



**HUMBERSIDE**  
POLICE & CRIME  
COMMISSIONER



Serving our communities to  
make them safer and stronger

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# THE POLICE AND CRIME COMMISSIONER FOR HUMBERSIDE

## FINANCIAL STATEMENTS

2019/20

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# **NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS**

## **INTRODUCTION TO THE HUMBERSIDE POLICE FORCE AREA**

The Statement of Accounts summarises the financial performance of the Police and Crime Commissioner Group for the year ended 31 March 2020. These accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The purpose of the narrative report is to offer interested parties a fair, balanced and easily understandable guide to the most significant matters reported in the accounts. The inevitable use of technical language has been kept to a minimum. A 'Glossary of Terms' (to help explain some of the technical terms) can be found in the appendices.

### **Organisational Overview**

#### **About the Police and Crime Commissioner for Humberside**

The Humberside Police Force area is located on the north east coast of England, equidistant from London, Edinburgh and Rotterdam. It covers the local authority areas of the East Riding of Yorkshire, Kingston upon Hull, North East Lincolnshire and North Lincolnshire.

It has a total area of c1300 square miles around the Humber Estuary and has a population of over 900,000. Nearly 90% of the area is rural. Its main settlement and commercial capital is Kingston upon Hull. Major settlements include the port and local town of Grimsby, the renaissance resorts of Cleethorpes and Bridlington, and the industrial 'garden town' of Scunthorpe. The predominantly rural areas of the East Riding, North Lincolnshire and North East Lincolnshire look to the market towns of Beverley, Brigg, Epworth and Barton and there is a logistics hub to the west, around Goole, the UK's most inland port.

The area maintains its strong maritime heritage and the port infrastructure accounts for more than 15% of the UK overseas trade. It is estimated that one million people a year travel to and from continental Europe by ferry via Hull and a further quarter of a million people travel on domestic and international flights from Humberside Airport.

Keith Hunter is the PCC and Lee Freeman is the Chief Constable. The PCC's Police and Crime Plan was published in March 2017, reflecting his long term vision and aspirations for policing in the Humberside Force area. The Plan also set out details of his intention to re-invigorate partnership working to assist in addressing crime and community safety issues. It contains three key aims:-

- To deliver increasingly self-sustaining and safe communities;
- To build public confidence in the agencies involved in creating safer communities and
- To provide services to victims and the most vulnerable that meet their needs

The Chief Constable has developed a 'Plan on a page', a copy of is included on the next page.

# HUMBERSIDE POLICE - OUR PLAN ON A PAGE



Serving our communities to make them safer and stronger

## CONNECTED

To deliver the right services, we will:



### Be accessible and engaging:

We will engage in a meaningful way with those we serve. We will be part of our local communities and create real connections with the people in those communities. We see ourselves as accountable to the people in our communities. We will be visible, accessible and trusted. We will listen, talk, explain and provide information, both face to face and through digital channels.



### Understand and prioritise the needs and demands in our communities:

We will constantly assess and review where the biggest need for our services is coming from and how we can meet that need. We will prioritise our resourced based on harm, vulnerability and the needs of our communities.



### Collaborate in effective partnerships:

We will work with the right partners to deliver services together that genuinely help to improve people's lives. We will focus on prevention and early intervention where we can. We will set out clear ways of working and roles with partners to ensure that individuals and communities needs come first.

## COMMUNITIES

We serve our communities to make them safer and stronger by:



### Keeping people safe and protecting vulnerable people:

We support and protect vulnerable people. We help communities to be resilient and to protect themselves. We prevent and reduce harm caused by crime and anti-social behaviour.



### Tackling and investigating crime and ASB:

We identify, respond to, and investigate crime and anti-social behaviour. We deal appropriately with offenders.



### Developing place-based teams who work with partners in their local areas:

We ensure that our communities receive the services that most meet their needs. We look after victims and we look out for those who are vulnerable.



### Building Trust and Confidence so people feel safe:

We communicate openly and honestly with the public to build trust in our services, in order to help them feel safe and reassured.

## RESOURCES

To enable us to perform well, we will:



### Improve the effectiveness and efficiency of our processes:

Review and simplify the processes we use that help us to do our jobs better and serve our people and communities.



### Improve our planning and decision-making:

Create efficient and effective governance to make sure we are doing the right things, doing things right, and making decisions in a transparent way. We will make every meeting count.



### Use technology and data effectively:

We will ensure that we use the available technology and systems to help our people deliver better services to communities, now and in the future.



### Make evidence-based decisions:

We will gather, share, analyse and act on data and intelligence to make better decisions about how to use our resources.

## PEOPLE

The key to our success is our people. We will:



### Ensure Humberside Police is a great place to work:

We will engage with our people meaningfully and as individuals. We will motivate and lead our people in a way that helps them feel supported to deal with the pressures their job brings.



### Attract, recruit and retain the right people:

We will be an employer of choice because of our reputation as a great place to work. We will recruit and retain talented and passionate people who reflect our communities.



### Develop our people:

We will create an environment where learning is encouraged and valued. We will help everyone develop and improve to be the best they can be. We will provide our people with the skills they need for the future.



### Manage our resources effectively:

We will ensure that public money is spent wisely. We will plan our current and future workforce and resource management with vigilance and integrity.

## The foundation of everything is our culture, values and behaviours



We will create a working environment where our people are empowered, valued, trusted and optimistic. We will always act with fairness, integrity and respect. We will deliver our service with professionalism, compassion and with a strong victim focus. We will take every opportunity to learn, to work as one team and to recognise and reward success. We will act confidently and will be proud to work for Humberside Police.

## FORCE PERFORMANCE

### POLICE OFFICERS

Around **500**  
more police officers



### ASB

Anti-social  
behaviour down



**15.5%**

### MY COMMUNITY ALERT over

**30,000**

local people signed up to the  
local alert messaging system  
(rising daily)



### PATROL RESPONSE TIMES

improved across  
the board

### CONFIDENCE IN HUMBERSIDE POLICE IS UP



AND CRIME  
IS NOW  
FALLING

### EXTERNAL INSPECTION OF HUMBERSIDE POLICE

✓ **Efficiency**  
**GOOD** from **INADEQUATE**

✓ **Effectiveness** **GOOD** from  
**REQUIRES IMPROVEMENT**

✓ **Local Policing**  
**GOOD** from  
**REQUIRES IMPROVEMENT**

✓ **Vulnerability**  
**GOOD** from **INADEQUATE**

## CALL HANDLING



### ABANDONED CALLS

**101 (non-emergency) rate**  
down from over  
**9%** to less than **2%**

**999 (emergency) rate**  
down from  
**1.6%** to **0%**

### ANSWER TIME

**101 (non-emergency)**  
is now **13** seconds  
on average

**999 (emergency)**  
is now **8** seconds  
on average



### VICTIMS UPDATED ON TIME

Up to **90%**  
(from **73.5%**)

## INTERVENTIONS



**60%** increase in referrals to **Blue Door**  
(Sexual Violence Support)

**96%**  
engaged  
victims now  
engaged with  
Victim Support

**204**  
outcomes  
for **Remedi**  
(restorative  
justice) support

**942**  
interventions  
through **MIND** for  
support – almost one  
third prevented police  
deployment

## COMMUNITY SPEED WATCH

**26**  
and rising  
Schemes in  
place across the  
Humber region

**188**  
Local people  
involved in the  
schemes



# DELIVERY AGAINST THE POLICE AND CRIME PLAN



Returned neighbourhood officers back into local police stations - not one existing operational base has closed since 2016 without being replaced



Improved leadership in Humberside Police



Re-energised Office of the Police and Crime Commissioner (OPCC) focused on delivery to the public



Re-energised Community Safety Partnerships (CSPs) with increased funding



Around 500 more police officers than in 2016 - biggest recruitment drive in history



Improved financial management of Humberside Police



Fewer ASB incidents



Improved force call handling performance



Effective range of interventions commissioned to enable victims and the vulnerable to cope and recover



Improved police response capability



Greater staff morale in Humberside Police - best in the country

## **CHIEF FINANCE OFFICER'S STATEMENT**

This is the Statements of Accounts for the PCC for Humberside for 2019/20.

The accounts provide a record of the financial position and performance for the year and incorporate transactions relating to the Force, the PCC and for the PCC Group reflecting the combined position of both organisations.

The PCC Group position represents the consolidated financial statements of the PCC and the subsidiary, the Chief Constable. Where the PCC Group position differs from the PCC position this is made clear in the financial statements and notes.

Separate statutory financial statements have been prepared for the Chief Constable.

Annual Governance Statements for the PCC and for Humberside Police for 2019/20 have been published separately and are available on the PCC and Force websites.

### **Explanation of Accounting Statements**

The financial statements have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

The financial statements reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include:

- The Police Reform and Social Responsibility Act 2011 (PRSRA);
- The Home Office Financial Management Code of Practice for the Police Forces for England and Wales and Fire and Rescue Authorities created under Section 4A of the Fire and Rescue Services Act 2004 (July 2018).

The Corporate Governance Framework includes:-

- A Statement of corporate governance – statutory framework and local policy;
- A Code of corporate governance – setting out how the good governance core principles will be implemented;
- A Scheme of corporate governance – defines the parameters within which the corporations sole will conduct their business;
- Separate policy and procedures for each corporation sole, with protocols where they operate jointly.

The basic position remains that the Commissioner is responsible for the finances of the whole PCC Group and controlled the assets, the majority of liabilities and reserves. The PCC received all income and funding and made all payments for the PCC Group from the PCC Police Fund.

In turn, the Chief Constable continued to have the duty to fulfil prescribed functions under the PRSRA within the annual budget (set by the Police and Crime Commissioner in consultation with the Chief Constable) in line with the approved Corporate Governance Framework. This Framework sets out how the two “corporations sole” will discharge their respective responsibilities.

**The Statement of Responsibilities** details the responsibilities of the PCC/Chief and the Chief Finance Officer/S.151 Officer for the Accounts. This statement is signed and dated by Chief Finance Officer/S.151 Officer under a statement that the Accounts give a True and Fair View of the financial position of the PCC Group at the accounting date and its income and expenditure for the year ended 31 March.

**The Movement in Reserves Statements** shows the movement in the year on the different Reserves held by the PCC Group. This statement is split into usable and unusable Reserves; the usable Reserves are those that can be used by the PCC to fund expenditure; and the unusable Reserves are those Reserves that are required to mitigate the effect of some transactions on council tax and those Reserves that are created to mitigate unrealised gains and losses.

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

The PCC raises taxation in accordance with regulations which are different from the accounting cost. The taxation position is shown in the Movement in Reserves Statements (the movement on usable reserves).

**The Balance Sheets** which shows the value of the Assets and Liabilities recognised by the PCC Group and the PCC at the Balance Sheet date.

**The Cash Flow Statement** which shows the changes in cash and cash equivalents during the year. This statement shows how the PCC generates and uses its cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

**The Pension Fund Account** which shows the movements relating to the Police Pension Fund

The notes to the accounting records provide more detail about the accounting policies and individual transactions.

## **2019/20 Financial Year**

The PCC approved an original budget in February 2019 of £194.507m which following a mid-year financial review was revised to £192.728m after consultation with Branch Commanders / Heads of Department in conjunction with the Force Finance Team. This identified savings and offsetting pressures totalling £0.461m. The budget was realigned in November to reflect these changes and monitoring against this revised budget was undertaken during the second half of the year.

Actual expenditure for the year was £190.478m, an underspend of £2.251m, which was broadly in line with the projected underspend of £1.827m at period 11. There were minor overspends in charges from the Covert Authorities Bureau and Forensic Science Services and underspends on IS costs, ill health injury awards and capital financing charges. Total police officer overtime reduced to £3.43m, a reduction of 9% from 2018/2019 with police staff overtime decreasing by 13% to £600k.

Reserves at the start of 2019/2020 totalled £20.002m. The original budget assumed use of £6.86m on a range of activities including the accelerated officer recruitment (£1.227m) and support for partners on crime reduction (£1.675m). The total level of reserves at 31 March 2020 stands at £17.172m.

The original savings target within the MTRS for 2019/2020 was £3.750m which was delivered in full by the Force. The main areas of savings were achieved through PCSOs primarily through transfer to vacant student officer posts (£1.6m), overtime (£523k) and IS contracts (£558k).



Having reviewed the savings programme, a Corporate Efficiency Review and Continuous Improvement Programme has been developed which will be a key driver in delivering the required budget reductions.

A summary of capital performance compared to budget is shown in the table below

<b>CAPITAL PROGRAMME</b>	<b>CURRENT BUDGET £000</b>	<b>2019/20 ACTUAL £000</b>	<b>VARIANCE £000</b>
Estates Programme	9,950	3,766	6,184
ICT Programme	6,171	3,327	2,843
Vehicles & Equipment	2,622	1,694	928
<b>Grand Total</b>	<b>18,742</b>	<b>8,787</b>	<b>9,955</b>

The main areas of expenditure during 2019/2020 were on Melton 2 (£1.116m), Grimsby Police Station (£906k), vehicles (£1.168m) and IT mobility roll-out (£1.897m).

The main areas of scheme slippage were Melton 2 (£4.103m), Scunthorpe Police Station (£624k), Smart Contact (£452k) and IT (£496k).

### **Financing of Capital Expenditure**

The PCC has a rolling capital programme that is reviewed throughout the year. The programme is financed by external borrowing, capital receipts and revenue contributions.

### **Humberside PCC Reserves**

Balances at 1 April 2019 stood at £20.002m. £3.410m was transferred from Earmarked Reserves during 2019/20. £0.580m was transferred to the General Reserve, balances at 31 March 2020 now stand at £17.172m.

### **Future Spending Plans**

The PCC has published a Medium-Term Resource Strategy for 2020/21 to 2024/25 which sets out the overall shape of the PCCs budget. It establishes how available resources will best deliver the Police and Crime Plan and mitigate corporate risks identified. The current level of borrowing is £65.966m. The operational boundary is £150.000m and the authorised limit is £180.000m (these are part of the PCC's prudential indicators that have been previously agreed in the PCC's Treasury Management report; Published March 2020).

### **International Accounting Standard 19 (IAS 19)**

IAS 19 requires employers to report the full cost of pension benefits as they are earned, regardless of whether they have been paid for. The total liability is £2,383m (2018/19 was £2,580m); this is split between the Local Government Pension Scheme £289m (2018/19 was £346m) and the Police Pension Schemes (1987 and 2015) £2,094m (2018/19 was £2,234m). It should be noted that IAS 19 does not impact upon the level of balances held by the PCC. (Under IAS 19 injury awards are now recognised in the PCC Group accounts).

## **Humberside Police Pension Fund Account**

The Financial Statements include a separate section for the Humberside Police Pension Fund Account. Under the pension funding arrangements each PCC in England is required by legislation to operate a Pension Fund and the amounts that must be paid into and out of the fund are specified by regulation.

## **Change in Statutory Function**

There have been no changes to the PCC's statutory functions during 2019/20.

## **Significant Changes in Accounting Policies**

There have been no significant changes to the accounting policies used by the PCC, however the method of calculating MRP has been revised during 2019/20.

## **Material Events after 31 March**

Between issuing the draft accounts and the completion of the audit one adjusting event has occurred:

### **IAS19 Pensions – McCloud Judgement**

In December 2018 the Court of Appeal ruled that the transitional protection offered to some members as part of reform to public sector pensions amounted to unlawful discrimination. In June 2019 the Supreme Court refused leave to appeal on the case. Therefore, on 16 July 2020 HM Treasury published their 'Public Service Pension Scheme Consultation: Changes to the transitional arrangements to the 2015 Schemes' document which contained their proposed remedy to the McCloud/Sargeant judgement. In particular, those who were members of a public sector pension scheme on or before 31 March 2012 and on or after 1 April 2015 are to be in the scope to choose between their 2015 Scheme or legacy scheme benefits for the period April 2015 to April 2022.

The approach originally used when calculating the IAS19 Pensions cost in 19-20 in respect to the McCloud judgement assumed that all members who were in service on 1 April 2015 would be eligible. At the point of producing the unaudited accounts details of the case and the potential form of the eventual remedy were still unclear. Since the consultation has been published in July 2020 the actuaries have compared the original assumptions used to the eligibility set out in the consultation document and have highlighted that the original approach has overstated the potential McCloud/Sargeant liability.

The impact of the published consultation on the 19-20 accounts is a decrease of £25.2m in the pension scheme liability, a £4.6m reduction in current service costs, a £18m reduction in past service cost, a £0.60m reduction in interest costs and an increase in Actuarial Gains/Losses of £1.5m. These adjustments have been reflected in the final published accounts for 19-20.

## **Going Concern**

The Medium-Term Resource Strategy ensures a balanced budget over the medium term. The PCC for Humberside and Humberside Police will remain a Going Concern.

## **Further Information**

You can also find more information about the finances of the PCC and the Force on the respective websites and [www.humberside.police.uk](http://www.humberside.police.uk)

## **Acknowledgement**

I would like to express my appreciation to Sabine Braddy, who completed the majority of the work on these accounts, and to colleagues within the Force Finance Team for their assistance in compiling the financial statements. I would also like to thank the Assistant Chief Officer (Resources), the Head of Finance and other operational managers within the Force for their support.

**Kevin Wilson BSc Econ (Hons), FCPFA**  
Chief Finance Officer – November 2020

# Independent auditor's report to the Police and Crime Commissioner for Humberside and Group

## Report on the financial statements

### Opinion

We have audited the financial statements of the Police and Crime Commissioner for Humberside (PCC) and the Group for the year ended 31 March 2020, which comprise the PCC and Group Movement in Reserves Statement, the PCC and Group Comprehensive Income and Expenditure Statement, the PCC and Group Balance Sheet, the PCC and Group Cash Flow Statement, the Group Police Pension Fund Statement and Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Humberside and Group as at 31st March 2020 and of the Police and Crime Commissioner for Humberside and Group's 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 2019/20.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Police and Crime Commissioner for Humberside and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land and buildings and the Police and Crime Commissioner's share of Pension Fund unquoted investments and property valuations**

We draw attention to Notes 19 and 32 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the PCC's land and buildings and the valuation of the PCC's share of pension fund unquoted investments and property valuations. As disclosed in Notes 19 and 32 of the financial statements, the PCC's valuer and the Pension Fund's valuers included a 'material valuation uncertainty' declaration within their report as a result of the additional uncertainty caused by the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Police and Crime Commissioner for Humberside and Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Chief Finance Officer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Chief Finance Officer for the financial statements**

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Police and Crime Commissioner for Humberside and Group is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Police and Crime Commissioner for Humberside and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Authority's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

### **Qualified conclusion – Except for**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, with the exception of the matters described in the 'Basis for qualified conclusion' paragraph below, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Humberside has put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources for the year ended 31 March 2020.

### **Basis for qualified conclusion**

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Police and Crime Commissioner for Humberside had proper arrangements to ensure they took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Police and Crime Commissioner for Humberside put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources for the year ended 31 March 2020.

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 for Humberside had put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

In considering the Police and Crime Commissioner for Humberside's arrangements for securing economy, efficiency and effectiveness in its use of resources, we identified the following matter:

- Inadequate corporate governance and financial management arrangements in relation to information services.

Information services are provided through a collaborative arrangement between Humberside Police and a neighbouring Force, where the neighbouring Force are the lead organisation for the provision of Information Systems and Information Technology services, which incorporates financial governance, procurement and the employment of all staff. Internal Audit carried out a review of IS (Information Services) Corporate Governance and Financial Management. The conclusion of the Internal Audit review was that there was Inadequate Assurance over the corporate governance and financial management of this collaborative arrangement. The Police and Crime Commissioner has identified this as a significant governance issue in the Annual Governance Statement.

Following the internal audit review, Humberside Police's Assistant Chief Officer was given the lead role in addressing the issues arising. The Assistant Chief Officer identified further significant issues and has led the implementation of changes to improve the arrangements in place, which were ongoing during the year ended 31 March 2020.

These findings are relevant to our consideration of the arrangements to achieve economy, efficiency and effectiveness of the Chief Constable for Humberside. However, as it is a key role of the Police and Crime Commissioner for Humberside to oversee the work of the Chief Constable for Humberside and hold the Chief Constable to account for the performance of Humberside Police, these matters are equally applicable to our conclusion in relation to the Police and Crime Commissioner for Humberside.

This matter is evidence of weaknesses in proper arrangements during 2019/20 for sound corporate governance and financial management and for working with third parties effectively to deliver strategic priorities in the area of information services.

### **Responsibilities of the Police and Crime Commissioner for Humberside**

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

### **Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner for Humberside has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner for Humberside's arrangements for securing economy, efficiency and effectiveness in the use of resources are operating effectively.

## Use of the audit report

This report is made solely to the Police and Crime Commissioner for Humberside and Group, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for Humberside and Group, as a body, for our audit work, for this report, or for the opinions we have formed.

## Certificate

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



Gavin Barker  
Director  
For and on behalf of Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

26 November 2020



## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required:

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

**I approve this Statement of Accounts.**



**Date** 25 November 2020

**Keith Hunter**  
**Police and Crime Commissioner for**  
**Humberside**

### Chief Finance Officer's Responsibilities

The Chief Finance Officer of the PCC is responsible for the preparation of the PCC's statement of accounts which, in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (the 'Code of Practice'), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) is required to present fairly the financial position of the PCC and the PCC Group at the accounting date, and its income and expenditure for the year ended 31 March 2020.

In preparing this statement of accounts, the Chief Finance Officer has:

Selected suitable accounting policies and then applied them consistently;

- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Chief Finance Officer has also:

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

**I certify that the attached Statement of Accounts present a true and fair view of the position of the PCC and the PCC Group as at 31 March 2020 and the income and expenditure for the year.**



**Date:** 25 November 2020

**Kevin Wilson**  
**Chief Finance Officer**

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE PCC GROUP

This statement shows the accounting cost in the year for the PCC Group of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. PCCs raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis note and the Movement in Reserves Statement.

Year ended 31 March 2019			Year ended 31 March 2020			
£'000	£'000	£'000		£'000	£'000	£'000
Expenditure	Income	Net	Note	Expenditure	Income	Net
6,968	(703)	6,265	Criminal Justice	6,415	(699)	5,716
50,868	(79)	50,789	Northbank Division	43,413	(123)	43,290
33,879	(3)	33,876	Southbank Division	29,317	(34)	29,283
24,699	(478)	24,221	Force Control Room	18,943	(19)	18,924
15,050	(100)	14,950	Protecting Vulnerable People	13,047	(110)	12,937
9,353	(1,271)	8,082	Regional Collaboration	9,719	(1,363)	8,356
14,217	(231)	13,986	Special Operations Unit	13,230	(696)	12,534
19,170	(2,492)	16,678	Specialist Crime	16,338	(3,132)	13,206
12,927	(979)	11,948	Human Resource Services	10,852	(1,860)	8,992
9,592	(2,625)	6,967	Estates Services	11,097	(3,453)	7,644
9,925	(386)	9,539	Information Services	9,938	(266)	9,672
98,351	(729)	97,622	Centrally Managed Services	23,869	(784)	23,085
24,993	(7,004)	17,989	Other Services	24,947	(5,779)	19,168
6,439	(1,367)	5,072	Police & Crime Commissioner	6,288	(1,309)	4,979
<b>336,431</b>	<b>(18,447)</b>	<b>317,984</b>	<b>Cost of Services - Continuing Operations</b>	<b>237,413</b>	<b>(19,627)</b>	<b>217,786</b>
754	(275)	479	Other Operating Expenditure	7	608	(427)
55,243	(30)	55,213	Financing and Investment Income and Expenditure	8	58,958	(115)
	(212,742)	(212,742)	Taxation and Non-Specific Grant Income	9		(220,206)
		<b>160,933</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>56,604</b>
		(7,992)	(Surplus) or Deficit on Revaluation of Non Current Assets			1,483
		76,345	Remeasurements of the net defined benefit liability	37		(227,176)
		<b>68,353</b>	<b>Other Comprehensive Income and Expenditure (Surplus)/Deficit</b>			<b>(225,693)</b>
		<b>229,285</b>	<b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>			<b>(169,089)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE PCC

This statement shows the accounting cost in the year for the PCC of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. PCCs raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. Resources of the PCC consumed at the request of the Chief Constable during the year are shown for comparative purposes. The consolidated accounting cost and funding for the PCC Group for the year is shown on the preceding page.

Year ended 31 March 2019				Year ended 31 March 2020				
PCC		Chief Constable		PCC		Chief Constable		
£'000	£'000	£'000	£'000	Note	£'000	£'000	£'000	
Expenditure	Income	Net	Expenditure		Expenditure	Income	Net	
							Expenditure	
-	(703)	(703)	6,968	Criminal Justice	-	(699)	(699)	6,415
-	(79)	(79)	50,868	Northbank Division	-	(123)	(123)	43,413
-	(3)	(3)	33,879	Southbank Division	-	(34)	(34)	29,317
-	(478)	(478)	24,699	Force Control Room	-	(19)	(19)	18,943
-	(100)	(100)	15,050	Protecting Vulnerable People	-	(110)	(110)	13,047
-	(1,271)	(1,271)	9,353	Regional Collaboration	-	(1,363)	(1,363)	9,719
-	(231)	(231)	14,217	Special Operations Unit	-	(696)	(696)	13,230
-	(2,492)	(2,492)	19,170	Specialist Crime	-	(3,132)	(3,132)	16,338
-	(979)	(979)	12,927	Human Resource Services	-	(1,860)	(1,860)	10,852
-	(2,625)	(2,625)	9,592	Estates Services	-	(3,453)	(3,453)	11,097
-	(386)	(386)	9,925	Information Services	-	(266)	(266)	9,938
-	(729)	(729)	98,351	Centrally Managed Services	-	(784)	(784)	23,869
-	(7,004)	(7,004)	24,993	Other Services	-	(5,779)	(5,779)	24,947
6,439	(1,367)	5,072	-	Police & Crime Commissioner		6,288	(1,309)	4,979
<b>6,439</b>	<b>(18,447)</b>	<b>(12,009)</b>	<b>329,991</b>	<b>Cost of Services - Continuing Operations</b>		<b>6,288</b>	<b>(19,627)</b>	<b>(13,339)</b>
313,579		313,579	(313,579)	Intra-group funding	4	217,786		217,786
320,018	(18,447)	301,570	16,412	Net Cost of Policing Services		224,074	(19,627)	204,447
754	(275)	479		Other Operating Expenditure	7	608	(427)	181
1,257	(30)	1,227		Financing and Investment Income and Expenditure	8	1,684	(115)	1,569
-	(212,742)	(212,742)		Taxation and Non-Specific Grant Income	9	-	(220,206)	(220,206)
		<b>90,535</b>		<b>(Surplus) or Deficit on Provision of Services</b>				<b>(14,009)</b>
		(7,992)		(Surplus) or Deficit on Revaluation of Non Current Assets				1,483
		(69,231)		Remeasurements of the net defined benefit liability	37			21,596
		<b>(77,223)</b>		<b>Other Comprehensive Income and Expenditure (Surplus)/Deficit</b>				<b>23,079</b>
		<u><b>13,312</b></u>		<b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>				<u><b>9,070</b></u>

## MOVEMENT IN RESERVES STATEMENT FOR THE PCC GROUP

This statement shows the movement in the year on the different reserves held by the PCC Group, analysed into 'usable reserves' (i.e. those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable reserves'. It shows how the movements in year of the PCC Group's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase / Decrease in Year line shows the statutory General Fund Balance movements in the year following those adjustments.

### Movements in Reserves PCC Group

	General Fund Balance £'000	Capital Unapplied Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31 March 2019</b>	<b>20,002</b>	-	<b>20,002</b>	<b>(2,325,460)</b>	<b>(2,305,458)</b>
<b>Adjustments £000s</b>					
<b>Total Comprehensive Income &amp; Expenditure</b>	(56,604)	-	(56,604)	225,693	169,089
Adjustments between Accounting Basis & Funding Basis under Regulations	53,773	-	53,773	(53,773)	-
<b>Increase / Decrease in Year</b>	<b>(2,831)</b>	-	<b>(2,831)</b>	<b>171,920</b>	<b>169,089</b>
<b>Balance at 31 March 2020</b>	<b>17,171</b>	-	<b>17,171</b>	<b>(2,153,540)</b>	<b>(2,136,369)</b>

	General Fund Balance £'000	Capital Unapplied Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31 March 2018</b>	<b>28,913</b>	<b>(4)</b>	<b>28,909</b>	<b>(2,105,083)</b>	<b>(2,076,172)</b>
<b>Adjustments for £000s</b>					
<b>Total Comprehensive Income &amp; Expenditure</b>	(160,933)	-	(160,933)	(68,353)	(229,285)
Adjustments between Accounting Basis & Funding Basis under Regulations	152,023	4	152,027	(152,027)	-
<b>Increase / Decrease in Year</b>	<b>(8,910)</b>	<b>4</b>	<b>(8,906)</b>	<b>(220,378)</b>	<b>(229,285)</b>
<b>Balance at 31 March 2019</b>	<b>20,002</b>	-	<b>20,002</b>	<b>(2,325,460)</b>	<b>(2,305,458)</b>

## MOVEMENT IN RESERVES STATEMENT FOR THE PCC

This statement shows the movement in the year on the different reserves held by the PCC, analysed into 'usable reserves' (i.e. those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable reserves'. It shows how the movements in year of the PCC's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase / Decrease in Year line shows the statutory General Fund Balance movements in the year following those adjustments.

### Movements in Reserves PCC

	General Fund Balance £'000	Capital Unapplied Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31 March 2019</b>	<b>20,002</b>	-	<b>20,002</b>	<b>10,501</b>	<b>30,503</b>
<b>Adjustments for IFRS £000s</b>					
<b>Total Comprehensive Income &amp; Expenditure</b>	14,009	-	14,009	(23,079)	(9,070)
Adjustments between Accounting Basis & Funding Basis under Regulations	(16,840)	-	(16,840)	16,840	-
<b>Increase / Decrease in Year</b>	<b>(2,831)</b>	-	<b>(2,831)</b>	<b>(6,239)</b>	<b>(9,070)</b>
<b>Balance at 31 March 2020</b>	<b>17,171</b>	-	<b>17,171</b>	<b>4,262</b>	<b>21,433</b>

	General Fund Balance £'000	Capital Unapplied Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31 March 2018</b>	<b>28,913</b>	<b>(4)</b>	<b>28,909</b>	<b>14,907</b>	<b>43,815</b>
<b>Adjustments for IFRS £000s</b>					
<b>Total Comprehensive Income &amp; Expenditure</b>	(90,535)	-	(90,535)	77,223	(13,312)
Adjustments between Accounting Basis & Funding Basis under Regulations	81,625	4	81,629	(81,629)	-
<b>Increase / Decrease in Year</b>	<b>(8,910)</b>	<b>4</b>	<b>(8,906)</b>	<b>(4,406)</b>	<b>(13,312)</b>
<b>Balance at 31 March 2019</b>	<b>20,002</b>	-	<b>20,002</b>	<b>10,501</b>	<b>30,503</b>

## BALANCE SHEET FOR THE PCC GROUP

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

31-Mar-19 £'000	Note	31-Mar-20 £'000
89,500 Property, Plant & Equipment	19	86,825
40 Assets under Construction	19	1,117
1,409 Intangible Assets	20	2,185
300 Long Term Debtors		240
<b>91,249 Long Term Assets</b>		<b>90,367</b>
805 Assets Held for Sale	19	915
128 Inventories		106
4 Short Term Investments		0
15,941 Short Term Debtors	24	17,573
2,265 Cash and Cash Equivalents	41	4,301
<b>19,143 Current Assets</b>		<b>22,895</b>
652 Cash and Cash Equivalents (liability)	41	2,746
15,954 Short Term Creditors	26	20,665
179 Short Term Provisions		273
3,411 Short Term Borrowing	27	13,378
<b>20,196 Current Liabilities</b>		<b>37,062</b>
61,967 Long Term Borrowing	28	58,588
2,333,688 Other Long Term Liabilities	32	2,153,981
<b>2,395,655 Long Term Liabilities</b>		<b>2,212,569</b>
<b>(2,305,458) Net Assets</b>		<b>(2,136,369)</b>
20,002 Usable Reserves	29	17,171
(2,325,460) Unusable Reserves	30	(2,153,540)
<b>(2,305,458) Total Reserves</b>		<b>(2,136,369)</b>

## BALANCE SHEET FOR THE PCC

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the PCC. The net assets of the PCC (assets less liabilities) are matched by the reserves held by the PCC.

31-Mar-19 £'000	Note	31-Mar-20 £'000
89,500 Property, Plant & Equipment	19	86,825
40 Assets under Construction	19	1,117
1,409 Intangible Assets	20	2,185
300 Long Term Debtors		240
<b>91,249 Long Term Assets</b>		<b>90,3 7</b>
805 Assets Held for Sale	19	9.5
128 Inventories		106
4 Short Term Investments		0
15,916 Short Term Debtors	24	17,539
2,265 Cash and Cash Equivalents	41	4,301
<b>19,118 Current Assets</b>		<b>22,861</b>
652 Cash and Cash Equivalents (liability)	41	2,746
13,097 Short Term Creditors	26	16,506
179 Short Term Provisions		273
3,411 Short Term Borrowing	27	13,378
<b>17,339 Current Liabilities</b>		<b>32,903</b>
61,966 Long Term Borrowing	28	58,588
559 Other Long Term Liabilities	32	304
<b>62,525 Long Term Liabilities</b>		<b>58,892</b>
<b>30,503 Net Assets</b>		<b>21,433</b>
20,002 Usable Reserves	29	17,171
10,501 Unusable Reserves	30	4,262
<b>30,503 Total Reserves</b>		<b>21,433</b>

## CASH FLOW STATEMENT FOR THE PCC AND THE PCC GROUP

The Cash Flow Statement shows the changes in cash and cash equivalents of the PCC Group and the PCC during the reporting period. As there is no distinction between the PCC Group and the PCC movements, there is no separate statement for the PCC. The statement shows how the PCC 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 PCC Group and the PCC are funded by way of taxation and grant income or from the recipients of services provided by the PCC Group/PCC. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCC Group 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 PCC Group/PCC.

<b>31-Mar-19</b>		<b>Note</b>	<b>31-Mar-20</b>
<b>£'000</b>			<b>£'000</b>
160,934	Net (Surplus) or Deficit on the Provision of Services		56,604
(150,446)	Adjustments to Net Surplus or Deficit on the Provision of Services for Non Cash Movements	<b>40</b>	(52,846)
694	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities		746
<u>11,182</u>	Net Cash Flows from Operating Activities		<u>4,504</u>
16,523	Investing Activities	<b>43</b>	5,843
(27,500)	Financing Activities	<b>44</b>	(10,289)
<u><b>205</b></u>	Net (Increase) or Decrease in Cash and Cash Equivalents		<u><b>58</b></u>
<u><b>1,818</b></u>	Cash and Cash Equivalents at the Beginning of the Reporting Period	<b>41</b>	<u><b>1,613</b></u>
<u><b>1,613</b></u>	Cash and Cash Equivalents at the End of the Reporting Period	<b>41</b>	<u><b>1,555</b></u>



# STATEMENT OF ACCOUNTING POLICIES FOR THE PCC AND THE PCC GROUP

## **Accounting Policies**

The Financial Statements must meet the accounting requirements of the CIPFA Code of Practice on Local Authority Accounting which has been agreed with HM Treasury. Consequently, the financial statements have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. The accounting policies contained in the CIPFA Code of Practice follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to Local Authority accounts, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the CIPFA Code of Practice on Local Authority Accounts permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the PCC Group/PCC for the purpose of presenting fairly the position of the PCC Group/PCC has been selected. The particular policies adopted are described below. They have been applied consistently in dealing with items considered material in relation to the financial statements.

## **Group accounts**

The Financial Statements included here represent the accounts for the PCC and the PCC Group. The term "PCC Group" is used to indicate individual transactions and policies of the PCC and the Chief Constable. The identification of the PCC as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities of the PCC under the Police Reform and Social Responsibility Act 2011. The Chief Constable is a subsidiary organisation of the PCC. The transactions and balances of the PCC and the Chief Constable have been consolidated into the PCC Group financial statements using the line-by-line method.

## **Accounting convention**

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories. Where appropriate financial assets and liabilities have been impaired or discounted to bring them to current value.

## **Acquisitions and discontinued operations**

Activities are considered to be 'acquired' only if they are transferred from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

## **Going Concern**

After making enquires, the PCC has formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the PCC and PCC Group or its successors has access to adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. The liabilities for pensions are unrealised liabilities at the balance sheet date and will fall due as employees retire over their working lives.

## **Critical Judgements in Applying Accounting Policies**

In the application of the PCC Group's accounting policies, management is required to make judgements about complex transactions involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are in regards to the degree of uncertainty about future levels of central government funding and the impact of budget cuts to be achieved. However, the PCC Group has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the PCC Group might be impaired as a result of a need to close facilities or reduce levels of service provision.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the PCC Group about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the PCC and PCC Group's Balance Sheet as at 31 March for which there is significant risks of material adjustment in the forthcoming financial year are as follows:

- **Short Term Employee Benefits**

In calculating the accrual for the above, the uncertainty is that the number of days annual leave, or the rate used to cost the accrual are incorrect.

- **Property, Plant and Equipment - Depreciation**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If in the current economic climate the PCC Group was unable to sustain its current spending on repairs and maintenance, the useful lives assigned to assets would be brought into doubt. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls.

- **Property, Plant and Equipment – Componentisation Thresholds**

If in applying the policy, an incorrect judgement is made regarding the threshold, this would result in a possible misstatement of asset depreciation and asset assumed useful life.

- **Pensions Liability and Reserve**

Estimates for pensions liabilities are determined and sourced through pension's actuaries, who apply a number of assumptions on future inflation, mortality rates etc. If estimates/assumptions used are too conservative, the estimated pension's liability will be understated, and overstated if too high.

- **Allocation of Expenditure between the PCC and the Chief Constable**

A judgement has been made of the expenditure allocated between the PCC and the Chief Constable to reflect the financial resources of the PCC consumed at the request of the Chief Constable. The basis adopted for this allocation was determined by the PCC Group in accordance with the standard set of activities for each corporate body identified in CIPFA's SeRCOP.

### **Revenue**

Revenue in respect of services provided is recognised when performance occurs, and is measured at the fair value of the consideration receivable. A de-minimis threshold of £10,000 is in place for year-end accruals.

Where income is received for a specific activity that is to be delivered in the following year that income is deferred. IFRS 15 Revenue Recognition has been adopted however the impact on the group is minimal. Goods are sold on an incidental basis. Income is recognised at the point the sale transaction occurs.

### **Agency income**

Council Tax/Precept income is collected on behalf of the PCC Group by the four unitary authorities within the Force Area (East Riding of Yorkshire Council, Hull City Council, North East Lincolnshire Council and North Lincolnshire Council). This income is collected under an agency arrangement with the PCC Group including an appropriate share of taxpayer transactions within the financial statements.

## **Employee Benefits**

- **Short-term employee benefits**

Employee benefits are those due to be settled within 12 months of the year-end. These benefits are recognised as an expense in the year in which the employee renders service to the PCC 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 PCC Group to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These costs are charged as an expense in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the PCC Group is demonstrably committed to the termination of the employment of an individual or group of employees or making an offer to encourage voluntary redundancy.

- **Retirement benefit costs**

The PCC Group participates in three pension schemes for Police Officers and one for Police staff. All of the schemes provide members with defined benefits related to pay and service.

- **Police Officers**

The 1987, 2006 and 2015 Police Pension Schemes are contributory occupational pension schemes. Officers pay contributions from their pensionable pay based on salary bandings. The contribution rates are set nationally by the Home Office. The PCC Group accounts for Police Pensions through the Police Pension Fund Accounts. The cost to the PCC Group is via an employers' contribution and a charge for Officers who retire on ill health. Any balance on the Pension Fund Accounts is received from or paid to Central Government.

Injury awards are not part of the Police Pension Fund and are paid out of the PCC Group's budget.

- **Police Staff**

The PCC is an admitted body to the East Riding Pension Fund, which is administered by East Riding of Yorkshire Council. Police staff are eligible to join the Local Government Pension Scheme which has varying contribution rates based on members' salaries. The PCC makes employers' contributions as required into the East Riding Pension Fund.

The PCC Group/PCC have fully adopted IAS 19 Employee Benefits. The financial statements reflect the commitment to make up any shortfall in attributable net assets in the Pension Fund. The overall pension liability is included in the Balance Sheet of the PCC Group and service costs are reflected in the Comprehensive Income and Expenditure Statements.

## **Expenses**

Expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

Whilst all expenditure is paid for by the PCC, including the remuneration of police officers and staff, the actual recognition in the respective PCC and Chief Constable's financial statements is based on economic benefit.

## **Property, plant and equipment**

- **Recognition**

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administration purposes;
- it is probable that service potential will be provided to the PCC Group;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has a cost of at least £10,000

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets if they have a cost of over 25% of the whole asset, and they are depreciated over their own useful economic lives.

- **Valuation**

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at current value.

Land and buildings used by the PCC Group are stated in the Balance Sheet at their revalued amounts, being their current value at the date of valuation less any subsequent accumulated depreciation and impairment losses. A revaluation of all of the PCC Group's properties was undertaken during 2017/18 and 2018/19. For 2019/20, a revaluation has been undertaken of the top 20% of the highest valued properties. The revalued assets cover 82% of the total Net Book Value of properties held on the Balance Sheet.

Current values are determined as follows:-

- Land and non-specialised buildings – market value for existing use
- Specialised buildings with no market based evidence – depreciated replacement cost as an estimate of current value
- Vehicles, plant and equipment – historic cost less accumulated depreciation (as a proxy for current replacement cost)

Properties in the course of construction are carried at cost, less any impairment loss. Cost includes professional fees and other costs directly attributable to the construction of qualifying assets. Assets are revalued and depreciation commences when they are brought into use. An increase arising on revaluation is taken to the Revaluation Reserve except when it reverses an impairment previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A decrease on revaluation is recognised as an impairment charged to the Revaluation Reserve to the extent that there is a balance on the reserve for the asset, and, thereafter, to expenditure. Gains and losses recognised in the Revaluation Reserve are reported as other comprehensive income in the Comprehensive Income and Expenditure Statements.

- **Disposals**

Capital receipts over £10,000 from the sale of non-current assets are held in the Capital Receipts Unapplied account until such time as they are used to finance other capital expenditure or to repay debt. Individual receipts of less than £10,000 are shown as income within the Comprehensive Income and Expenditure Statements. Gains and losses on the disposal of non-current assets are recognised in the Comprehensive Income and Expenditure Statements.

## **Intangible Assets**

- **Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the PCC Group's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits or service potential will be provided to the PCC Group; where the cost of the asset can be measured reliably, and where the cost is at least £10,000.

Intangible assets acquired separately are initially recognised at current value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

- **Measurement**

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible assets can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at current value by reference to an active market, or where no active market exists, at amortised replacement cost (modern equivalent assets basis). Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

### **Depreciation, amortisation and impairments**

Freehold land, properties under construction and vehicles in the process of preparation for operational use are not depreciated. Otherwise, depreciation and amortisation are charged to Cost of Services in the Comprehensive Income and Expenditure Statements to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, on a straight line basis. Depreciation and amortisation are not taken on additions to the capital base for the year. The estimated useful life of an asset is the period over which the PCC Group expects to obtain economic benefits or service potential from the asset. This is specific to the PCC Group and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis.

The approximate average useful lives (depreciation periods) are included below:

- Buildings 25 to 65 years
- Small/medium size vehicle 1 to 5 years
- Large vehicle 6 to 8 years
- Boat 10 years
- Equipment 5 years
- Intangibles 5 years

At each reporting period end, the PCC Group checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the Revaluation Reserve to the extent that there is a balance on the Reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the Revaluation Reserve.

The PCC Group is not required to raise Council Tax to cover depreciation, impairment or amortisation. However it is required to make an annual provision from its revenue budget to contribute towards the reduction in its overall borrowing requirement, the minimum revenue provision (MRP). The PCC Group has adopted, from 1 April 2019 the Asset Life Method to provide for MRP calculated by using the annuity method, for any capital expenditure funded from borrowing. MRP is not provided for assets in the course of construction.

### **Government Grants**

All grants and contributions will only be credited to the Comprehensive Income and Expenditure Statements, when all the grant conditions for the discharge of its specific use have been met. Grants where the conditions have not been satisfied are carried in the Balance Sheet as Grants Receipts in Advance. When the conditions have been satisfied, the grant or contribution will be credited to the Comprehensive Income and Expenditure Statements, either to cost of services or taxation and non-specific grant income. Assets purchased from Government grants are valued, depreciated and impaired as described for purchased assets.

### **Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses. The profit or loss arising on the disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Comprehensive Income and Expenditure Statements. On disposal, the balance for the asset on the Revaluation Reserve is transferred to the Capital Adjustment Account. Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

### **Leases**

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

### **The PCC Group as a lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

### **Inventories**

Inventories are valued at the lower of cost and net realisable value using the average cost method. This is considered to be a reasonable approximation to current value.

### **Cash and cash equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the PCC Group and the PCC's cash management.

### **Provisions**

Provisions are recognised when the PCC Group has a present legal or constructive obligation as a result of a past event, it is probable that the PCC Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. In establishing a provision a charge is made as an expense to the Comprehensive Income and Expenditure Statements in the year that the PCC Group/PCC becomes aware of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. The provision stays on the Balance Sheet, and when payments are made, the charge is made against the provision. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

## **Contingencies**

A contingent liability is a possible obligation 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 PCC Group, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of payment is remote.

A contingent asset is a possible asset that arises from past events and existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the PCC Group. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

## **Reserves**

The PCC Group and the PCC set aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the Comprehensive Income and Expenditure Statements in that year to score against the Surplus or Deficit on the account. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the PCC Group. Details of these reserves are provided in the relevant note to the financial statements.

## **Financial Instruments**

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'Financial Instrument' covers both Financial Assets and Financial Liabilities and includes both the most straightforward Financial Assets and Liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives. IFRS 9 Financial Instruments has been adopted however the impact is minimal.

## **Financial assets**

The Police and Crime Commissioner only has one class of financial assets

### **Loans and receivables held at amortised cost**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, or failing that by reference to similar arm's length transactions between knowledgeable and willing parties.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the initial fair value of the financial asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in expenditure and the carrying amount of the asset reduced directly.



If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised

### **Financial liabilities**

Financial liabilities are recognised on the Balance Sheet when the PCC Group becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired. The fair value of financial liabilities is disclosed in the notes to the financial statements.

### **Jointly Controlled Operations**

The PCC Group engages in jointly controlled operations by collaborative working with other parties to deliver a number of specific services on a regional basis.

The PCC Group accounts in its financial statements for the assets it controls, the liabilities it incurs, the expenses that it incurs and the income it earns in relation to these arrangements.

### **Accounting standards that have been issued but have not yet been adopted**

The following standards and amendment to standards have been issued but not yet adopted:-

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

None of the above amendments are expected to have any material impact on future financial statements of the PCC Group.

The implementation of the IFRS 16: Leases standard, originally planned for 1 April 2020, has been deferred by the CIPFA/LASAAC (Local Authority Accounting Code) Board to 1 April 2021. The introduction of this standard will require all assets, apart from those meeting certain exemption criteria, leased in by the PCC Group to be accounted for on its Balance Sheet. Short-term leases and those of low value will be exempt from this requirement. The PCC Group currently has a number of leased in properties which may need to be added onto the PCC Group Balance Sheet. There are minimal changes to the accounting for assets leased out by the PCC Group.

### **Accounting standards issued that have been adopted early**

There are no accounting standards issued that have been adopted early.

### **Exceptional items**

Exceptional items shall be included in the costs of the service to which they relate and noted accordingly.

### **Prior period adjustments**

Unless otherwise sanctioned by the CIPFA Code of Practice on Local Authority Accounting, material prior period adjustments shall result in restatement of prior year figures and disclosure of the effect.

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

Material events after the balance sheet date, both favourable and unfavourable, that occur between the end of the reporting period and the date when Statement of Accounts is authorised for issue shall be disclosed as a note to the financial statements and the financial statements amended as required.

Other events after the balance sheet date will be disclosed in a note with an estimate of the likely effect.

Two types of event can be identified as:

- 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.

### **Group accounts**

Each reporting period the PCC Group will review its interests and influence on all types of entities including, but not limited to, other PCCs and similar statutory bodies, common good trust funds, charities, companies, joint committees and other joint arrangements. If appropriate, such other entities will be included in the group accounts prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

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

Most of the activities of the PCC Group are outside the scope of VAT and, in general, output tax does not apply. Input tax on purchases is largely recoverable from Her Majesty's Revenue and Customs. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of property, plant and equipment. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. EXPENDITURE AND FUNDING ANALYSIS FOR THE PCC GROUP

The statements below show how annual expenditure is used and funded from resources (government grants and council tax) by the PCC Group in comparison with those resources consumed or earned by the PCC Group in accordance with generally accepted accounting practices. They also show how this expenditure is allocated for decision making purposes between the PCC Group's operating functions. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

#### Expenditure and Funding Analysis PCC Group

Year ended 31 March 2020

	Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between Funding and Accounting Basis (Note 1) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Criminal Justice	4,910	806	5,716
Northbank Division	42,916	374	43,290
Southbank Division	28,996	287	29,283
Force Control Room	15,255	3,669	18,924
Protecting Vulnerable People	12,760	177	12,937
Regional Collaboration	8,304	52	8,356
Special Operations Unit	12,530	4	12,534
Specialist Crime	12,526	680	13,206
Human Resource Services	8,776	216	8,992
Estates Services	7,234	410	7,644
Information Services	9,662	10	9,672
Centrally Managed Services	1,903	21,182	23,085
Other Services	16,907	2,261	19,168
Police & Crime Commissioner	4,731	248	4,979
<b>Net cost of services</b>	<b>187,410</b>	<b>30,376</b>	<b>217,786</b>
Other income and expenditure	(184,579)	23,397	(161,182)
<b>(Surplus) or deficit</b>	<b>2,831</b>	<b>53,773</b>	<b>56,604</b>
General Fund Balance at 31 March 2019	20,002		
Add Surplus(Deficit) on General Fund Balance in Year	(2,831)		
<b>General Fund Balance at 31 March 2020</b>	<b>17,171</b>		

## Expenditure and Funding Analysis PCC Group

Year ended 31 March 2019

	Net Expenditure Chargeable to the General Fund £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Criminal Justice	5,528	737	6,265
Northbank Division	36,758	14,031	50,789
Southbank Division	29,826	4,050	33,876
Force Control Room	19,709	4,512	24,221
Protecting Vulnerable People	11,909	3,041	14,950
Regional Collaboration	6,741	1,340	8,081
Special Operations Unit	11,564	2,422	13,986
Specialist Crime	13,625	3,054	16,679
Human Resource Services	10,350	1,597	11,947
Estates Services	6,470	497	6,967
Information Services	9,323	216	9,539
Centrally Managed Services	2,563	95,059	97,622
Other Services	16,240	1,749	17,989
Police & Crime Commissioner	4,860	212	5,072
<b>Net Cost of Services</b>	<b>185,466</b>	<b>132,517</b>	<b>317,984</b>
Other Income and Expenditure	(176,559)	19,506	(157,050)
<b>(Surplus) or Deficit</b>	<b>8,907</b>	<b>152,023</b>	<b>160,933</b>
Opening General Fund Balance at 31 March 2018	28,909		
Add: Surplus(Deficit) on General Fund in year	(8,907)		
Closing General Fund Balance at 31 March 2019	<b>20,002</b>		

## 2. EXPENDITURE AND FUNDING ANALYSIS FOR THE PCC

The statements below show how annual expenditure is used and funded from resources (government grants and council tax) by the PCC in comparison with those resources consumed or earned by the PCC in accordance with generally accepted accounting practices. They also show how this expenditure is allocated for decision making purposes between the PCC's operating functions. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### Expenditure and Funding Analysis PCC

Year ended 31 March 2020

	Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Criminal Justice	(699)	0	(699)
Northbank Division	(123)	0	(123)
Southbank Division	(34)	0	(34)
Force Control Room	(19)	0	(19)
Protecting Vulnerable People	(110)	0	(110)
Regional Collaboration	(1,363)	0	(1,363)
Special Operations Unit	(696)	0	(696)
Specialist Crime	(3,132)	0	(3,132)
Human Resource Services	(1,860)	0	(1,860)
Estates Services	(3,453)	0	(3,453)
Information Services	(266)	0	(266)
Centrally Managed Services	(784)	0	(784)
Other Services	(5,779)	0	(5,779)
Police & Crime Commissioner	4,731	248	4,979
Intra-group funding	217,786	0	217,786
<b>Net cost of services</b>	<b>204,199</b>	<b>248</b>	<b>204,447</b>
Other income and expenditure	(201,368)	(17,088)	<b>(218,456)</b>
<b>Surplus or deficit</b>	<b>2,831</b>	<b>(16,840)</b>	<b>(14,009)</b>
General Fund Balance at 31 March 2019	20,002		
Add Surplus on General Fund Balance in Year	(2,831)		
<b>General Fund Balance at 31 March 2020</b>	<b>17,171</b>		

## Expenditure and Funding Analysis PCC

Year ended 31 March 2019

	Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Criminal Justice	(703)	0	(703)
Northbank Division	(79)	0	(79)
Southbank Division	(3)	0	(3)
Force Control Room	(478)	0	(478)
Protecting Vulnerable People	(100)	0	(100)
Regional Collaboration	(1,271)	0	(1,271)
Special Operations Unit	(231)	0	(231)
Specialist Crime	(2,492)	0	(2,492)
Human Resource Services	(979)	0	(979)
Estates Services	(2,625)	0	(2,625)
Information Services	(386)	0	(386)
Centrally Managed Services	(729)	0	(729)
Other Services	(7,004)	0	(7,004)
Police & Crime Commissioner	4,860	212	5,072
Intra-group funding	313,579	0	313,579
<b>Net cost of services</b>	<b>301,359</b>	<b>212</b>	<b>301,571</b>
Other income and expenditure	(292,452)	81,416	<b>(373,867)</b>
<b>Surplus or deficit</b>	<b>8,907</b>	<b>81,628</b>	<b>(72,296)</b>
General Fund Balance at 31 March 2018	28,909		
Add Surplus on General Fund Balance in Year	(8,907)		
<b>General Fund Balance at 31 March 2019</b>	<b>20,002</b>		

### 3. EXPENDITURE AND FUNDING ANALYSIS – ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

#### PCC Group

Year ended 31 March 2020

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note i) £'000	Net Change for the Pensions Adjustments (Note ii) £'000	Other Differences (Note iii) £'000	Total Adjustments £'000
Criminal Justice	208	560	37	805
Northbank Division	2,155	(2,161)	380	374
Southbank Division	1,465	(1,437)	259	287
Force Control Room	774	2,758	137	3,669
Protecting Vulnerable People	530	(447)	94	177
Regional Collaboration	46	(2)	8	52
Special Operations Unit	617	(722)	109	4
Specialist Crime	603	(29)	106	680
Human Resource Services	244	(71)	43	216
Estates Services	104	288	18	410
Information Services	0	10	0	10
Centrally Managed Services	11	21,170	2	21,183
Other Services	574	1,586	101	2,261
Police & Crime Commissioner	38	203	7	248
Net Cost of Services	7,369	21,706	1,301	30,376
Other income and expenditure from the Funding Analysis	(2,077)	25,763	(289)	23,397
Comprehensive Income and Expenditure Statement Surplus or Deficit	5,292	47,469	1,012	53,773

#### PCC

Year ended 31 March 2020

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note i) £'000	Net Change for the Pensions Adjustments (Note ii) £'000	Other Differences (Note iii) £'000	Total Adjustments £'000
Police and Crime Commissioner	38	203	7	248
Net Cost of Services	38	203	7	248
Other income and expenditure from the Funding Analysis	(2,077)	(15,011)	0	(17,088)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	(2,039)	(14,808)	7	(16,840)

## PCC Group

### Year ended 31 March 2019

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note i)	Net Change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£'000	£'000	£'000	£'000
Criminal Justice	21	717	(1)	737
Northbank Division	8,720	5,842	(531)	14,031
Southbank Division	95	3,961	(6)	4,050
Force Control Room	2,026	2,609	(123)	4,512
Protecting Vulnerable People	1,399	1,726	(84)	3,041
Regional Collaboration	1,219	194	(73)	1,340
Special Operations Unit	878	1,597	(53)	2,422
Specialist Crime	1,037	2,080	(63)	3,054
Human Resource Services	921	732	(56)	1,597
Estates Services	345	173	(21)	497
Information Services	168	58	(10)	216
Centrally Managed Services	99	94,966	(6)	95,059
Other Services	50	1,707	(8)	1,749
Police & Crime Commissioner	89	128	(5)	212
Net Cost of Services	<u>17,067</u>	<u>116,490</u>	<u>(1,040)</u>	<u>132,517</u>
<b>Other income and expenditure from the Funding Analysis</b>	<u>1,229</u>	<u>18,278</u>	<u>0</u>	<u>19,509</u>
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	<u>18,296</u>	<u>134,768</u>	<u>(1,040)</u>	<u>152,023</u>

## PCC

### Year ended 31 March 2019

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note i)	Net Change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£'000	£'000	£'000	£'000
Police and Crime Commissioner	89	128	(5)	212
Net Cost of Services	<u>89</u>	<u>128</u>	<u>(5)</u>	<u>212</u>
<b>Other income and expenditure from the Funding Analysis</b>	<u>1,229</u>	<u>80,187</u>	<u>0</u>	<u>81,416</u>
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	<u>1,318</u>	<u>80,315</u>	<u>(5)</u>	<u>81,628</u>



**Note i – Adjustments for Capital Purposes**

This adds in depreciation and impairments in the service line and for:

- Other Operating Expenditure – adjusts for losses on sale of assets.
- Financing and Investment Income and Expenditure - the statutory charges for capital financing (i.e. Minimum Revenue Provision and other revenue contributions) are deducted from income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and Non-Specific Grant Income – Capital grants are adjusted for income not chargeable under generally accepted accounting practices.

**Note ii – Net change for the Pensions Adjustments**

This is the net change for the removal of pension contributions and the inclusion of Police Pension Top Up Grant and IAS19 Employee Benefits related expenditure and income:

- For service lines, this represents the removal of employer pension contributions as allowed by statute and the replacement with current service costs and past service costs.
- Financing and Investment Income and Expenditure – the net interest on the defined benefit liabilities is charged to the Comprehensive Income and Expenditure Statement.
- Taxation and Non-Specific Grant Income – The Police Pension Top Up Grant is credited to the Comprehensive Income and Expenditure Statement.

**Note iii – Other Differences**

These represent other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For service lines, this represents the movement in the timing difference on employee benefits for accumulated absences.
- Taxation and Non-Specific Grant Income – adjustment is made for the movement in the timing difference on the Council Tax Collection Fund.

#### 4. PCC FUNDING FOR FINANCIAL RESOURCES CONSUMED BY THE CHIEF CONSTABLE

As the Chief Constable has no resources with which to fulfil 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 tables below show the movement through the intra-group accounts within the respective Balance Sheets during 2019/20 and 2018/19 and show that there are no outstanding intra-group balances at the year end date, other than resulting from year end accounting adjustments in respect of payroll balances, as the PCC paid for all the financial resources consumed at the request of the Chief Constable and an intra-group adjustment was made to offset the Chief Constable's consumption of resources.

The funding 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 IAS19 pension charges and charges for compensated absences as these charges (in the Chief Constable's Comprehensive Income and Expenditure Statement) are reversed in the Chief Constable's Movement in Reserves Statement and charged to the Chief Constable's unusable Pensions Reserve and Accumulated Absences Adjustment Account.

The Comprehensive Income and Expenditure Statements for the PCC and the PCC Group are at summary level. This is because the Net Cost of Policing sub-total within the PCC CIES includes not only the cost of administering the PCC itself, but also payment for PCC resources consumed at the request of the Chief Constable. The decision to account for this expenditure within the PCC Net Cost of Policing Services is in the same format that it is reported to management. In contrast, in the Chief Constable's CIES the Net Cost of Policing is nil, apart from the year end adjustments for pensions actuarial adjustments and accumulated absences, as the Resources consumed at the request of the Chief Constable are completely offset by the intra-group adjustment.

	PCC £'000	Constable £'000	PCC Group £'000
<b>Intra - Group movements 2019- 2020:</b>			
Opening balance as at 1 April 2019	(85,287)	85,287	-
PCC resources consumed at the request of the Chief Constable	217,786	(217,786)	-
PCC intra - group adjustment (resource funding)	(217,786)	217,786	-
	<u>(85,287)</u>	<u>85,287</u>	<u>-</u>
Year end adjustments:			
Accumulated absences movement	(1,294)	1,294	-
Pensions actuarial adjustments	(47,467)	47,467	-
PCC intra - group adjustment	(4,525)	4,525	-
Payroll creditors and debtors movement	394	(394)	-
Closing balance as at 31 March 2020	<u>(138,179)</u>	<u>138,179</u>	<u>-</u>
<b>Intra - Group movements 2018- 2019:</b>			
Opening balance as at 1 April 2018	(3,564)	3,564	-
PCC resources consumed at the request of the Chief Constable	313,579	(313,579)	-
PCC intra - group adjustment (resource funding)	(313,579)	313,579	-
	<u>(3,564)</u>	<u>3,564</u>	<u>-</u>
Year end adjustments:			
Accumulated absences movement	1,034	(1,034)	-
Pensions actuarial adjustments	(76,345)	76,345	-
PCC intra - group adjustment	(6,977)	6,977	-
Payroll creditors and debtors movement	565	(565)	-
Closing balance as at 31 March 2019	<u>(85,287)</u>	<u>85,287</u>	<u>-</u>

## 5. SUMMARY SPENDING DETAILS

The statements below show the cost of providing services for the PCC Group for 2019/20 and 2018/19. The costs have been split between the Chief Constable and the PCC to separately identify the resources consumed at the request of the Chief Constable from those costs exclusively incurred by the PCC.

PCC 2018-19 £'000	Constable 2018-19 £'000	PCC Group 2018-19 £'000		PCC 2019-20 £'000	Constable 2019-20 £'000	PCC Group 2019-20 £'000
			<b>Expenditure</b>			
			<u>Employees</u>			
1,053	234,648	235,702	Pay and Other Employment Costs	1,095	133,799	134,894
			Police Pensions Current Service Cost and Police Pension Fund Contribution	203	43,457	43,660
-	34,680	34,680				
<u>1,053</u>	<u>269,328</u>	<u>270,382</u>		<u>1,298</u>	<u>177,256</u>	<u>178,554</u>
			<u>Running Expenses</u>			
-	7,641	7,641	Premises	54	9,260	9,314
17	1,321	1,338	Transport	13	1,446	1,459
5,367	34,080	39,447	Supplies and Services	4,883	35,548	40,431
2	503	505	Agency Services	2	148	150
-	17,067	17,067	Capital Charges & Impairment of Assets	38	7,331	7,369
-	51	51	Non Distributable Cost	-	136	136
<u>5,386</u>	<u>60,663</u>	<u>66,049</u>		<u>4,990</u>	<u>53,869</u>	<u>58,859</u>
<b>6,439</b>	<b>329,991</b>	<b>336,431</b>	<b>Total Expenditure</b>	<b>6,288</b>	<b>231,125</b>	<b>237,413</b>
(18,448)	-	(18,448)	<b>Income</b>	(19,627)	-	(19,627)
<b>(12,009)</b>	<b>329,991</b>	<b>317,982</b>		<b>(13,339)</b>	<b>231,125</b>	<b>217,786</b>
313,579	(313,579)	-	Intra - Group adjustments *	217,786	(217,786)	-
<u>301,570</u>	<u>16,412</u>	<u>317,982</u>	<b>Net Cost of Policing Services</b>	<u>204,447</u>	<u>13,339</u>	<u>217,786</u>

\* PCC payment for PCC financial resources consumed at the request of the Chief Constable and year-end adjustments (see note 4)

## 6. PENSIONS INCOME & EXPENDITURE ACCOUNT

The cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Statements with the inclusion of the amount reflecting the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge that is required to be made against Council Tax is based on the cash payable in the year. The real cost of retirement benefits is deducted in the Statement of Movement in the General Fund Balance, and replaced with actual pensions paid/contributions.

The following transactions have been made in the Comprehensive Income and Expenditure Statements and Statements of Movement in the General Fund Balance during the year:

PCC Group	Local Government Pension Scheme		Police Pension Schemes	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>				
Net Cost of Service				
Current Service Cost (Gross)	14,760	14,032	43,660	34,680
Non Distributed Costs	136	719	(10,460)	94,170
	<u>14,896</u>	<u>14,751</u>	<u>33,200</u>	<u>128,850</u>
Net Operating Expenditure				
Interest Cost	8,470	8,086	54,780	52,060
Interest Income	(5,963)	(6,160)	-	-
	<u>2,507</u>	<u>1,926</u>	<u>54,780</u>	<u>52,060</u>
Net Charge to the Comprehensive Income and Expenditure Statement	<u>17,403</u>	<u>16,677</u>	<u>87,980</u>	<u>180,910</u>
<b>Statement of Movement in the General Fund Balance</b>				
Reversal of Net Charges made for Retirement Benefits in Accordance with IAS 19	<u>(17,403)</u>	<u>(16,677)</u>	<u>(87,980)</u>	<u>(180,910)</u>
<b>Actual amount charged against the General Fund Balance for Pensions in the Year:</b>				
Employer's Contributions Payable to Scheme	<u>6,178</u>	<u>6,936</u>	<u>18,483</u>	<u>13,573</u>
Retirement Benefits Payable to Pensioners (Gross)	<u>-</u>	<u>-</u>	<u>901</u>	<u>941</u>

PCC

**Local Government  
Pension Scheme**

31 March 2020  
£'000

31 March 2019  
£'000

**Comprehensive Income and Expenditure  
Statement**

Net Cost of Service		
Current Service Cost (Gross)	348	345
Non Distributed Costs	-	-
	<u>348</u>	<u>345</u>
Net Operating Expenditure		
Interest Cost	43	199
Interest Income	(30)	(151)
	<u>13</u>	<u>48</u>
Net Charge to the Comprehensive Income and Expenditure Statement	<u>361</u>	<u>393</u>

**Statement of Movement in the General Fund  
Balance**

Reversal of Net Charges made for Retirement Benefits in Accordance with IAS 19	<u>(361)</u>	<u>(393)</u>
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**Actual amount charged against the General Fund  
Balance for Pensions in the Year:**

Employer's Contributions Payable to Scheme	<u>146</u>	<u>171</u>
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**7. OTHER OPERATING EXPENDITURE**

(Gain) / Loss on the Sale of Non-Current Assets:

Net Book Value	2018/19			2019/20		Total
	Receipt	Total		Receipt	Total	
£000s	£000s	£000s		£000s	£000s	£000s
300	(275)	25	Land and Buildings (Held for Sale)	493	(427)	66
300	(275)	25	<b>Gain from the Sale of Non Current Assets</b>	493	(427)	66
103	-	103	Vehicles Plant and Equipment	113	-	113
350	-	350	Intangible Assets	2	-	2
453	-	453	<b>Loss on the Sale of Non Current Assets Sold</b>	115	-	115
<u>754</u>	<u>(275)</u>	<u>480</u>	<b>(Gain) / Loss on the Sale of Non Current Assets</b>	<u>608</u>	<u>(427)</u>	<u>181</u>

## 8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

### PCC Group

2018-19 £'000		2019-20 £'000
1,257	Interest payable and similar charges	1,671
53,986	Pensions interest cost net of interest on pension assets	57,287
(30)	Interest receivable	(115)
<u>55,213</u>		<u>58,843</u>

## 9. TAXATION AND NON SPECIFIC GRANT INCOME

2018-19 £'000		2019-20 £'000
54,023	Council Tax Income	61,412
122,264	General Government Grants	126,524
35,705	Police Pensions Top Up Grant receivable	31,524
750	Capital Grants	746
<u>212,742</u>		<u>220,206</u>

## 10. OFFICE OF THE POLICE AND CRIME COMMISSIONER

The expenditure of the Office of the Police and Crime Commissioner is shown below.

1	Members Allowances	-
1,054	Staff	1,052
17	Transport	13
367	Supplies and Services	363
19	NPCC	19
4,796	Third Party Payments	4,715
(95)	Fees & Charges and Other Income	(58)
<u>(1,338)</u>	Specific Grants	<u>(1,373)</u>
<u>4,822</u>		<u>4,731</u>

Third Party Payments comprise contributions made by the Commissioner in respect of community safety initiatives.

## 11. OFFICERS' EMOLUMENTS

The number of employees whose remuneration, excluding employer's pension contributions was £50,000 or more in bands of £5,000 was:

2018-19			Remuneration band £	2019-20		
Police Officers No.s	Support Staff No.s	Total No.s		Police Officers No.s	Support Staff No.s	Total No.s
122	4	126	50,000 - 54,999	102	5	107
80	3	83	55,000 - 59,999	87	2	89
25	-	25	60,000 - 64,999	11	-	11
10	1	11	65,000 - 69,999	3	1	4
4	4	8	70,000 - 74,999	2	2	4
5	3	8	75,000 - 79,999	3	4	7
5	1	6	80,000 - 84,999	7	1	8
3	1	4	85,000 - 89,999	1	1	2
2	1	3	90,000 - 94,999	4	-	4
1	-	1	95,000 - 99,999	1	-	1
1	-	1	100,000 - 104,999	-	1	1
2	-	2	105,000 - 109,999	-	-	-
1	-	1	110,000 - 114,999	-	-	-
-	1	1	115,000 - 119,999	1	1	2
-	-	-	120,000 - 124,999	-	1	1
1	-	1	125,000 - 129,999	1	-	1
1	-	1	150,000 - 154,999	-	-	-
-	-	-	155,000 - 159,999	1	-	1
<u>263</u>	<u>19</u>	<u>282</u>		<u>224</u>	<u>19</u>	<u>243</u>

The Officers disclosed separately in Note 12 are included in the bands above.

A number of employees work in shared services with other regional forces. Disclosure of such employees is made in the accounts of the force that holds the employment contract of those individuals.

The numbers of employee compulsory and voluntary exit packages agreed with total cost per band and total cost of the redundancies are set out below:

Exit package cost band £	2019-20			Total cost of exit packages in each band £'000
	No. of compulsory redundancies	No. of other agreed departures	Total No. of exit packages by cost band	
0 -20,000	9	26	35	180
20,001 - 40,000	3	2	5	148
40,001 - 60,000	2	2	4	225
60,001 - 80,000	-	-	-	-
80,001 - 100,000	1	-	1	82
	<u>15</u>	<u>30</u>	<u>45</u>	<u>635</u>

Exit package cost band £	2018-19			Total cost of exit packages in each band £'000
	No.of compulsory redundancies	No.of other agreed departures	Total No.of exit packages by cost band	
0 -20,000	-	1	1	4
	-	1	1	4

## 12. SENIOR OFFICERS & RELEVANT POLICE OFFICERS EMOLUMENTS

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

Post Holder 2019/20	Note	Salary	Other	Total	Pension	Total
		(Including Fees & Allowances) £'000	Emoluments £'000	Remuneration excluding Pension Contributions £'000	Contributions £'000	Remuneration including Pension Contributions £'000
<b>Chief Constable</b>						
Lee Freeman - Chief Constable		155	-	155	47	202
Deputy Chief Constable		130	-	130	39	169
Assistant Chief Constable Operations		116	-	116	36	152
Assistant Chief Constable Communities	1	43	1	44	11	55
Assistant Chief Constable Communities	2	70	-	70	20	90
Assistant Chief Constable	3	49	1	50	13	63
Assistant Chief Officer	4	116	-	116	21	137
Assistant Chief Officer (Resources)		121	-	121	21	142
		<b>800</b>	<b>2</b>	<b>802</b>	<b>208</b>	<b>1,010</b>
<b>PCC</b>						
Police and Crime Commissioner		77	-	77	14	91
Chief Executive		87	-	87	16	103
Deputy Chief Executive & Treasurer	5	57	-	57	-	57
Chief Finance Officer (PCC Section 151)	6	16	-	16	3	19
		<b>237</b>	<b>0</b>	<b>237</b>	<b>33</b>	<b>270</b>
<b>PCC Group</b>		<b>1,037</b>	<b>2</b>	<b>1,039</b>	<b>241</b>	<b>1,280</b>

1. Assistant Chief Constable Communities – ended in post August 2019.
2. Assistant Chief Constable Communities – started in post 2<sup>nd</sup> September 2019.
3. Assistant Chief Constable – ended in post 31<sup>st</sup> August 2019.
4. Assistant Chief Officer NECB (North East Collaboration Board)
5. Deputy Chief Executive & Treasurer – left 18<sup>th</sup> March 2020.
6. Chief Finance Officer (PCC Section 151) - part time seconded from Humberside Fire from 1 January 2020. Humberside Police contribute towards 40% of salary, NI and Pension.



Post Holder 2018/19	Note	Salary (Including Fees & Allowances) £'000	Other Emoluments £'000	Total Remuneration excluding Pension Contributions £'000	Pension Contributions £'000	Total Remuneration including Pension Contributions £'000
<b>Chief Constable</b>						
Lee Freeman - Chief Constable	1	151	-	151	36	187
Deputy Chief Constable		126	1	127	30	157
Assistant Chief Constable Operations		108	1	109	26	135
Assistant Chief Constable Communities		97	14	112	21	133
Assistant Chief Constable	2	98	2	99	23	122
Assistant Chief Officer	3	118	-	118	21	139
Assistant Chief Officer (Resources)	4	89	5	95	16	111
		<b>787</b>	<b>23</b>	<b>810</b>	<b>173</b>	<b>984</b>
<b>PCC</b>						
Police and Crime Commissioner		77	-	77	14	91
Chief Executive		84	-	84	15	99
Deputy Chief Executive & Treasurer		69	-	69	-	69
		<b>230</b>	<b>0</b>	<b>230</b>	<b>29</b>	<b>258</b>
<b>PCC Group</b>		<b>1,017</b>	<b>23</b>	<b>1,040</b>	<b>202</b>	<b>1,242</b>

1. Lee Freeman – Chief Constable seconded to Cleveland Police 28<sup>th</sup> January 2019 – 31<sup>st</sup> March 2019
2. Assistant Chief Constable started 25th June 2018
3. Assistant Chief Officer NECB (North East Collaboration Board)
4. Assistant Chief Officer (Resources) 28th May 2018

### 13. RELATED PARTY TRANSACTIONS

In accordance with the reporting requirements of IAS 24, the Group is required to disclose details of material transactions with related parties, that is bodies or individuals that have the potential to influence the Group or to be controlled or influenced by the Group.

There are direct relationships between the PCC and a number of central and local government organisations, the main ones being the Home Office (Police Grant), the Ministry of Justice (Grant) and the four Unitary Authorities (Council Tax/Precepts). These are disclosed elsewhere in the financial statements.

The PCC has direct control over the Group's finances and is responsible for setting priorities through the Police and Crime Plan. The Chief Constable retains operational independence and operates within the budget set by the PCC, to deliver the Force aims and objectives set out in the Police and Crime Plan. Section 28 of the Police Reform and Social Responsibility Act 2011 requires that 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.

There are also direct relationships between the PCC and other PCCs within the Yorkshire and Humberside region and PCCs in Cleveland, Durham and Northumbria in respect of Regional Collaboration arrangements. Details are disclosed in note 18 to the financial statements.

Two Senior Officers of Humberside Police are also Directors of Emergency Services Fleet Management (Humberside) Ltd – Deputy Chief Constable Chris Rowley and Assistant Chief Officer (Resources) Nancie Shackleton. Emergency Services Fleet Management (Humberside) Ltd is a joint operation that provides vehicle maintenance services to Humberside Police and Humberside Fire Authority. The company supplied services with a value of £2,297,368 to Humberside Police during 2019/20 (£1,955,469 in 2018/19). The PCC Group leases part of its Melton workshop facility to the company for which a rent of £198,799 was charged in 2019/20 (£198,795 2018/19). Details of Humberside Police’s share of income, expenditure, assets and liabilities of this joint operation are disclosed in note 18 to the financial statements.

Keith Hunter, the Police and Crime Commissioner is also an Advisory Board Member for a local consulting company, Agencia Ltd. The company supplied services with a value of £38,600 during 2019/20. There were no transactions in 2018/19

From 1 January 2020 the Chief Finance Officer and the Deputy Chief Executive to the PCC have been seconded from Humberside Fire and Rescue Services for 40% of their time. The Office of the Police and Crime Commissioner for Humberside contributes towards all relevant pay and employee costs for this proportion of their time.

A survey of the Police and Crime Commissioner for Humberside, Senior Staff within the OPCC, the Chief Constable/Senior Officers of Humberside Police and parties related to them was undertaken in preparing these financial statements. Except as disclosed above, no material related party transactions were identified.

#### 14. ADDITIONAL GRANTS

Additional grants were received from numerous bodies, and are included as part of total income. Details of those that are £500k and above are shown below:

	<b>2019-20</b>
	<b>£</b>
DSP Port Security (Home Office)	1,181,013
Victims Service and Restorative Justice (Ministry of Justice)	1,055,949
DSP Port Security Armed Response (Home Office)	693,485
<b>Total Grants Received</b>	<b>2,930,447</b>
	<b>2018-19</b>
	<b>£</b>
DSP Port Security (Home Office)	1,098,232
Victims Service and Restorative Justice (Ministry of Justice)	1,114,532
DSP Port Security Armed Response (Home Office)	798,584
<b>Total Grants Received</b>	<b>3,397,702</b>

## 15. PRECEPT/COUNCIL TAX

### 2019-20

Band	A	B	C	D	E	F	G	H
Rate £	148.88	173.69	198.51	<b>223.32</b>	272.95	322.57	372.20	446.64

### 2018-19

Band	A	B	C	D	E	F	G	H
Rate £	132.88	155.03	177.17	<b>199.32</b>	243.61	287.91	332.20	398.64

The Council Tax collected for each of the Local Authorities for the financial year is:

2018-19		2019-20	
£'000		£'000	
23,444	East Riding of Yorkshire Council	26,255	
12,107	Kingston Upon Hull City Council	13,926	
8,729	North East Lincolnshire Council	9,804	
9,743	North Lincolnshire Council	11,138	
<hr/>		<hr/>	
54,023		61,123	

## 16. EXTERNAL AUDIT FEES

The external audit fees payable to Mazars LLP for 2019/20 is £37,595 (2018/19 £39,345) for the PCC Group, of which £26,045 (2018/19 £27,245) is in respect of the PCC and £11,550 for the Chief Constable. (2018/19 £12,100). The 2018/19 figures include an additional fee of £1,750 in relation to additional work undertaken relating to the pension liability changes required due to the McCloud ruling in June 2019.

## 17. GENERAL GOVERNMENT GRANTS

	2018-19	2019-20
	£'000	£'000
<b>Analysis of General Government Grants</b>		
Police Revenue Grant (Home Office)	112,223	114,580
Council Tax Support Grants (Home Office)	8,341	8,341
Police Pension Grant (Home Office)	-	1,903
Council Tax Freeze Grants (Home Office)	1,700	1,700
<b>Total General Government Grants</b>	<hr/> <b>122,264</b>	<hr/> <b>126,524</b>

## 18. COLLABORATION

### Regional Collaboration Board (RCB)

The Regional Collaboration Programme was developed to bring opportunities to participating Forces across many policing activities whilst retaining local Police Forces, local identity and local accountability.

A Regional Collaboration Board (RCB) has governance of the arrangements. This Board comprises the four PCCs within the Yorkshire and Humberside Region together with their respective Chief Constables and Chief Executives. The arrangements are subject to agreement under Section 22A of the Police Act 1996 (as amended).

Regional Collaboration is funded from contributions made by the four participating PCCs and the level of contribution from each PCC is dependent upon an assessment of the benefit to be derived from each specific project or initiative.

The NECN (North East Collaboration Board) has been established between Humberside, the three Yorkshire forces and Cleveland, Durham and Northumbria.

### Lead Force collaboration arrangements

A Lead Force model has been adopted for each functional area of regional collaboration, with the RCB having governance over all the arrangements.

The PCC for Humberside has Lead Force responsibility within the regional programme for property matters and underwater search services.

The Underwater Search Unit made a surplus of £0.009m in the financial year 2019/20 (Surplus £0.037m) in 2018/19) with the PCC for Humberside contributing £0.375m (£0.296m in 2018/19)

The PCC for Humberside has made contributions during the year ended 31 March 2020 to other Lead Forces as follows:

#### Lead Force Table for Regional Collaboration

Lead Force	Functional area	Contributions made	
		2019-20 £'000	2018-19 £'000
OPCC for South Yorkshire	Procurement and Stores	427	330
	Firearms	58	33
OPCC for West Yorkshire	Serious and Organised Crime	1,361	1,197
	Scientific Support	5,046	4,681
	Collision Investigation	370	281

## Other Regional Collaboration arrangements

The PCC for Humberside collaborates in a two force partnership with the OPCC for South Yorkshire (OPCCSY) on the provision of Human Resources and Training, and Information Services. The costs of each of these collaborations are shared based on the total size of the respective force budgets assessed using a measure of net revenue expenditure. The summary position for each of these joint operations is outlined below:

2019-20	Human Resources & Training £'000	Information Services £'000
<u>Expenditure</u>		
Staff Costs	10,405	6,361
Property Related Expenses	5	2
Supplies and Services	636	7,312
Transport Related Expenses	307	114
Third Party Costs	4	-
	11,357	13,789
<u>Income</u>		
Contributions (see below)	11,345	13,789
Other Income	12	-
	11,357	13,789
Deficit/(Surplus) in year	0	0
<u>Contributions</u>		
Humberside Police	4,721	6,111
South Yorkshire	6,624	7,678
	11,345	13,789
2018-19	Human Resources & Training £'000	Information Services £'000
<u>Expenditure</u>		
Staff Costs	10,547	5,970
Property Related Expenses	12	7
Supplies and Services	442	5,463
Transport Related Expenses	311	137
Third Party Costs	4	-
	11,316	11,576
<u>Income</u>		
Contributions (see below)	11,291	11,576
Other Income	25	-
	11,316	11,576
Deficit/(Surplus) in year	0	0
<u>Contributions</u>		
Humberside Police	4,754	5,135
South Yorkshire	6,537	6,441
	11,291	11,576

## Local Collaboration arrangements

Humberside Police and Humberside Fire Authority collaborate on a joint operation in respect of their emergency vehicle maintenance requirements, which are delivered by Emergency Services Fleet Management (Humberside) Ltd, a company limited by guarantee which was established for that purpose. Humberside Police retain joint control of this company with Humberside Fire Authority.

The Net Cost of ESFM Ltd in relation to the Humberside Police in 2019/20 was £1.499m (2018/19 £1.545m), with a closing Net Assets figure of £0.392m (2018/19 £0.671m).

Humberside Police provide Estates Management Services to Humberside Fire Authority on a lead Authority basis. The JES (Joint Estates Service) provides premises repairs, regular maintenance, utility management and support for capital projects. Governance for the JES is provided by the JES board chaired by the ACO (Support). The Director of Support Services from Humberside Fire and Rescue Service also sits on the board. The overall operational cost of the JES is £10.686m with income of £2.2m received from Humberside Fire and Rescue Service and other income of £1,253m received from other organisations.

## 19. PROPERTY, PLANT & EQUIPMENT

	Land & Buildings	Vehicles, Plant & Equipment	Assets under Construction	Surplus Assets for Disposal	TOTAL
	£'000	£'000	£'000	£'000	£'000
Gross Book Value					
As at 1st April 2019	76,494	23,338	40	805	100,677
Assets reclassified as non-operational	-	-	-	-	-
Additions & Enhancements	2,425	4,078	1,077	-	7,580
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,674)	-	-	-	(1,674)
Disposals	-	(411)	-	(805)	(1,216)
Transfers	(915)	-	-	915	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,751)	-	-	-	(2,751)
<b>As at 31st March 2020</b>	<b>73,579</b>	<b>27,005</b>	<b>1,117</b>	<b>915</b>	<b>102,616</b>
Depreciation					
To 31st March 2019	4	10,329	-	-	10,333
In Year	1,480	3,802	-	-	5,282
On Assets Revalued	(1,248)	-	-	-	(1,248)
On Assets Sold	(3)	(605)	-	-	(608)
<b>As at 31st March 2020</b>	<b>233</b>	<b>13,526</b>	<b>-</b>	<b>-</b>	<b>13,759</b>
Net Book Value					
As at 31st March 2020	<b>73,346</b>	<b>13,479</b>	<b>1,117</b>	<b>915</b>	<b>88,857</b>
Net Book Value					
As at 31st March 2019	<b>76,490</b>	<b>13,009</b>	<b>40</b>	<b>805</b>	<b>90,345</b>

	Land & Buildings	Vehicles, Plant & Equipment	Assets under Construction	Surplus Assets for Disposal	TOTAL
	£'000	£'000	£'000	£'000	£'000
Gross Book Value					
As at 1st April 2018	62,309	30,720	6,964	300	100,293
Assets reclassified as non-operational					-
Additions & Enhancements	10,983	2,927	40	-	13,950
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,260)	(2,436)	-	-	(11,696)
Disposals	-	(7,087)	-	(300)	(7,387)
Transfers	6,159	-	(6,964)	805	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,303	(786)	-	-	5,517
<b>As at 31st March 2019</b>	<b>76,494</b>	<b>23,338</b>	<b>40</b>	<b>805</b>	<b>100,677</b>
Depreciation					
To 31st March 2018	653	13,724	-	-	14,377
In Year	1,488	3,577	-	-	5,065
On Assets Revalued	(2,137)	(338)	-	-	(2,475)
On Assets Sold	-	(6,634)	-	-	(6,634)
<b>As at 31st March 2019</b>	<b>4</b>	<b>10,329</b>	<b>-</b>	<b>-</b>	<b>10,333</b>
Net Book Value					
As at 31st March 2019	<b>76,490</b>	<b>13,009</b>	<b>40</b>	<b>805</b>	<b>90,345</b>
Net Book Value					
As at 31st March 2018	<b>61,657</b>	<b>16,996</b>	<b>6,964</b>	<b>300</b>	<b>85,916</b>

## Statement of Physical Assets

31 March 2019		31 March 2020	
50	Police Stations	47	
621	Vehicles	548	

The PCC property portfolio is valued on an annual basis by an external valuer with an effective date of 31 March 2020. The PCC carries out a rolling programme of valuations. This includes the highest valued 20% of assets, which as of 2019/20, accounts for 82% of the net book value of property held on the balance sheet.

On 11<sup>th</sup> March 2020 a Global Pandemic was declared by the World Health Organisation in relation to the outbreak of the Novel Coronavirus (COVID-19). With the effective valuation date being after this date the valuers have stated in their valuation report that the valuations have been reported on the basis of 'material valuation uncertainty'. Consequently less certainty, and a higher degree of caution should be attached to the valuations than would normally be the case.

Given that the majority of the properties held by the PCC are of a specialist nature these are valued on a depreciated replacement cost basis. This valuation is based on the replacement costs of the buildings, adjusted for obsolescence factors with the land value then added. Within their report, the valuers have stated that the long term COVID-19 situation could impact on the construction costs used within these valuations, however, they do not consider that these would have filtered through between the valuation date and the date of their report.

The valuation of assets held will undergo further review through the revaluation of assets for the 2020-21 Statement of Accounts.

## 20. INTANGIBLE ASSETS

	£'000		£'000
<b>Gross Book Value</b>		<b>Gross Book Value</b>	
As at 1st April 2019	1,952	As at 1st April 2018	1,735
Additions & Enhancements	1,167	Additions & Enhancements	567
Disposals	<u>(2)</u>	Disposals	<u>(350)</u>
<b>As at 31st March 2020</b>	<b><u>3,117</u></b>	<b>As at 31st March 2019</b>	<b><u>1,952</u></b>
<b>Amortisation</b>		<b>Amortisation</b>	
To 31st March 2019	543	To 31st March 2018	616
In Year	391	In Year	277
On Disposals	<u>(2)</u>	On Disposals	<u>(350)</u>
<b>As at 31st March 2020</b>	<b><u>932</u></b>	<b>As at 31st March 2019</b>	<b><u>543</u></b>
<b>Net Book Value</b>		<b>Net Book Value</b>	
<b>As at 31st March 2020</b>	<b><u>2,185</u></b>	<b>As at 31st March 2019</b>	<b><u>1,409</u></b>
Net Book Value		Net Book Value	
As at 31st March 2019	<u>1,409</u>	As at 31st March 2018	<u>1,119</u>

The Intangible Assets relate to computer software capitalised.

## 21. PROPERTY VALUATIONS

### Summary by effective date of latest valuation

	Land and Buildings £'000	Surplus Assets for Disposal £'000
Valued at current value as at:		
31 March 2019	13,084	0
31 March 2020	<u>61,060</u>	<u>915</u>
Total Gross Book Value	<u>74,144</u>	<u>915</u>

Plant and Equipment is carried at current value in the gross book value of Vehicles, Plant and Equipment.



## 22. SUMMARY OF CAPITAL EXPENDITURE AND SOURCES OF FINANCE

The note below shows the movement in the Capital Financing Requirement due to capital expenditure for 2019/20, and the source of finance used.

The Capital Financing Requirement is an indicator that authorities have to include within the suite of Prudential Indicators relating to capital finance in Local Authorities.

It is a measure of the PCC Group's underlying need to borrow for capital purpose. The PCC Group has decided to part fund capital by using prudential borrowing, this is reflected in the Capital Financing Requirement balance at the end of the financial year.

<b>2018-19</b>		<b>2019-20</b>
<b>£'000</b>		<b>£'000</b>
70,680	Opening Capital Financing Requirement	80,891
	<u>Capital Investment</u>	
13,951	Property, Plant and Equipment	7,580
567	Intangible Assets	1,167
	<u>Sources of finance</u>	
(139)	Revenue funding of Capital	(109)
(3,143)	Revenue Provision	(1,402)
(750)	Capital Grant	(746)
(275)	Capital Receipts	(427)
<u>80,891</u>	Closing Capital Financing Requirement	<u>86,954</u>
	<u>Explanation of Movements in Year</u>	
10,211	Increase/(Decrease) in underlying need to borrow	6,063
<u>10,211</u>	Increase/ (Decrease) in Capital Financing Requirement	<u>6,063</u>

## 23. PREPAYMENTS AND DEBTORS/ACCRUALS

2018-19 £'000 PCC Group	2018-19 £'000 PCC		2019-20 £'000 PCC Group	2019-20 £'000 PCC
4,173	4,173	Government Departments	4,602	4,602
6,052	6,027	Other Police and Local Authorities	7,158	7,124
5,716	5,716	Other	5,813	5,813
<u>15,941</u>	<u>15,916</u>		<u>17,573</u>	<u>17,539</u>

## 24. SHORT TERM DEBTORS

2018-19 £'000 PCC Group	2018-19 £'000 PCC		2019-20 £'000 PCC Group	2019-20 £'000 PCC
11,282	11,257	Debtors & Accruals	12,431	12,397
3	3	Prepayments Other Police	-	-
4,656	4,656	Prepayments Other	5,142	5,142
<u>15,941</u>	<u>15,916</u>		<u>17,573</u>	<u>17,539</u>

## 25. INCOME IN ADVANCE AND CREDITORS/ACCRUALS

2018-19 £'000 PCC Group	2018-19 £'000 PCC		2019-20 £'000 PCC Group	2019-20 £'000 PCC
3,732	3,732	Government Departments	2,854	2,854
6,475	5,618	Other Police and Local Authorities	9,818	9,784
5,747	3,747	Other	7,993	3,868
<u>15,954</u>	<u>13,097</u>		<u>20,665</u>	<u>16,506</u>

## 26. SHORT TERM CREDITORS

2018-19 £'000 PCC Group	2018-19 £'000 PCC		2019-20 £'000 PCC Group	2019-20 £'000 PCC
274	274	Income in Advance	473	473
15,680	12,823	Creditors & Accruals	20,192	16,033
<u>15,954</u>	<u>13,097</u>		<u>20,665</u>	<u>16,506</u>

## 27. SHORT TERM BORROWING

This relates to borrowing due for maturing within 12 months.

	Balance at 1st April 2019	Movement 2019-20	Balance at 31st March 2020
	£'000	£'000	£'000
PWLB	3,411	2,967	6,378
Other Borrowing	0	7,000	7,000
	<u>3,411</u>	<u>9,967</u>	<u>13,378</u>

## 28. LONG TERM BORROWING

This relates to borrowing that will need to be repaid after more than one year.

	Balance at 1st April 2019	Loans Repaid	New Loans	Transferred to Short Term Borrowing	Balance at 31st March 2020
	£'000	£'000	£'000	£'000	£'000
Public Works Loan Board	61,967	(3,412)	3,000	(2,967)	58,588

Debt at 31st March 2019		Debt at 31st March 2020
£'000		£'000
3,378	1 - 2 years	3,325
10,123	2 - 5 years	10,032
17,185	5 - 10 years	17,091
16,780	10 - 15 years	16,640
14,500	> 15 yrs	11,500
<u>61,967</u>		<u>58,588</u>

## 29. USABLE RESERVES

The PCC and PCC Group has four revenue reserves and one capital reserve:

### Performance Improvement Reserve

This Reserve has been provided specifically to support initiatives that are aimed at securing improvements and will “pump prime” and meet the initial cost of investment in services.

### Partnership Reserve

This Reserve was created to allow the PCC/ PCC Group to continue schemes that were previously funded by partner agencies and to support partnership work.

### Risk Management Reserve

This Reserve will allow the Chief Constable and the PCC to assist in meeting the cost of items highlighted through the Chief Constable’s and the PCC’s risk management processes.

## General Reserve

This Reserve is currently being maintained at 3% of the net revenue budget and is designed to cushion the PCC/ PCC Group against unforeseen expenditure pressures.

## Capital Unapplied Reserve

This Reserve reflects capital grants and receipts that have been received but have yet to be used to fund capital expenditure

The movements on the usable reserves are:

<b>2019-20</b>	Opening Balance	Transfers to/ (from) Reserves	Closing Balance
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Revenue Reserves</b>			
Performance Improvement Reserve	10,900	(3,269)	7,631
Partnership Reserve	2,082	(342)	1,740
Risk Management Reserve	1,800	200	2,000
General Reserve	5,220	580	5,800
<b>General Fund Balance</b>	<b>20,002</b>	<b>(2,831)</b>	<b>17,171</b>
<b>Capital Reserve</b>			
Capital Unapplied Reserve	-	-	-
<b>Total Usable Reserves</b>	<b>20,002</b>	<b>(2,831)</b>	<b>17,171</b>

<b>2018-19</b>	Opening Balance	Transfers to/ (from) Reserves	Closing Balance
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Revenue Reserves</b>			
Performance Improvement Reserve	19,811	(8,910)	10,901
Partnership Reserve	2,082	-	2,082
Risk Management Reserve	1,800	-	1,800
General Reserve	5,220	-	5,220
<b>General Fund Balance</b>	<b>28,912</b>	<b>(8,910)</b>	<b>20,002</b>
<b>Capital Reserve</b>			
Capital Unapplied Reserve	(4)	4	-
<b>Total Usable Reserves</b>	<b>28,908</b>	<b>(8,906)</b>	<b>20,002</b>

## 30. UNUSABLE RESERVES

### PCC Group

<b>2018-19</b>	<b>2019-20</b>
<b>£'000</b>	<b>£'000</b>
(2,333,688) Pensions Reserve	(2,153,981)
(7,666) Capital Adjustment Account	(12,540)
17,933 Revaluation Reserve	16,033
811 Collection Fund Adjustment Account	1,099
(2,850) Accumulated Absences Adjustment Account	(4,151)
<b>(2,325,460)</b>	<b>(2,153,540)</b>

## PCC

2018-19 £'000	2019-20 £'000
(555) Pensions Reserve	(304)
(7,666) Capital Adjustment Account	(12,540)
17,932 Revaluation Reserve	16,033
809 Collection Fund Adjustment Account	1,099
(19) Accumulated Absences Adjustment Account	(26)
<b>10,501</b>	<b>4,262</b>

## Pensions Reserve

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

### PCC Group Pensions Reserve

2018-19 £'000	2019-20 £'000
(2,117,789) Opening Balance	(2,333,688)
(76,345) Actuarial Gains or (losses) on the pensions assets and liabilities	227,176
Reversal of items relating to retirement benefits debited /credited to the Surplus	
(197,587) or Deficit on the Provision of Services in the CIES	(105,383)
58,033 Employers pensions contributions and direct payments to pensioners	57,914
<b>(2,333,688)</b> Closing Balance	<b>(2,153,981)</b>

### PCC Pensions Reserve

2018-19 £'000	2019-20 £'000
(1,698) Opening Balance	(555)
(64) Actuarial Gains or (losses) on the pensions assets and liabilities	(256)
Reversal of items relating to retirement benefits debited /credited to the Surplus	
1,378 or Deficit on the Provision of Services in the CIES	653
(171) Employers pensions contributions and direct payments to pensioners	(146)
<b>(555)</b> Closing Balance	<b>(304)</b>

## Capital Adjustment Account

The Capital Adjustment Account is credited with amounts set aside by the PCC/ PCC Group to finance expenditure on non-current assets and absorbs the timing differences that might arise as a result of setting aside of resources being out of line with accounting charges for depreciation and impairment losses.

### Capital Adjustment Account

2018-19 £'000		2019-20 £'000
3,104	Opening Balance	(7,666)
182	Direct revenue financing	109
3,143	Minimum revenue provision	1,402
2,341	Revaluation reserve write down	121
276	Receipts on disposal of non current assets	427
(754)	Carrying value of disposed assets	(608)
(16,877)	Annual depreciation and impairment	(7,367)
169	Historical cost depreciation adjustment	296
750	Application of Government grants to finance capital expenditure	746
<u>(7,666)</u>	Closing Balance	<u>(12,540)</u>

## Revaluation Reserve

The Revaluation Reserve contains the gains made by the PCC/ PCC Group arising from increases in the value of its Property, Plant and Equipment. A transfer can be made from the Revaluation Reserve to the Capital Adjustment Account to reflect the amount of additional depreciation that has been charged due to increases in value. The balance is also reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, or when assets with accumulated gains are disposed of and the gains are realised.

2018-19 £'000		2019-20 £'000
12,683	Opening Balance	17,932
7,992	Revaluation of non current assets	(1,482)
(2,341)	Transfer from Capital Adjustment Account	0
(233)	Amounts written out relating to sold assets	(121)
(169)	Historical cost depreciation adjustment	(296)
<u>17,932</u>	Closing Balance	<u>16,033</u>

## Collection Fund Adjustment Account

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

## Accumulated Absences Adjustment Account

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

## PCC Group Accumulated Absences Adjustment Account

2018-19 £'000	2019-20 £'000
(3,890) Opening Balance	(2,850)
1,040 Adjustment based on calculation for untaken leave	(1,301)
<u>(2,850) Closing Balance</u>	<u>(4,151)</u>

## 31. CONTINGENT LIABILITIES

### Civil Claims

A number of potential civil and other claims could be brought against the PCC Group. The total estimated liability is £3,897k (2018-19 £2,647k). The timing of these claims is very unpredictable and is likely to be over a number of years.

### Regional Working – Employment of Staff

The Regional Collaboration Board has agreed to the adoption of a lead force model to provide managers and staff/officers engaged in Regional Working with consistent Human Resources policy and practices. Under these arrangements police staff will be employed by the lead force on a permanent, substantive basis and Police officers will be seconded.

The PCC for Humberside has agreed to indemnify other PCCs for its share of any costs in the event of any employment tribunal or civil court claims related to regional employment. This indemnity is unlimited. At this time, it is not possible to predict the value or timing of any obligations falling due as a result of this indemnity and so no provision has been made.

## 32. ASSETS AND LIABILITIES IN RELATION TO RETIREMENT BENEFITS

The underlying assets and liabilities for retirement benefits of the PCC and PCC Group at 31 March 2020 and 31 March 2019 are as follows:

	Local Government Pension Scheme		Police Pension Schemes		Total 31 March 2020 £'000	Total 31 March 2019 £'000
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000		
Estimated Liabilities in the Scheme	(289,275)	(345,920)	(2,093,772)	(2,234,162)	(2,383,047)	(2,580,082)
Estimated Assets in the Scheme	229,066	246,394	-	-	229,066	246,394
Net Asset/(Liability)	(60,209)	(99,526)	(2,093,772)	(2,234,162)	(2,153,981)	(2,333,688)
					<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Allocation of Net Asset/(Liability)						
PCC					(304)	(559)
Chief Constable					(2,153,677)	(2,333,129)
					<u>(2,153,981)</u>	<u>(2,333,688)</u>

The liabilities show the PCC's and PCC Group's long term commitments to pay retirement benefits. The total liability of £2,154m has a substantial impact on the net worth of the PCC and PCC Group as recorded in the balance sheet, resulting in a negative overall balance of £2,136m. It must be noted however that the deficit on the Local Government Pension Scheme will be made good by increased contributions assessed by the scheme actuary every three years. Finance is only required to be raised to cover Police Pensions when pensions are actually paid.

The last actuarial review was carried out on the Local Government Pension Scheme as at 31 March 2019. The next actuarial review takes place as at 31 March 2022.

In March 2020 the World Health Organisation declared the outbreak of COVID-19 as a global pandemic which led initially to a material negative impact in publicly quoted markets. This caused additional uncertainty in the valuation of unquoted investments which are challenging to value even in normal market conditions. With regard to property valuations undertaken at 31 March 2020, valuers noted that they considered less weight could be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that external valuers were faced with an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case, and the Pension Fund valuers reported their valuations on the basis of 'material valuation uncertainty'.

### 33. RECONCILIATION OF PRESENT VALUE OF SCHEME LIABILITIES

	Unfunded Liabilities: Police Pension Schemes		Funded Liabilities: Local Government Pension Scheme	
	2019-20 £'000	2018-19 £'000	2019-20 £'000	2018-19 £'000
1st April	(2,234,162)	(2,049,962)	(345,920)	(293,685)
Current service cost	(43,660)	(34,680)	(14,760)	(14,032)
Past service costs (including curtailments)	10,460	(94,170)	(136)	(719)
Interest cost	(54,780)	(52,060)	(8,470)	(8,086)
Contributions by scheme participants	(9,770)	(9,310)	(2,270)	(2,339)
Benefits paid	57,950	60,407	5,291	4,329
Remeasurements:				
Gains and losses from changes in assumptions	133,830	(61,020)	76,990	(31,388)
Experience gains and losses	46,360	6,633	-	-
31st March	<u>(2,093,772)</u>	<u>(2,234,162)</u>	<u>(289,275)</u>	<u>(345,920)</u>

The expected contributions to the ERYC fund for 2020/21 are £6.5m (2019/20 was £6.7m) and £21.3m for the Police Pension Fund (2019/20 was £19.9m).



### 34. RECONCILIATION OF PRESENT VALUE OF SCHEME ASSETS

	Local Government Pension Scheme	
	2019-20 £'000	2018-19 £'000
1st April	246,394	225,858
Interest income on Plan assets	5,963	6,160
Employer contributions	6,178	6,936
Contributions by scheme participants	2,270	2,339
Benefits paid	(5,291)	(4,329)
Remeasurements:		
Return on assets excluding net interest	(26,448)	9,430
31st March	<u>229,066</u>	<u>246,394</u>

### 35. BASIS FOR ESTIMATING ASSETS AND LIABILITIES

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

The Police Schemes have been assessed by GAD (The Government Actuaries Department) and the Local Authority Scheme, which is administered by the East Riding of Yorkshire Council, has been assessed by Hymans Robertson, actuaries.

The main assumptions used in their calculations have been:

	Local Government Pension Scheme		Police Pension Schemes	
	2019-20 %	2018-19 %	2019-20 %	2018-19 %
Rate of Inflation	1.80	2.50	2.00	2.35
Rate of Increases in Salaries				
Long Term	2.70	2.70	4.00	4.35
Short term	N/A	N/A	1.00	1.00
Rate of Increase for Pensions	1.80	2.50	2.00	2.35
Rate for Discounting Scheme	2.30	2.40	2.25	2.45
Liabilities				
CARE Revaluation			3.25	3.6
Take up option to convert annual pension into retirement grant:				
Pre April 2008 service	60	60		
Post April 2008 service	80	80		

The sensitivity of scheme liabilities to changes in the main assumptions are:

2019-20	Local Government Pension Scheme		Police Pension Schemes	
	%	£'000	%	£'000
Change in assumption:				
0.5% increase in salaries increase rate	1.0	4,099	1.0	20,000
0.5% increase in pensions increase rate	10.0	29,506	7.5	157,000
0.5% decrease in discounting of liabilities rate	12.0	33,927	9.5	196,000
1 year increase in member life expectancy rate	3.0	8,678	3.0	6,000

2018-19	Local Government Pension Scheme		Police Pension Schemes	
	%	£'000	%	£'000
Change in assumption:				
0.5% increase in salaries increase rate	2.0	7,655	1.0	24,000
0.5% increase in pensions increase rate	10.0	35,546	8.0	172,000
0.5% decrease in discounting of liabilities rate	13.0	44,012	10.0	214,000
1 year increase in member life expectancy rate	3.0	10,157	2.5	55,000

Opposite changes in assumptions would produce equal and opposite changes in scheme liabilities. Doubling the changes in assumptions would produce approximately double the change in scheme liabilities.

The weighted average duration of the scheme liabilities are:

	Local Government Pension Scheme	Police Pension Schemes
	Years	Years
2019-20	24.0	20.0
2018-19	21.6	21.0

The Police Pension Schemes have no assets to cover the liabilities incurred.

Assets in the East Riding of Yorkshire Council Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the assets held by the fund:

Asset quoted prices:	2019-20		2018-19	
	%	£'000	%	£'000
Equity securities	8.7	19,910	8.3	20,732
Debt securities	13.2	30,233	14.6	36,698
Private equity	5.3	12,161	5.1	12,719
Real estate	13.3	30,484	11.8	29,564
Investment funds	54.8	125,442	56.3	140,947
Cash and cash equivalents	4.7	10,836	4.0	9,907
Total		229,066		250,567
In active markets	73.2	167,688	77.3	193,700
Not in active markets	26.8	61,378	22.7	56,867
Total		<u>229,066</u>		<u>250,567</u>

### 36. ASSUMED MORTALITY RATES

Mortality rates are projected using published tables. Future mortality improvements are in line with the 2014-based UK principal population projections.

#### Police Pension Fund

##### 2019-20

Current Pensioners			Future Pensioners		
Exact Age	Expectation of life (in years) for existing pensioners		Exact Age	Expectation of life (in years) for existing pensioners	
	Males	Females		Males	Females
65	21.9	23.6	65	23.6	25.2

##### 2018-19

Current Pensioners			Future Pensioners		
Exact Age	Expectation of life (in years) for existing pensioners		Exact Age	Expectation of life (in years) for existing pensioners	
	Males	Females		Males	Females
65	22.7	24.3	65	24.6	26.2

## East Riding of Yorkshire Pension Fund

2019-20

Current Pensioners			Future Pensioners		
Exact Age	Expectation of life (in years) for existing pensioners		Exact Age	Expectation of life (in years) for existing pensioners	
	Males	Females		Males	Females
65	20.9	23.3	65	21.8	24.8

2018-19

Current Pensioners			Future Pensioners		
Exact Age	Expectation of life (in years) for existing pensioners		Exact Age	Expectation of life (in years) for existing pensioners	
	Males	Females		Males	Females
65	21.7	24.2	65	23.7	26.4

### 37. REMEASUREMENTS OF THE NET DEFINED BENEFIT LIABILITY

The IAS19 remeasurement movements on the Pensions Reserve can be analysed into the following remeasurement categories, measured as absolute amounts and as percentages of assets or liabilities at 31 March:

#### Local Government Pension

	2015-16		2016-17		2017-18		2018-19		2019-20	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Return on assets, excluding net interest	(3,975)	(2.09)	12,369	5.77	1,009	0.45	9,430	4.12	(26,448)	(10.61)
Difference between actuarial assumptions about liabilities and actual experience	2,060	0.86	22,023	7.84	(26)	(0.01)	(15)	(0.01)	27,544	7.55
Changes in the demographic and financial assumptions used to estimate liabilities	36,721	15.27	(48,515)	(17.26)	6,939	2.36	(31,373)	(10.70)	49,446	14.36
Total IAS19 remeasurements	<u>34,806</u>	14.48	<u>(14,123)</u>	(5.03)	<u>7,922</u>	(5.03)	<u>(21,958)</u>	2.70	<u>50,542</u>	14.35

#### Police Pension Schemes

	2015-16		2016-17		2017-18		2018-19		2019-20	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between actuarial assumptions about liabilities and actual experience	74,590	4.54	6,820	0.34	15,550	0.76	6,633	0.32	42,804	1.89
Changes in the demographic and financial assumptions used to estimate liabilities	189,180	11.49	(344,000)	(16.91)	9,170	0.45	(61,020)	(3.00)	133,830	5.99
Total IAS19 remeasurements	<u>263,770</u>	16.02	<u>(337,180)</u>	(16.58)	<u>24,720</u>	1.23	<u>(54,387)</u>	(2.65)	<u>176,634</u>	7.88

#### Allocation of IAS19 remeasurements:

	2019-20	2018-19
	£'000	£'000
PCC	21,596	(69,231)
Chief Constable	(248,772)	145,576
Total IAS19 remeasurements	<u>(227,176)</u>	<u>76,345</u>

### **38. EMPLOYMENT CLAIMS**

The Chief Constable of Humberside along with other Chief Constables and the Home Office currently has 42 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June 2019 the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions have estimated the potential increase in scheme liabilities for Humberside Police/PCC to be approximately 4.4% or £94.170m pension scheme liabilities. This increase is reflected in the IAS 19 disclosure as a Past Service Cost in 2018/19. The actuaries have highlighted that this estimate is based on one potential remedy (the actual remedy is not yet known and work is ongoing to determine this with outcomes expected in 2022/23), the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority/PCC to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

With regard to the LGPS a similar adjustment to Past Service Cost within the IAS 19 disclosure has been made for the McCloud judgement. This corresponds to 0.18% or £0.635m increase in liabilities in 2018/19. The impact of an increase in scheme liabilities. The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgement will be measured through the pension valuation process, which determines employer contribution rates.

### **39. EVENTS AFTER THE BALANCE SHEET DATE**

The audited Statement of Accounts were issued on 25 November 2020. The PCC Group reviewed events occurring between 31 March and 25 November 2020, and did not identify any additional events that were adjusting events in respect of conditions existing at the Balance Sheet date.

Between issuing the draft accounts and the completion of the audit one adjusting event has occurred:

## IAS19 Pensions – McCloud Judgement

In December 2018 the Court of Appeal ruled that the transitional protection offered to some members as part of reform to public sector pensions amounted to unlawful discrimination. In June 2019 the Supreme Court refused leave to appeal on the case. Therefore, on 16 July 2020 HM Treasury published their 'Public Service Pension Scheme Consultation: Changes to the transitional arrangements to the 2015 Schemes' document which contained their proposed remedy to the McCloud/Sargeant judgement. In particular, those who were members of a public sector pension scheme on or before 31 March 2012 and on or after 1 April 2015 are to be in the scope to choose between their 2015 Scheme or legacy scheme benefits for the period April 2015 to April 2022.

The approach originally used when calculating the IAS19 Pensions cost in 19-20 in respect to the McCloud judgement assumed that all members who were in service on 1 April 2015 would be eligible. At the point of producing the unaudited accounts details of the case and the potential form of the eventual remedy were still unclear. Since the consultation has been published in July 2020 the actuaries have compared the original assumptions used to the eligibility set out in the consultation document and have highlighted that the original approach has overstated the potential McCloud/Sargeant liability.

The impact of the published consultation on the 19-20 accounts is a decrease of £25.2m in the pension scheme liability, a £4.6m reduction in current service costs, a £18m reduction in past service cost, a £0.60m reduction in interest costs and an increase in Actuarial Gains/Losses of £1.5m. These adjustments have been reflected in the final published accounts for 19-20.

### 40. CASH FLOW STATEMENT – ADJUSTMENTS FOR NON CASH MOVEMENTS

2018-19 £'000		2019-20 £'000
	Notional Pension Costs (in excess of) / less than	
(133,408)	actual pensions paid	(46,608)
(17,038)	Depreciation and Impairments	(7,368)
-	Other non cash movements	(2,628)
<u>(150,446)</u>		<u>(56,604)</u>

### 41. CASH FLOW STATEMENT – CASH AND CASH EQUIVALENTS

2018-19 £'000		2019-20 £'000
(652)	Bank imprest and current accounts	(2,746)
2,265	Short term deposits with banks and building societies	4,301
<u>1,613</u>		<u>1,555</u>

### 42. CASH FLOW STATEMENT - OPERATING ACTIVITIES

2018-19 £'000		2019-20 £'000
(32)	Interest received	(119)
1,322	Interest paid	1,671

### 43. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2018-19 £'000	2019-20 £'000
16,236 Purchase of Property, Plant and Equipment	5,104
567 Purchase of Intangible Assets	1,166
- Capital Grants received	-
(275) Proceeds from sale of Property, Plant and Equipment	(427)
(5) Proceeds from Investments	-
<u>16,523</u> Net cash flows from investing activities	<u>5,843</u>

### 44. CASH FLOW STATEMENT - FINANCING ACTIVITIES

£'000	£'000
(27,500) PWLB Borrowing/repayments	(10,000)
- Repayment of Finance Lease liabilities	-
- Other financing activities	(289)
<u>(27,500)</u> Net cash flows from financing activities	<u>(10,289)</u>

### 45. FINANCIAL INSTRUMENTS

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'Financial Instrument' covers both Financial Assets and Financial Liabilities and includes both the most straight forward Financial Assets and Liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives. IFRS 9 Financial Instruments has been adopted however the impact on the Financial Statements is minimal due to the use of only simple financial instruments.

Trade creditors and debtors included as financial instruments are less than the creditors and debtors included in the Balance Sheet as those that are not contractual or are not due to be settled in cash or by another financial instrument are excluded.

The carrying and fair value amounts of financial liabilities and assets held by the PCC Group on the Balance Sheet are:

#### Financial Liabilities

	31-Mar-19		31-Mar-20	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Trade Creditors	12,869	12,869	18,228	18,228
Cash Overdrawn	652	652	2,746	2,746
PWLB Loans	65,377	73,925	64,966	77,256
Other Loans	-	-	7,000	7,000
<b>Total</b>	<u>78,898</u>	<u>87,446</u>	<u>92,940</u>	<u>105,230</u>

The fair value is greater than the carrying amount because the PCC Group's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the markets at the balance sheet date. The fair value measurement for loans payable has been provided by the PWLB based on their premature repayment rates. Other Loans represents short term borrowing held at fair value.

### Financial Assets

	31-Mar-19		31-Mar-20	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Trade Debtors	15,593	15,593	15,876	15,876
Deposits with Banks and Financial Institutions	2,269	2,269	4,301	4,301
<b>Total</b>	<b>17,862</b>	<b>17,862</b>	<b>20,177</b>	<b>20,177</b>

### Financial Liabilities

These relate to loans from the PWLB, which are included in the Balance Sheet as outstanding principal (carrying value) and accrued interest, shown separately within current liabilities. Trade creditors and other payables are shown at the invoiced amounts.

### Financial Assets

Temporary investments that have fixed or determinable payments, but are not quoted in an active market, and trade debtors and receivables based on the invoiced/billed amounts.

The nature and the type of Financial Instruments held by the PCC/PCC Group are not significant in relation to the overall financial position of the PCC/PCC Group.

### Reclassification / De-recognition

The PCC/PCC Group has not reclassified any Financial Instruments during the year as to how they are measured, i.e. at amortised cost rather than fair value and no financial assets have been transferred during the year, in such a way that part or all do not qualify for recognition. No early repayment has been undertaken.

### Collateral

The PCC/PCC Group has not pledged any financial assets as collateral for liabilities during the year and holds no collateral as security.

### Effect of Financial Instruments on the Comprehensive Income and Expenditure Statement

Charges and income to the Comprehensive Income and Expenditure Statement in relation to Financial Instruments are made up as follows:

	Liabilities	Assets	
	PWLB Loans	Deposits with Banks and Financial Institutions	Total
	£'000	£'000	£'000
Interest Expense	1,671	0	1,671
Interest Income	0	(115)	(115)
Net Affect for the Year	1,671	(115)	1,556

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

### Credit Risk

The possibility that other parties might fail to pay amounts due to the PCC Group

### Liquidity Risk

The possibility that the PCC Group might not have funds available to meet its commitments to make payments



### Market Risk

The possibility that financial loss might arise for the PCC Group as a result of changes in such measures as interest rates and stock market movements

The PCC Group's overall Risk Management Policy in relation to financial instruments is embedded within the Treasury Management Strategy Statement. The Policy has been prepared to include the requirements of the CIPFA Code of Practice in Treasury Management. In relation to specific risk categories set out above, the PCC Group's position is as follows:

### Credit Risk

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

The PCC Group regards the prime objective of its Treasury Management activities to be the security of the principal sums it invests.

Deposits are made in accordance with the treasury management practices and associated schedules approved as part of the treasury management policy statement.

Customers of the PCC Group are assessed, taking into account their latest financial standing and credit for customers is not generally allowed.

The Debtors at 31 March 2020, includes £13.1m that relates to Central and Local Government organisations, and as such is not classed as a credit risk. The profile of the remaining debtors which are monitored on a regular basis is set out below:

	<b>2018-19</b> £'000		<b>2019-20</b> £'000
Up to Three Months	212	Up to Three Months	115
More than Three Months	51	More than Three Months	61
	<hr/> 263		<hr/> 176

### Liquidity Risk

As at 31 March 2020 the PCC Group had balances on revenue reserves of £17.171m and deposits with banks and financial institutions of £4.3m. The PCC Group also has access to borrowing from the Public Works Loan Board (PWLb). There is therefore no significant risk that the PCC Group would be unable to meet its financial commitments.

As part of the Treasury Management Strategy Statement the PCC Group considers the maturity analysis of borrowings at the beginning of the financial year in order to manage the profile of debt repayable. The position at 31 March 2020 can be found within Note 27 & 28 of these accounts.

### Market Risk

The PCC Group is not exposed to specific risk in terms of interest movements as both borrowings and investments are at fixed rates. The PCC Group manages its exposure to fluctuations in interest rates with a view to containing its costs within approved budgets within the arrangements set out in its Treasury Management Strategy Statement.

Fluctuations in market interest rates are a factor that is considered when formulating the PCC Group's Medium Term Resource Strategy (MTRS) which provides a framework for investment and borrowing decisions.

### Price Risk

The PCC Group does not invest in equity shares and so has no exposure to risk arising from movements in the prices of shares.

Foreign Exchange Risk

The PCC Group has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

Unrecognised Gains or losses relating to Financial Instruments

The PCC Group has no financial assets with unrecognised gains or losses at the balance sheet date.

## **POLICE PENSION FUND ACCOUNTS**

The Code of Practice on Local Authority Accounting sets out the accounting treatment for the Police Pension Fund Accounts in the financial year 2019/20.

The Chief Constable is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. All payments and receipts are made to and from the Police and Crime Commissioner for Humberside's ("PCC") Police Fund. These Police Pension Fund Accounts do not form part of the Chief Constable's or PCC Group Financial Statements.

### **TRANSACTIONS RELATING TO RETIREMENT BENEFITS**

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

The PCC Group participates in the following pension schemes:

The Police Pension Schemes for police officers – three schemes are provided for police officers, the 1987 Scheme with officers' contributions for 2019/20 in a range of 14.25 to 15.05% (2018/19 14.25 to 15.05%), the 2006 scheme has officers' contributions in a range 11.00 to 12.75% (2018/19 11.00 to 12.75%) and the 2015 scheme which has officers' contributions in a range of 12.44 to 13.78% (2018/19 12.44 to 13.78%). All schemes are unfunded schemes, i.e. no investment assets are built up to meet the pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

The Local Government Pension Scheme for police staff, administered by the East Riding of Yorkshire Council – this is a funded scheme, i.e. the PCC and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The accounting and funding arrangements for Police Pensions are detailed below:

## POLICE PENSION FUND ACCOUNTS

<u>£'000</u>		<u>£'000</u>
	<b>CONTRIBUTIONS RECEIVABLE</b>	
	Police & Crime Commissioner ("PCC"):	
(13,573)	- contributions at 31% (21.3% in 2018-19)	(18,482)
(721)	- early retirements - Ill Health	(392)
(8,573)	Officers' contributions	(8,733)
(22,867)		(27,607)
	<b>TRANSFERS IN</b>	
(711)	Transfers in from other Pension Schemes	(1,042)
	<b>BENEFITS PAYABLE</b>	
49,612	- pensions	51,907
11,067	- commutations and lump sum retirement benefits	9,491
100	- lump sum death benefits	363
		61,761
	<b>PAYMENTS TO AND ON ACCOUNT OF LEAVERS</b>	
87	- refunds of contributions	92
-	- transfers out to other Pension Schemes	49
-	- transfers out to other Police Forces: 1974 arrangements	-
		141
37,287	<b>NET AMOUNT PAYABLE FOR THE YEAR BEFORE TRANSFER FROM THE PCC</b>	33,253
(35,442)	<b>ADDITIONAL FUNDING PAYABLE BY THE PCC TO MEET THE DEFICIT (FUNDED BY THE HOME OFFICE)</b>	(31,524)
(1,845)	<b>ADDITIONAL FUNDING PAYABLE BY THE PCC TO MEET THE DEFICIT (NOT FUNDED BY THE HOME OFFICE)</b>	(1,729)
-	<b>NET AMOUNT PAYABLE/RECEIVABLE FOR THE YEAR</b>	-

## NET ASSETS STATEMENT

<u>2018-19</u> <u>£'000</u>		<u>2019-20</u> <u>£'000</u>
	<b>Current Assets</b>	
3,100	Police Fund Debtor	1,996
4,326	Pensions Paid in Advance	4,428
	<b>Current Liabilities</b>	
-	Unpaid Pensions Due	161
7,426	Humberside Police and Crime Commissioner	6,263
-		-

## NOTES TO THE POLICE PENSION FUND ACCOUNTS

The Police Officer Pension Schemes make up the account:

- 1987 Police Pension Scheme, contribution rates 14.25 to 15.05%
- 2006 Police Pension Scheme, contribution rates 11.00 to 12.75%
- 2015 Police Pension Scheme, contribution rates 12.44 to 13.78%

PCCs are obliged to include the Pension Fund Account in their Statement of Accounts in accordance with regulation 7(1)(d) of the Accounts and Audit Regulations 2003. The Fund is administered and managed by the Humberside Police Finance Section.

The fund is charged with all pensions expenditure in accordance with Home Office guidance, with income being employee contributions, employer contributions, which for 2019/20 was 31% of pensionable pay (2018/19 21.3%).

Other income items within the fund are transfer payments from other pension schemes and a capital charge that is twice the average pensionable pay of officers that retire on ill health.

The Home Office provide a pension “top up” grant to fund differences on the fund account, 80% is received up front for the relevant financial year, with the balance provided on submission of the PCC’s financial statements.

There has been an adjustment of 2.9% to the cash flow to the Police Pension Fund due to the reduction in the employer contribution rate from 33.9% to 31% being reflected in a reduction in HM Treasury pensions top up funding of £1.729k (2018/19 £1,845k).

There are no investment assets, the fund is balanced to nil at the yearend by either a contribution from the Police Fund, or if a surplus balance on the fund, a transfer to the Police Fund.

The fund does not account for benefits payable in the future (IAS 19 Employee Benefits), which is a divergence from the accounting policy for the Police Fund Account as stated in the statement of accounting policies. Details of the long term pension obligations and the cost of pensions can be found in the PCC Group’s financial statements.

Employees’ and employer’s contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary’s Department.

The responsibility for future pension benefits still lies with the PCC Group, through the Police Fund Account. The responsibility for amounts due to/from the Fund Account and the Home Office is shown within the Police Fund, not the Pensions Fund.

As previously stated the Chief Constable is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. All payments and receipts are made to and from the PCCs Police Fund. As such, the Chief Constable and the PCC are the only related parties to the Fund and all the transactions shown in the Police Pension Fund Accounts have been processed through the PCC.

A number of claims have been made against the Chief Constable of Humberside, please see note 38 for details.

## GLOSSARY OF ACCOUNTING TERMS

The PCC and PCC Group has adopted the International Financial Reporting Standards (“IFRS”) based Code of Practice on Local Authority Accounting as its standard basis of accounting.

Definitions of accounting terms used are given below:

<b>Term</b>	<b>Definition</b>
<b>Accounting period</b>	The period of time covered by the financial statements, normally a period of twelve months.
<b>Accruals basis</b>	Under the accruals concept, expenses are recognised when incurred, not when the cash is actually paid out, and revenue is recognised when it is earned, not when the cash is actually received.
<b>Agency cost</b>	Services which are performed by or for another authority or public body, where the agent is reimbursed for the cost of the work done.
<b>Amortisation</b>	The term used for depreciation of intangible assets such as the annual charge in respect of computer licenses the PCC/ PCC Group has purchased.
<b>Asset</b>	An item owned or leased by the PCC/ PCC Group, which has a value, for example, land and buildings, vehicles, equipment, cash.
<b>Assets held for sale</b>	Assets are held for sale if their value will be recovered through a sale transaction rather than through continuing use.
<b>Balance Sheet</b>	This represents a summary of all the assets and liabilities of the PCC/ PCC Group.
<b>Capital expenditure</b>	Expenditure on new assets or on the enhancement of existing assets so as to prolong their useful life or enhance value.
<b>Capital Financing Account</b>	This account represents amounts set aside from revenue or capital receipts to finance expenditure on property, plant and equipment or for the repayment of external loans and certain other capital financing transactions.
<b>Capital Financing Requirement (CFR)</b>	The Capital Financing Requirement is a measure of the extent to which the PCC/ PCC Group needs to borrow to support capital expenditure. It does not necessarily relate to the actual amount of borrowing at any point in time.
<b>Capital receipts</b>	Proceeds from the sale of property, plant and equipment.
<b>Carry overs</b>	These are underspends at the end of the financial year, which are carried forward into the next financial year to support that year’s expenditure plans.
<b>Cash and cash equivalents</b>	Cash includes cash held in bank accounts and cash in hand. Cash equivalents are assets that can be readily converted into cash such as deposits and certain short term investments.

<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy. This is the main professional accountancy body relating to the public sector.
<b>Collection Fund</b>	Precept Income is collected on behalf of the PCC by the four billing Authorities (East Riding of Yorkshire Council; Kingston upon Hull City Council; North East Lincolnshire Council and North Lincolnshire Council). The precept income is then paid to the PCC as Precept Income.
<b>Contingent asset or liability</b>	An asset or liability that is not recognised in the financial statements due to the level of uncertainty surrounding it but is disclosed as it is possible that it may result in a future inflow or outflow of resources.
<b>Creditors</b>	Amounts owed by the PCC/ PCC Group for goods received or services rendered but not yet paid for at the end of the financial year.
<b>Current asset or liability</b>	An asset or liability that the PCC/ PCC Group expect to hold or discharge for a period of less than one year from the Balance Sheet date.
<b>Debtors</b>	Sums of money due to the PCC/ PCC Group for work done or services supplied but not received at the end of the financial year.
<b>Deferred liabilities</b>	Liabilities which by arrangement are payable beyond the next year at some points in the future or paid off by an annual sum over a period of time.
<b>Depreciation</b>	The accounting charge representing the use of property, plant and equipment assets which spreads the cost or value of the asset over its useful life.
<b>Employee benefits</b>	All forms of consideration given to employees for services rendered. These are salaries and wages, social security costs (national insurance), superannuation contributions, paid sick leave, paid annual and long service leave and termination payments.
<b>Financial instruments</b>	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
<b>Financial Regulations</b>	A written code of procedures approved by the PCC to provide a framework for the proper financial management of the PCC/ PCC Group.
<b>Going concern basis</b>	The underlying assumption used in producing the financial statements that the PCC/ PCC Group will continue to operate for at least 12 months from the Balance Sheet date.
<b>Impairment</b>	The fall in the value of an asset.
<b>Income Received in Advance</b>	Income received that should be classed as a benefit in the next financial year.
<b>Intangible assets</b>	Capital expenditure which does not create a tangible asset.
<b>Inventories</b>	Stocks held by the PCC/ PCC Group such as uniforms, fuel etc.

<b>Leases</b>	A method of financing expenditure over a period of time. There are two types of lease: Finance lease, where the risks of ownership are transferred to the lessee and where the assets are recorded in the PCC's/ PCC Group's Balance Sheet at a current valuation. Operating lease, where the risks of ownership stay with the leasing company and the annual rental charges are made via the Comprehensive Income and Expenditure Statement.
<b>Liability</b>	An amount owing to a third party such as a loan or unpaid invoice from a supplier.
<b>Local Authority Accounting Panel (LAAP) bulletin</b>	Latest update from CIPFA detailing amendments and guidance to changes in Local Authority Accounting Practice.
<b>Minimum Revenue Provision (MRP)</b>	The Minimum Revenue Provision is the amount required by statute that the PCC/ PCC Group must fund to cover the redemption of external debt, including any supported or unsupported borrowing used to fund capital; the MRP amount being equal to the capital expenditure funded by the borrowing over the expected life of the assets.
<b>Medium Term Resource Strategy (MTRS)</b>	The MTRS covers a 5 year period and describes the financial direction of the Chief Constable and the PCC capturing known and estimated funding, financial pressures, staffing resources and development needs as well as seeking to identify financial risks. It is an indication of the likely direction of financial planning over the next year.
<b>Net assets</b>	Total assets less total liabilities.
<b>Non-current asset or liability</b>	An asset or liability that the PCC/ PCC Group expects to hold or discharge for a period of more than one year from the Balance Sheet date.
<b>Non Distributed Cost</b>	This is where overheads are not charged or apportioned to activities within the SeRCOP service expenditure analysis.
<b>Precept</b>	A levy which the PCC makes through the Council Tax to pay for services.
<b>Prepayment</b>	Where an amount of expenditure is paid in the current financial year, but the goods or services are a benefit in the next/following year.
<b>Provision</b>	An amount set aside to provide for a liability which is likely to be incurred but the exact amount and the date on which it will arise are uncertain.
<b>Prudential Borrowing</b>	This is the borrowing as part of funding of capital expenditure, where no actual loan is taken out to match the element of expenditure incurred. The affect is shown through the Capital Financing Requirement and is the amount to be funded when all other funding types i.e. capital grant, revenue, capital receipts etc. have been used.



<b>Remeasurements of the Net Defined Benefit Liability</b>	For a defined benefit pension scheme, the changes that arise because : events have not coincided with actuarial assumptions made for the last valuation (experience gains and losses) or The actuarial assumptions have changed.
<b>Reserves</b>	General reserves are accumulated balances available to support revenue or capital spending and meet unforeseen events. Earmarked reserves are amounts set aside for an agreed purpose in one financial year and carried forward to meet expenditure in future years.
<b>Revenue expenditure</b>	Spending on day to day items, including salaries, premises costs and supplies and services.
<b>The Code</b>	The Code of Practice published by CIPFA, relating to Local Authority Accounting in the United Kingdom and is issued each year.
<b>Unrealised gains and losses</b>	Unrealised gains and losses are those which have been recognised by the PCC/ PCC Group in its financial statements but are only potential gains as they have yet to be realised, such as rises and falls in the value of land and buildings due to changes in the property market. The gain or loss only becomes realised when the property is sold.

## Acronyms and Abbreviations

ACO	Assistant Chief Officer
CARE	Career Average Revalued Earnings
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
DSP	Data and System Planning
ERYC	East Riding of Yorkshire Council
ESFM	Emergency Services Fleet Management
GAD	Government Actuaries Department
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
JES	Joint Estates Services
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
MRP	Minimum Revenue Provision
MTRS	Medium Term Resource Strategy
NECB	North East Collaboration Board
NPCC	National Police Chiefs Council
OPCC	Office of the Police and Crime Commissioner
OPCCSY	OPCC for South Yorkshire/ South Yorkshire Police
PCC	Police and Crime Commissioner
PCP	Police and Crime Panel
PCSO	Police Community Support Officer
PRERA	Police Reform and Social Responsibility Act
PWLB	Public Works Loans Board
RCB	Regional Collaboration Board
SeRCOP	Service Reporting Code of Practice for Local Authorities
VAT	Value-Added Tax