236**
(12,005)	**0**	**(12,005)**	**Other Comprehensive Income and Expenditure**		**(21,146)**	**0**	**(21,146)**
416,473	**(439,478)**	**(23,005)**	**Total Comprehensive Income and Expenditure**		**400,616**	**(417,971)**	**(17,355)**

The 2013/14 Comprehensive Income and Expenditure Statement has been restated to report the PCC funding for financial resources consumed (£410.197m) within cost of services. In the 2013/14 Statement of Accounts this expenditure was reported below cost of services as part of the deficit/(surplus) on provision of services.

Following the passing of the Police Reform and Social Responsibility Act, which replaced Police Authorities with Police and Crime Commissioners, there have been inconsistencies in the reporting of this line of expenditure in the financial statements of police forces across England and Wales.

This amendment has therefore taken place to improve the consistency of reporting. This restatement has had no impact on 2013/14 total comprehensive income and expenditure.

The Group and the PCC Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group and the PCC. The net assets/ (liabilities) of the Group and the PCC are matched by the reserves held by the Group and the PCC. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that may not be used to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences. Reserves Movements are shown in the Movement in Reserves Statement (**MiRS**).

PCC as at 31st March 2014	Group as at 31st March 2014		Note	PCC as at 31st March 2015	Group as at 31st March 2015
£000	**£000**			**£000**	**£000**
		Long-term Assets			
151,570	151,570	Property, plant and equipment	4.1 - 4.5	170,856	170,856
1,620	1,620	Intangible assets		1,556	1,556
153,190	**153,190**	**Total Long-term Assets**		**172,412**	**172,412**
		Current Assets			
730	730	Assets held for sale		2,190	2,190
30,000	30,000	Short-term investments	4.14	30,000	30,000
631	631	Inventories		734	734
26,910	27,008	Short-term debtors	4.7	24,092	24,173
17,352	17,352	Cash and cash equivalents	4.8	14,082	14,082
75,623	**75,721**	**Total Current Assets**		**71,098**	**71,179**
		Current Liabilities			
(26,018)	(31,535)	Short-term creditors	4.9	(28,617)	(33,397)
(43)	(43)	Bank Overdraft	4.10	(3)	(3)
(23,000)	(23,000)	Short-term borrowing	4.14	(19,500)	(19,500)
(235)	(235)	Short-term deferred liabilities	4.11	(235)	(235)
(4,936)	(4,936)	Provisions	4.12	(4,254)	(4,663)
(920)	(920)	Grants receipts in advance		(1,505)	(1,505)
(55,152)	**(60,669)**	**Total Current Liabilities**		**(54,114)**	**(59,303)**
		Long-term Liabilities			
(2,585)	(2,585)	Long-term deferred liabilities	4.11	(2,350)	(2,350)
(1,068)	(3,798,680)	Liability relating to defined benefit pension scheme	8.7	(270)	(4,385,604)
(2,350)	(2,350)	Non-current provisions	4.12	(1,763)	(1,763)
(6,003)	**(3,803,615)**	**Total Long-term Liabilities**		**(4,383)**	**(4,389,717)**
167,658	**(3,635,373)**	**Net Assets/(Liabilities)**		**185,013**	**(4,205,429)**
		Reserves			
48,223	48,223	Usable reserves	MiRS	41,668	41,668
119,436	(3,683,596)	Unusable reserves	2.4 -2.7	143,345	(4,247,097)
167,658	**(3,635,373)**	**Total Reserves**		**185,013**	**(4,205,429)**

The Group and the PCC Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group and the PCC during the reporting period. The statement shows how the Group and the PCC 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 and the PCC are funded by way of taxation and grant income or from the recipients of services provided by the Group and the PCC. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's and the PCC'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 and the PCC.

PCC 2013/14	Group 2013/14		Note	PCC 2014/15	Group 2014/15
£000	**£000**			**£000**	**£000**
(11,000)	**191,302**	Net deficit on the provision of services		**3,791**	**194,854**
(9,969)	(212,270)	Adjust net deficit on the provision of services for non-cash movements	**5.1**	(14,683)	(205,746)
7,558	7,557	Adjust net deficit on the provision of services for items that are investing and financing activities	**5.2**	4,119	4,119
(13,411)	**(13,411)**	**Net cash inflows from Operating Activities**		**(6,773)**	**(6,773)**
34,894	34,894	Investing Activities	**5.3**	6,268	6,268
(22,765)	(22,765)	Financing Activities	**5.4**	3,735	3,735
(1,282)	**(1,282)**	**Net increase/(decrease) in cash and cash equivalents**		**3,230**	**3,230**
(16,027)	**(16,027)**	**Cash/cash equivalents/bank overdraft at 1st April**		**(17,309)**	**(17,309)**
(17,309)	**(17,309)**	**Cash/cash equivalents/bank overdraft at 31st March**		**(14,079)**	**(14,079)**
(17,352)	(17,352)	Cash and cash equivalents	**4.8**	(14,082)	(14,082)
43	43	Bank Overdraft	**4.10**	3	3
(17,309)	**(17,309)**	**Total**		**(14,079)**	**(14,079)**

1. Statement of Accounting Policies for the Group and the PCC

1.1 General Principles

Accounting policies are the principles applied to show the effect of transactions and events on the financial statements. The financial statements have been prepared in accordance with The Code of Practice on Local Authority Accounting in the UK 2014/15 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is recognised by statute as representing proper accounting practice. This Code of Practice is based on International Financial Reporting Standards (IFRS) and also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of property, plant and equipment.

Following the passing of the Police Reform and Social Responsibility Act 2011, Merseyside Police Authority was replaced on 22nd November 2012 with two ‘corporation sole’ bodies, the Police and Crime Commissioner for Merseyside (PCC) and the Chief Constable of Merseyside Police (CC). Both bodies are required to prepare separate Statements of Accounts.

The Financial Statements included here represent the accounts for the PCC Group and also the PCC. The financial statements cover the 12 months to 31st March 2015. The term ‘Group’ is used to indicate consolidated transactions and policies of the PCC and the CC for the year ended 31st March 2015. The identification of the PCC as the holding organisation and the requirements to produce Group accounts stems from the powers and responsibilities of the PCC under the Police Reform and Social Responsibility Act 2011.

The PCC Group and the PCC have adopted consistent accounting policies, which are detailed below in alphabetical order.

1.2 Accruals of Income and Expenditure

The revenue accounts are maintained on an accruals basis, which means that the sums due to or from the Group during the year are included, whether or not the cash has actually been received or paid in the year. In particular:-

- Where income and expenditure has been recognised but cash has not yet been received or paid, a debtor or creditor for the relevant amount is included in the Balance Sheet.

- Supplies are recorded as expenditure when they are consumed. Supplies received but not yet consumed are held as inventories in the Balance Sheet.

- Fees, charges and rents due from customers are accounted for as income at the date the relevant goods or services are provided.

- Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates.

Whilst all expenditure is paid for by the PCC including the wages of police staff and officers, the actual recognition in the respective PCC and CC Financial Statements is based on economic benefit.

1. Statement of Accounting Policies for the Group and the PCC

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with an insignificant risk of change in value.

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

1.4 Council Tax Income

In accordance with the Code, the Council Tax Income included in the Comprehensive Income and Expenditure Statement is the accrued income for the financial year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Group recognises its share of the Council Tax debtor and creditor balances and impairment allowances in its Balance Sheet. The Group also recognises:-

- a creditor in its Balance Sheet for cash received from the Billing Authority in advance of the Billing Authority receiving the cash from Council Tax debtors; or

- a debtor in its Balance Sheet for its attributable share of net cash collected from Council Tax debtors by the Billing Authority but not paid over to it at the Balance Sheet date.

1.5 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which the employee renders service to the Group. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Group to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the 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 the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

1.5 Employee Benefits (continued)

Post Employment Benefits (Pensions)

As part of the terms and conditions of employment the Group offers retirement benefits for Police Officers and Police Staff. The schemes provide members with defined benefits related to pay and service as follows:-

Police Officers
The original Police Pension Scheme (PPS) is governed by the Police Pensions Regulation 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The new Police Pension Scheme (NPPS) is also governed by the Police Pensions Act 1976 (as amended by the Police Pension Regulations 2006).

The 1987 and 2006 Police Pension Schemes (PPS) for police officers are unfunded schemes, which means that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet the actual payments as they fall due. The Group is required by legislation to operate a Pension Fund with the amounts that must be paid into or out of the Pension Fund being specified by regulation. The former Police Authority set up a Pension Fund on 1st April 2006 from which pensions payments are made and into which contributions from the PCC and employees are received. The PCC then receives a top-up grant from the Government equal to the sum by which the amount payable for pensions from the Pension Fund exceeds the amount receivable from the PCC into the Pension Fund. The Pension Fund is shown separately in the Accounts.

Police Staff
Police staff, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, which is a funded defined benefit scheme. Pensions and other retirement benefits are paid from the fund and employers and employees make regular contributions into the fund so that the liabilities are paid for evenly over the employment period. Actuarial valuations of the fund are undertaken every three years to determine the contribution rates needed to meet its liabilities, the last valuation having been at 31st March 2013. The Governance arrangements for the Merseyside Pension Fund (MPF) are contained within the MPF Governance Policy, which has been prepared in accordance with the requirements of the provisions of the Local Government Pension Scheme (England and Wales) (Amendment no. 2) Regulations 2005 and is available on the MPF website.

The above schemes provide defined benefits to members (retirement lump sums and pensions), earned during employee's periods of employment. The schemes are accounted for in accordance with IAS 19 "Employee Benefits" which is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even though this may be many years in the future and will not be payable until employees retire.

Adoption of IAS 19 requires a pension asset or liability to be recognised in the Balance Sheet, made up of the net position of retirement liabilities and pension scheme assets.

The liabilities of the Merseyside Pension Fund attributable to the Group are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and estimates of projected earnings for current employees.

Pension Scheme assets (LGPS only) attributable to the PCC are included at their fair value. Plan assets of the Police Pension Scheme include employers and employees contributions with an associated experience adjustment in the form of a Remeasurement to bring net assets to zero at year-end. The PCC currently has a net pensions liability and this is matched on the Balance Sheet by a Pensions Reserve.

1. Statement of Accounting Policies for the Group and the PCC

1.5 Employee Benefits (continued)

The change in net pensions liability during the year is analysed into several components:

- **Current Service Cost** – the increase in liabilities as a result of service earned by employees in the current year. This is charged to cost of services within the Comprehensive Income and Expenditure Statement.

- **Past Service Cost** – the increase in liabilities arising from current year decisions, the effect of which relate to service in earlier years. This is charged to non-distributed costs in the Comprehensive Income and Expenditure Statement in the period when an entity amends a benefit plan.

- **Net Pensions Interest Cost** - replacing the interest cost and the expected return on assets (previously disclosed separately). The net interest expense or income on the net pension liability or asset represents the financing cost or income of deferring payment or prepaying employee services. It is calculated by multiplying the net pension liability or the net pension asset by the discount rate used to measure the pension liability. If the interest on the pension liability exceeds the interest on the plan assets, it will be net interest expense. If the interest on the plan assets exceeds the interest on the pension liability, it will be net interest income. Net interest income or expense will be presented in financing and investment income and expenditure.

- **Remeasurements** – these are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions. Remeasurements are made up of actuarial gains and losses on the defined benefit obligation, differences between actual investment returns and the return implied by the net interest cost, and the effect of the asset ceiling. Remeasurements are recognised in the Balance Sheet immediately, with a corresponding charge or credit to the Comprehensive Income and Expenditure Statement in the period in which they occur.

- **Administration Costs and Other Expenses** – administration costs directly related to the management of plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the defined benefit obligation, are recognised as a reduction in the return on plan assets and recorded in other comprehensive income and expenditure. Other administration costs must not be deducted from the return on plan assets and are recognised in the surplus or deficit on the provision of services.

Statutory provisions require that the amount charged to the General Fund Balance is the amount paid by the Group to pension funds rather than that calculated under IAS 19. This means that an appropriation to or from the Pensions Reserve is necessary within the Movement in Reserves Statement to replace the notional sums for retirement benefits with the actual pension costs.

Long Term Employee Benefits

Long Term Employee Benefits are paid for officers retiring on ill health grounds, and are termed as long term disability benefits paid out under the regulations contained in the Police (Injury Benefit) Regulations 2006. These injury awards are charged to the surplus / deficit on provision of services, with actuarial gains and losses being recognised in other comprehensive income and expenditure.

Under Chapter 6.2 of the Code, long-term disability benefits are usually accounted for as ‘other long-term benefits’ because they are not seen to be subject to the same degree of uncertainty as the measurement of post-employment benefits. However, International Public Sector Accounting Standard 25 (IPSAS25) allows this presumption to be rebutted where the PCC believes that there is significant volatility and/or materiality in the level of long-term disability payments. Where the PCC rebuts the presumption the Code allows long-term disability payments to be treated in the same way

1.5 Employee Benefits (continued)

as defined benefit post-employment benefits. Due to the materiality and significant volatility in the payment of injury pensions the PCC rebuts the presumption above, and has accounted for those payments in the same way as other defined benefit post-employment benefits.

1.6 Events After the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

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

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

1.7 Exceptional Items

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

1.8 Financial Assets and Liabilities

All financial instruments are included in the Balance Sheet at amortised cost. For borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayment, and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable in the year. Likewise investments are included in the Balance Sheet as the outstanding principal receivable, and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable in the year.

1.9 Government Grants and Contributions

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

- the Group will comply with the conditions attached to the payments; and
- 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.

1. Statement of Accounting Policies for the Group and the PCC

1.9 Government Grants and Contributions (continued)

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/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the 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 Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.10 Group Accounts

Following the Police Reform and Social Responsibility Act 2011 (PRSR Act), Merseyside Police Authority was replaced on 22nd November 2012 with two 'corporation sole' bodies – the Police and Crime Commissioner for Merseyside (PCC) and the Chief Constable of Merseyside Police (CC). The identification of the PCC as the holding organisation and the requirements to produce Group accounts stems from the powers and responsibilities of the PCC under the Police Reform and Social Responsibility Act 2011.

The transactions and balances of the PCC and the CC have been consolidated into the Group Accounts using the line-by-line method.

1.11 Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only when they are controlled by the Group as a result of past events (e.g. software licences), and where it is probable that future economic or service benefits will flow from the intangible asset to the Group and where the cost of the asset can be measured reliably.

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to produce and prepare the asset to the point that it is capable of operating in the manner intended by management. Thereafter, intangible assets are valued at depreciated historical cost as a proxy for fair value.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. 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.

Expenditure on purchasing computer software has been capitalised as an intangible asset. Amortisation is charged to the Comprehensive Income and Expenditure Statement on a straight-line basis (usually over four years).

1.12 Interest Charges

External interest charges are paid on the inherited debt brought forward at 1st April 1986. This is administered by Wirral Metropolitan Borough Council and is being repaid on a straight-line basis in compliance with the Debt Redemption Order 1986.

1.13 Interest Receivable

During the year interest receivable on surplus cash is credited to revenue.

1.14 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

1.15 Jointly Controlled Operations

Jointly controlled operations are joint arrangements in which the Group and other venturers have joint control of the operation. Joint control exists when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The activities undertaken by the Group in conjunction with other venturers involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Comprehensive Income and Expenditure Statement is debited with the Group's share of expenditure incurred and credited with the Group's share of income earned from the activity of the operation. If material, the Group recognises on its Balance Sheet its share of the assets that it controls and the liabilities that it incurs.

1.16 Leases

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

Property, Plant and Equipment held under finance leases are initially recognised at the inception of the lease at fair value or, if lower, present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor.

Finance lease payments are apportioned between:-

- A charge for the acquisition of the interest in the property applied to the writing down of the lease liability; and
- A finance charge debited to the Comprehensive Income and Expenditure Statement.

Where leases are classified as operating leases, the annual rentals are charged to revenue. The value of assets and related liability for future rental are not shown in the Balance Sheet.

1.17 Overheads and Support Services

The cost of overheads and support services are charged to those operations that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (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 PCC's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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.

1.18 Pension Top Up Grant

The police pension schemes are unfunded and have no investment assets. Benefits payable are funded by contributions from officers and the PCC. Any difference between benefits payable and contributions receivable is funded by an additional contribution from the PCC which is financed by a top-up grant from the Home Office.

The top-up grant income is calculated on an accruals basis and is credited to the PCC and Group Comprehensive Income and Expenditure Statement.

1.19 PCC Funding of the Chief Constable's Expenditure

As the Chief Constable has no resources with which to fulfil his devolved responsibilities to provide a policing service, the expenditure is funded by the PCC.

The PCC's funding of the CC's expenditure takes the form of 'intragroup funding' and is shown as income in the CC's CIES and expenditure in the PCC's CIES. The intragroup transactions are accounted for on an accruals basis and are eliminated on consolidation in the Group financial statements. There is no actual transfer of cash involved in this transaction as all the resources belong to the PCC.

1.20 Police Property Act Fund

The Group maintains a Police Property Act Fund, which is shown in the earmarked reserves (**Note 2.3)**. The requirement to maintain a Police Property Act Fund was laid down in the Police (Property) Act, 1897 and governed by subsequent regulations issued in 1898 and 1975. The monies in the Police Property Act Fund are generated by the disposal of property, which remains in police possession, in connection with their investigations into a suspected offence, and the owner cannot be ascertained (and no order of a competent court has been made regarding such property) or the disposal of property of offenders in certain cases, which have been confiscated.

Under the terms of the Police (Disposal of Property) Regulations 1975, 7(c) the Group is able to dispose of funds, to make payments of such amounts as the PCC may determine for such charitable purposes as they may select, and also to meet the expenses incurred in the conveyance, storage, safe custody and sale of the property.

1. Statement of Accounting Policies for the Group and the PCC

1.21 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, 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 the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Group's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

1.22 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are intended for use during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item 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.

Measurement and Valuation

Assets are initially measured at cost, comprising:-

- The purchase price; and
- 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.

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

- **Assets under construction**: historical cost.
- **Land and buildings**: fair value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value – EUV).
- Where there is no market-based evidence of the fair value of land and buildings because of their specialist nature, Depreciated Replacement Cost (DRC) is used as an estimate of fair value.
- Other **non-property assets** such as vehicles and IT hardware have short useful lives or low values (or both), and depreciated historical cost basis is used as a proxy for fair value.

1. Statement of Accounting Policies for the Group and the PCC

1.22 Property, Plant and Equipment (continued)

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount 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. (Exceptionally, gains might be 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); and/or

- 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 implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Where a large asset, for example a building, includes a number of components with significantly different assets lives then these components are treated as separate assets and depreciated over their own economic lives.

The costs arising from financing the construction of the long-term assets are not capitalised but are charged to the Comprehensive Income and Expenditure Statement in the year to which they relate.

Subsequent Expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the assets carrying value. Where subsequent expenditure is simply restoring the asset to the specification assumed by its economic useful life then the expenditure is charged to the Comprehensive Income and Expenditure Statement. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised.

1. Statement of Accounting Policies for the Group and the PCC

1.22 Property, Plant and Equipment (continued)

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Componentisation

The Group identifies any properties where it is considered that componentisation is appropriate and provides separate valuation of such components. Componentisation will only be applied routinely to new buildings or refurbishments completed after 1st April 2010 onwards and will not apply to historical assets that have not been refurbished.

Specifically componentisation is considered for properties which have been the subject of significant refurbishment or improvement during the year. In this context significant expenditure is defined as 'greater than 25% of the total cost of the asset and greater than £100,000'.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- **Buildings**: straight-line allocation over the useful life of the property as estimated by the valuer.
- **Vehicles, plant and equipment**: straight-line allocation over the estimated useful life of the asset.

Where a property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is 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 losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) 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 same line in the Comprehensive Income and Expenditure Statement also 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 accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

1.22 Property, Plant and Equipment (continued)

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. They are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the PCC's 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.

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

Charges to Revenue for Property, Plant and Equipment

The Comprehensive Income and Expenditure Statement is debited with the following amounts to record the real costs of holding property, plant and equipment during the year:-

- Depreciation attributable to the assets used;
- Revaluation and impairment losses on assets used where there are no accumulated gains in the Revaluation Reserve against which the losses can be written; and
- Amortisation of intangible assets attributable to the service.

The PCC charges the CC for operational assets consumed in the year. This charge is made at fair value. The annual depreciation charge and impairments and downward valuations chargeable to the PCC's Comprehensive Income and Expenditure Statement are considered to be a reasonable proxy for fair value.

The Group is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (Minimum Revenue Provision). Depreciation, impairment losses and amortisations are therefore replaced by the revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction within the Capital Adjustment Account for the difference between the two.

The Group is also charged with the principal element of transferred debt taken over from the former Merseyside County Council, and managed by Wirral Metropolitan Borough Council on its behalf. This charge is included as another adjusting transaction between the General Fund Balance and the Capital Adjustment Account.

1.23 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense in the Comprehensive Income and Expenditure Statement in the year that 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, taking into account relevant risks and uncertainties.

1.23 Provisions, Contingent Liabilities and Contingent Assets (continued)

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

Full details of provisions can be found at **note 4.12** to the Balance Sheet.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Group 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 disclosed in a note to the accounts.

Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. The Group does not recognise a contingent asset in the financial statements but discloses as a note to the accounts where an inflow of economic benefits or service potential is probable.

1.24 Redemption of Debt

Under the Local Government Act 1985, outstanding loan debt relating to police services was transferred to the Merseyside Police Authority on 1st April 1986. This debt is administered by Wirral Metropolitan Borough Council (WMBC). Loan charges are reimbursed by the PCC to WMBC.

Loan debt incurred from 1st April 1986 is directly administered by the Group.

1.25 Reserves and The General Fund Balance

The Group sets aside specific amounts as reserves for future policy purposes (earmarked reserves) or to cover general contingencies (The General Fund Balance). The earmarked reserves maintained by the Group are shown at **note 2.3**. Other reserves are held to manage the accounting processes for property, plant and equipment and retirement benefits and are explained elsewhere in the statement of accounting policies and notes to the core financial statements.

1.26 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

2. Notes to the Group and the PCC Movement in Reserves Statement

2.1 Usable Reserves

Movements in the Group's and the PCC's usable reserves are detailed in the Movement in Reserves Statements (**pages 12 - 15**). The Group holds the following usable reserves:-

- **The General Fund Balance** is the amount set aside to cover general contingencies;

- **Earmarked Reserves** are amounts set aside for future policy purposes. The movement on earmarked reserves can be found in **note 2.3** to the financial statements;

- **The Capital Receipts Reserve** represents the proceeds of sale on long-term assets. This reserve may only be used to fund capital expenditure or repay debt; and

- **The Capital Grants Unapplied Account** holds the grants and contributions received towards capital projects for which the Group has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

2.2 Unusable Reserves

Movements in the Group's and the PCC's unusable reserves are shown in the Movement in Reserves Statements and in detail in **notes 2.4 to 2.7**. The Group holds the following unusable reserves:-

- **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 whereas 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 an historical cost basis). The account is credited with the amounts set aside by the Group as finance for the costs of acquisition, construction and enhancement.

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

- **The Accumulated Absences Account** absorbs the differences that would otherwise arise on the General Fund Balance for accruing for compensated absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31st March 2015). Statutory arrangements require that the impact on the General Fund Balance is neutralised and this charge is reversed out through an unusable reserve in the Movement in Reserves Statement so that accounting entries would not impact on the requirement to raise council tax.

- **The Revaluation Reserve** contains the gains made by the Group arising from increases in the value of 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;
    - disposed of and the gains are realised.

2.2 Unusable Reserves (continued)

- **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 cost. However, the charge made against the precept is based upon the Group's contributions to pension funds in the financial year and retirement benefits paid to pensioners.

  The debit balance on the Pensions Reserve shows a shortfall in the benefits earned by past and current employees and the resources the Group has set aside to meet them, and represents the Net Defined Benefit Obligation to the PCC and Group. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid (**note 8.6**).

- **The Deferred Capital Receipts Reserve** holds the gains recognised on the disposal of non-current assets but for which cash settlement is yet to take place. Under statutory arrangements, the PCC does not treat these gains as usable for financing new capital expenditure until they are backed by capital receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2. Notes to the Group and the PCC Movement in Reserves Statement

2.3 The Group and the PCC Earmarked Reserves

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

Group and PCC		Transfers			Transfers		
Reserve	Balance as at 31st March 2013	In	Out	Balance as at 31st March 2014	In	Out	Balance as at 31st March 2015
	£000	£000	£000	£000	£000	£000	£000
Restructure	7,670	0	(400)	7,270	8,683	0	15,953
Estate Strategy	7,160	6,954	(4,581)	9,533	937	(3,943)	6,527
PCS & TO's *	9,012	0	0	9,012	0	(9,012)	0
Invest to Save	0	4,318	0	4,318	2,031	(3,334)	3,015
Earmarked Pensions	1,137	0	0	1,137	0	0	1,137
Operational Contingency	1,026	0	0	1,026	0	0	1,026
Road Camera Safety P'ship	0	645	0	645	218	0	863
Crime Prevention Strategy	0	634	(27)	607	256	(99)	764
Section 152	1,298	501	(308)	1,491	363	(1,285)	569
TITAN Asset	0	0	0	0	400	0	400
POCA	0	292	0	292	100	(71)	321
Carry Over	303	495	(302)	496	225	(496)	225
Victim Support	0	0	0	0	170	0	170
Civil Litigation Fund	408	175	(280)	303	45	(244)	104
Police Property Act Fund	137	49	(78)	108	0	(18)	90
Helicopter	460	0	0	460	0	(460)	0
Internal Trading	224	72	0	296	0	(296)	0
Other	263	101	(141)	223	0	(223)	0
Target Hardening	559	0	(381)	178	0	(178)	0
Insurance	656	0	0	656	13	(669)	0
Taser	100	0	(90)	10	0	(10)	0
Earmarked Capital	26	0	0	26	0	(26)	0
Migration Fund	125	50	(133)	42	0	(42)	0
Helicopter Indemnity	500	0	0	500	0	(500)	0
	31,064	14,286	(6,721)	38,629	13,441	(20,906)	31,164

Net Movement in Year	7,565	(7,465)

* Police Community Support and Traffic Officers.

2. Notes to the Group and the PCC Movement in Reserves Statement

2.3 The Group and the PCC Earmarked reserves (continued)

Details of reserves with individual balances of more than £1.000m are provided below.

- **The Restructure Reserve** is to be utilised to fund the potential redundancy or redeployment protection costs associated with the work of the Sustaining Excellence Programme (SEP). The utilisation of this reserve allows for the immediate release of savings from the revenue account. This has proved to be a successful strategy in reducing the estimated base budget savings requirement, thus ensuring continued financial resilience.

- **The Estate Strategy Reserve** was created to assist towards the capital financing of implementing the Estate Strategy, and so help cushion the impact on the Revenue Account.

- **The Invest to Save Reserve** has been established to reinvest underspends in support of initiatives that will generate future savings. All bids from the reserve are authorised by the PCC, and are overseen operationally by the Sustaining Excellence Programme Board.

- **The Earmarked Pensions Reserve** was created to minimise the financial impact in financial years where a high number of ill health retirements are paid out of revenue.

- **The Operational Contingency Reserve** has been established to provide some resilience to the devolved budget holders against the cost of policing potential public order and major incidents and events.

2. Notes to the Group and the PCC Movement in Reserves Statement

2.4 The Group Unusable Reserves 2013/14 (comparative figures)

Unusable reserves are those which 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 (for example the Capital Adjustment Account). **Note 2.2** provides a narrative description of the unusable reserves.

Group	Note	Capital Adjustment Account	Deferred Capital Receipts Reserve	Collection Fund Adjustment Account	Accumulated Absences Account	Revaluation Reserve	Pensions Reserve (IAS 19)	Total Unusable Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2013		**77,148**	**0**	**299**	**(6,560)**	**27,927**	**(3,827,271)**	**(3,728,457)**
Remeasurements of the net defined benefit liability	**8.14**	0	0	0	0	0	232,118	**232,118**
Surplus on revaluation of non-current assets	**4.4**	17	0	0	0	11,690	0	**11,707**
Total Comprehensive Income and Expenditure		**17**	**0**	**0**	**0**	**11,690**	**232,118**	**243,825**
Adjustments between accounting basis and funding basis under regulations:								
Depreciation,impairment,amortisation and revaluations charged to the CIES		(12,251)	0	0	0	0	0	**(12,251)**
Capital grants and contributions credited to the CIES	**3.3**	7,066	0	0	0	0	0	**7,066**
Net loss on sale of non current assets		(735)	0	0	0	0	0	**(735)**
Use of capital receipts to fund capital expenditure	**4.6**	518	0	0	0	0	0	**518**
Actual amounts charged against the Pension Fund for the year	**8.6**	0	0	0	0	0	57,038	**57,038**
Difference in pension costs between accounting basis (IAS 19) and funding basis	**8.6**	0	0	0	0	0	(260,565)	**(260,565)**
Difference in council tax income (between accounting and funding basis)		0	0	1,220	0	0	0	**1,220**
Difference in employee remuneration costs (between accounting and funding basis)		0	0	0	1,139	0	0	**1,139**
Statutory provision for repayment of debt (minimum revenue provision)	**4.6**	1,319	0	0	0	0	0	**1,319**
Repayment of inherited debt	**4.6**	235	0	0	0	0	0	**235**
Capital expenditure charged to the General Fund Balance	**4.6**	1,029	0	0	0	0	0	**1,029**
Transfer of the excess current cost depreciation over historical cost depreciation		589	0	0	0	(589)	0	**0**
Total adjustments		**(2,230)**	**0**	**1,220**	**1,139**	**(589)**	**(203,527)**	**(203,987)**
Net increase/(decrease) before transfers to earmarked reserves		**(2,213)**	**0**	**1,220**	**1,139**	**11,101**	**28,591**	**39,838**
Transfers to and from earmarked reserves		**5,023**	**0**	**0**	**0**	**0**	**0**	**5,023**
Balance as at 31st March 2014		**79,958**	**0**	**1,519**	**(5,421)**	**39,028**	**(3,798,680)**	**(3,683,596)**

2. Notes to the Group and the PCC Movement in Reserves Statement

2.5 The Group Unusable Reserves 2014/15

Unusable reserves are those which 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 (for example the Capital Adjustment Account). **Note 2.2** provides a narrative description of the unusable reserves.

Group	Note	Capital Adjustment Account	Deferred Capital Receipts Reserve	Collection Fund Adjustment Account	Accumulated Absences Account	Revaluation Reserve	Pensions Reserve (IAS 19)	Total Unusable Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2014		**79,958**	**0**	**1,519**	**(5,421)**	**39,028**	**(3,798,680)**	**(3,683,596)**
Remeasurements of the net defined benefit liability	**8.14**	0	0	0	0	0	(396,584)	**(396,584)**
Surplus on revaluation of non-current assets	**4.4**	0	0	0	0	21,382	0	**21,382**
Total Comprehensive Income and Expenditure		**0**	**0**	**0**	**0**	**21,382**	**(396,584)**	**(375,202)**
Adjustments between accounting basis and funding basis under regulations:								
Depreciation,impairment,amortisation and revaluations charged to the CIES		(11,652)	0	0	0	0	0	**(11,652)**
Capital grants and contributions credited to the CIES	**3.3**	3,725	0	0	0	0	0	**3,725**
Net gain on sale of non current assets		(340)	89	0	0	0	0	**(251)**
Use of capital receipts to fund capital expenditure	**4.6**	305	0	0	0	0	0	**305**
Actual amounts charged against the Pension Fund for the year	**8.6**	0	0	0	0	0	57,975	**57,975**
Difference in pension costs between accounting basis (IAS 19) and funding basis	**8.6**	0	0	0	0	0	(248,315)	**(248,315)**
Difference in council tax income (between accounting and funding basis)		0	0	1,047	0	0	0	**1,047**
Difference in employee remuneration costs (between accounting and funding basis)		0	0	0	312	0	0	**312**
Statutory provision for repayment of debt (minimum revenue provision)	**4.6**	1,310	0	0	0	0	0	**1,310**
Repayment of inherited debt	**4.6**	235	0	0	0	0	0	**235**
Capital expenditure charged to the General Fund Balance	**4.6**	485	0	0	0	0	0	**485**
Transfer of the excess current cost depreciation over historical cost depreciation		1,102	0	0	0	(1,102)	0	**0**
Total adjustments		**(4,830)**	**89**	**1,047**	**312**	**(1,102)**	**(190,340)**	**(194,824)**
Net increase/(decrease) before transfers to earmarked reserves		**(4,830)**	**89**	**1,047**	**312**	**20,280**	**(586,924)**	**(570,026)**
Transfers to and from earmarked reserves		**6,525**	**0**	**0**	**0**	**0**	**0**	**6,525**
Balance as at 31st March 2015		**81,653**	**89**	**2,566**	**(5,109)**	**59,308**	**(4,385,604)**	**(4,247,097)**

2. Notes to the Group and the PCC Movement in Reserves Statement

2.6 The PCC Unusable Reserves 2013/14 (comparative figures)

Unusable reserves are those which the PCC 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 (for example the Capital Adjustment Account). **Note 2.2** provides a narrative description of the unusable reserves.

PCC	Note	Capital Adjustment Account	Deferred Capital Receipts Reserve	Collection Fund Adjustment Account	Revaluation Reserve	PCC Pensions Reserve (IAS 19)	Total Unusable Reserves
		£000	£000	£000	£000	£000	£000
Balance as at 1st April 2013		**77,148**	**0**	**299**	**27,927**	**(1,281)**	**104,093**
Remeasurements of the net defined benefit liability		0	0	0	0	298	**298**
Surplus on revaluation of non-current assets	4.4	17	0	0	11,690	0	**11,707**
Total Comprehensive Income and Expenditure		**17**	**0**	**0**	**11,690**	**298**	**12,005**
Adjustments between accounting basis and funding basis under regulations:							
Depreciation,impairment,amortisation and revaluations charged to the CIES		(12,251)	0	0	0	0	**(12,251)**
Capital grants and contributions credited to the CIES	3.3	7,066	0	0	0	0	**7,066**
Net loss on sale of non current assets		(735)	0	0	0	0	**(735)**
Use of capital receipts to fund capital expenditure	4.6	518	0	0	0	0	**518**
Actual amounts charged against the Pension Fund for the year		0	0	0	0	103	**103**
Difference in pension costs between accounting basis (IAS 19) and funding basis		0	0	0	0	(189)	**(189)**
Difference in council tax income (between accounting and funding basis)		0	0	1,220	0	0	**1,220**
Statutory provision for repayment of debt (minimum revenue provision)	4.6	1,319	0	0	0	0	**1,319**
Repayment of inherited debt	4.6	235	0	0	0	0	**235**
Capital expenditure charged to the General Fund Balance	4.6	1,029	0	0	0	0	**1,029**
Transfer of the excess current cost depreciation over historical cost depreciation		589	0	0	(589)	0	**0**
Total adjustments		**(2,230)**	**0**	**1,220**	**(589)**	**(86)**	**(1,685)**
Net increase/(decrease) before transfers to earmarked reserves		**(2,213)**	**0**	**1,220**	**11,101**	**212**	**10,320**
Transfers to and from earmarked reserves		**5,023**	**0**	**0**	**0**	**0**	**5,023**
Balance as at 31st March 2014		**79,958**	**0**	**1,519**	**39,028**	**(1,069)**	**119,436**

2. Notes to the Group and the PCC Movement in Reserves Statement

2.7 The PCC Unusable Reserves 2014/15

Unusable reserves are those which the PCC 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 (for example the Capital Adjustment Account). **Note 2.2** provides a narrative description of the unusable reserves.

PCC	Note	Capital Adjustment Account	Deferred Capital Receipts Reserve	Collection Fund Adjustment Account	Revaluation Reserve	PCC Pensions Reserve (IAS 19)	Total Unusable Reserves
		£000	£000	£000	£000	£000	£000
Balance as at 1st April 2014		**79,958**	**0**	**1,519**	**39,028**	**(1,069)**	**119,436**
Remeasurements of the net defined benefit liability		0	0	0	0	(236)	**(236)**
Surplus on revaluation of non-current assets	**4.4**	0	0	0	21,382	0	**21,382**
Total Comprehensive Income and Expenditure		**0**	**0**	**0**	**21,382**	**(236)**	**21,146**
Adjustments between accounting basis and funding basis under regulations:							
Depreciation,impairment,amortisation and revaluations charged to the CIES		(11,652)	0	0	0	0	**(11,652)**
Capital grants and contributions credited to the CIES	**3.3**	3,725	0	0	0	0	**3,725**
Net gain on sale of non current assets		(340)	89	0	0	0	**(251)**
Use of capital receipts to fund capital expenditure	**4.6**	305	0	0	0	0	**305**
Actual amounts charged against the Pension Fund for the year		0	0	0	0	71	**71**
Difference in pension costs between accounting basis (IAS 19) and funding basis		0	0	0	0	(105)	**(105)**
Transfer of pension liabilities to CC	**8.2**	0	0	0	0	1,068	**1,068**
Difference in council tax income (between accounting and funding basis)		0	0	1,047	0	0	**1,047**
Statutory provision for repayment of debt (minimum revenue provision)	**4.6**	1,310	0	0	0	0	**1,310**
Repayment of inherited debt	**4.6**	235	0	0	0	0	**235**
Capital expenditure charged to the General Fund Balance	**4.6**	485	0	0	0	0	**485**
Transfer of the excess current cost depreciation over historical cost depreciation		1,102	0	0	(1,102)	0	**0**
Total adjustments		**(4,830)**	**89**	**1,047**	**(1,102)**	**1,034**	**(3,762)**
Net increase/(decrease) before transfers to earmarked reserves		**(4,830)**	**89**	**1,047**	**20,280**	**798**	**17,384**
Transfers to and from earmarked reserves		**6,525**	**0**	**0**	**0**	**0**	**6,525**
Balance as at 31st March 2015		**81,653**	**89**	**2,566**	**59,308**	**(271)**	**143,345**

3. Notes to the Group and the PCC Comprehensive Income and Expenditure Statement

3.1 Other Operating Income and Expenditure

PCC 2013/14	Group 2013/14		PCC 2014/15	Group 2014/15
£000	£000		£000	£000
(62,376)	(62,376)	Home Office grant payable towards retirement benefit costs	(62,448)	(62,448)
244	244	(Gains)/losses on the disposal of non-current assets	(55)	(55)
232	232	Seconded officers	114	114
3	258	IAS 19 administrative fees	3	264
(61,897)	**(61,642)**		**(62,386)**	**(62,125)**

3.2 Financing and Investment Income and Expenditure

PCC 2013/14	Group 2013/14		PCC 2014/15	Group 2014/15
£000	£000		£000	£000
202	202	Interest payable and similar charges	203	203
54	163,967	Net pensions interest cost	(2)	166,263
(273)	(273)	Interest income	(392)	(392)
0	(72)	Net surplus on internal trading undertakings	0	0
(17)	**163,824**		**(191)**	**166,074**

3.3 Taxation and Non-Specific Grant Income

Group and PCC 2013/14		Group and PCC 2014/15
£000		£000
	Credited to Taxation and Non Specific Grant Income	
(134,729)	Police specific revenue grant	(131,199)
(50,579)	Precepts	(52,374)
(1,344)	Surplus on collection fund	(1,958)
(14,058)	Council tax support funding	(14,103)
(124,038)	DCLG formula funding	(118,205)
(1,537)	Council tax freeze grant	(1,538)
(7,066)	Capital grants and contributions	(3,725)
(333,351)		**(323,102)**
	Credited to Cost of Services	
(5,199)	Terrorism grant	(3,954)
(1,974)	Regional grants	(945)
(3,114)	Community safety fund	0
(415)	Victim services grant	(325)
(144)	Council tax transition grant	0
(95)	Restorative justice services grant	(153)
(911)	Other grants	(1,249)
(11,852)		**(6,626)**

3. Notes to the Group and the PCC Comprehensive Income and Expenditure Statement

3.4 Joint Arrangements

The Group is party to a number of joint arrangements listed below. The 2014/15 Code adopts IFRS 11 'Joint Arrangements', which outlines the accounting requirements of entities that jointly control an arrangement. For the preparation of the 2014/15 financial statements all joint arrangements have been reviewed to ensure that the accounting treatment is in accordance with IFRS 11.

In 2014/15 the arrangements detailed below have been accounted for as joint operations. Jointly controlled operations are joint arrangements in which the Group and other venturers have joint control. Joint control exists when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The activities are not carried out through a separate vehicle.

The PCC considers that there is joint control of these arrangements because the collaborative agreements entered into by the parties:-

- enables the PCC, together with the other parties, to direct the activities that significantly affect the returns of the arrangement; and
- requires the unanimous consent of the parties that effectively control the arrangement.

The Comprehensive Income and Expenditure Statement is debited with the Group's share of expenditure incurred and credited with the Group's share of income earned from the activity of the operation. If material, the Group recognises on its Balance Sheet its share of the assets that it controls and the liabilities that it incurs.

As the PCC receives all income and funding, any income receivable from the structure of the arrangement will be credited to the Comprehensive Income and Expenditure Statement of the PCC. The Comprehensive Income and Expenditure Statement of the CC contains the expenditure arising from these collaborations and therefore the PCC credits the CC with an equivalent amount through the intra-group funding.

TITAN

The policing bodies and Chief Constables of Cheshire, Cumbria, Greater Manchester, Lancashire, Merseyside and North Wales have agreed to collaborate in the provision of a shared Regional Organised Crime Unit. The objective of this unit is to protect the communities of the North West of England and North Wales from serious organised crime. The shared service delivered through these collaborative arrangements is known as TITAN. Merseyside is the lead Force for this arrangement.

The unit is staffed by police officers and support staff from the six constituent forces with the overall expenditure being met by those authorities. For 2014/15 the total revenue costs of TITAN were £13.428m. The unit received Home Office funding of £4.192m and the total net cost of the collaboration was £9.236m.

At the balance sheet date the unit held property, plant and equipment of £0.345m, cash balances of £0.048m, debtors of £2.493m, creditors of £2.141m, usable reserves of £0.400m and unusable reserves of £0.345m. The share of the TITAN balance sheet balances are not considered to be individually material to any of the participating forces. These balances are therefore accounted for within the Group and the PCC Balance Sheet.

3.4 Joint Arrangements (continued)

In the 2013/14 financial year the PCC purchased and refurbished a building to accommodate the TITAN teams. The cost of this asset was fully funded by a £3.689m capital grant received from the Home Office. The premises were purchased in the name of and are owned by the PCC for Merseyside and the asset is reported at fair value as an operational asset in the PCC and the Group financial statements.

If the regional arrangements are ever terminated, the Home Office has the option of recovering the £3.689m grant received to fund the building. If this option was not exercised, the sale proceeds would be divided between the participating Forces (Cheshire, Greater Manchester, Merseyside, Lancashire, Cumbria and North Wales).

The Underwater Search Unit

This unit serves the areas of Cheshire, Greater Manchester, Merseyside, Lancashire, Cumbria and North Wales and is staffed by police officers from the six constituent Police and Crime Commissioners with the overall expenditure being met by those Commissioners. The expenditure is apportioned on the basis of the 2013/14 police grant allocations.

The North West Police Motorway Group (NWPMG)

This collaboration between Merseyside, Cheshire, Lancashire, and the Highways agency commenced in October 2008. The network covered by the Group consists of 552 carriageway miles, 13% of which are in Merseyside. The collaboration was instigated to ensure a co-ordinated approach to tackle key priorities.

The North West Regional Firearms Collaboration

This collaboration between Merseyside, Cheshire, Lancashire, Cumbria, GMP and North Wales achieves a collaborative approach to the provision of police firearms training and response in the North West Region.

The Group's share of income and expenditure for each of the collaborations is as follows:-

Group	2013/14	2014/15		
	Net Expenditure	Income	Expenditure	Net Expenditure
	£000	£000	£000	£000
TITAN	**1,084**	(702)	2,898	**2,196**
Underwater Search Unit	**207**	0	185	**185**
North West Police Motorway Group	**239**	0	224	**224**
North West Regional Firearms Collaboration	**68**	0	57	**57**
Total	**1,598**	**(702)**	**3,364**	**2,662**

3. Notes to the Group and the PCC Comprehensive Income and Expenditure Statement

3.5 Other Collaborations

Joint Control Centre (JCC)

The PCC has developed a JCC, which is shared by Merseyside Police and Merseyside Fire and Rescue Service. This project has involved refurbishing existing buildings as well as a new build. Total expenditure incurred on the building works amounted to £5.125m and an additional £2.680m has been spent on IT infrastructure. The PCC leases the building from Merseyside Fire and Rescue Service (MFRS) for a term of 40 years and the asset has been accounted for as a finance lease and is reported at fair value as an operational asset in the PCC and Group financial statements. As the PCC made capital contributions to MFRS towards the building works, the liability for the payment of the lease is considered paid in full at its inception.

This collaboration has not been accounted for as a joint arrangement because the PCC considers that there is no joint control of the arrangement. The accounting treatment applied therefore is to recognise the asset (valued at £5.000m as at 31st March 2015) as a finance lease **(note 4.5)**.

National Police Air Service (NPAS)

NPAS provides air support throughout England and Wales and has operated in the Merseyside area since January 2013. West Yorkshire police are the lead force. The PCC has not accounted for this collaboration as a joint arrangement because the PCC considers that there is no joint control of the arrangement. The Group recognises the cost of this service in the Comprehensive Income and Expenditure Statement.

3. Notes to the Group and the PCC Comprehensive Income and Expenditure Statement

3.6 Police Officer and Police Staff Remuneration

The number of police officers and staff whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:-

PCC 2013/14	Group 2013/14				PCC 2014/15	Group 2014/15
0	196	£50,000	-	£55,000	0	218
1	94	£55,001	-	£60,000	1	96
1	25	£60,001	-	£65,000	0	20
0	6	£65,001	-	£70,000	0	15
0	5	£70,001	-	£75,000	0	4
0	14	£75,001	-	£80,000	1	11
1	7	£80,001	-	£85,000	1	10
0	7	£85,001	-	£90,000	0	10
0	3	£90,001	-	£95,000	0	1
0	1	£95,001	-	£100,000	0	2
0	0	£100,001	-	£105,000	0	2
0	1	£105,001	-	£110,000	0	3
0	1	£110,001	-	£115,000	0	1
0	0	£115,001	-	£120,000	0	2
0	1	£120,001	-	£125,000	0	0
0	0	£125,001	-	£130,000	0	0
0	1	£130,001	-	£135,000	0	0
0	1	£135,001	-	£140,000	0	0
0	1	£140,001	-	£145,000	0	1
0	0	£145,001	-	£150,000	0	0
0	0	£150,001	-	£155,000	0	0
0	0	£155,001	-	£160,000	0	0
0	0	£160,001	-	£165,000	0	0
0	0	£165,001	-	£170,000	0	0
0	1	£170,001	-	£175,000	0	0
0	0	£175,001	-	£180,000	0	1
0	0	£180,001	-	£185,000	0	0
0	0	£185,001	-	£190,000	0	0
0	0	£190,001	-	£195,000	0	0
0	0	£195,001	-	£305,000	0	0
0	0	£305,001	-	£310,000	0	0
3	**365**				**3**	**397**

3. Notes to the Group and the PCC Comprehensive Income and Expenditure Statement

3.7 Senior Officers Remuneration 2013/14 (comparative figures restated)

The table below shows remuneration of defined senior and statutory officers for the year 2013/14. The comparative figures have been restated to include 20 Chief Superintendents who are classed as senior officers Expenses allowances disclosed are those chargeable under UK income tax.

Post Holder Information	Notes	Salaries (including Fees and Allowances)	Expenses Allowances	Compensation for Loss of Office (note 11)	Benefits in Kind	Total Remuneration excl. Pension Contributions 2013/14	Pension Contributions	Total Remuneration incl. Pension Contributions 2013/14
PCC		£	£	£	£	£	£	£
Police & Crime Commissioner - J Kennedy		85,000	0	0	0	85,000	8,415	**93,415**
Chief Executive and Monitoring Officer		49,111	399	0	0	49,510	4,862	**54,372**
Interim Chief Exec. & Monitoring Officer	**1**	27,403	558	0	0	27,961	2,641	**30,602**
Chief Finance Officer	**2**	59,958	867	0	0	60,825	5,936	**66,761**
Performance and Policy Manager		18,827	206	37,637	0	56,670	687	**57,357**
Total PCC single entity statements		**240,299**	**2,030**	**37,637**	**0**	**279,966**	**22,541**	**302,507**
Chief Constable (CC)								
Chief Constable - J Murphy	**3**	158,177	16,723	0	0	174,900	0	**174,900**
Deputy Chief Constable	**4**	138,092	0	0	3,158	141,250	31,654	**172,904**
Director of Resources		88,734	0	0	10,197	98,931	8,831	**107,762**
Assistant Chief Constable	**5**	128,644	0	0	6,763	135,407	29,591	**164,998**
Assistant Chief Constable	**6**	126,138	0	0	4,919	131,057	14,922	**145,979**
Assistant Chief Constable	**7**	102,046	0	0	7,957	110,003	24,261	**134,264**
Assistant Chief Constable	**8**	103,594	0	0	5,712	109,306	24,542	**133,848**
Assistant Chief Constable	**9**	91,864	0	0	0	91,864	21,494	**113,358**
Chief Superintendent x 20	**10**	1,532,952	0	0	2,768	1,535,720	341,557	**1,877,277**
Total CC single entity statements		**2,470,241**	**16,723**	**0**	**41,474**	**2,528,438**	**496,852**	**3,025,290**
Total Group		**2,710,540**	**18,753**	**37,637**	**41,474**	**2,808,404**	**519,393**	**3,327,797**

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3. Notes to the Group and the PCC Comprehensive Income and Expenditure Statement

3.8 Senior Officers Remuneration 2013/14 (continued)

Note	Detail
1	An officer was seconded from St Helens MBC as Interim Chief Executive until 31st August 2013.
2	Officer received an honorarium for acting up as Interim Chief Finance Officer until the 30th June 2013.
3	The expenses allowance paid to the Chief Constable is a car allowance.
4	The Deputy Chief Constable was seconded to Cumbria Police in the role of Temporary Chief Constable and all costs were fully recharged.
5	Temporary Deputy Chief Constable with effect from 05/08/2013, permanent Deputy Chief Constable with effect from 05/09/2013 (full years remuneration included).
6	Temporary Deputy Chief Constable to 04/08/2013 (full years remuneration included).
7	Permanent with effect from 29/04/2013 (full years remuneration included).
8	Permanent with effect from 29/04/2013 (full years remuneration included).
9	Temporary ACC to 05/08/2014 (full years remuneration included).
10	Chief Superintendent posts have not been included individually due to numbers (20 posts in total). Individual salaries were in the ranges £8,775 to £90,330 and benefits in kind ranged from £0 to £442. Individual employer pension contributions ranged from £634 to £19,141.
11	The compensation for the 'loss of office column' includes payments made or receivable by the person in connection with their termination of employment, i.e. voluntary early retirement, voluntary redundancy, compensation for loss of office, payment in lieu of notice, accrued salary and holiday pay.

3. Notes to the Group and the PCC Comprehensive Income and Expenditure Statement

3.8 Senior Officers Remuneration 2014/15

The table below shows remuneration of defined senior and statutory officers for the year 2014/15. Expenses allowances disclosed are those chargeable under UK income tax.

Post Holder Information	Notes	Salaries (including Fees and Allowances)	Expenses Allowances	Honorarium	Benefits in Kind	Total Remuneration excl. Pension Contributions 2014/15	Pension Contributions	Total Remuneration incl. Pension Contributions 2014/15
PCC		£	£	£	£	£	£	£
Police & Crime Commissioner - J Kennedy		85,000	0	0	0	85,000	10,455	**95,455**
Deputy Police and Crime Commissioner	1	27,670	0	0	0	27,670	3,403	**31,073**
Chief of Staff and Monitoring Officer		77,292	156	0	0	77,448	9,507	**86,955**
Chief Finance Officer		58,481	401	0	0	58,882	7,193	**66,075**
Total PCC single entity statements		**248,443**	**557**	**0**	**0**	**249,000**	**30,558**	**279,558**
Chief Constable (CC)								
Chief Constable - J Murphy	2	159,758	16,647	0	0	176,405	0	**176,405**
Deputy Chief Constable	3	95,078	0	12,042	2,661	109,781	13,509	**123,290**
Director of Resources		91,247	0	0	10,660	101,907	11,177	**113,084**
Deputy Chief Constable		138,849	0	0	5,811	144,660	31,897	**176,557**
Assistant Chief Constable		110,675	0	0	4,912	115,587	0	**115,587**
Assistant Chief Constable		103,648	0	0	7,717	111,365	24,484	**135,849**
Assistant Chief Constable	4	103,872	0	0	3,264	107,136	24,484	**131,620**
Assistant Chief Constable	5	97,969	0	0	5,444	103,413	23,056	**126,469**
Chief Superintendent x 19	6	1,538,101	0	0	2,533	1,540,634	357,269	**1,897,903**
Total CC single entity statements		**2,439,197**	**16,647**	**12,042**	**43,002**	**2,510,888**	**128,607**	**2,996,764**
Total Group		**2,687,640**	**17,204**	**12,042**	**43,002**	**2,759,888**	**159,165**	**3,276,322**

3. Notes to the Group and the PCC Comprehensive Income and Expenditure Statement

3.8 Senior Officers Remuneration 2014/15 (continued)

Note	Detail
1	The Deputy PCC was appointed on the 19th May 2014 on an annual salary of £31,800 based on a 3 day week.
2	The expenses allowance paid to the Chief Constable is a car allowance.
3	The Deputy Chief Constable was seconded to Cumbria Police until July 2014. During this period an honorarium payment was made. All costs were fully recharged to Cumbria Police. The Deputy Chief Constable retired on 30/11/2014.
4	The Assistant Chief Constable was seconded to NATO from April 2014 to October 2014. All costs were fully recharged for this period.
5	The Assistant Chief Constable was seconded to the Regional Collaboration Project from October 2014. All costs are shared between the participating Forces (Cheshire, Greater Manchester, Merseyside, Lancashire, Cumbria and North Wales).
6	Chief Superintendent posts have not been included individually due to numbers (19 posts in total). Individual salaries were in the ranges £18,911 to £97,100 and benefits in kind ranged from £0 to £551. Individual employer pension contributions ranged from £4,148 to £21,669.

3.9 Termination Benefits - Group

The Group terminated the contracts of a number of employees in 2014/15 and the total number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit Package Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		TOTAL number of exit packages by cost band		TOTAL cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
							£	£
£0 - £20,000	1	**0**	78	**15**	79	**15**	**843,973**	**200,959**
£20,001 - £40,000	0	**0**	50	**18**	50	**18**	**1,383,996**	**520,636**
£40,001 - £60,000	0	**0**	11	**12**	11	**12**	**515,362**	**559,858**
£60,001 - £80,000	0	**0**	5	**7**	5	**7**	**333,534**	**482,807**
£80,001 - £100,000	0	**0**	1	**3**	1	**3**	**83,708**	**266,646**
£100,001 - £150,000	0	**0**	2	**2**	2	**2**	**235,410**	**281,542**
Total Group	**1**	**0**	**147**	**57**	**148**	**57**	**3,395,983**	**2,312,448**

The total cost of £2.312m (£3.396m 2013/14) in the table above represents the charge for exit packages that have been agreed, accrued for, and charged to the Group Comprehensive Income and Expenditure Statement for the current year. Accrued costs for 2014/15 included above are £2.191m and are based on the estimated cost to the Group.

3. Notes to the Group and PCC Comprehensive Income and Expenditure Statement

3.10 Termination Benefits - PCC

The PCC did not terminate the contracts of any staff employed in the Office of the PCC during the 2014/15 financial year.

Exit Package Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		TOTAL number of exit packages by cost band		TOTAL cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
							£	£
£0 - £20,000	0	0	1	0	1	0	**14,639**	**0**
£20,001 - £40,000	0	0	2	0	2	0	**66,998**	**0**
Total PCC	**0**	**0**	**3**	**0**	**3**	**0**	**81,637**	**0**

3. Notes to the Group and the PCC Comprehensive Income and Expenditure Statement

3.11 Audit Costs

PCC 2013/14	Group 2013/14		PCC 2014/15	Group 2014/15
£000	£000		£000	£000
51	76	Fees payable to Grant Thornton UK LLP with regard to external audit services	51	76
0	0	Fees payable in respect of other services provided by Grant Thornton UK LLP during the year	6	6
51	**76**	**Total**	**57**	**76**

3.12 Related Parties

The Group and the PCC are required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Group or the PCC, or to be controlled or influenced by the Group or the PCC. Disclosure of these transactions allows readers to assess the extent to which the Group or the PCC might have been constrained in their ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Group or the PCC.

Police and Crime Commissioner

The PCC has direct control over the Group's finances, including responsibility for funding of all pensions' liabilities, and is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the budget set by the PCC, to deliver the aims and objectives set out in the Police and Crime Plan. Section 28 of the Police Reform and Social Responsibility Act 2011 requires that the local authorities covered by the police area must establish a Police and Crime Panel (PCP) for that area. The PCP scrutinises the decisions of the PCC, reviews the Police and Crime Plan and has a right of veto over the precept.

Central Government

Central Government has effective control over the general operations of the Group and the PCC – it is responsible for providing the statutory framework within which the Group and the PCC operate and provides the majority of funding in the form of grants. Grants received from government departments are set out in **note 3.3** Grant Income.

Local Authorities

Funding from Local Authorities in the Merseyside area has been included on the basis of materiality:-

Group and PCC 2013/14		Group and PCC 2014/15
£000		£000
	Precepts	
13,384	Wirral MBC	13,750
11,755	Sefton MBC	12,059
13,639	Liverpool City Council	14,406
7,104	St. Helens MBC	7,317
4,697	Knowsley MBC	4,842
50,579		**52,374**

3. Notes to the Group and the PCC Comprehensive Income and Expenditure Statement

3.12 Related Parties (continued)

Senior Officers of the Chief Constable and the Police and Crime Commissioner

The Group and the PCC have considered transactions with:

- the PCC;
- the CC;
- senior officers of the CC; and
- senior officers of the PCC.

and have concluded that there are no material transactions to disclose.

3.13 PCC Funding for Financial Resources Consumed by the CC

As the Chief Constable has no resources with which to fulfil his devolved responsibilities to provide a policing service, the expenditure is funded by the PCC.

These transactions are reflected in the intra-group accounts of both entities.

The funding provided covers the day to day expenses on an accruals basis as well as charges for operational assets consumed in the year. The funding does not cover pension (IAS 19) charges and charges for compensated absences as this expenditure (in the CC's Comprehensive Income and Expenditure Statement) are reversed in the CC's Movement in Reserves Statement and charged to the CC's unusable Pensions Reserve and unusable Accumulated Absences Account.

Intra-group Account	PCC	CC	Group
	£000	£000	£000
Opening balance as at 1st April 2013	**(1,200)**	**1,200**	**0**
2013/14 transactions			
PCC resources consumed at the request of the CC	410,197	(410,197)	0
PCC funding for resources consumed at the request of the CC	(410,197)	410,197	0
PCC funding for employee liabilities	444	(444)	0
Closing balance as at 31st March 2014	**(756)**	**756**	**0**
2014/15 transactions			
PCC resources consumed at the request of the CC	404,925	(404,925)	0
PCC funding for resources consumed at the request of the CC	(404,925)	404,925	0
PCC funding for employee liabilities	(8,808)	8,808	0
Closing balance as at 31st March 2015	**(9,564)**	**9,564**	**0**

3. Notes to the Group and the PCC Comprehensive Income and Expenditure Statement

3.14 Charge to CC for Assets Consumed in the Year

The PCC charges the CC for operational assets consumed in the year. This charge is made at fair value. The annual depreciation charge, impairments and downward valuations chargeable to the PCC's Comprehensive Income and Expenditure Statement are considered to be a reasonable proxy for fair value. The following charges have been made:-

PCC 2013/14		PCC 2014/15
£000		**£000**
7,197	Depreciation	8,176
2,859	Impairment and downward valuations	2,365
1,198	Amortisation	836
11,254		**11,377**

4. Notes to the Group and the PCC Balance Sheet

4.1 Property, Plant and Equipment – Movement on Balances 2013/14

Group and PCC	Land & Buildings	Plant & Equipment	Vehicles	Assets Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
Gross Value as at 1st April 2013	**128,829**	**19,336**	**20,779**	**487**	**1,421**	**170,852**
Additions	537	1,766	3,110	8,714	0	**14,127**
Transfers	232	(97)	45	(277)	0	**(97)**
Revaluation increases recognised in the Revaluation Reserve	5,905	0	0	0	0	**5,905**
Revaluation decreases recognised in the Surplus/Deficit on Provision of Services	(3,008)	0	0	0	0	**(3,008)**
Derecognition - disposals	(301)	0	(3,543)	0	(8)	**(3,852)**
Derecognition - other	0	(1,950)	0	0	0	**(1,950)**
Gross Value as at 31st March 2014	**132,194**	**19,055**	**20,391**	**8,924**	**1,413**	**181,977**
Depreciation and Impairment as at 1st April 2013	**(3,091)**	**(17,416)**	**(12,734)**	**0**	**(817)**	**(34,058)**
Depreciation charge for year	(3,062)	(1,075)	(3,065)	0	0	**(7,202)**
Transfers	0	80	0	0	0	**80**
Depreciation written out to the Revaluation Reserve	5,802	0	0	0	0	**5,802**
Depreciation written out to the Surplus/Deficit on Provision of Services	214	0	0	0	0	**214**
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0	0	(61)	(363)	**(424)**
Derecognition - disposals	24	0	3,209	0	0	**3,233**
Derecognition - other	0	1,948	0	0	0	**1,948**
Depreciation and Impairment as at 31st March 2014	**(113)**	**(16,463)**	**(12,590)**	**(61)**	**(1,180)**	**(30,407)**
Carrying Value as at 31st March 2014	**132,081**	**2,592**	**7,801**	**8,863**	**233**	**151,570**
Carrying Value as at 31st March 2013	**125,738**	**1,920**	**8,045**	**487**	**604**	**136,794**

4. Notes to the Group and the PCC Balance Sheet

4.2 Property, Plant and Equipment – Movement on Balances 2014/15

Group and PCC	Land & Buildings	Plant & Equipment	Vehicles	Assets Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
Gross Value as at 1st April 2014	**132,194**	**19,055**	**20,391**	**8,924**	**1,413**	**181,977**
Additions	1,693	5,359	2,321	1,213	0	**10,586**
Transfers	6,571	1,434	(34)	(8,144)	100	**(73)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	17,467	0	0	0	0	**17,467**
Revaluation decreases recognised in the Surplus/Deficit on Provision of Services	(2,527)	0	0	0	0	**(2,527)**
Derecognition - disposals	0	0	(1,818)	0	(1,404)	**(3,222)**
Derecognition - other	(4)	(3,388)	0	0	0	**(3,392)**
Assets reclassified to held for sale	(1,100)	0	(327)	0	0	**(1,427)**
Gross Value as at 31st March 2015	**154,294**	**22,460**	**20,533**	**1,993**	**109**	**199,389**
Depreciation and Impairment as at 1st April 2014	**(113)**	**(16,463)**	**(12,590)**	**(61)**	**(1,180)**	**(30,407)**
Depreciation charge for year	(3,815)	(1,531)	(2,830)	0	0	**(8,176)**
Transfers	(61)	0	0	61	0	**0**
Depreciation written out to the Revaluation Reserve	3,665	0	0	0	0	**3,665**
Depreciation written out to the Surplus/Deficit on Provision of Services	133	0	0	0	0	**133**
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	(136)	**(136)**
Derecognition - disposals	0	0	1,684	0	1,316	**3,000**
Derecognition - other	0	3,388	0	0	0	**3,388**
Depreciation and Impairment as at 31st March 2015	**(191)**	**(14,606)**	**(13,736)**	**0**	**0**	**(28,533)**
Carrying Value as at 31st March 2015	**154,103**	**7,854**	**6,797**	**1,993**	**109**	**170,856**
Carrying Value as at 31st March 2014	**132,081**	**2,592**	**7,801**	**8,863**	**233**	**151,570**

4. Notes to the Group and the PCC Balance Sheet

4.3 Property, Plant and Equipment – Capital Commitments

As at 31st March 2015, the Group and the PCC had entered into a number of capital contracts (with values in excess of £0.100m) for the construction, purchase or enhancement of Property, Plant and Equipment budgeted to cost £0.141m.

Similar commitments at 31st March 2014 were £2.024m.

4.4 Revaluations

Land and Buildings

The Group and the PCC carry out a rolling programme that ensures that all land and buildings are revalued at least once every five years. The valuations have been undertaken by an external valuer during the period February and March 2015. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating fair values for land and buildings are:

- That all required valid planning permissions and statutory approvals for the buildings and for their use, including any extensions or alterations, have been obtained and complied with;
- That no deleterious or hazardous materials or techniques have been used, that there is no contamination in or from the ground, and it is not landfilled ground;
- That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown;
- That the properties and their values are unaffected by any matters which would be revealed by local searches, replies to the usual pre-contract enquiries, or by any statutory notices which may indicate that neither the properties, nor their condition, use, or intended use, is or will be unlawful;
- That inspections of those parts that have not been inspected, or a survey inspection, would not reveal material defects or cause the valuers to alter the valuations materially;
- That the properties are connected to, and there is a right to use, the reported mains services on normal terms; and
- That sewers, main services and the roads giving access to the property have been adopted.

The majority of operational properties (99.8% by value) have been revalued in the financial year. Full valuations were undertaken on twelve properties (valuation £24.460m) and a further thirty six properties were subject to a desktop review (valuation £129.321m). The majority of the buildings are valued on a Depreciated Replacement Cost (DRC) basis.

Vehicles, Plant and Equipment

Vehicles and plant and equipment are valued at depreciated historical cost as this valuation is deemed to be a reasonable estimate of fair value.

4. Notes to the Group and the PCC Balance Sheet

4.4 Revaluations (continued)

Dates of Valuations

The table below shows the date at which land and building assets, which are valued at fair value, were last subject to a desktop or a full valuation by the external valuer:-

Group and PCC	Land & Buildings	Plant & Equipment	Vehicles	Assets Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
Carried at historical cost	432	22,460	20,533	1,993	0	**45,418**
Valued at fair value as at:						
31st March 2011	0	0	0	0	9	**9**
31st March 2012	0	0	0	0	0	**0**
31st March 2013	0	0	0	0	0	**0**
31st March 2014	0	0	0	0	0	**0**
31st March 2015	153,862	0	0	0	100	**153,962**
Total cost or valuation as at 31st March 2015	**154,294**	**22,460**	**20,533**	**1,993**	**109**	**199,389**

Assets under construction primarily relate to costs incurred on the PCC's Estate Strategy which began in 2014-15. This ten year investment plan aims to provide community police stations for every neighbourhood and to fund a new serious and organised crime centre.

Net Surplus on Revaluation Recognised in the Revaluation Reserve

The net surplus on revaluation recognised in the revaluation reserve is broken down as follows:-

Land & Buildings	Assets Held for Sale	Total	PCC and Group	Land & Buildings	Assets Held for Sale	Total
£000	£000	£000		£000	£000	£000
5,905	0	5,905	Revaluation increases/(decreases) recognised in the Revaluation Reserve	17,467	250	**17,717**
5,802	0	5,802	Depreciation written out to the Revaluation Reserve	3,665	0	**3,665**
11,707	**0**	**11,707**	**Total**	**21,132**	**250**	**21,382**

4.5 Finance Leases

The PCC holds two properties under finance leases. The net carrying amount reported in the PCC and Group Balance Sheets for these two properties is £5.204m (the Joint Control Centre valuation is £5.000m **note 3.5**).

The PCC has made capital contributions towards the building works for both properties and in both instances the liability for payment of the lease has been considered paid in full at the lease inception.

The PCC therefore does not recognise any liability on the PCC and Group balance sheets for future minimum lease payments.

4. Notes to the Group and the PCC Balance Sheet

4.6 Capital Financing Requirement

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. 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). This is a measure of the capital expenditure incurred historically by the Group that has yet to be financed. The CFR is analysed below:-

Group and PCC 31st March 2014		Group and PCC 31st March 2015
£000		£000
35,070	**Opening Capital Financing Requirement**	**34,932**
	Capital Investment	
15,029	Operational assets	11,295
	Sources of Finance	
(7,066)	Government grants and other contributions	(3,725)
(1,029)	Revenue financing	(485)
(5,023)	Use of reserves	(6,525)
(518)	Capital receipts	(305)
(1,319)	Minimum revenue provision	(1,310)
(235)	Repayment for inherited debt	(235)
23	Other CFR adjustments	0
34,932	**Closing Capital Financing Requirement**	**33,642**
	Explanation of Movements in Year	
(138)	Decrease in underlying need to borrow	(1,290)
(138)	**Decrease in Capital Financing Requirement**	**(1,290)**

4.7 Debtors

The amounts owed to the Group and the PCC in respect of general sundry debtors are kept continually under review and particularly in respect of the likelihood that some debts may not be paid. As at 31st March 2015 the impairment allowance for doubtful debtors was £0.178m (2014: £0.092m).

PCC 31st March 2014	Group 31st March 2014		PCC 31st March 2015	Group 31st March 2015
£000	£000		£000	£000
15,920	**15,920**	**Government Departments**	**12,777**	**12,777**
20,442	20,442	Other Local Authorities	20,797	20,797
(13,583)	(13,583)	Impairment allowance for (council tax) doubtful debtors	(13,263)	(13,263)
6,859	**6,859**	**Other Local Authorities (net of impairment)**	**7,534**	**7,534**
2,144	2,144	Sundry debtors	2,232	2,232
(92)	(92)	Impairment allowance for doubtful debtors	(178)	(178)
2,052	**2,052**	**Sundry debtors (net of impairment)**	**2,054**	**2,054**
2,079	**2,079**	**Prepayments**	**1,727**	**1,727**
0	**98**	**Short term accumulating absences**	**0**	**81**
26,910	**27,008**	**Total Debtors**	**24,092**	**24,173**

4. Notes to the Group and the PCC Balance Sheet

4.8 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:-

Group and PCC 31st March 2014		Group and PCC 31st March
£000		£000
41	Imprests	37
21	Bank current accounts	35
500	Indemnity account	0
16,790	Short term investments	14,010
17,352	**Total Cash and Cash Equivalents**	**14,082**

As at 31st March 2015, the Group and the PCC held a total of £2.182m (2013/14: £2.362m) under the Proceeds of Crime Act 2002, representing cash seized by Police and retained as evidence in support of crimes or cash handed into the Police as found property awaiting claim by the owner or finder.

The amount is not under the ownership of the Group or the PCC which acts as steward on behalf of various parties, and as such does not form part of the accounts of the Group or the PCC.

Within the accounts of the Group and the PCC, there is £0.090m (2013/14: £0.108m) held under the Police Property Act 1997 which applies to property that is in the possession of police where the owner of the property cannot be identified and where no order of a competent court has been made. This amount is shown in **note 2.3**, earmarked reserves, under the heading Police Property Act Fund. The Fund is used to meet expenses incurred in the conveyance, storage, safe custody and sale of the property and to make payments for charitable purposes.

4.9 Creditors

PCC 31st March 2014	Group 31st March 2014		PCC 31st March 2015	Group 31st March 2015
£000	£000		£000	£000
(1,711)	(1,711)	Government departments	(345)	(345)
(4,932)	(4,932)	HM Revenue & Customs	0	(4,885)
(6,369)	(6,369)	Other local authorities	(5,886)	(5,886)
(12,250)	(13,006)	Bodies external to general government	(12,822)	(17,093)
0	(5,517)	Short term accumulating absences	0	(5,188)
(756)	0	Intra-group account	(9,564)	0
(26,018)	**(31,535)**	**Total External Creditors**	**(28,617)**	**(33,397)**

4. Notes to the Group and the PCC Balance Sheet

4.10 Bank Overdraft

Group and PCC 31st March 2014		Group and PCC 31st March
£000		£000
(43)	Bank Overdraft	(3)
(43)	**Total Bank Overdraft**	**(3)**

4.11 Deferred Liabilities

The figure for deferred liabilities in the Group and the PCC Balance Sheets relates to inherited debt administered by Wirral Metropolitan Borough Council. Similar debts are administered on behalf of all Authorities comprising the former Merseyside County Council. As such it is not possible to provide an analysis of the amount outstanding for an individual Authority by lender category and maturity, the overall debt being managed as a single sum. However, in line with the Redemption of Debt Order (1986), the loans are being repaid on a straight line basis over 40 years.

Group and PCC 31st March 2014		Group and PCC 31st March
£000		£000
(3,055)	**Balance brought forward**	**(2,820)**
235	Repayment of principal	235
(2,820)	**Balance carried forward**	**(2,585)**
(235)	Payable within one year	(235)
(2,585)	Payable in more than one year	(2,350)
(2,820)		**(2,585)**

4. Notes to the Group and the PCC Balance Sheet

4.12 Provisions

Insurance Provision

In 2014/15 the Group and the PCC made a contribution of £3.352m to the Insurance Provision. The contributions made each year are based upon best advice received from the Group's insurance brokers. This takes account of the previous claims history and the anticipated outcomes of known claims. Self-insurance currently substantially assumes the risk in respect of public, employer and motor liabilities. The level of the Insurance Provision is continually reviewed to ensure it is at an appropriate level.

Other Provisions

The Group and the PCC also hold a number of other provisions including a provision of £0.493m to provide for the potential clawback of claims paid by the Group's former insurance company Municipal Mutual Insurance Ltd, this amount was originally held in the Insurance Reserve but was transferred into a provision during 2014/15.

PCC 31st March 2014	Group 31st March 2014		PCC 31st March 2015	Group 31st March
£000	**£000**	**Insurance provision**	**£000**	**£000**
(6,378)	**(6,378)**	**Balance brought forward**	**(5,432)**	**(5,432)**
(3,352)	(3,352)	Additional provisions made in the financial year	(3,352)	(3,352)
0	0	Transfer from Insurance Reserve	(176)	(176)
4,298	4,298	Amounts used in the financial year	3,602	3,602
(5,432)	**(5,432)**	**Total Insurance Provision**	**(5,358)**	**(5,358)**
		Other Provisions		
(1,702)	(1,702)	Pension commutations payable to retiring police officers	0	0
0	0	MMI Provision	(493)	(493)
(152)	(152)	Other	(166)	(575)
(7,286)	**(7,286)**	**Total Provisions**	**(6,017)**	**(6,426)**
(4,936)	(4,936)	Estimated to be payable within one year	(4,254)	(4,663)
(2,350)	(2,350)	Estimated to be payable in more than one year	(1,763)	(1,763)
(7,286)	**(7,286)**	**Total Provisions**	**(6,017)**	**(6,426)**

4.13 Contingent Liabilities

The Group and the PCC recognise that there is a potential contingent liability of some £1.307m for insurable accidents, i.e. the risk in respect of motor, public and employees liabilities that have been incurred but as of yet, the Group has not yet received an insurance claim. The assessment has been made on the basis of historical insurance patterns and adjusted to reflect the fact that the Group will not be liable for all claims reported.

The Group and the PCC also recognise a contingent liability in respect of the Pensions Ombudsman's determination in a case concerning the lump sum paid to a fire-fighter on his retirement. The details of this case are given **in note 6.3**. The Pensions Ombudsman determination has been recognised as a contingent liability because the amount of the obligation cannot be measured reliably.

4. Notes to the Group and the PCC Balance Sheet

4.14 Financial Instruments Balances

The definition of 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 entity'. The term 'financial instrument' covers both financial assets and liabilities. The definition is broad and covers instruments used in treasury management including the borrowing and lending of money and making of investments. However it also extends to include such items as trade receivables (debtors) and trade payables (creditors). The following categories of financial instruments are carried in the Balance Sheets of the PCC and the Group:-

PCC 31st March 2014	Group 31st March 2014		PCC 31st March 2015	Group 31st March 2015
£000	£000		£000	£000
		Investments		
30,000	30,000	Loans and Receivables*	30,000	30,000
30,000	**30,000**	**Total Investments**	**30,000**	**30,000**
		Cash and cash equivalents		
17,352	17,352	Loans and Receivables	14,082	14,082
17,352	**17,352**	**Total Cash and Cash Equivalents**	**14,082**	**14,082**
		Debtors		
20,718	20,815	Loans and Receivables	18,023	18,104
20,718	**20,815**	**Total Debtors**	**18,023**	**18,104**
		Creditors		
(46,631)	(52,904)	Financial liabilities at amortised cost**	(47,848)	(52,628)
(46,631)	**(52,904)**	**Total Creditors**	**(47,848)**	**(52,628)**

*In July 2014 the PCC has placed £30.000m of surplus cash balances into short-term investments. £15.000m has been realised in April 2015 and the balance will be realised in July 2015.

** In March 2015 the PCC arranged a number of short-term fixed interest loans amounting to £19.500m. The loans are included within the creditors balance above. £17.500m of the loans matured in April 2015, the balance of £2.000m matures in June 2015.

The following assets/liabilities are excluded from the financial instruments balances because they arise under legislation and are therefore statutory in nature rather than contractual:-

- Transferred debt arising from local government reorganisation in 1986 that is administered by Wirral MBC on behalf of the Group; and
- Amounts included within debtors and creditors for the Group's share of Council Tax debtors and overpaid/pre-paid Council Tax.

Prepayments are also excluded because they are contractual rights to receive goods or services rather than to receive cash or another financial asset.

4. Notes to the Group and the PCC Balance Sheet

4.15 Financial Instruments Gains and Losses

The Comprehensive Income and Expenditure Statements of the Group and the PCC recognise £0.392m (£0.273m 2013/14) of gains relating to interest income and £0.039m (£0.002m 2013/14) of losses relating to interest expenses. These gains and losses have been incurred in relation to Financial Instruments.

4.16 Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are included in the Balance Sheets at amortised cost. For borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayment and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable in the year. Likewise, investments held are included in the Balance Sheet as the outstanding principal receivable and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable in the year.

Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments under the following assumptions:-

- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the Balance Sheet carrying amount is assumed to approximate fair value; and
- The fair value of trade receivables and payables are assumed to be the invoiced or billed amount.

The carrying value of current financial assets and liabilities is deemed to be a reasonable approximation of fair value because of the relatively short period to maturity. The balances are shown in **Note 4.14**.

4. Notes to the Group and the PCC Balance Sheet

4.17 Financial Instruments – Nature and Extent of Risks Arising

Knowsley MBC Treasury Management Section undertakes the Treasury Management function for the Group and the PCC. The Group's activities expose it to a variety of financial risks:-

Credit Risk

This is the risk that other parties may fail to pay amounts due and arises from the short term lending of surplus funds to banks and financial institutions as well as credit exposure to customers. The Group and the PCC have adopted CIPFA's Code of Practice for Treasury Management and this is enshrined in its Financial Regulations. This code includes key controls in respect of investment and borrowing in line with CIPFA's Prudential Code. The amounts owed to the Group and the PCC in respect of general sundry debtors are kept continually under review and particularly in respect of the likelihood that some debts may not be repaid. The Group and the PCC provide for bad debts each year, as at 31st March 2015 the provision was £0.178m.

The total value of sundry debtors net of impairment as at 31st March 2015 is £2.054m (2013/14:£2.052m) analysed as follows:-

Group and PCC 2013/14		Group and PCC 2014/15
£000		**£000**
1,409	Current	1,480
481	Less than 12 months overdue	451
162	More than 12 months overdue	123
2,052	**Total**	**2,054**

Liquidity Risk

This is the risk that the Group or the PCC may not have funds available to meet its commitments to make payments. The Group produces cash flow projections on a regular basis to mitigate this risk. The projections allow for cash management including the repayment profile of any borrowings. Knowsley MBC Treasury Management Section is able to secure access to overdraft facilities and short term borrowing through Money Markets on behalf of the Group and the PCC.

Market Risk

This is the risk that financial loss might arise as a result of changes in such measures as interest rates or stock market movements. Investments and borrowings held in the Balance Sheet are at fixed interest rates and therefore the Group and the PCC are not exposed to movements in interest payable/receivable on investments and borrowings. The Group and the PCC have no financial assets or liabilities denominated in foreign currencies, and therefore has no exposure to loss arising from movements in exchange rates.

5. Notes to the Group and the PCC Cash Flow Statement

5.1 Adjust for Items that are Non Cash Movements

PCC 2013/4	Group 2013/14		PCC 2014/15	Group 2014/15
£000	£000		£000	£000
(7,202)	(7,202)	Depreciation	(8,176)	(8,176)
(3,856)	(3,856)	Impairment and downward valuations	(2,641)	(2,641)
(1,193)	(1,193)	Amortisation	(836)	(836)
44	44	(Increase)/decrease in impairment for bad debts	234	234
(2,606)	(2,658)	Decrease in debtors	(1,354)	(1,371)
5,954	7,145	(Increase)/decrease in creditors and provisions	(2,761)	(2,433)
(39)	(39)	Decrease in inventories	105	105
(735)	(735)	Carrying amount of PPE* sold or derecognised	(340)	(340)
(87)	(203,527)	Movement in pensions liability	1,034	(190,340)
(249)	(249)	Other non cash adjustments	52	52
(9,969)	**(212,270)**		**(14,683)**	**(205,746)**

* Property Plant and Equipment

5.2 Adjust for Items that are Investing and Financing Activities

Group and PCC 2013/14		Group and PCC 2014/15
£000		£000
491	Proceeds from sale of property plant and equipment	394
7,066	Capital grants received for financing capital expenditure	3,725
7,557		**4,119**

5.3 Investing Activities

The net cash (inflows)/outflows for investing activities include the following items:-

Group and PCC 2013/14		Group and PCC 2014/15
£000		£000
(677)	Proceeds from sale of property plant and equipment (PPE)	(288)
(5,609)	Receipt of capital grants	(5,397)
30,000	Net cash outflows from short-term investments	0
11,980	Purchase of PPE and Intangible Assets	11,953
(800)	Other	0
34,894		**6,268**

5. Notes to the Group and the PCC Cash Flow Statement

5.4 Financing Activities

The net cash (inflows)/outflows for financing activities include the following items:-

Group and PCC 2013/14		Group and PCC 2014/15
£000		**£000**
(23,000)	Net cash (inflows)/outflows from short-term borrowing	3,500
235	Repayment of long-term borrowing	235
(22,765)		**3,735**

5.5 Interest received and paid

Cash flows from operating activities include £0.203m of interest paid and £0.362m of interest received.

6. Other Notes to the Core Financial Statements

6.1 Stage 2 Transfer

The Police Reform and Social Responsibility Act 2011 provided for a Stage 2 transfer where the PCC agrees with the CC which assets, police staff, rights and liabilities are transferred to the CC. The Stage 2 Transfer Scheme was presented to the Home Secretary in September 2013 and became effective from 1st April 2014. The approach of the PCC was that:-

- all Merseyside Police staff would transfer to the employment of the CC, other than those currently employed within the Office of the PCC under her direction and control to directly support the exercise of her functions; and

- the PCC and the CC have agreed that property, plant and equipment assets would remain under the ownership and control of the PCC.

There has been therefore a change in the employment status of the majority of police civilian staff from 1st April 2014. However the financial statements prepared in 2012/13 and 2013/14 reflected the substance of the transactions and not just the legal form. As the majority of police civilian staff were considered to be employed to support the operational policing role of the CC, their employment costs were recorded in the CC's Comprehensive Income and Expenditure Statement and liabilities for pensions and short term accumulated absences were recognised on the CC's balance sheet.

The implementation of the stage 2 transfer has therefore not had a significant impact on the presentation of the 2014/15 single entity financial statements for the PCC and CC. The only significant change is that short term employee related creditors such as amounts owed to HMRC for PAYE and national insurance are now reported on the balance sheet of the CC and are funded by a short term debtor from the PCC.

6. Other Notes to the Core Financial Statements

6.2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The following sets out amendments to accounting standards or new accounting standards that have been issued on or before 1st January 2015 but will not be adopted by the Code until 2015/16.

International Financial Reporting Standard (IFRS) 13 Fair Value Measurement

IFRS 13 defines fair value and introduces a single framework for measuring fair value. It also introduces enhanced disclosure requirements around fair value measurement.

It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Property Plant and Equipment (PPE) assets are measured at the highest and best use. Under IFRS 13 operational plant and equipment is measured at service potential and there will be no change in the measurement requirements. Surplus assets (i.e. PPE that is not being used to supply goods and services and does not meet the criteria of assets held for sale) are currently measured at existing use valuation based on their use as an operational asset. However, the 2015/16 Code requires that such assets must now be measured at fair value in accordance with IFRS 13.

The impact of this revised standard has been considered and it is not expected to have any material impact on the accounts of the PCC Group.

International Financial reporting Interpretations Committee (IFRIC) 21 Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

The Interpretation covers the accounting for outflows imposed on entities by governments (including government agencies and similar bodies) in accordance with laws and/or regulations. However, it does not include income taxes (see IAS 12 Income Taxes), fines and other penalties, liabilities arising from emissions trading schemes and outflows within the scope of other Standards.

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The Interpretation clarifies that 'economic compulsion' and the going concern principle do not create or imply that an obligating event has occurred.

IFRIC 21 provides guidance on the recognition of a liability to pay levies. The liability is recognised progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.
As neither the PCC nor CC is subject to any material levies this change is not expected to have any material impact on their financial statements

6.2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted (continued)

Annual Improvements to IFRSs 2011-2013 cycle

In December 2013, the International Accounting Standard Board (IASB) issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs.

The issues included in this cycle are:-

- **IFRS 1: Meaning of effective IFRSs** – the amendment clarifies the meaning of 'each IFRS effective at the end of an entity's first reporting period'. This is not relevant to the PCC or CC as they have been preparing accounts under IFRS for a number of years.

- **IFRS 3: Scope exceptions for joint ventures** – the amendment clarifies that IFRS 3 Business Combinations does not apply to joint arrangements. This clarification will not have any impact on the accounts of the Group.

- **IFRS 13 Fair Value Measurement** - Scope of paragraph 52 (portfolio exception) - paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. This is referred to as the portfolio exception. It is anticipated that this amendment will not have any impact on the accounts of the Group.

- **International Accounting Standard (IAS 40)** - Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property - the objective of this amendment is to clarify that judgement is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgement is based on the guidance in IFRS 3. As the Group does not hold any investment assets this clarification will not have any impact on the financial statements of the Group.

6. Other Notes to the Core Financial Statements

6.2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in **note 1**, the PCC has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Recognition of Income, Expenditure, Assets, Liabilities and Reserves

The PCC and the CC have needed to consider very carefully the income and expenditure, assets and liabilities and reserves that they each recognise in their single entity financial statements. To achieve this, the PCC has followed the relevant section of the Code in relation to the recognition of these items in the financial statements, and has also considered any informal arrangements between the PCC and the CC. The PCC has considered the substance of the transaction, not just its legal form.

Comprehensive Income and Expenditure Statement (CIES)	Recognised in PCC CIES	Recognised in CC CIES	Judgement
Income	**YES**	**NO**	The Financial Management Code of Practice (FMCP) for the Police Service, issued by the Secretary of State, makes it clear that the PCC is the recipient of funding relating to policing and crime reduction, including government grants and precepts and other sources of income. This is supported in the PCC's Scheme of Corporate Governance which states that 'all funding to the Chief Constable must come via the Commissioner'. Therefore the PCC recognises all income receivable in its single entity financial statements and in turn provides funding to the CC to undertake day-to-day policing and crime reduction services during the year.
Expenditure - employee costs of police officers	**NO**	**YES**	In recognising employee costs the PCC has considered the requirements of IAS 19. This does not use control of risks and rewards in determining recognition but rather considers which body is responsible for incurring employee expenditure. In making this judgement however, the underlying substance of who the employment is incurred for has been considered and not just the legal form. Police officers are employees of the Crown and they represent the most significant cost of operational policing which the CC is solely responsible for. The full IAS 19 costs of police officers are therefore reflected in the CC's financial statements
Expenditure - employee costs of civilian staff	**YES (for staff in Office of PCC)**	**YES (for all other staff)**	The majority of police civilian staff are employed by the CC. These staff are considered to be employed to support the operational policing role of the CC and this expenditure is recorded in the CC's financial statements. The employee costs reported in the financial statements of the PCC relate to staff employed in the Office of the PCC who support the strategic role of the PCC.
Other Direct Expenditure	**YES (for costs relating to the Office of the PCC)**	**YES (for all other direct costs)**	The majority of other direct expenditure is employee driven (e.g. rent, rates, building maintenance, power, light, heat, telephones, transport etc). The costs are recognised in the financial statements of the entity which recognises the employee's costs.
Interest payable/receivable	**YES**	**NO**	The PCC holds all cash balances, loans and investments. The CC does not hold a bank account and no cash transactions take place between the two bodies.

6. Other Notes to the Core Financial Statements

6.2 Critical Judgements in Applying Accounting Policies (continued)

Recognition of Income, Expenditure, Assets, Liabilities and Reserves in Single Entity Statements

Balance Sheet	Recognised in PCC Balance Sheet	Recognised in CC Balance Sheet	Judgement
Property Plant and Equipment (including assets held for sale)	**YES**	**NO**	The PCC has legal title to long term assets, the power to determine whether the assets are sold and receives all the sales proceeds. The PCC controls the services provided through the long term assets, who they are provided to and controls the residual value at the end of the contractual arrangement. It is therefore considered that the PCC will receive the future benefits from the assets. The PCC charges the CC a fair value for the assets which reflects depreciation and impairment/revaluation losses chargeable to the CIES.
Current Assets	**YES**	**YES ***	The majority of current assets are recognised on the PCC's balance sheet. Inventories are recognised on the PCC's Balance Sheet as the PCC controls the services provided through the assets. The majority of debtors are recognised on the PCC's balance sheet as the PCC is the recipient of all funding and is therefore considered to receive the future benefits. Cash and cash equivalents and short-term investments are recognised on the PCC's balance sheet as the PCC is in receipt of all income and funding and makes all payments. The CC does not hold a bank account and no cash transactions take place between the two bodies.
Current Liabilities	**YES**	**YES***	The majority of the current liabilities are recognised on the PCC's balance sheet. The PCC has the responsibility for managing financial relationships with third parties and has legal responsibility for discharging the contractual terms and conditions of suppliers. The deferred liabilities relate to inherited debt which is a liability of the PCC. Provisions relating to insurance risks are recognised in full on the PCC's balance sheet. Whilst the PCC and the CC are jointly responsible for approving risk management and strategy, the PCC is ultimately responsible for financial liabilities affecting the Police Fund. Provisions relating to officers and staff under the direction and control of the CC are recognised on the CC's balance sheet.
Long-term liabilities	**YES**	**YES***	The PCC and CC each recognise pension liabilities relating to staff under their direction and control. The treatment of other long term liabilities and provisions is consistent with the treatment of current liabilities outlined above.
Usable Reserves	**YES**	**NO**	The PCC has the responsibility of deciding upon the level of general balances and earmarked reserves. The CC must present a business case to the PCC for one-off expenditure items to be funded from earmarked reserves and/or general balances.
Unusable Reserves	**YES**	**YES***	The PCC and CC each recognise the pensions reserve and accumulated absences account balances relating to staff under their direction and control. The remaining unusable reserves are held in relation to property, plant and equipment and are therefore recorded on the balance sheet of the PCC.

* Balances reported on the CC's balance sheet relate to assets/liabilities/reserves arising from officers/staff under the direction and control of the CC.

6. Other Notes to the Core Financial Statements

6.2 Critical Judgements in Applying Accounting Policies (continued)

Future Levels of Funding

There is a high degree of uncertainty about future levels of funding for the Group. However the PCC has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the PCC and the Group might be impaired as a result of a need to reduce levels of service provision. The PCC also considers that it is appropriate to compile the financial statements on a going concern basis.

Collaborations

The PCC and Group are involved in a widening range of ways of working to provide policing services and it has therefore been necessary to consider carefully the accounting implications of collaboration covering all circumstance where the Group is working co-operatively with other policing bodies and chief constables.

The PCC has carefully considered all collaborative activity. The judgements and accounting treatment of collaborative activity can be found in **note 3.4** Joint Arrangements.

6.3 Pension Ombudsman Determination

On 15th May 2015 the Pensions Ombudsman published his determination in a case concerning the lump sum paid to a fire-fighter on his retirement. The case will have relevance to many fire-fighters and police officers who retired in the early 2000s. The commutation factors under the Fire and Police Schemes are reviewed from time to time in accordance with their governing legislation. These reviews take account of factors affecting the actuarial equivalent value, such as changes in the discount rate used to value the benefits and the future life expectancy of retirees. At the 1998 review, the Government Actuaries Department (GAD) had recommended that the commutation factors should be reviewed in three years' time. However, no review took place in 2001. The focus of the complaint was that GAD ought to have reviewed the commutation factors earlier than 2006 and that, had it done so, more beneficial terms would have applied giving him a higher cash sum on retirement or a higher residual pension for the same amount of lump sum. The determination found that "an opportunity to review the commutation factors was lost in 2001/2 and then again between 2002 and 2004".

The indications are that 757 retired officers will be impacted by this determination. As it has not been possible to make a reliable estimate of the liability a provision has not been raised within the Group financial statements and this obligation has been noted as contingent liability (**note 4.13**).

The majority of the costs will not fall on individual Forces. The costs will initially be met from within the Pension Fund Account and this will be reimbursed by the pension top up grant from the Home Office.

6. Other Notes to the Core Financial Statements

6.4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts for the PCC and the Group contains estimated figures that are based upon assumptions made by the Group about the future, or that are uncertain. Estimations 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 PCC and Group Balance Sheets at 31st March 2015 for which there is a potential significant risk of material adjustment in the forthcoming financial year are as follows:-

Uncertainty	Effect if Actual Results Differ from Assumptions
Provisions	
The PCC and Group have an insurance provision and this represents an amount of £5.358m of known obligations based on insurance company reserves amounts, inclusive of a win/loss ratio.	An increase in known obligations or a reduction on the win/loss ratio over the forthcoming year will result in consideration being given to making additional contributions to the provision to ensure that the level of known obligations are met. Alternatively, if the known obligations fall and the win/loss ratio increases consideration will be given to reducing the amount in the provision.
The General Fund Balance and Earmarked Reserves	
The PCC and Group retain a number of reserves in order to ensure that adequate financial resilience is maintained over the longer term. The Police Service, as one of the major emergency services is required to respond to incidents of an unexpected nature over which it has little or no control. A major incident or a series of events could put extraordinary pressure on the financial resources in a particular year.	The PCC and the CC undertake an annual review of the level of General Balances, taking into account the risks included within the PCC and Force Risk Registers. This risk based review has concluded that the minimum acceptable level of General Balances should be in the region of £10.460m. General Balances as at 31st March 2015 amounted to £10.486m. There is the potential for a series of risks identified in the risk register to materialise in any financial year. Should the financial requirements be greater then the estimated amounts, pressures could be placed on Force budgets. Within earmarked reserves the Group has set aside £1.026m to form an Operational Contingency Reserve to recognise the potential operational and financial risk attached to policing public order and major incidents. If a major incident(s) occurred which exceeded the level of this reserve the PCC would be required to meet the excess from other funds or reserves.
Pensions Liability	
The pension liability is recognised on the CC and PCC Balance Sheet. 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 and expected returns on pension fund assets. The Group uses an independent firm of actuaries to assess the Local Government Pension Scheme assets and liabilities and the Government Actuaries Department to assess the Police Scheme liabilities.	The effects on the net pensions liability of changes in individual assumptions are detailed in the actuarial assumptions sensitivity analysis (**note 8.9**). The Group recognises the cost of retirement benefits in the cost of services when the benefits are eventually paid as pensions. However, the charge required to be made against the precept is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. Any revisions to the estimation of the net liability to pay pensions would not impact upon the Revenue Account of the Group.
Valuations of Operational Properties	
Land and building assets are held on the PCC and the Group Balance Sheet. In the 2014/15 financial year 16% of properties (by value) have been subject to a full valuation and 83% have been subject to a desktop valuation.	The valuations of land and buildings (full valuations and desktop valuations) are made using assumptions and estimation techniques. Should the actual results differ from the estimated results the balance sheet values of Property, Plant and Equipment will increase or decrease accordingly, however there will be no overall impact to the Revenue Account of the PCC or the Group due to the statutory overrides to reverse the impact of depreciation, impairment and revaluation losses.

6. Other Notes to the Core Financial Statements

6.5 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by John Riley, Chief Finance Officer to The Police & Crime Commissioner for Merseyside on 18th September 2015.

Events taking place after this date are not reflected in the financial statements or notes.

Where events have taken place on or before 18th September 2015 which provided information about conditions existing at 31st March 2015, the figures in the financial statements have been adjusted in all material respects to reflect the impact of this information.

The Statement of Accounts is not adjusted for events that have taken place between 1st April 2015 and 18th September 2015 which are indicative of conditions that arose after the reporting period.

On 15th May 2015 the Pensions Ombudsman published his determination in a case concerning the lump sum paid to a fire-fighter on his retirement. The details of this case are given **in note 6.3**. The Pensions Ombudsman determination has been recognised as a contingent liability (**note 4.13**) because the amount of the obligation cannot be measured reliably.

7. Amounts Reported for Resource Allocation Decisions

7.1 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Group and the PCC Comprehensive Income and Expenditure Statements is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Group and the PCC on the basis of net expenditure reports analysed across Financially Accountable Units (FAUs). These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:-

- Specific grants are credited to net cost of services in the Comprehensive Income and Expenditure Statement; however they are not reported as part of net expenditure in the FAU Income and Expenditure Statement.

- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions and retirement benefits payable direct to pensioners) rather than the current service cost of benefits accrued in the year.

The FAU net expenditure reports used for resource allocation decisions are shown at **notes 7.3 and 7.4** for the Group and **notes 7.6 and 7.7** for the PCC**.** A reconciliation between the FAU net expenditure report and the net cost of services in the Comprehensive Income and Expenditure Statement is detailed in **note 7.2** for the Group and **note 7.5** for the PCC.

7.2 Reconciliation of Group FAU Net Expenditure to Cost of Services in the Group Comprehensive Income and Expenditure Statement (CIES)

This reconciliation shows how the figures in the analysis of Financially Accountable Unit (FAU) Income and Expenditure relate to the amounts included in the Group Comprehensive Income and Expenditure Statement.

2013/14	Group	Note	2014/15
£000			£000
328,356	**Net Expenditure in the FAU Analysis**	7.3 & 7.4	327,872
85,483	Amounts not reported in FAU net expenditure		75,439
6,662	Amounts reported below net cost of services in the Comprehensive Income and Expenditure Statement		5,726
1,969	Amounts not reported in the Comprehensive Income and Expenditure Statement		4,970
422,470	**Cost of Services in Comprehensive Income and Expenditure Statement**		**414,007**

7. Amounts Reported for Resource Allocation Decisions

7.3 Reconciliation of Group Financially Accountable Unit (FAU) Net Expenditure to Subjective Analysis 2013/14 (comparative figures)

Group	FAU Net Exp. Statement	Amounts not reported in FAU Net Exp. Statement	Amounts reported below Cost of Services in CIES	Amounts not reported in CIES	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(18,522)	0	0	0	**(18,522)**	0	**(18,522)**
Interest and investment income	0	0	0	0	**0**	(273)	**(273)**
Precept	0	0	0	0	**0**	(51,923)	**(51,923)**
National non-domestic rate income	0	0	0	0	**0**	(124,038)	**(124,038)**
Government grants	(6,481)	(11,852)	7,066	0	**(11,267)**	(219,766)	**(231,033)**
Total Income	**(25,003)**	**(11,852)**	**7,066**	**0**	**(29,789)**	**(396,000)**	**(425,789)**
Employee expenses	280,706	96,326	(232)	2,998	**379,798**	164,458	**544,256**
Other expenses	72,653	1,009	(244)	(1,029)	**72,389**	0	**72,389**
Loss on disposal of PPE	0	0	72	0	**72**	244	**316**
Net deficit on trading activities	0	0	0	0	**0**	(72)	**(72)**
Interest payments	0	0	0	0	**0**	202	**202**
Total Expenditure	**353,359**	**97,335**	**(404)**	**1,969**	**452,259**	**164,832**	**617,091**
(Surplus)/Deficit	**328,356**	**85,483**	**6,662**	**1,969**	**422,470**	**(231,168)**	**191,302**

* Property Plant and Equipment

7. Amounts Reported for Resource Allocation Decisions

7.4 Reconciliation of Group Financially Accountable Unit (FAU) Net Expenditure to Subjective Analysis 2014/15

Group	FAU Net Exp. Statement	Amounts not reported in FAU Net Exp. Statement	Amounts reported below Cost of Services in CIES	Amounts not reported in CIES	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(14,027)	0	0	0	**(14,027)**	0	**(14,027)**
Interest and investment income	0	0	0	0	**0**	(392)	**(392)**
Precept	0	0	0	0	**0**	(54,332)	**(54,332)**
National non-domestic rate income	0	0	0	0	**0**	(118,205)	**(118,205)**
Government grants	(5,786)	(6,626)	5,786	0	**(6,626)**	(213,013)	**(219,639)**
Total Income	**(19,813)**	**(6,626)**	**5,786**	**0**	**(20,653)**	**(385,942)**	**(406,595)**
Employee expenses	276,511	81,788	(115)	4,544	**362,728**	166,641	**529,369**
Other expenses	71,174	277	0	426	**71,877**	0	**71,877**
Gain on disposal of PPE*	0	0	55	0	**55**	(55)	**0**
Net surplus on trading activities	0	0	0	0	**0**	0	**0**
Interest payments	0	0	0	0	**0**	203	**203**
Total Expenditure	**347,685**	**82,065**	**(60)**	**4,970**	**434,660**	**166,789**	**601,449**
(Surplus)/Deficit	**327,872**	**75,439**	**5,726**	**4,970**	**414,007**	**(219,153)**	**194,854**

* Property Plant and Equipment

7. Amounts Reported for Resource Allocation Decisions

7.5 Reconciliation of FAU Net Expenditure to Cost of Services in the PCC Comprehensive Income and Expenditure Statement (CIES)

This reconciliation shows how the figures in the analysis of Financially Accountable Unit (FAU) Income and Expenditure relate to the amounts included in the PCC Comprehensive Income and Expenditure Statement.

2013/14 Restated*	PCC	Note	2014/15
£000			£000
(18,380)	**Net Expenditure in the FAU Analysis**	7.6 & 7.7	(15,266)
399,354	Amounts not reported in FAU net expenditure		398,680
7,066	Amounts reported below net cost of services in the Comprehensive Income and Expenditure Statement		5,726
(3,775)	Amounts not reported in the Comprehensive Income and Expenditure Statement		330
384,265	**Cost of Services in Comprehensive Income and Expenditure Statement**		**389,470**

7.6 Reconciliation of PCC Financially Accountable Unit (FAU) Net Expenditure to Subjective Analysis 2013/14 (comparative figures restated*)

PCC	FAU Net Exp. Statement	Amounts not reported in FAU Net Exp. Statement	Amounts reported below Cost of Services in CIES	Amounts not reported in CIES	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(18,522)	0	0	0	**(18,522)**	0	**(18,522)**
Interest and investment income	0	0	0	0	**0**	(273)	**(273)**
Precept	0	0	0	0	**0**	(51,923)	**(51,923)**
National non-domestic rate income	0	0	0	0	**0**	(124,038)	**(124,038)**
Government grants	(6,481)	(11,852)	7,066	0	**(11,267)**	(219,766)	**(231,033)**
Total Income	**(25,003)**	**(11,852)**	**7,066**	**0**	**(29,789)**	**(396,000)**	**(425,789)**
Employee expenses	2,554	0	0	0	**2,554**	289	**2,843**
Other expenses	4,069	1,009	0	(3,775)	**1,303**	0	**1,303**
Funding to CC	0	410,197	0	0	**410,197**	0	**410,197**
Loss on disposal of PPE	0	0	0	0	**0**	244	**244**
Interest payments	0	0	0	0	**0**	202	**202**
Total Expenditure	**6,623**	**411,206**	**0**	**(3,775)**	**414,054**	**735**	**414,789**
(Surplus)/Deficit	**(18,380)**	**399,354**	**7,066**	**(3,775)**	**384,265**	**(395,265)**	**(11,000)**

* It has been necessary to restate the 2013/14 analysis in line with the restatement of the PCC CIES (**page 17**) which now reports PCC funding to CC for financial resources consumed within cost of services.

7. Amounts Reported for Resource Allocation Decisions

7.7 Reconciliation of PCC Financially Accountable Unit (FAU) Net Expenditure to Subjective Analysis 2014/15

PCC	FAU Net Exp. Statement	Amounts not reported in FAU Net Exp. Statement	Amounts reported below Cost of Services in CIES	Amounts not reported in CIES	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(14,027)	0	0	(11,376)	**(25,403)**	0	**(25,403)**
Interest and investment income	0	0	0	0	**0**	(392)	**(392)**
Precept	0	0	0	0	**0**	(54,332)	**(54,332)**
National non-domestic rate income	0	0	0	0	**0**	(118,205)	**(118,205)**
Government grants	(5,786)	(6,626)	5,786	0	**(6,626)**	(213,013)	**(219,639)**
Total Income	**(19,813)**	**(6,626)**	**5,786**	**(11,376)**	**(32,029)**	**(385,942)**	**(417,971)**
Employee expenses	837	104	(115)	0	**826**	115	**941**
Other expenses	3,710	405,202	0	330	**409,242**	0	**409,242**
Gain on disposal of PPE*	0	0	55	11,376	**11,431**	(55)	**11,376**
Net surplus on trading activities	0	0	0	0	**0**	0	**0**
Interest payments	0	0	0	0	**0**	203	**203**
Total Expenditure	**4,547**	**405,306**	**(60)**	**11,706**	**421,499**	**263**	**421,762**
(Surplus)/Deficit	**(15,266)**	**398,680**	**5,726**	**330**	**389,470**	**(385,679)**	**3,791**

* Property Plant and Equipment

Pension Fund Account

The CC is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. During the year all payments and receipts are made to and from the Police Fund. The Pension Fund Account reflects the pensions arrangements from 1st April 2014 to 31st March 2015 and does not take account of liabilities to pay pensions or other benefits after the period end. The pension transactions are split between two separate accounts. The Pension Fund Account has no investment assets and all of its transactions are reimbursed by a contribution from the PCC that the PCC recoups from central Government through the Pensions Top-Up Grant. The remainder of Pensions expenditure resides within the Group, and can be found in the PCC, the CC and Group Statement of Accounts. The Pension Fund Account has been prepared in line with similar accounting policies to the PCC and Group. This statement does not form part of the PCC or Group Statement of Accounts.

2013/14	Group Pension Fund Account	2014/15
£000		**£000**
	Income	
	Contributions Receivable	
(33,563)	Police employers pension contribution income	(33,338)
(14,515)	Employees pension contributions (Police Pension Scheme 1987)	(13,867)
(3,485)	Employees pension contributions (Police Pension Scheme 2006)	(4,869)
	Other	
(1,288)	Police transfer value receivable	(1,105)
(2,772)	Capital equivalent income - ill health pensions	(1,700)
(55,623)	**Total Income**	**(54,879)**
	Expenditure	
	Benefits Payable	
93,447	Police pensions	96,264
4,484	Police ill health commutations	3,994
19,355	Police ordinary commutations	16,262
495	Police death in service grant	319
	Other	
4	Refunds of contributions	14
214	Police transfer value payable	474
117,999	**Total Expenditure**	**117,327**
62,376	**Net Amount Payable/(Receivable) before top-up grant**	**62,448**
(62,376)	Additional contribution from the PCC	(62,448)
0	**Net Amount Payable/(Receivable)**	**0**

31st March 2014	Group Net Assets Statement	31st March 2015
£000	**Net Current Assets and Liabilities**	**£000**
	Creditors/Receipts in Advance	
0	Unpaid pension benefits	0
0	Employers contributions received in advance	0
0	Employees contributions received in advance	0
0	Amount to be reimbursed to PCC for refund of pension benefits	0
	Debtors/Prepayments	
0	Owed to pension fund from PCC for unpaid pension benefits	0
0	Refund of pension benefits	0
0	**Total Net Assets**	**0**

8. Pensions Notes

8.1 Pension Fund Account (Police Officers)

The Pension Fund Account records all the income and expenditure that is specified by regulations released on 1st August 2007. These Regulations relate to police officer pensions, police staff have a separate scheme which is described below.

The Police Pension Scheme is a defined benefit scheme, governed by the Police Pensions Regulations 1987 and related regulations. It is an unfunded scheme meaning that there are no investment assets built up to meet the pensions liabilities. Following the introduction of the new financial arrangements for police officer payments, a top up grant is received from the Home Office to meet the costs of pensions. The amounts remaining to be paid from the Police Grant are the notional employer contributions, charges for ill health retirements and injury awards.

The police officers make a contribution of between 11% and 15.05% of their salary (depending on which scheme they are in and their annual earnings). In total £18.736m (2013/14: £18.000m) of contributions have been netted off against retirement benefits payable to pensioners in the Group financial statements. The PCC does not recognise the cost of employing police officers and therefore does not recognise any associated pension costs.

The fund is drawn up in accordance with the policies in the Statement of Accounting Policies. The fund's financial statements do not take into account liabilities to pay pensions and other benefits after the period end. The weighted average duration of the defined benefit obligation is estimated at around 22 years for the Old 1987 Police Pension Scheme, and at around 34 years for the New 2006 Police Pension Scheme.

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 which need to be disclosed at the time that the employees earn their future entitlement. Details of liabilities for police officers are shown at **notes 8.7.**

8.2 Police Staff Pensions

The Local Government Pension Scheme (LGPS) for police staff is administered by Merseyside Superannuation Fund. This is a defined benefit scheme, which is funded by a dedicated portfolio of assets to fund any liabilities of the scheme. The Group and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets. In addition, the Group has made arrangements for the payment of added years to certain retired employees outside the provision of the scheme. The cost to the Group of employer's contributions for police staff was £12.187m in 2014/15 (2013/14: £9.385m). Details of liabilities for Police Staff are shown at **note 8.7**.

The duration of the defined benefit obligation for the Police Staff Pension Scheme is estimated at 22 years. Expected employer contributions for the 2015/16 financial year are £10.547m.

In 2013/14, the actuaries of the LGPS provided a pension valuation which covered all PCC and CC staff in the scheme. An estimate was therefore made of the share of the total LGPS assets and liabilities that were attributable to staff employed in the Office of the PCC. For the 2014/15 valuation the actuaries have performed a separate valuation for PCC and CC staff. This has resulted in a net transfer of £1.068m of pension liabilities from the PCC to the CC.

8. Pensions Notes

8.3 Sensitivity Analysis of Actuarial Assumptions

A Sensitivity Analysis is included showing the possible impact on the Net Defined Benefit Obligation of changes in the Actuarial assumptions (see **note 8.8**). The Sensitivity Analysis has been calculated by assessing changes in the Actuarial assumptions, including projected income and expenditure figures for the following year. No assessment has been allowed for the effects of changes in the yields on corporate bonds, as this would have an immaterial effect on the figures. It is important to note that all figures provided are approximate only and would be expected to change were the figures fully recalculated.

8.4 Pensions Risk - Police Staff

Wirral Borough Council is the administering authority for Merseyside Pension Fund (MPF) (a Local Government Pension Scheme – LGPS) and has delegated responsibility and accountability for overseeing the Fund to the Pensions Committee who have identified the following risks:-

Financial Risks

- Investment markets failing to perform in line with expectations
- Market yields move at variance with assumptions
- Investment Fund Managers fail to achieve targets
- Pay and Price inflation is significantly more or less than anticipated

Demographic Risks

- Longevity horizons continue to expand
- Deteriorating pattern of early retirements

Regulatory Risks

- Changes to Regulations
- Changes to national pension requirements and/or HMRC rules

These risks are managed through the MPF Pensions Committee which meets 4 or 5 times a year and has set up an Investment Monitoring Working Party which meets at least 6 times a year to monitor investment performance and developments. The Committee has delegated powers to the Director of Finance of MPF for the day to day running of the Fund.

Risks are actively monitored between the full triennial actuarial valuations and the funding strategy is reviewed between valuations if there are significant movements such as significant change in market conditions and/or deviation in the progress of the funding strategy, if there are significant changes to the Fund membership, or LGPS benefits, or other changes of circumstances.

8.5 Pensions Risk – Police Pension Scheme

This situation is different for the Police Pension Scheme for which all future Pensions obligations are effectively under-written in full by Legislation in the form of the Police Pension Fund Regulations 2007, which commits the Government to funding all on-going liabilities of the Police Pension Scheme 1987 and 2006 (through the reimbursement mechanism of the Police Top Up Grant).

8. Pensions Notes

8.6 Pensions Costs Group

The Group recognises the cost of retirement benefits in the Cost of Services when employees earn them rather than when they are eventually paid as pensions. However, the charge required to be made against the precept is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made during the year:-

Group	Local Government Pension Scheme		Police Pension Scheme						TOTAL
	2013/14 £000	2014/15 £000	2013/14 OLD SCHEME £000	2013/14 NEW SCHEME £000	2013/14 TOTAL £000	2014/15 OLD SCHEME £000	2014/15 NEW SCHEME £000	2014/15 TOTAL £000	2014/15 GRAND TOTAL £000
Net Cost of Services									
Current service cost	10,785	9,626	62,360	16,290	**78,650**	50,450	16,900	**67,350**	**76,976**
Past service cost	1,265	0	5,000	640	**5,640**	3,950	550	**4,500**	**4,500**
Administrative expenses	258	264	0	0	**0**	0	0	**0**	**264**
Net Operating Expenditure									**0**
Interest cost	16,427	17,009	154,110	4,910	**159,020**	156,460	5,590	**162,050**	**179,059**
Expected return on assets	(11,480)	(12,796)	0	0	**0**	0	0	**0**	**(12,796)**
Loss on curtailments	0	312	0	0	**0**	0	0	**0**	**312**
Net charge to the CIES*	**17,256**	**14,415**	**221,470**	**21,840**	**243,310**	**210,860**	**23,040**	**233,900**	**248,315**
Movement in Reserves Statement									
Reversal of net charges made for retirement benefits in accordance with IAS19	**(17,256)**	**(14,415)**	**(221,470)**	**(21,840)**	**(243,310)**	**(210,860)**	**(23,040)**	**(233,900)**	**(248,315)**
Actual amount charged against revenue for pensions in the year:									
Employers contributions payable to the scheme and retirement benefits payable to pensioners	**9,385**	**12,187**	**40,143**	**7,510**	**47,653**	**36,678**	**9,110**	**45,788**	**57,975**
IAS 19 remeasurements charged against other comprehensive income and expenditure	**27,291**	**(65,866)**	**202,307**	**2,520**	**204,827**	**(298,188)**	**(32,530)**	**(330,718)**	**(396,584)**

* Comprehensive Income and Expenditure Statement

8. Pensions Notes

8.7 The Net Defined Benefit Obligation (Liability) Group

The liabilities show the underlying commitments that the Group has in the long-run to pay retirement benefits. The total liability of £4.386m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a net liability of £4.205m. However, statutory arrangements for funding the deficit means 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
- From 1st April 2006 the payments made in the year for police pensions are partly funded from a Home Office grant under new funding arrangements

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 Local Government Scheme liabilities have been assessed by Mercer Ltd, an independent firm of actuaries. Estimates for the Local Government Scheme are based on the latest full valuation of the scheme as at 31st March 2013. The Police Scheme liabilities have been assessed by the Government Actuaries Department using data provided by Group.

The underlying assets and liabilities for retirement benefits attributable to the Group are as follows:

Group	Local Government Pension Scheme		Police Pension Scheme						Total	
	31st March 2014	31st March 2015	31st March 2014	31st March 2014	31st March 2014	31st March 2015	31st March 2015	31st March 2015	31st March 2014	31st March 2015
	£000	£000	OLD SCHEME £000	NEW SCHEME £000	TOTAL £000	OLD SCHEME £000	NEW SCHEME £000	TOTAL £000	£000	£000
Estimated liabilities in scheme	**(371,930)**	**(481,703)**	(3,585,060)	(115,930)	**(3,700,990)**	(4,057,430)	(162,390)	**(4,219,820)**	**(4,072,920)**	**(4,701,523)**
Estimated assets in scheme	**274,240**	**315,919**	0	0	**0**	0	0	**0**	**274,240**	**315,919**
Net liability	**(97,690)**	**(165,784)**	**(3,585,060)**	**(115,930)**	**(3,700,990)**	**(4,057,430)**	**(162,390)**	**(4,219,820)**	**(3,798,680)**	**(4,385,604)**

8. Pensions Notes

8.8 Actuarial Assumptions

The main assumptions used in the calculations for the Group and the PCC have been:

	Local Government Pension Scheme		Police Pension Scheme	
	31st March 2014	31st March 2015	31st March 2014	31st March 2015
Rate of inflation	2.4%	2.1%	2.5%	2.2%
Rate of increase in salaries	3.9%	3.6%	4.5%	4.2%
Rate of increase in pensions	2.4%	2.1%	2.5%	2.2%
Rate for discounting scheme liabilities	4.6%	3.4%	4.4%	3.3%
Mortality Rates (in years)				
Longevity at 65 for future pensioners (Men)	24.7	24.8	25.6	25.4
Longevity at 65 for future pensioners (Women)	28.0	28.1	28.0	27.9
Longevity at 65 for current pensioners (Men)	22.3	22.4	23.4	23.3
Longevity at 65 for current pensioners (Women)	25.2	25.3	25.9	25.7

8.9 Actuarial Assumptions Sensitivity Analysis Group

Group	2014/15	2014/15	2014/15	2014/15
Change in Actuarial Assumption	**Police Staff Pension Scheme**	**Police Pension Scheme**	**Police Pension Scheme**	**TOTAL**
		OLD SCHEME	**NEW SCHEME**	
	£000	**£000**	**£000**	**£000**
Unadjusted deficit	(165,784)	(4,057,430)	(162,390)	**(4,385,604)**
+0.1% change in discount rate	10,569	85,400	5,860	**101,829**
+0.1% change in pay growth (salaries)	(10,808)	(10,200)	(2,520)	**(23,528)**
+0.1% change in inflation (pensions)	(3,712)	(70,600)	(2,680)	**(76,992)**
+1 year increase in life expectancy	(9,028)	(97,000)	(3,000)	**(109,028)**

8. Pensions Notes

8.10 Reconciliation of Present Value of Scheme Liabilities Group

Group	LGPS Funded Liabilities		Police Pension Scheme Unfunded Liabilities						TOTAL
	2013/14	2014/15	2013/14	2013/14	2013/14	2014/15	2014/15	2014/15	2014/15
			OLD SCHEME	NEW SCHEME	TOTAL	OLD SCHEME	NEW SCHEME	TOTAL	GRAND TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000
As at 1st April	(375,990)	**(371,930)**	(3,606,040)	(104,120)	**(3,710,160)**	(3,585,060)	(115,930)	**(3,700,990)**	**(4,072,920)**
Current service costs	(10,785)	**(9,626)**	(62,360)	(16,290)	**(78,650)**	(50,450)	(16,900)	**(67,350)**	**(76,976)**
Interest costs	(16,427)	**(17,009)**	(154,110)	(4,910)	**(159,020)**	(156,460)	(5,590)	**(162,050)**	**(179,059)**
Members contributions	(3,400)	**(3,500)**	(14,510)	(3,480)	**(17,990)**	(13,860)	(4,870)	**(18,730)**	**(22,230)**
IAS 19 remeasurements	27,225	**(87,137)**	134,670	13,510	**148,180**	(371,500)	(18,620)	**(390,120)**	**(477,257)**
Benefits paid	8,712	**7,811**	122,290	0	**122,290**	123,850	70	**123,920**	**131,731**
Past service costs	(1,265)	**0**	(5,000)	(640)	**(5,640)**	(3,950)	(550)	**(4,500)**	**(4,500)**
Loss on curtailments	0	**(312)**	0	0	**0**	0	0	**0**	**(312)**
As at 31st March	**(371,930)**	**(481,703)**	**(3,585,060)**	**(115,930)**	**(3,700,990)**	**(4,057,430)**	**(162,390)**	**(4,219,820)**	**(4,701,523)**

8.11 Reconciliation of Present Value of Scheme Assets Group

Group	LGPS Funded Assets		Police Pension Scheme Unfunded Assets						TOTAL
	2013/14	2014/15	2013/14	2013/14	2013/14	2014/15	2014/15	2014/15	2014/15
			OLD SCHEME	NEW SCHEME	TOTAL	OLD SCHEME	NEW SCHEME	TOTAL	GRAND TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000
As at 1st April	**258,879**	**274,240**	0	0	**0**	0	0	**0**	**274,240**
Expected return on assets	**11,480**	**12,796**	0	0	**0**	0	0	**0**	**12,796**
Administrative expenses	**(258)**	**(264)**	0	0	**0**	0	0	**0**	**(264)**
Employers contributions	**9,385**	**12,187**	40,143	7,510	**47,653**	36,678	9,110	**45,788**	**57,975**
Members contributions	**3,400**	**3,499**	14,510	3,480	**17,990**	13,860	4,870	**18,730**	**22,229**
Benefits paid	**(8,712)**	**(7,811)**	(122,290)	0	**(122,290)**	(123,850)	(70)	**(123,920)**	**(131,731)**
IAS 19 remeasurements	**66**	**21,272**	67,637	(10,990)	**56,647**	73,312	(13,910)	**59,402**	**80,674**
As at 31st March	**274,240**	**315,919**	**0**	**0**	**0**	**0**	**0**	**0**	**315,919**

8. Pensions Notes

8.12 Fair Value of Plan Assets Group

Group	Expected Return on Assets as at 31st March 2014	Assets as at 31st March 2014		Expected Return on Assets as at 31st March 2015	Assets as at 31st March 2015	
	%	£000	%	%	£000	%
Equity investments	7.0%	155,993	56.9%	**6.5%**	**170,533**	**54.0%**
Government bonds	2.8%	11,570	4.2%	**2.2%**	**15,796**	**5.0%**
Other bonds	3.9%	33,336	12.2%	**2.9%**	**39,016**	**12.4%**
Property	5.7%	21,993	8.0%	**5.9%**	**26,095**	**8.3%**
Cash/liquidity	0.5%	7,281	2.7%	**0.5%**	**9,572**	**3.0%**
Other	7.0%	44,067	16.1%	**6.5%**	**54,907**	**17.4%**
Total		**274,240**	**100.0%**		**315,919**	**100.0%**

8.13 Scheme History Group

Group	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000
Present Value of Scheme Liabilities					
Local Government Pension Scheme	(292,899)	(313,235)	(375,991)	(371,930)	(481,703)
Police Pension Scheme	(3,029,010)	(3,231,130)	(3,710,160)	(3,700,990)	(4,219,820)
	(3,321,909)	**(3,544,365)**	**(4,086,151)**	**(4,072,920)**	**(4,701,523)**
Fair Value of Assets (LGPS)					
Local Government Pension Scheme	**214,528**	**223,596**	**258,879**	**274,240**	**315,919**
Deficit in Scheme					
Local Government Pension Scheme	(78,371)	(89,639)	(117,112)	(97,690)	(165,784)
Police Pension Scheme	(3,029,010)	(3,231,130)	(3,710,160)	(3,700,990)	(4,219,820)
	(3,107,381)	**(3,320,769)**	**(3,827,272)**	**(3,798,680)**	**(4,385,604)**

8. Pensions Notes

8.14 Remeasurements of the Net Defined Benefit Liability Group

Group	2010/11		2011/12		2012/13		2013/14		2014/15	
Local Government Scheme	£000	%	£000	%	£000	%	£000	%	£000	%
Difference between the expected and actual return on assets	7,443	3.5	(8,941)	4.0	18,342	6.4	12,916	4.7	21,271	6.8
Differences between actuarial assumptions about liabilities and actual experience	0		0		0		0		0	
Changes in the demographic and financial assumptions used to estimate liabilities	13,866	4.7	0	0.0	(41,386)	16.0	14,375	5.2	(87,137)	27.7
	21,309		(8,941)		(23,044)		27,291		(65,866)	
Police Pension Scheme										
Difference between the expected and actual return on assets	0		0		0		0		0	
Differences between actuarial assumptions about liabilities and actual experience	66,973	0.9	83,428	1.1	194,511	4.8	97,367	2.4	131,322	2.8
Changes in the demographic and financial assumptions used to estimate liabilities	42,470	1.4	(92,370)	2.9	(499,430)	12.2	107,460	2.6	(462,040)	9.8
	109,443		(8,942)		(304,919)		204,827		(330,718)	
Total IAS 19 Remeasurements	130,752		(17,883)		(327,963)		232,118		(396,584)	

8. Pensions Notes

8.15 Plan Asset Fair Value Disaggregation Group

Group	2013/14			2014/15		
Asset Classification	£000 Quoted Market price	£000 No Quoted Market price	£000 TOTAL	£000 Quoted Market price	£000 No Quoted Market price	£000 TOTAL
Equities						
UK	72,491	0	72,491	75,378	0	75,378
Global	83,502	0	83,502	95,155	0	95,155
	155,993	**0**	**155,993**	**170,533**	**0**	**170,533**
Bonds						
UK Government	11,570	0	11,570	15,796	0	15,796
UK Corporate	7,236	0	7,236	8,182	0	8,182
UK Index Linked	26,100	0	26,100	30,834	0	30,834
	44,906	**0**	**44,906**	**54,812**	**0**	**54,812**
Property						
UK Direct Property	0	13,389	13,389	0	17,691	17,691
UK Property Managed	1,691	4,340	6,031	1,043	4,202	5,245
Global Property Managed	0	2,573	2,573	0	3,159	3,159
	1,691	**20,302**	**21,993**	**1,043**	**25,052**	**26,095**
Other						
UK Private Equity	197	7,051	7,248	126	9,446	9,572
Global Private Equity	0	6,652	6,652	0	8,656	8,656
UK Hedge Funds	775	11,227	12,002	790	1,706	2,496
Global Hedge Funds	0	410	410	0	9,636	9,636
Global Infrastructure	831	2,178	3,009	853	2,622	3,475
UK Infrastructure	0	2,484	2,484	0	4,423	4,423
UK Opportunities	4,001	3,824	7,825	5,781	6,477	12,258
Global Opportunities	2,359	2,078	4,437	948	3,443	4,391
	8,163	**35,904**	**44,067**	**8,498**	**46,409**	**54,907**
Cash						
Cash Instruments	**7,281**	**0**	**7,281**	**9,572**	**0**	**9,572**
	218,034	**56,206**	**274,240**	**244,458**	**71,461**	**315,919**

9. Restatement of the Group Comprehensive Income and Expenditure Statement 2013/14

The comparative figures for the Group Cost of Services Gross Expenditure and Gross Income have been restated from the 2013/14 Statement of Accounts. The PCC charges the CC for operational assets consumed in the year and in the 2013/14 financial year this charge amounted to £11.254m. As this is an intergroup charge it should have been eliminated on consolidation. The restatement has been necessary to eliminate £11.254m of intergroup charges in the Group Comprehensive Income and Expenditure Statement.

Group	2013/14			2013/14		
	Gross Expenditure as per Statement of Accounts	Adjust for Intergroup Charge for Assets Consumed	Gross Expenditure Restated	GrossIncome as per Statement of Accounts	Adjust for Intergroup Charge for Assets Consumed	Gross Income Restated
	£000	£000	£000	£000	£000	£000
Local policing	177,785	(4,705)	**173,080**	(12,870)	4,705	**(8,165)**
Dealing with the public	29,558	(998)	**28,560**	(1,367)	998	**(369)**
Criminal justice arrangements	40,621	(1,160)	**39,461**	(3,184)	1,160	**(2,024)**
Roads policing	16,038	(330)	**15,708**	(2,605)	330	**(2,275)**
Specialist operations	42,361	(820)	**41,541**	(4,023)	820	**(3,203)**
Intelligence	30,282	(697)	**29,585**	(3,651)	697	**(2,954)**
Investigation	85,297	(1,964)	**83,333**	(3,742)	1,964	**(1,778)**
Investigative support	12,446	(286)	**12,160**	(556)	286	**(270)**
National policing	18,378	(294)	**18,084**	(11,434)	294	**(11,140)**
Non-distributed costs	7,900	0	**7,900**	0	0	**0**
Corporate and democratic core	5,283	0	**5,283**	(46)	0	**(46)**
Cost of Services Restated	**465,949**	**(11,254)**	**454,695**	**(43,478)**	**11,254**	**(32,224)**

The restatement has no impact on Net Total Comprehensive Income and Expenditure or the General Fund Balance.

Appendix 1 - Financially Accountable Unit (FAU) Outturn Statement

This statement does not form part of the statutory accounts. It is to provide details of the outturn compared to the revised estimate as reported to the PCC. It does not include the entries required for pension adjustments under IAS 19.

Group Outturn 2013/14		Group Probable Outturn 2014/15	Group Final Outturn 2014/15
£000		**£000**	**£000**
13,186	**Strategic Development**	**7,757**	**8,111**
	Citizen Focus		
21,805	Citizen Focus	22,027	21,744
13,032	Call Handling	14,498	14,191
34,837		**36,525**	**35,935**
	Administrative Support		
9,321	Personnel and Development	8,947	8,884
24,341	Resources Directorate	24,596	24,580
33,662		**33,543**	**33,464**
	Operations		
114,686	Basic Area Operations	118,737	118,647
962	Area Co-ordination	1,601	1,549
467	Special Constabulary	451	316
116,115		**120,789**	**120,512**
	Operational Support		
35,888	Operational Support	30,516	30,341
24,418	Crime and Intelligence	18,904	18,817
12,722	Force Crime Operations Unit	20,945	20,702
73,028		**70,365**	**69,860**
604	**Operational Contingency Fund**	**611**	**635**
	Office of the Police and Crime Commissioner		
1,197	Office of the Police and Crime Commissioner	**1,127**	**1,045**
3,114	Crime and Disorder Reduction Grants	**2,965**	**2,965**
509	Victim Services and Restorative Justice Services	**447**	**478**
0	PCC Priority Fund	**60**	**0**
0	Competed fund	**0**	**29**
	Non Rechargeable Financing Items & Levies		
42,730	Police Pensions	41,157	41,875
232	Attachments	260	192
4,964	Forcewide Services	6,690	7,237
1,323	Underwater Search Unit / Regional Units	2,451	2,383
1,678	Capital Charges	1,682	2,709
(2,556)	Income	(1,968)	(1,874)
3,486	Restructure Costs	1,365	2,316
51,857		**51,637**	**54,838**
328,109	**Net expenditure carried forward**	**325,826**	**327,872**

Appendix 1 - Financially Accountable Unit (FAU) Outturn Statement

Group Outturn 2013/14		Group Probable Outturn 2014/15	Group Final Outturn 2014/15
£000		**£000**	**£000**
328,109	**Brought Forward**	325,826	327,872
(5,277)	Capital Appropriations	(5,298)	(6,329)
202	Interest Payable	199	203
(273)	Interest and Investment Income	(376)	(392)
322,761	**Net Operating Expenditure**	**320,351**	**321,354**
	Appropriations		
193	Contribution to/(from) Carry Over Reserve	(231)	(271)
0	Contribution to/(from) PCSO Reserve	(4,642)	(4,642)
6,954	Contribution to/(from) Estate Strategy Reserve	925	937
124	Contribution to/(from) General Balances (Collection Fund)	911	911
0	Contribution to/(from) Restructure Reserve	5,370	4,313
234	Contribution to/(from) Crime & Disorder Reduction Reserve	0	0
292	Contribution to/(from) Proceeds of Crime Reserve	224	100
0	Contribution to/(from) Crime Prevention Strategy Reserve	59	77
0	Contribution to/(from) Victim Support Reserve	0	169
4,318	Contribution to/(from) Invest to Save Reserve	969	1,065
334,876	**Total Net Expenditure to be met from Government Grants and Taxation**	**323,936**	**324,013**
	Less: Specific Home Office Revenue Grants:		
(134,729)	General Police Grant	(131,199)	(131,199)
(9,810)	Specific Grants	(19,709)	(19,786)
(1,538)	Revenue Support Grant	(1,538)	(1,538)
(14,058)	Council Tax Support Funding	0	0
(124,038)	DCLG Formula Funding	(118,205)	(118,205)
(124)	Surplus on Collection Fund	(911)	(911)
(50,579)	**PRECEPT REQUIREMENTS**	**(52,374)**	**(52,374)**
0	**(Surplus)/deficit for the year to General Balances**	**0**	**0**
(9,450)	**General Revenue Balance Brought Forward**	(9,574)	(9,574)
0	Contribution to Revenue	0	0
(124)	Collection Fund Surplus	(911)	(911)
(9,574)	**General Revenue Balance Carried Forward**	**(10,485)**	**(10,485)**

Annual Governance Statement

1. Scope of Responsibilities

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

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

In drafting the PCC Annual Governance Statement reliance has been placed on the governance processes within the Merseyside Police Service, as reflected in the Chief Constables Annual Governance Statement which is published alongside the accounts of the Chief Constable.

The PCC has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. A copy of the code is available on the PCC's website at www.merseysidepcc.info or can be obtained from the Office of the Police and Crime Commissioner for Merseyside, Allerton Police Station, Rose Lane, Liverpool, Merseyside, L18 5ED.

This statement explains how the PCC has complied with the code and also meets the requirements of Regulation 4 and 6 of the Accounts and Audit regulations 2011 in relation to effectiveness of the system of internal control and its internal audit.

2. The Purpose of the Governance Framework

The Governance Framework comprises the systems, processes, culture and values by which the PCC is directed and controlled, and the activities through which she accounts to and engages with the community. It enables the PCC to monitor the achievement of her strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

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

3. The Governance Framework

Although 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, the PCC is required to hold him to account for the exercise of those functions, and those of the persons under his direction and control. It therefore follows that the PCC must satisfy herself that the Force has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

The PCC has developed and approved a Code of Corporate Governance which incorporated the six core good governance principles in the local context, and set out the arrangements for reviewing their effectiveness. The key elements of the systems and processes that comprise the governance arrangements within the Office of the Police and Crime Commissioner and Force are detailed below under the appropriate core principles of good governance:-

(i) Focusing upon the purpose of the PCC and the Force, and on outcomes for local people, creating a vision for the local area.

To achieve this, the PCC:-

- issues a ***police and crime plan*** for one year beyond their term of office. The plan outlines the police and crime objectives (outcomes) and the strategic direction for the policing;
- publishes an ***annual report, budget*** and ***statement of accounts*** which communicate the PCC's activities and achievements, the financial position and performance;
- has entered into ***collaboration agreements*** with other Forces and Local Policing Bodies, in order to reduce cost or increase capability to protect local people;
- has jointly developed a ***medium term financial strategy*** with the Chief Constable;
- has in place a ***commissioning and award of Crime and Disorder Reduction grants framework***, which incorporate commissioning intentions and priorities; and
- has in place a ***complaints protocol*** to provide clarity over the arrangements to respond to the breadth of concerns raised by local people, whether they be allegations of organisational or individual failure/ concerns.

(ii) Taking informed and transparent decisions which are subject to effective scrutiny and risk management arrangements.

To achieve this, the PCC:-

- has developed a ***decision making protocol*** which sets out principles behind how decisions will be taken by the PCC and Chief Constable and the standards to be adopted;

- has approved a ***scheme of governance*** which highlights the parameters for decision making, including the delegations, consents, financial limits for specific matters and standing orders for contracts;

- has approved a ***risk management strategy*** which establishes how risk is embedded throughout the various elements of corporate governance of the corporations sole, whether operating solely or jointly;

- has approved a ***communication and engagement strategy*** to demonstrate how the PCC and Chief Constable will ensure that local people are involved in decision making;

- is developing an ***information scheme*** to ensure that information relating to decisions will be made readily available to local people, with those of greater public interest receiving the highest level of transparency, except where operational and legal constraints exist;

- has in place a ***forward plan of decisions***, which brings together the business planning cycles for the police and crime plan, the office of the police and crime commissioner and the force integrated business management process. This will ensure proper governance by bringing together the right information at the right time, e.g. needs assessments, costs, budgets; and

- The forward plan of decisions combined with and open and transparent information scheme will enable the ***Police and Crime Panel*** to be properly sighted on the decisions of the Police and Crime Commissioner.

(iii) Working together to achieve a common purpose with clearly defined functions and roles.

To achieve this, the PCC:-

- has in place a ***scheme of corporate governance,*** *which* highlights the parameters for key roles in the corporations sole including delegations or consents from the Police and Crime Commissioner or Chief Constable, financial regulations and contract standing orders.

- has in place a ***Chief Constable*** who is responsible for the operational management of the Force;

- has in place a ***Chief of Staff*** who is responsible for the operational management of the OPCCM. In addition, the Chief Staff is the ***Monitoring Officer*** for the OPCCM and they are responsible to the PCC for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with;

- has in place a ***Chief Finance Officer*** (the Section 151 officer) who is responsible to the PCC for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. In addition, the role and suitability of the Chief Finance Officer complies with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);

- has established a ***joint Independent Audit Committee*** which operates in line with Chartered Institute of Public Finance and Accountancy (CIPFA) and within the guidance of the Financial Management Code of Practice; and

- has established a joint Internal Audit Service with the Chief Constable.

(iv) Promoting the values for the PCC and Force and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

To achieve this, the PCC:-

- requires all parties to abide by the seven ***Nolan principles*** and these will be central to the conduct and behavior of all; and

- ensures compliance with The Financial Management Code of Practice to ensure that the ***good governance principles*** are embedded within the way the organisations operate.

(v) Developing the capacity and capability of all to be effective in their roles.

To achieve this, the PCC:-

- is developing a ***learning and development strategy*** to set the climate for continued development of individuals. The respective performance development review processes will ensure that these strategies are turned into reality for officers and members of staff.

(vi) Engaging with local people and other stakeholders to ensure robust public accountability.

To achieve this, the PCC:-

- has engaged with the local community in developing the ***police and crime plan*** and setting the **level of precept**;

- has published the ***police and crime plan*** and the ***annual budget*,** including details of the precept and Crime and Disorder Reduction grants;

- has established the ***Merseyside Community Safety Partnership***, with key stakeholders including the Police Service, Fire Service and local Community Safety Partnerships;

- has approved a ***communication and engagement strategy*** setting out how local people will be involved with the PCC and the Chief Constable to ensure they are part of the decision making, accountability and future direction. This will be a mixture of being part of the yearly planning arrangements and becoming involved in issues of interest to local people as they emerge; and

- has established a team of ***Community Engagement Officers*** across Merseyside to ensure that arrangements are in place to enable the PCC to engage with all sections of the community effectively.

4. Review of Effectiveness

The PCC has responsibility for conducting, at least annually, a review of the effectiveness of the Governance Framework, including:-

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

The Chief Officers within the OPCCM have undertaken these reviews, taking into account the work of the Shared Audit Committee and Shared Internal Audit Service. In addition, comments made by the External Auditors Grant Thornton, the Police and Crime Panel and Her Majesty's Inspectorate of Constabulary have informed this review, as well as observations and evidence from the PCC Governance meetings.

The Police and Crime Commissioner

The PCC has responsibility for approving the local Code of Corporate Governance and for undertaking an annual review of its effectiveness. The PCC received and approved the Annual Governance Statement in September 2015. The Annual Governance Statement is signed by the PCC, the OPCCM Chief of Staff and Chief Finance Officer.

The PCC's adherence to the Code of Corporate Governance and system of Internal Control is fundamentally based compliance with the Corporate Governance Framework. In addition, the appointment of the two Statutory Officers, i.e. the **Chief of Staff** and **Chief Finance Officer**, support the PCC in ensuring compliance.

Monitoring Officer – in accordance with Section 5, Local Government and Housing Act 1989, the OPCCM Chief of Staff is appointed as the PCC's Monitoring Officer. This officer is responsible for ensuring that, at all times, the PCC acts within its legal powers.

Chief Finance Officer - similarly, in accordance with Section 151 of the Local Government Act 1972, the Chief Finance Officer is the Officer responsible for ensuring the proper administration of the PCC's financial affairs. In addition, the PCC's financial management arrangements conformed to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The PCC has an **Assurance Framework**, which is a structured means of identifying and mapping the key sources of assurance within the OPCCM and comprises of evidence to support the Annual Governance Statement. In addition, there is a requirement for the Chief of Staff and the Chief Finance Officer to complete an annual assurance statement confirming the effectiveness of the governance arrangements that were in place during the past year.

During the year there have been no reports from the Monitoring Officer with regard to illegal or inappropriate conduct. In addition, both Chief Officers have completed their annual assurance statements certifying that they are confident that systems of internal control existed during 2014/15 which enabled the PCC'S objectives to be met.

Shared Internal Audit Service

The primary role of Internal Audit is to give an assurance to the PCC and Chief Constable, through the Audit Committee, on the effectiveness of the controls in place to manage risks. To this end the Head of Internal Audit delivers an annual opinion on the effectiveness of the Governance, Risk Management arrangements and Internal control environment reviewed by the Shared Internal Audit Service. This annual opinion is one of the key sources of evidence in support of the Annual Governance Statement. Any issues identified during an audit were dealt with initially in the relevant audit report, with any major control weaknesses initially being reported to the Chief Finance Officers. Significant governance failures identified through general audit work are referred to the Audit Committee.

The Head of Internal Audit is responsible for the day-to-day management of the Shared Internal Audit Service, and reports directly to the Chief Finance Officers. Direct access to the PCC, Chief Constable and the Chair of the Audit Committee is also sanctioned if considered appropriate.

The terms of reference for the Internal Audit Service require that work is conducted in accordance with professional standards, including those set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government. In addition, Internal Audit work is subject to regular reviews by the External Auditor, the findings of which are reported through their Annual Audit Letter.

Internal Audit's plans and performance are reported annually to the Audit Committee. The Internal Audit plan for 2014/15 included the reviews of the PCC Governance Framework, and arrangements relating to Commissioning, Risk Management and Banking. In addition, a number of reviews of the Force were undertaken, including Data Storage arrangements, the procurement of laptops and tablets and the management of fraud risks.

On the basis of the internal audit work undertaken in 2014/15, it is the Head of Internal Audit's opinion that both the PCC and Chief Constable have adequate and effective risk management, control and governance processes to manage the achievement of their organisation's objectives**.**

In accordance with the Accounts and Audit Regulations 2011 the PCC once again conducted a review of the effectiveness of its system of Internal Audit. Consequently, the Head of Internal Audit undertook a self-assessment of compliance against the Local Government Application Note to the Public Sector Internal Audit Standards developed by CIPFA, using the checklist detailed within Appendix 4 of the note to form the basis of the judgment. The Head of Internal Audit has completed the self-assessment, which in turn has been reviewed by the Chief Finance Officer and his conclusion is that the Shared Internal Audit Service has proper practices in internal control.

External Audit

The PCC's governance arrangements and the system of internal financial control are subject to external audit review, via the audit of the PCC's statements of accounts and the outcome of its work to assess the PCC's arrangements for securing value for money in its use of resources. The PCC and Chief Constables external auditors are Grant Thornton. Grant Thornton's plans and reports, including the Annual Governance Report and the Annual Audit Letter, are considered by the PCC and the Audit Committee at appropriate times during the annual cycle of meetings.

In respect of the 2014/15 audit, Grant Thornton issued the PCC with an ‘Unqualified’ audit opinion, i.e. that the accounts give a ‘true and fair’ view of the financial position of the PCC and Group as at 31st March 2015 and of its expenditure and income for the year then ended; and confirmed that the accounts had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In addition, on the basis of their work, and having regard to the guidance on the specified criteria published by the Audit Commission, they were satisfied that in all significant respects the PCC had put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources for the year ending 31st March 2015.

Joint Audit Committee

The PCC and Chief Constable have a Joint Audit Committee. The purpose of the Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the organisations financial and non-financial performance to the extent that it affects the organisations exposure to risk and weakens the control environment, and to oversee the financial reporting process.

During the course of the year the Committee met five times and based on its work, the Committee has received assurances on the operation of the Commissioner’s and Chief Constable’s systems of governance, risk management and financial reporting and annual governance statement arrangements. Its work has not identified any significant control risks and the Committee concludes that the arrangements reviewed are adequate.

In accordance with the CIPFA’s guidance to Police Audit Committees published in 2013, the Audit Committee undertook a review of its effectiveness against its terms of reference and its objectives. Members determined it was effective but identified areas where improvements could be made. These included implementing the “champion” roles and understanding wider arrangements for countering fraud and corruption risks and the approach to ethical standards. Findings of the review have been reported to the Commissioner and Chief Constable and an action plan was agreed to address the areas identified. In implementing the action plan, the Committee will become more effective during 2015/16. It recognises the significant challenges facing the Commissioner and Chief Constable and aims to support good governance in developments such as the estates strategy, victim services and the continuing requirements to make cost savings.

Merseyside Police and Crime Panel

In accordance with the Police Reform and Social Responsibility Act 2011 each police area has to have a Police and Crime Panel (PCP). Consequently, Merseyside PCP has been established. The PCP is made up of 10 elected representatives (Councillors plus Liverpool’s elected mayor) from the local authorities within the Merseyside police force area plus two independent co-opted members. Knowsley MBC is the host authority.

The Panel’s responsibilities include:-

- Reviewing the PCC draft Police and Crime Plan (or a variation of it) and submit a report/recommendation on it;
- Reviewing the PCC Annual Report and submit a report /recommendations on it (this requires the Panel to have a public meeting at which it will question the PCC on the content of the document);

- Reviewing the PCC proposed precept for the financial year and submit a report/recommendations on it – this includes the Panel having the power of veto;

- Holding confirmation hearings for the following:-
  - the PCC proposed appointment of a Chief Executive and Chief Finance Officer (two separate statutory roles); and
  - the appointment of a new Chief Constable (this includes the Panel having a power of veto over the PCC initially proposed candidate);

- Reviewing or scrutinising decisions made, or other action taken, by the PCC in connection with the discharge of the PCC functions;

- Holding a scrutiny hearing (meeting in private) where the PCC is proposing the removal or resignation of the Chief Constable;

- Appointing an Acting PCC in certain circumstances (such as where the PCC is incapacitated);

- Suspending the PCC where she is charged with an offence carrying a potential term of imprisonment; and

- Making arrangements for recording and dealing with conduct matters relating to the PCC.

During 2014/15 the Police and Crime Panel approved the 2015/16 precept proposed by the PCC and endorsed all the key strategic decisions taken by the PCC. However, the Panel did issue a report to the PCC following the confirmation hearing for the post of the Deputy PCC which was critical of the recruitment process.

Her Majesty's Inspectorate of Constabulary (HMIC)

Her Majesty's Inspectorate of Constabulary (HMIC) independently assesses police forces and policing from neighbourhood teams to serious crime and the fight against terrorism. HMIC aims to provide authoritative information to allow the public to compare the performance of their force against others, and to drive improvements in the service to the public.

HMIC is independent of Government and the police:

- HM Inspectors of Constabulary are appointed by the Crown – they are not employees of the police service or government.

- HM Chief Inspector of Constabulary reports to Parliament on the efficiency and effectiveness of police forces in England and Wales.

- HM Inspectors have powers to seek information from police forces and to access their premises.

HMIC decides on the depth, frequency and areas to inspect based on judgements about what is in the public interest. In making these judgements, HMIC considers the risks to the public, the risks to the integrity of policing, service quality, public concerns, the operating environment, the burden of inspection and the potential benefits to society from the improvements that might arise from the inspection.

In November 2014, HMIC published its first PEEL (Police Effectiveness Efficiency Legitimacy) assessments for all forces across the country, following a number of HMIC inspections over the last year. The HMIC can make one of four judgements regarding force performance: outstanding; good;

requires improvement; or inadequate. In all areas where HMIC have passed a judgement, Merseyside Police has been assessed as good.

5. Significant Governance Issues

The following have been identified as significant governance issues for the PCC in 2015/16 and beyond.

Governance Issue	Action
The on-going identification and achievement of the savings identified in the Medium Term Financial Strategy to ensure a balanced Budget over the period. The Government has indicated that austerity will continue until 2019/20. At present the MTFS assumes grant reductions of 4% pa. The next Comprehensive Spending Review (CSR), which will set out departmental budget cuts over the next five years, will report in November. The Treasury has written to government departments asking them to model 25% and 40% real terms cuts, in an effort to seek savings totalling £20bn over the period. In addition, the Home Office is currently consulting on proposals to change the existing Funding Formula which is used to distribute grant funding between the 43 geographic police force areas in England and Wales. Consequently, the next CSR and the Funding Formula Review could lead to cuts significant greater than that currently assumed within the MTFS.	PCC CFO, in conjunction with CC CFO, to keep the MTFS updated and report findings to PCC and Chief Constable. The PCC Business Change and Efficiency Group to oversee and approve the required savings programme over the MTFS period. The Force is currently developing plans for a functional model to enable the Force to meet its savings requirement. The future structure will enable the Force to deliver the best possible service to the communities of Merseyside with the resources they have available.
Embedding the Governance arrangements around the implementation of the approved Estate Strategy.	The PCC Chief of Staff and Chief Constable undertake a review the Governance arrangements during the year to ensure they are still effective.
Embedding the Governance arrangements around the delivery of the Victim Services Commissioning Strategy, including Restorative Justice Services, and the commissioning of services.	The DPCC has established a Victims Services Board to oversee the implementation of the strategy and to monitor and review the services that have been commissioned to ensure that victims are supported and value for money is achieved.
Improving the effectiveness of the Joint Audit Committee	Implementation of the approved action plan to address areas identified for improvement, including the implementation of the Audit Committee Champions roles.

Governance Issue	Action
The identification of potential on-going collaboration with the Merseyside Fire and Rescue Authority (MFRA).	The PCC and the MFRA have established a Joint Fire and Rescue and Police Committee to oversee collaboration between the Fire and Police Services and consider opportunities for greater collaboration. Individual Project Teams have been established to look at possible areas of collaboration these teams will report back to the Committee.
Proposed changes to the statutory police complaints system may see significant responsibility move from the Chief Constable to the PCC. This will require changes to the governance, delegations and internal control arrangements currently in place.	The OPCCM will track and review the draft Policing Bill and the Chief of Staff, in conjunction with the Chief Constable, will draft a decision report for the PCC on the options and implications of the final Act. The report will include any required amendments to the Governance Framework and delegations to reflect any legislative changes and decisions to be taken by the PCC and/or the Chief Constable. As a result of any new governance arrangements the capacity of the OPCCM to discharge any additional requirements will also need to be reviewed.

Over the coming year the action identified will be undertaken to address the issues above in order to further enhance the PCC governance arrangements. We are satisfied that these steps will address the need for the improvements which were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

The Annual Governance Statement was signed by Jane Kennedy, Joanne Liddy and John Riley on 18th September 2015.

Rt Hon Jane Kennedy	**Dr Joanne Liddy**	**John Riley**
Police and Crime Commissioner for Merseyside	**Chief of Staff Office of the Police and Crime Commissioner for Merseyside**	**Chief Finance Officer Office of the Police and Crime Commissioner for Merseyside**

Glossary of Terms

ACCOUNTING POLICIES
Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

ACCRUALS BASIS
The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

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

ASSET CEILING
The asset ceiling is an upper limit on what is allowed to be recognised as a defined benefit asset broadly depending on whether the employer reporting entity can either get refunds from the outside/'third party' pension scheme or a reduction in future contributions to the outside/'third party' pension scheme.

BALANCE SHEET
The Balance Sheet represents a summary of the assets, liabilities, funds and reserves of the PCC and Group.

BILLING AUTHORITY
This is an Authority which is responsible for the collection of Council Tax on behalf of Precepting Authorities, and maintains a Collection Fund for this purpose.

CAPITAL EXPENDITURE
This is expenditure on the acquisition of a fixed asset, or expenditure that adds to the value, or extends the useful life of an existing asset. Capital expenditure is not usually a direct charge to the Comprehensive Income and Expenditure Statement, being normally met by loan, grant, external contribution or capital receipts.

CAPITAL RECEIPTS
Income from the sale of assets, which can only be used to finance new capital expenditure or repay outstanding debt on assets, financed from loans.

CASH
Comprises cash on hand and demand deposits.

CASH EQUIVALENTS
Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CHIEF CONSTABLE OF MERSEYSIDE POLICE (CC)
The Chief Constable of Merseyside Police is a separate corporation sole which was established on 22nd November 2012.

THE CODE (The Code of Practice on Local PCC Accounting in the United Kingdom 2014/15)
The Code defines proper accounting practices for local authorities in England, Wales, Scotland and Northern Ireland and applies to accounting periods commencing on or after 1st April 2014.

COLLECTION FUND
An amount received from or paid to a Billing Authority based on the actual amount of council tax collected by the Billing Authority above or below the expected collection levels.

Glossary of Terms

THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
The account which summarises the income and costs of all the functions for which the PCC/ Group is responsible. It also includes notional depreciation charges for assets and the notional cost of retirement benefits earned by employees in the year.

CORPORATE AND DEMOCRATIC CORE
This is a definition under the Best Value Code of Practice. It shows costs on Democratic Representation & Management (DRM) and Corporate Management (CM). DRM covers all aspects of Commissioner activities.

CREDITORS
Individuals or organisations to whom the PCC/Group owes money at the end of the financial year.

CURRENT SERVICE COST (PENSIONS)
This measures the increase in the present value of pensions liabilities generated in the financial year by employees. It is an estimate of the true economic cost of employing people in the financial year, earning service that will eventually entitle them to the receipt of a lump sum and pension when they retire.

DEBTORS
Individuals or organisations who owe the PCC/Group money at the end of the financial year.

DEFERRED LIABILITY
Liabilities, which by arrangement are payable over a period of time.

DEPRECIATED REPLACEMENT COST
Depreciated replacement cost is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

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

DERECOGNITION
An asset is derecognised in the Balance Sheet when it is disposed of or where no future economic benefits or service potential are expected from its use.

EXPECTED RATE OF RETURN ON PENSIONS ASSETS
This is the measure of the average rate of return expected on investment assets held by the Scheme for the year. It is not intended to reflect the actual realised return on the Scheme, but a longer-term measure, based on the fair value of the assets at the start of the year and an expected return factor. Plan assets comprise:-

- assets held by a long-term employee benefit fund; and
- qualifying insurance policies (not relevant for Police)

FAIR VALUE
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

FINANCE LEASE
A lease where substantially all the risks and rewards of ownership are transferred to the lessee.

FINANCIAL INSTRUMENT
This is any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial assets such as loans receivable and liabilities such as borrowings.

Glossary of Terms

FINANCIALLY ACCOUNTABLE UNIT
A Financially Accountable Unit (FAU) is a unit of the Devolved Financial Management structure to which Budgets are allocated, and against which Income and Expenditure is charged. Each FAU has a Budget Holder responsible for managing that Budget.

FINANCING ACTIVITIES (CASH FLOW)
Financing activities are activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.

IMPAIRMENT
A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

INTANGIBLE FIXED ASSETS
These are fixed assets such as software licences that do not have physical substance but are identifiable and controlled through legal or custody rights.

INTRA-GROUP FUNDING
Funding provided by the PCC to the CC to enable the CC to undertake day-to-day policing.

INVESTING ACTIVITIES (CASH FLOW)
Investing activities are the acquisition and disposal of long-term assets and other investments, not included in cash equivalents.

LESSEE
An organisation which holds a property by lease.

LESSOR
An organisation which lets a property by lease.

MATERIAL
Omissions or misstatements of items are considered material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

NATIONAL NON DOMESTIC RATE
The level of National Non Domestic Rate (Business Rate) is determined by Central Government. Amounts collected by local authorities are paid into a national pool and the total is redistributed by Central Government in proportion to the population of each PCC.

NON DISTRIBUTED COSTS (PENSIONS)
This covers past services costs settlements and curtailments in respect of IAS19 pension costs. It also covers costs associated with unused assets.

OPERATING ACTIVITIES (CASH FLOW)
Operating activities are the activities of the entity that are not investing or financing activities.

OPERATING LEASE
Any lease which is not a finance lease.

PAST SERVICE COSTS (PENSIONS)
These costs represent the increase in liabilities arising from decisions taken in the current year to improve retirement benefits, but whose financial effect is derived from service earned in earlier years.

Glossary of Terms

POLICE AND CRIME COMMISSIONER FOR MERSEYSIDE (PCC)
The Police and Crime Commissioner for Merseyside is a separate corporation sole which was established on 22nd November 2012.

PRECEPT
This is the amount of Council Tax income which County Councils, Police and Crime Commissioners, the Greater London Authority, Parish Councils and some Fire Authorities need to provide their services. The amounts for all Local Authorities providing services in an area appear on one Council Tax bill, which comes from the Billing Authority.

PRECEPTING AUTHORITY
This is any body which sets a precept to be collected by billing authorities through the Council Tax bill. County councils, Police and Crime Commissioners, the Greater London Authority, some Fire Authorities and Parish Councils are all precepting authorities.

PRESENT VALUE OF DEFINED BENEFIT OBLIGATION
The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

PROPERTY PLANT AND EQUIPMENT
Tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one financial year.

RELATED PARTY
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

REMEASUREMENTS
Previously called actuarial gain and losses, remeasurements represent changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions, and include actuarial gains or losses, expected rate of return on plan assets and effect on the asset ceiling.

RESERVES
Monies set aside for specific future costs (e.g. Estate Strategy) or generally held to meet unforeseen or emergency expenditure (e.g. General Balances).

RESIDUAL VALUE
The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

REVENUE ACCOUNTS
The day-to-day expenditure and income of the PCC on such items as salaries and wages of employees, running costs of services, and the purchase of consumable materials and equipment, together with the financing costs of capital assets.

REVENUE SUPPORT GRANT
A General Government Grant that supports Police and Crime Commissioners' expenditure.

SHORT TERM EMPLOYEE BENEFITS
Short-term employee benefits are employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service.

Glossary of Terms

SPECIFIC GRANTS
Targeted or ring-fenced grants are sometimes referred to as specific grants.

SPECIFIC POLICE GRANT
A specific revenue grant that Police and Crime Commissioners' receive from the Home Office.

TERMINATION BENEFITS
Termination benefits are employee benefits payable as a result of either:-

- an entity's decision to terminate an employee's employment before the normal retirement date, or
- an employee's decision to accept voluntary redundancy in exchange for those benefits

USEFUL LIFE
The period which an asset is expected to be available for use by an entity.

UK GAAP (Generally Accepted Accounting Principles)
Compliance with UK company law, UK accounting standards and best practice.