

# 'Safer Together'

## Police and Crime Commissioner for Devon and Cornwall

Statement of Accounts for the year ended 31 March 2014



# PCC

Office of the Police  
and Crime Commissioner  
Devon and Cornwall

# Police and Crime Commissioner for Devon and Cornwall

## Statement of Accounts 2013-14 and Related Reports and Statements

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# FOREWORD TO THE ACCOUNTS by DUNCAN WALTON, TREASURER

## 1 Introduction

- 1.1 Welcome to the Police and Crime Commissioner's Statement of Accounts for 2013-14. The statement of accounts reports the income and expenditure on service provision for the year and the value of the Police and Crime Commissioner's assets and liabilities at the end of the financial year. This is done in accordance with proper accounting practices as defined in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 1.2 The primary function of the Police and Crime Commissioner is to secure the maintenance of an efficient and effective police service in Devon and Cornwall and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996. The Police and Crime Commissioner and the Chief Constable form an accounting group for reporting purposes. This set of accounts includes the Statements for the Police and Crime Commissioner Group and for the Police and Crime Commissioner as a single entity. The Chief Constable's single entity accounts are published separately. Further information on the structure of the group is provided in note A.1 on page 23.
- 1.3 The aim of this foreword is to provide an easily understandable explanation of the Police and Crime Commissioner Group's financial position and its use of financial resources. It also provides a commentary on the major influences affecting the Group's income and expenditure and cashflow. The accounting policies of the Police and Crime Commissioner mean that the bottom line financial position of the Police and Crime Commissioner Group and the Police and Crime Commissioner as a single entity are the same. For this reason this foreword only covers the financial position as set out in the group Financial Statements with the exception of table 6 which shows that although the year end bottom line position is the same, the charges that flow through the group and single entity Comprehensive Income and Expenditure Statements are different.

## 2 The Statements of Accounts

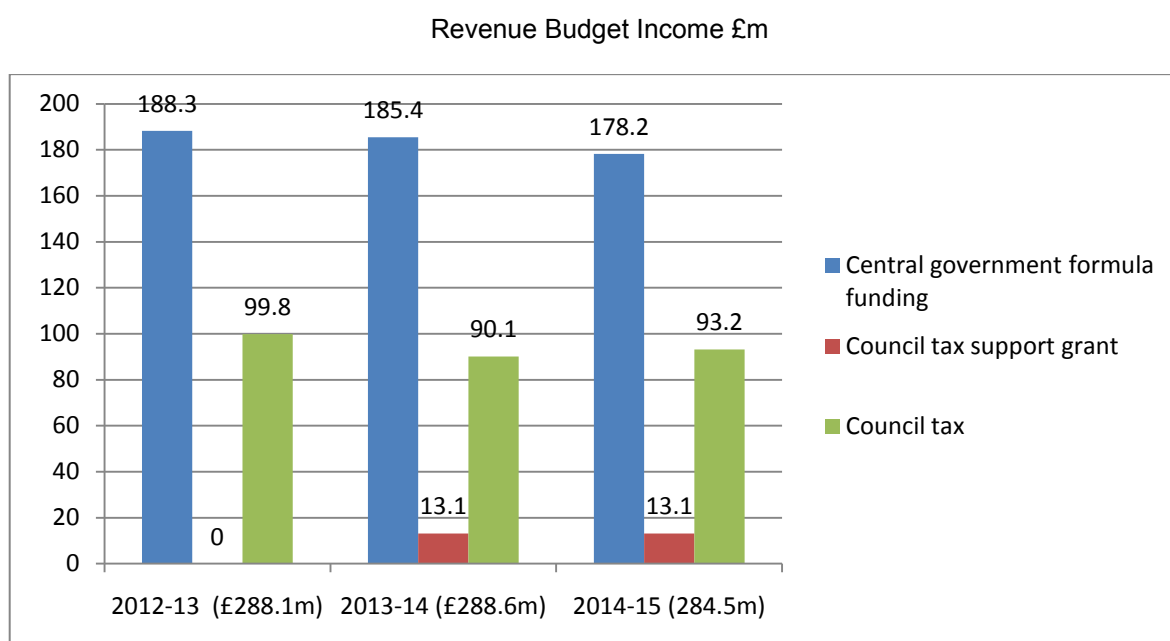
- 2.1 A brief explanation of the purpose of each of the four primary statements is provided below:
- **Movement in Reserves Statement for the Group** (page 15 and 16) and for the Police and Crime Commissioner (page 17 and 18) as a single entity, shows the changes in the Police and Crime Commissioner's financial resources over the year
  - **Comprehensive Income and Expenditure Account for the Group** (page 19) and for the Police and Crime Commissioner as a single entity (page 20), show the gains and losses that contributed to the changes in resources
  - **Balance Sheet as at 31 March 2014** (page 21), shows how the resources available to the Group and the Police and Crime Commissioner are held in the form of assets and liabilities
  - **Cash Flow Statement** (page 22), shows how the movement in resources has been reflected in cash flows
- 2.2 The notes to the accounts include the accounting policies and gives further information on the entries within the main statements as well as supplementary information. All notes relate to the Group Statements unless it is otherwise specified. These are further supplemented by a glossary of terms.

## 3 The Resources Available to the Police and Crime Commissioner

- 3.1 The Police and Crime Commissioner set his first full year budget for 2013-14 in the context of the government's ongoing austerity measures:
- Formula funding from central government was reduced by £2.9m or 1.6% in 2013-14.
  - Formula funding was forecast to reduce by a further 5.5% in total over the following three years.
- 3.2 Although central government made a special grant available equal to a 1% increase in council tax to

allow Police and Crime Commissioner's to freeze their council tax at the same level as the previous year, the Commissioner, in consultation with the Police and Crime Panel decided to increase the council tax by 2% so that police officer numbers could be maintained above 3,000. Council tax was set at £162.92 for a band D property, the second lowest in the South West region and below the national average.

- 3.3 In addition there were changes to council tax funding in 2013-14; the government transferred the responsibility for council tax support to low income council tax payers from the Department of Work and Pensions to local authorities and Police and Crime Commissioners. It provided a grant equal to approximately 90% of the cost. In consultation with the Police and Crime Commissioner, most of the billing authorities in Devon and Cornwall introduced changes to their council tax support schemes and also their council tax relief schemes to neutralise the impact of the loss of council tax support grant.
- 3.4 The interaction of a complex set of factors affecting the tax base with the Police and Crime Commissioner's decision to increase the council tax rate for policing by 2% meant that the combined council tax precept and council tax support grant was £3.4m more than council tax received in 2012-13.
- 3.5 The revenue budget income graph below shows the changes in funding over the three year period 2012-13 to 2014-15.



#### 4 Setting the Financial Strategy for 2013-14 and Beyond

- 4.1 Although grant and council tax income was approximately £0.5m higher in 2013-14 than it was in 2012-13, the Police and Crime Commissioner was required to make savings to balance the 2013-14 budget. This was because the increase in costs due to commitments and inflation was more than the increase in funding. The Police and Crime Commissioner takes a multi-year approach to budget setting and when setting the 2013-14 budget he anticipated future funding cuts planned as part of the government's austerity programme. To facilitate this, the Medium Term Financial Strategy (MTFS) included a planned contribution to reserves of £5.5m to smooth the impact of the future reductions. This financial strategy aimed to provide sufficient funding to meet future increases in costs due to inflation and other factors and maintain police officer numbers above 3,000 until at least March 2018.

Table 1: The Four Year Medium Term Financial Strategy 2013-14

	2013-14	2014-15	2015-16	2016-17
	£m	£m	£m	£m
Forecast Budget Income	288.5	284.1	282.8	282.2
Budgeted contributions (to)/from the Revenue Smoothing Fund	(5.5)	(1.7)	3.0	7.8
Budgeted contributions (to)/from other Revenue Reserves	1.2	1.1	0.3	(0.3)
Forecast Expenditure excluding contribution to/from reserves	284.2	283.5	286.1	289.7

4.2 The savings needed to achieve this budget plan are set out in the savings table below:

Table 2: The Four Year Medium Term Financial Strategy 2013-14 – Savings

	2013-14	2014-15	2015-16	2016-17
	£m	£m	£m	£m
Savings Required	7.5	5.6	4.7	6.1

4.3 More information is provided about the updating of the MTFS in February 2014 and forecast funding for 2017-18 and beyond in Section 15 of this report.

## 5 Actual Expenditure 2013-14

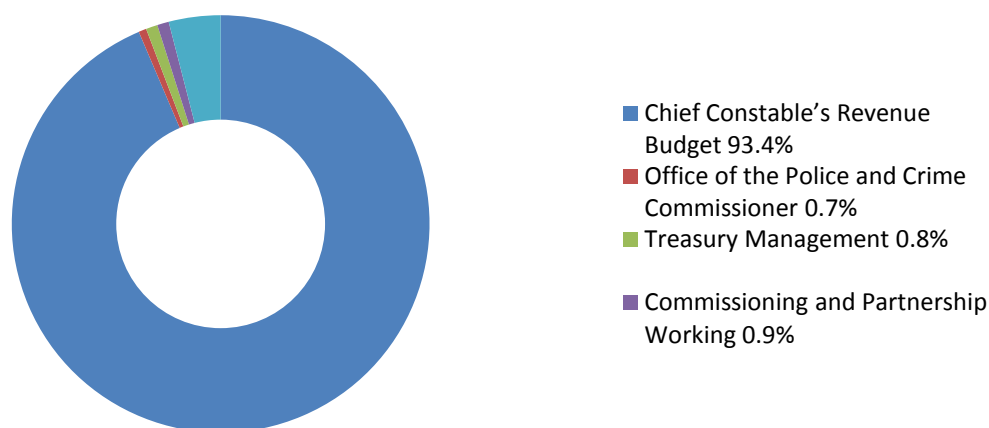
5.1 The final outturn position for the Police and Crime Commissioner Group for 2013-14 is £7.837m less than the original budget plan; expenditure and income is summarised in the table below:

Table 3: The Outturn Position

	2013-14 Budgeted Expenditure and Income £'000	2013-14 Actual Expenditure and Income £'000	Variation £'000
Chief Constable's Revenue Budget	289,229	282,863	(6,366)
Office of the Police and Crime Commissioner	1,633	1,949	316
Treasury Management	2,734	2,724	(10)
Commissioning and Partnership Working	2,624	2,756	132
Net contribution to/(from) Earmarked Reserves	4,251	12,088	7,837
<b>Gross Spending</b>	<b>300,471</b>	<b>302,380</b>	<b>1,909</b>
Specific Grant and Other Income	(11,939)	(13,848)	(1,909)
<b>Net Spending</b>	<b>288,532</b>	<b>288,532</b>	<b>0</b>
Revenue Funding			
Government Grant including Council Tax Benefit Grant	198,439	198,439	0
Council Tax *	90,093	90,093	0
<b>Total Funding</b>	<b>288,532</b>	<b>288,532</b>	<b>0</b>

\*Council Tax is the cash received for the year and excludes the reduction in the council tax adjustment account of £897k.

How the £288.5m was spent



A detailed breakdown of the Chief Constable's spending is provided in note C1 on pages 29-30.

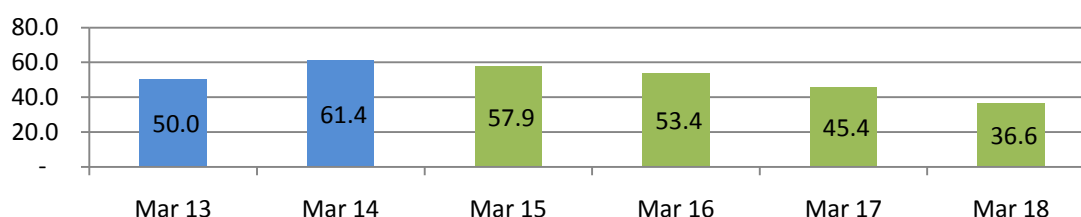
- 5.2 Approximately £3m of the total under-spending in table 3 above relates to spending that was due to be met from reserves but has been delayed – in particular spending on the Force Programme. This expenditure will now take place in 2014-15 and subsequent years.
- 5.3 The remaining £5m relates to under-spending on the on-going revenue budget and the main reasons for this are:
- Police officers chose to retire earlier than expected leaving a time gap between officers retiring and new recruits joining the organisation
  - Significant savings on overheads in particular ICT, vehicles premises and locally managed costs
  - Additional income has been received, most significantly income from the provision of mutual aid to other forces
- 5.4 Budget monitoring identified a significant portion of the under-spending early in the financial year. This meant that when the Police and Crime Commissioner set the MTFS for 2014-15 it was possible to agree an additional £3.1m contribution to the Revenue Smoothing Fund making the total contribution to the fund £8.594m in 2013-14. The additional contribution will be used to offset further reductions in government spending that were announced in December 2013. The net contributions to reserves are shown in table 4.

Table 4: Net Contributions to Revenue Reserves

	£000	Reason
Revenue Smoothing Fund	8,594	To offset future funding reductions and maintain police officer numbers
Budget Management Fund	(161)	Impact of movement in approved carry-forward
Capital Financing Reserve	893	To fund future capital expenditure
Programme & Projects Reserve	849	To fund the Force Programme
Workforce Modernisation Reserve	1,435	Modernisation of employment terms and conditions
Estates Development Reserve	101	To facilitate rationalisation of the property estate
Transition Fund	(183)	Transition to the Police and Crime Commissioner
Police and Crime Plan Reserve	560	To fund police and crime plan initiatives
<b>Total</b>	<b>12,088</b>	

- 5.5 In addition to the revenue contributions set out above, there was a £0.719m draw down from the Capital Financing Reserve to fund capital spending resulting in a net movement in revenue reserves and balances of £11.369m. The increase in usable reserves between 2012-13 and 2013-14 and the forecast change in reserves in future years are shown in the graph below.

### Balances and Reserves £M



- 5.6 The outturn position as set out in table 3 and described in paragraphs 5.1 to 5.5 represents the movement on the general fund balance and the earmarked reserves. Table 3 shows that after contributions to earmarked reserves, revenue expenditure matched income for the year and for this reason there is no movement on the general fund balance. This information is more helpful to residents and council taxpayers of Devon and Cornwall than the movement on the Comprehensive Income and Expenditure Statement shown on page 19. This is because the outturn position records only those expenses which statute allow to be charged against the Police and Crime Commissioner's annual budget and the amounts to be collected from council tax. Sections 8 to 12 below set out the position as recorded in the Financial Statements, this is different from the outturn position as these statements are produced on a different accounting basis and this is described in more detail below.

## 6 Material Items of Income and Expenditure, Material assets Acquired and Liabilities Incurred

- 6.1 Section 10 below describes the Police and Crime Commissioner's capital expenditure. This consists of an ongoing programme of rationalisation, replacement and enhancement of property and other assets. On the 1 July 2013 the Force helicopter was transferred to the National Police Air Service (NPAS), in compensation for the transfer NPAS will pay the Police and Crime Commissioner a series of capital payments over a 12 year period until 2025. This transaction results in a loss of £3.5m that is included in the Comprehensive Income and Expenditure Statement. The Police and Crime Commissioner will however continue to have access to helicopters through NPAS. A deferred capital credit and matching debtor of £1.8m are included on the Balance Sheet. Other than this transaction there are no individual acquisitions or disposals that are material in 2013-14. The Police and Crime Commissioner has entered into a conditional contract to dispose of a significant portion of the Force HQ site at Middlemoor Exeter. This transaction has not yet been completed and as a number of conditions have yet to be met the asset has not been classified as held for sale. When this transaction is completed it will represent a material disposal.

## 7 Changes in Accounting Policies

- 7.1 In 2013-14 the Code of Practice on Local Authority Accounting in the United Kingdom implemented changes to IAS 19 concerning the presentation of pension costs within the accounts. Although these changes do impact on the reporting of the Police and Crime Commissioner Group's income and expenditure they have no net impact on its overall financial position, details are provided in note A.2. There are no other significant changes in accounting policies.

## 8 Movement in Reserves Statement

- 8.1 The Group Movement in Reserves Statements on page 15 show the movement in the year on the 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves' (i.e. those that cannot be applied to fund expenditure or reduce local taxation). Further information on the movement in usable reserves is provided in notes B.2 & B.3 page 27 & 28 and on the movement in unusable reserves in note B.4 on page 28. The key figures are shown in table 5.

Table 5 – Movement on Reserves

<u>Usable Reserves</u>	<u>£000</u>	<u>£000</u>
General Fund		0
Earmarked Reserves:		
Net Revenue budget contributions	12,088	
Use to fund capital expenditure	(719)	
		11,369
Capital Receipts Reserve		1,210
Capital Grant Unapplied		(3,357)
<u>Total Usable Reserves</u>		<u>9,222</u>
<u>Total Unusable Reserves</u>		<u>(257,732)</u>

## 9 Comprehensive Income and Expenditure Statements

- 9.1 The Group Comprehensive Income and Expenditure Statement (on page 19) shows the deficit for the year calculated in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The following table reconciles the movement on the general fund to the deficit on the Comprehensive Income and Expenditure Statement.

Table 6

	2013-14 £000 <b>PCC</b> <b>0</b>	2013-14 £000 <b>Group</b> <b>0</b>
<b>Deficit On the General Fund</b>		
Current and past service charge for pensions are (less)/more than the actual employer contributions and Home Office Top Up Grant	82	(26,123)
Pensions interest cost	89	97,438
Intra-group funding with regard to pensions and other employee benefits	253,756	0
Other adjustments – mainly to account for capital investment as it is consumed	5,553	4,763
Sub total	259,480	76,078
Transfer to/from earmarked reserves	(12,088)	(12,088)
<b>Deficit on the Provision of Services</b>	<b>247,392</b>	<b>63,990</b>
Other Comprehensive Income and Expenditure	275	275
Deficit on revaluation of non-current assets	43	43
Increase in pensions liabilities due to actuarial losses	800	184,202
<b>Total Deficit</b>	<b>248,510</b>	<b>248,510</b>

- 9.2 The above reconciliation shows that the Deficit on the Provision of Services and the Total Deficit arise mainly because the actuarially assessed cost of funding the pensions earned by employees is more than the amount that the Group/Police and Crime Commissioner are required to charge against taxation. The impact of pension costs on the Financial Statements is described in more detail in note E.1 on page 44.

## 10 Capital Expenditure and Financing

- 10.1 As well as day to day expenditure on running costs, the Police and Crime Commissioner's money is spent on assets such as buildings, vehicles, communications equipment and information technology. During 2013-14, capital spending was £8,862k. The table below shows how the money was spent and how it was financed.



Table 7

	31 March 2014	
	£000	%
Capital Spending		
Building Schemes	3,075	34.7
Equipment and ICT Hardware and Software	1,680	19.0
Vehicles	4,107	46.3
	<u>8,862</u>	<u>100</u>
	31 March 2014	
	£000	%
Capital Financing		
Home Office Capital Grant	6,109	68.9
Capital Receipts	637	7.2
Direct Revenue Funding	731	8.2
Minimum Revenue Provision, Borrowing and Lease Finance	1,385	15.8
	<u>8,862</u>	<u>100</u>

## 11 The Group and Police and Crime Commissioner Balance Sheets

### Usable Reserves

- 11.1 The Police and Crime Commissioner has total usable balances and reserves of £66.129m; made up as follows:

	£000
General Fund	6,198
Earmarked Reserves	55,176
Capital Reserves	4,755

The reserves and balances provide for the following:

- Management of the budget over the medium term when resources are falling, specifically to maintain police officer numbers
- To fund specific projects

More details on earmarked reserves are provided in note B.2 on page 27.

### Pensions Liabilities

- 11.2 There has been a £255.517m increase in pension liabilities for the Group in 2013-14. A large portion of this increase is due to re-measurement arising from changes in experience and changes in actuarial assumptions as set out in note E.1. Note E.1 also puts the actuarially assessed pension liabilities into the context of the overall accounts and explains that the liabilities shown in the balance sheet should not impact upon the ability of the Police and Crime Commissioner to provide services in the short to medium-term. For police staff pensions, the value of the pension fund liabilities and assets is assessed triennially and the employer's contribution is increased in line with the actuary's recommendations. For the police officers pension fund, the employer's contribution rate is presently set at 24.2%. Under current legislation, any costs that exceed the employer's contribution are met by the Home Office via a special grant.

### Borrowing

- 11.3 The Police and Crime Commissioner's total capital financing requirement as at 31 March 2014 was £42.059m. Of this £32.778m was met by external borrowing, £0.425m by lease finance and £8.856m by internal borrowing. Internal borrowing represents the Police and Crime Commissioner Group's use of its cash balances to temporarily fund capital expenditure. This use of internal balances is subject to careful monitoring and management to ensure adequate long term liquidity.

## Provisions and Contingencies

- 11.4 Provisions are set out in note D.6 on page 41. They include:
- Provisions to meet future liabilities in terms of remuneration including redundancy costs and claims made by former employees
  - Provision for uninsured claims against the Police and Crime Commissioner
  - Other provisions to meet other liabilities for example legal claims

## **12 Cash Flow**

- 12.1 There was a £29.945m increase in cash and cash equivalents during the year and investments (long and short term combined) reduced by £24.543m. This was due to:
- A switch from longer investments to overnight cash holdings due to changes in capital markets
  - An increase in overall cash deposits due to an increase in total usable reserves (see paragraph 5.4)
  - Other changes in balances, for example, debtors, creditors and stock

## **13 Performance**

- 13.1 Information on operational performance against targets is provided in the foreword to the Chief Constable's Statement of Accounts and also in the Police and Crime Commissioner's Annual Report.

## **14 Sustainability**

- 14.1 The Police and Crime Commissioner is committed to improving the sustainability of the Office of the Police and Crime Commissioner (OPCC) and the Police Service in Devon and Cornwall. Investments in technology and buildings as outlined in the Police and Crime Plan are aimed not only at improving the efficiency of policing in Devon and Cornwall but also in reducing its environmental impact. The Chief Constable has an ongoing sustainability programme that has achieved national recognition. More detail is provided in the foreword to the Chief Constable's Statement of Accounts also in the Police and Crime Commissioner's Annual Report.

## **15 Looking Ahead to 2014-15 and Beyond**

- 15.1 The financial position of the Police and Crime Commissioner Group in 2014-15 and future years will be affected by a number of factors; they can be grouped as follows:
- Governance changes
  - Service developments
  - The impact of the current economic climate on the provision of services

### **Governance Changes**

- 15.2 On the 1 April 2014 stage 2 of the transition to Police and Crime Commissioner took place. This involved the transfer of staff who were under the direction and control of the Chief Constable from the employ of the Police and Crime Commissioner to the employ of the Chief Constable. This change will not have material impact on the financial statements Group or the single entity financial statements accounts of the Police and Crime Commissioner or the Chief Constable. The reason for this is that the financial statements are based on a faithful representation of the substance of an economic situation and for this reason they already recognise the employment costs of staff that are under the direction and control of the Chief Constable in the Chief Constable accounts.
- 15.3 In addition to the transfer of staff described above, some assets currently held by the Police and Crime Commissioner transferred as at 1 April 2014 to the ownership of the Chief Constable. This change will lead to some assets that are currently included on The Police and Crime Commissioner single entity Balance Sheet transferring to the Balance Sheet of the Chief Constable. It will have no impact on the financial position of the Group.

## **Service Development**

- 15.4 The Devon and Cornwall and Dorset Police Forces are exploring ways that they may collaborate effectively across all areas of policing. The potential strategic alliance represents both a risk and an opportunity. In the short to medium term additional costs or a need for further investment may occur, in the longer term there are opportunities to improve the efficiency of service delivery.

### **The impact of the current climate on the Police and Crime Commissioner Group and the services it provides**

- 15.5 As funding for 2014-15 has been secured the major risks for the current financial year relate to service delivery within the current funding envelope; they are:
- achieving the changes in service delivery required to improve the efficiency of the Force within the funding envelope of the Programme and Projects Reserve – a contribution £0.849m has been made to the reserve funded from overall budget savings in 2013-14 and this should ensure that the funds available are sufficient
  - the Chief Constable is not able to meet the Police and Crime Plan targets within the resources available
- 15.6 The current MTFS 2014-15 to 2018-19 is based on the funding announcements contained in the Chancellor's 2013 Autumn Statement and the Budget 2014. These represented a further decline in funding as compared to the forecasts contained within the 2013-14 MTFS. Over the medium term, the Police and Crime Commissioner faces a considerable level of funding uncertainty; the 2013 Autumn Statement along with the Home Office grant announcement for 2013-14, whilst confirming the downward trend, did not contain any detailed information with regard to overall funding levels in 2015-16 and beyond. Furthermore the Home Office are due to review the police funding formula in 2016-17 and this may have a significant impact on grant funding levels.
- 15.7 In addition the uncertainty with regard to government formula funding the Police and Crime Commissioner has a number of funding and cost uncertainties; they are:
- central government controls mean that the 2% increase in council tax included in the medium term financial strategy for 2015-16 and future years is not achievable;
  - inflation exceeds the estimate built into the budget;
  - the cost of workforce modernisation exceeds the funds available in the budget and earmarked reserves;
  - other variations in pay costs and/or liabilities in particular employment related claims
- 15.8 Based on the current information available, the Police and Crime Commissioner has a budget gap of approximately £14m in 2018-19. This occurs because the current strategy relies on the use of the smoothing fund to fill the gap between expenditure and income in 2016-17 and 2017-18. To address this issue the Police and Crime Commissioner is developing a financial roadmap with the objective of identifying efficiency savings that close the funding gap whilst maintaining service delivery.

## **16 Annual Governance Statement**

- 16.1 Production of the Annual Governance Statement (AGS) to accompany the Statement of Accounts is a statutory requirement. The Annual Governance Statement is included on pages 90 to 99 of this document. The AGS describes the internal control environment for the Police and Crime Commissioner comments, on its effectiveness and identifies issues that require further work. The Chief Constable also produces an AGS which is contained within his single entity accounts, and reliance is placed on the annual assurance review undertaken by the Chief Constable (and described within his AGS) when drawing up the Police and Crime Commissioner's AGS.

## **17 Conclusion**

- 17.1 Along with many other public sector bodies the Police and Crime Commissioner is in a period of financial contraction. An ongoing plan is in place to reduce spending in line with the funding reductions set out in the Comprehensive Spending Review 2010 and the Spending Review 2013. In the period 2011-12 to 2013-14 the former Police Authority and the Police and Crime Commissioner

have achieved additional savings over and above those required by grant reductions; this is due in part to achieving savings earlier than planned. As a result it has been possible to build up the Revenue Smoothing Fund and this in turn has allowed the phased reduction in police officer numbers to be halted in the period 2013-14 to 2015-16. Based on the current plan police officer numbers are forecast to remain above 3,000 until at least 2016-17.

- 17.2 The Police and Crime Commissioner has set out his objectives for his term of office in the Police and Crime Plan (see below for further information on the plan). This plan is supported by the Medium Term Financial Strategy approved in February 2014. Delivery of the plan will depend on efficient and effective use of the financial and other resources available to the Commissioner and he will work closely with the Chief Constable to ensure that this takes place. There are a number of threats to the delivery of the Police and Crime Plan, the most significant of which is further reductions in central government funding; the Police and Crime Commissioner has however taken action to mitigate these threats by establishing reserves that will help him manage the impact of future funding cuts.

Duncan Walton, Treasurer  
June 2014

#### Further Information

This publication provides a review of the financial performance of the Police and Crime Commissioner for 2013-14. It may be read in conjunction with the Police and Crime Plan and the Police and Crime Commissioner's Annual Report that show a wide range of performance measures. Further information on these publications can be obtained by writing to the Chief Executive or Treasurer at the Police and Crime Commissioner Offices, Woodwater Park, Pynes Hill, Exeter, Devon. EX2 5WH or from the Police and Crime Commissioner's website. <http://www.devonandcornwall-pcc.gov.uk/Key-Documents/Key-documents.aspx>

## **INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR DEVON AND CORNWALL**

### **Opinion on the financial statements**

We have audited the financial statements for the Police and Crime Commissioner for Devon and Cornwall for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Police and Crime Commissioner Single Entity and Group Movement in Reserves Statement, the Police and Crime Commissioner Single Entity and Group Comprehensive Income and Expenditure Statement, the Police and Crime Commissioner Single Entity and Group Balance Sheet, the Police and Crime Commissioner Single Entity and Group Cash Flow Statement and the related notes and include the police pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the Police and Crime Commissioner for Devon and Cornwall in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Treasurer and auditor**

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

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

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

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Devon and Cornwall as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

## **Opinion on other matters**

In our opinion, the information given in the foreword to the accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

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

We have nothing to report in these respects.

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

### **Respective responsibilities of the Police and Crime Commissioner and the auditor**

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

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

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Police and Crime Commissioner has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Police and Crime Commissioner for Devon and Cornwall put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

### **Certificate**

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

Alex Walling  
Associate Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Hartwell House | 55-61 Victoria Street | Bristol | BS1 6FT  
29 September 2014

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

### **The Police and Crime Commissioner's Responsibilities**

The Commissioner is required to:

- Make arrangements for the proper administration of the financial affairs of the Office of the Police and Crime Commissioner and to secure that one of his officers has the responsibility for the administration of those affairs. That officer is the Treasurer;
- Manage the affairs of the Office of the Police and Crime Commissioner to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### ***Approval of the Accounts***

I approve these Statements of Account

Signed

**A Hogg**

**Police and Crime Commissioner for Devon and Cornwall**

Date: 18 September 2014

### **The Treasurer's Responsibilities**

The Treasurer is responsible for the preparation of the Police and Crime Commissioner's Annual Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC "Code of Practice on Local Authority Accounting in the United Kingdom 2013-14" (the Code)

In preparing this Statement of Accounts, the Treasurer has:

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice

The Treasurer has also:

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

### ***Treasurer's Certificate***

I certify that this Statement of Accounts for the year ended 31 March 2014 gives a true and fair view of the financial position of the Police and Crime Commissioner for Devon and Cornwall at the accounting date and of the income and expenditure for the year ended 31 March 2014.

Signed

**D Walton**

**Treasurer**

Date: 18 September 2014



## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014 FOR THE POLICE AND CRIME COMMISSIONER (PCC) GROUP

This Statement shows the movement in the year on the different reserves held by the Police and Crime Commissioner Group, analysed into usable reserves (ie those that can be applied to fund expenditure or reduce taxation) and other reserves. The Surplus or Deficit on the provision of services line shows the true economic cost of providing the Police and Crime Commissioner Group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. These are different from the amounts required to be charged to the General Fund Balance for Council Tax setting. The net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Police and Crime Commissioner.

	General Fund Balance £'000	Earmarked Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves £'000</b>	Unusable Reserves £'000	<b>Total PCC Reserves £'000</b>
<b>As at 31 March 2013</b>	6,198	43,807	2,186	4,716	<b>56,907</b>	(2,094,948)	<b>(2,038,041)</b>
<b>Movement in reserves during 2013-14</b>							
Surplus or (deficit) on provision of services (page 19)	(63,990)	0	0	0	<b>(63,990)</b>	0	<b>(63,990)</b>
Other Expenditure and Income (page 19)	0	0	0	0	<b>0</b>	(184,520)	<b>(184,520)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(63,990)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(63,990)</b>	<b>(184,520)</b>	<b>(248,510)</b>
Adjustments between accounting basis & funding basis under regulations (J.3)	75,359	0	1,210	(3,357)	<b>73,212</b>	<b>(73,212)</b>	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>11,369</b>	<b>0</b>	<b>1,210</b>	<b>(3,357)</b>	<b>9,222</b>	<b>(257,732)</b>	<b>(248,510)</b>
Transfers (to)/from Earmarked Reserves (note B.2)	(11,369)	11,369	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) In Year</b>	<b>0</b>	<b>11,369</b>	<b>1,210</b>	<b>(3,357)</b>	<b>9,222</b>	<b>(257,732)</b>	<b>(248,510)</b>
<b>As at 31 March 2014 carried forward</b>	<b>6,198</b>	<b>55,176</b>	<b>3,396</b>	<b>1,359</b>	<b>66,129</b>	<b>(2,352,680)</b>	<b>(2,286,551)</b>

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2013 FOR THE POLICE AND CRIME COMMISSIONER GROUP

This Statement shows the movement in the year on the different reserves held by the Police and Crime Commissioner Group, analysed into usable reserves (ie those that can be applied to fund expenditure or reduce taxation) and other reserves. The Surplus or Deficit on the provision of services line shows the true economic cost of providing the Police and Crime Commissioner Group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. These are different from the amounts required to be charged to the General Fund Balance for Council Tax setting. The net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Police and Crime Commissioner.

	General Fund Balance £'000	Earmarked Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves £'000</b>	Unusable Reserves £'000	<b>Total PCC Reserves £'000</b>
<b>As at 31 March 2012</b>	6,198	32,080	2,695	3,943	<b>44,916</b>	(1,957,141)	<b>(1,912,225)</b>
<b>Movement in reserves during 2012-13</b>							
Surplus or (deficit) on provision of services (page 19)	(64,287)	0	0	0	<b>(64,287)</b>	0	<b>(64,287)</b>
Other Expenditure and Income (page 19)	0	0	0	0	<b>0</b>	(61,529)	<b>(61,529)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(64,287)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(64,287)</b>	<b>(61,529)</b>	<b>(125,816)</b>
Adjustments between accounting basis & funding basis under regulations (note J.3)	76,014	0	(509)	773	<b>76,278</b>	<b>(76,278)</b>	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>11,727</b>	<b>0</b>	<b>(509)</b>	<b>773</b>	<b>11,991</b>	<b>(137,807)</b>	<b>(125,816)</b>
Transfers (to)/from Earmarked Reserves (note B.2)	(11,727)	11,727	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase/(Decrease) In Year</b>	<b>0</b>	<b>11,727</b>	<b>(509)</b>	<b>773</b>	<b>11,991</b>	<b>(137,807)</b>	<b>(125,816)</b>
<b>As at 31 March 2013 carried forward</b>	<b>6,198</b>	<b>43,807</b>	<b>2,186</b>	<b>4,716</b>	<b>56,907</b>	<b>(2,094,948)</b>	<b>(2,038,041)</b>

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014 FOR THE POLICE AND CRIME COMMISSIONER

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

	General Fund Balance £'000	Earmarked General Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves £'000</b>	Unusable Reserves £'000	<b>Total PCC Reserves £'000</b>
<b>As at 31 March 2013</b>	6,198	43,807	2,186	4,716	<b>56,907</b>	(2,094,948)	<b>(2,038,041)</b>
<b>Movement in reserves during 2013-14</b>							
Surplus or (deficit) on provision of services (page 20)	(247,392)	0	0	0	<b>(247,392)</b>	0	<b>(247,392)</b>
Other Comprehensive Expenditure and Income (page 20)	0	0	0	0	<b>0</b>	(1,118)	<b>(1,118)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(247,392)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(247,392)</b>	<b>(1,118)</b>	<b>(248,510)</b>
Adjustments between accounting basis & funding basis under regulations (note J.3)	258,761	0	1,210	(3,357)	<b>256,614</b>	<b>(256,614)</b>	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to</b>							
<b>Earmarked Reserves</b>	11,369	0	1,210	(3,357)	<b>9,222</b>	(257,732)	<b>(248,510)</b>
Transfers (to)/from Earmarked Reserves (note B.2)	(11,369)	11,369	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) In Year</b>	<b>0</b>	<b>11,369</b>	<b>1,210</b>	<b>(3,357)</b>	<b>9,222</b>	<b>(257,732)</b>	<b>(248,510)</b>
<b>As at 31 March 2014 carried forward</b>	<b>6,198</b>	<b>55,176</b>	<b>3,396</b>	<b>1,359</b>	<b>66,129</b>	<b>(2,352,680)</b>	<b>(2,286,551)</b>

# MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2013 FOR THE POLICE AND CRIME COMMISSIONER

This Statement shows the movement in the year on the different reserves held by the Police and Crime Commissioner, analysed into usable reserves (ie those that can be applied to fund expenditure or reduce taxation) and other reserves. The Surplus or Deficit on the provision of services line shows the true economic cost of providing the Police and Crime Commissioner's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the amounts required to be charged to the general Fund Balance for Council Tax setting. The net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Police and Crime Commissioner.

	General Fund Balance £'000	Earmarked Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves £'000</b>	Unusable Reserves £'000	<b>Total PCC Reserves £'000</b>
<b>As at 31 March 2012</b>	6,198	32,080	2,695	3,943	<b>44,916</b>	(1,957,141)	<b>(1,912,225)</b>
<b>Movement in reserves during 2012-13</b>							
Surplus or (deficit) on provision of services (page 20)	(125,652)	0	0	0	<b>(125,652)</b>	0	<b>(125,652)</b>
Other Expenditure and Income (page 20)	0	0	0	0	<b>0</b>	(164)	<b>(164)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(125,652)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(125,652)</b>	<b>(164)</b>	<b>(125,816)</b>
Adjustments between accounting basis & funding basis under regulations (note J.3)	137,379	0	(509)	773	<b>137,643</b>	<b>(137,643)</b>	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>11,727</b>	<b>0</b>	<b>(509)</b>	<b>773</b>	<b>11,991</b>	<b>(137,807)</b>	<b>(125,816)</b>
Transfers (to)/from Earmarked Reserves (note B.2)	(11,727)	11,727	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase/(Decrease) In Year</b>	<b>0</b>	<b>11,727</b>	<b>(509)</b>	<b>773</b>	<b>11,991</b>	<b>(137,807)</b>	<b>(125,816)</b>
<b>As at 31 March 2013 carried forward</b>	<b>6,198</b>	<b>43,807</b>	<b>2,186</b>	<b>4,716</b>	<b>56,907</b>	<b>(2,094,948)</b>	<b>(2,038,041)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE POLICE AND CRIME COMMISSIONER GROUP

This statement shows the accounting cost in the year to 31 March 2014 of providing services for the Group, in accordance with generally accepted accounting practices. The statement also shows the amount of funding by way of grant income. Local authorities raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement

For Year Ended 31 March 2013

Restated \*

For Year Ended 31 March 2014

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
<b>Continuing operations</b>							
112,206	(11,367)	100,839	Local Policing	105,470	(2,203)	103,267	C1
21,206	(166)	21,040	Dealing with the Public	23,736	(163)	23,573	C1
27,257	(1,552)	25,705	Criminal Justice Arrangements	24,556	(1,254)	23,302	C1
11,054	(276)	10,778	Road Policing	9,541	(1,061)	8,480	C1
18,785	(658)	18,127	Specialist Operations	21,311	(648)	20,663	C1
13,024	(193)	12,831	Intelligence	13,544	(277)	13,267	C1
79,972	(1,110)	78,862	Specialist Investigation	79,878	(2,881)	76,997	C1
8,260	(85)	8,175	Investigative Support	10,818	(97)	10,721	C1
5,668	(4,574)	1,094	National Policing	5,670	(3,189)	2,481	C1
2,519	0	2,519	Non Distributed Costs	2,339	0	2,339	
	0	0	Commissioning & Partnerships	2,756	(1,620)	1,136	H1
1,769	(46)	1,723	Corporate and Democratic Core**	2,037	0	2,037	C7
<b>301,720</b>	<b>(20,027)</b>	<b>281,693</b>	<b>Net Cost of Police Services</b>	<b>301,656</b>	<b>(13,393)</b>	<b>288,263</b>	
1,878	(30,085)	(28,207)	Other Operating Income and Expenditure	4,478	(34,881)	(30,403)	C3
102,788	(8,794)	93,994	Financing and Investment Income and Expenditure	108,013	(9,703)	98,310	C4
0	(283,193)	(283,193)	Taxation and Non-Specific Grant Income	0	(292,180)	(292,180)	C5
<b>406,386</b>	<b>(342,099)</b>	<b>64,287</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>414,147</b>	<b>(350,157)</b>	<b>63,990</b>	C2
		20	(Surplus)/Deficit on revaluation of non current assets			275	D1
		0	Deficit on revaluation of available for sale financial instruments			43	J4
		61,509	Actuarial (gains) or losses on pension assets and liabilities			184,202	J5
		<b>61,529</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>184,520</b>	
		<b>125,816</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>248,510</b>	

\* 2012-13 Comparatives have been adjusted as set out in Note A.2.

\*\* Corporate and Democratic Core covers the functions of the Former Police Authority and the OPCC

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE POLICE AND CRIME COMMISSIONER

This statement shows the accounting cost in the year to 31 March 2014 of providing services in accordance with generally accepted accounting practices for the Police and Crime Commissioner, in addition to the amount of funding by way of grant income.

For Year Ended 31 March 2013			For Year Ended 31 March 2014				
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
			<b>Continuing operations</b>				
299,949	(50,066)	249,883	Intra-group funding policing	296,863	(46,654)	250,209	A1
0	0	0	Commissioning and Partnership Working	2,756	(1,620)	1,136	H1
1,771	(46)	1,725	Corporate and Democratic Core*	2,037	0	2,037	C7
<b>301,720</b>	<b>(50,112)</b>	<b>251,608</b>	<b>Net Cost of policing services</b>	<b>301,656</b>	<b>(48,274)</b>	<b>253,382</b>	
1,878	0	1,878	Other Operating Income and Expenditure	4,478	0	4,478	C3
101,329	(7,981)	93,348	Pension interest costs - intra group funding	106,440	(9,091)	97,349	A1
1,380	(734)	646	Financing and Investment Income and Expenditure	1,573	(612)	961	C4
61,365	0	61,365	Actuarial losses on pension funds - intra-group adjustment	183,402	0	183,402	A1
0	(283,193)	(283,193)	Taxation and Non-Specific Grant Income	0	(292,180)	(292,180)	C5
<b>467,672</b>	<b>(342,020)</b>	<b>125,652</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>597,549</b>	<b>(350,157)</b>	<b>247,392</b>	
		20	(Surplus)/Deficit on revaluation of non current assets			275	D1
		0	Deficit on revaluation of available for sale financial instruments			43	J4
		144	Actuarial (gains) or losses on pension assets and liabilities			800	J5
		<b>164</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>1,118</b>	
		<b>125,816</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>248,510</b>	

\* Corporate and Democratic Core covers the functions of the former Police Authority and the PCC

## BALANCE SHEET FOR THE POLICE AND CRIME COMMISSIONER AND THE PCC GROUP

The Balance Sheet shows the value as at 31 March 2014 of the assets and liabilities recognised by the Group and the Police and Crime Commissioner. As there is no distinction between the Group and the Police and Crime Commissioners movements there is no separate statement for the Police and Crime Commissioner. The net assets of the Group (assets and liabilities) are matched by the reserves held by the Group/Police and Crime Commissioner.

PCC 31 March 2013 £'000	PCC Group 31 March 2013 £'000		PCC 31 March 2014 £'000	PCC Group 31 March 2014 £'000	Notes
<b>Long Term Assets</b>					
151,509	151,509	Property, Plant & Equipment	147,061	147,061	D1
784	784	Intangible Assets	631	631	
0	0	Long Term Investments	6,805	6,805	J1
0	0	Long Term Debtors	1,798	1,798	
<u>152,293</u>	<u>152,293</u>	<b>Total Long Term Assets</b>	<u>156,295</u>	<u>156,295</u>	
<b>Current Assets</b>					
53,389	53,389	Short Term Investments	22,041	22,041	J1
1,513	1,513	Assets Held for Sale	2,085	2,085	D2
852	852	Inventories	919	919	
13,571	13,571	Short Term Debtors	18,618	18,618	D3
2,424	2,424	Cash and Cash Equivalents	32,369	32,369	D4
<u>71,749</u>	<u>71,749</u>	<b>Total Current Assets</b>	<u>76,032</u>	<u>76,032</u>	
<b>Current Liabilities</b>					
(528)	(528)	Short Term Borrowing	(2,528)	(2,528)	J1
(17,542)	(27,235)	Short Term Creditors	(18,403)	(27,306)	D5
(1,459)	(1,938)	Provisions	(1,105)	(1,649)	D6
(9,693)	0	Short term accumulated absences - intra-group provision	(8,903)	0	
(479)	0	Short term - Chief Constables provision	(544)	0	
<u>(29,701)</u>	<u>(29,701)</u>	<b>Total Current Liabilities</b>	<u>(31,483)</u>	<u>(31,483)</u>	
<b>Long Term Liabilities</b>					
(781)	(781)	Provisions	(654)	(654)	D6
(32,778)	(32,778)	Borrowing	(30,778)	(30,778)	J1
(425)	(425)	Creditors (Lease Finance)	(250)	(250)	
0	0	Deferred Capital Receipts	(1,798)	(1,798)	
(1,157)	(118,604)	Pensions Liability - Staff	(2,129)	(126,772)	J5
0	(2,079,794)	Pensions Liability - Officers	0	(2,327,143)	J5
(2,197,241)	0	Pension liabilities - intra-group provision	(2,451,786)	0	
<u>(2,232,382)</u>	<u>(2,232,382)</u>	<b>Total Long Term Liabilities</b>	<u>(2,487,395)</u>	<u>(2,487,395)</u>	
<u>(2,038,041)</u>	<u>(2,038,041)</u>	<b>Net Liabilities</b>	<u>(2,286,551)</u>	<u>(2,286,551)</u>	
<b>Represented by</b>					
(2,094,948)	(2,094,948)	Unusable Reserves	(2,352,680)	(2,352,680)	B4
56,907	56,907	Usable Reserves	66,129	66,129	
<u>(2,038,041)</u>	<u>(2,038,041)</u>	<b>Total Reserves</b>	<u>(2,286,551)</u>	<u>(2,286,551)</u>	

Duncan Walton Treasurer for the Police and Crime Commissioner Devon and Cornwall 18 September 2014

## CASHFLOW STATEMENT FOR THE POLICE AND CRIME COMMISSIONER AND THE POLICE AND CRIME COMMISSIONER GROUP

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group and the Police and Crime Commissioner during the reporting period. As there is no distinction between the Group and the Police and Crime Commissioner for Devon and Cornwall, there is no separate Statement for the Police and Crime Commissioner. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the way the Group has managed its cash outflows against the monies received by way of grant income and from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities consist of short and long term borrowing in addition to repayment of finance lease liabilities and other payments for financing activities and are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

For Year Ended 31 March 2013 £'000		For Year Ended 31 March 2014 £'000	Note
62,753	Net (surplus) or deficit on the provision of services	63,990	
	Adjustments to net surplus or deficit on the provision of services for non-cash movements		
(71,070)	(Increase)/Decrease in Pensions Liability	(71,315)	
(6,550)	Depreciation and amortisation	(6,291)	
193	(Increase)/Decrease in Provisions	415	
(12)	Surplus/(Loss) on sales of non-current assets	(3,714)	
(1,866)	Surplus/(Loss) on revaluation of non-current assets	(764)	
(4,584)	Movement in relevant assets/liabilities	4,986	
<hr/> (21,136)	Net Cash (In flows)/Outflows from Operating Activities	<hr/> (12,693)	
28,452	Investing Activities	(17,485)	J.6 b
34	Financing Activities	233	J.6 c
<hr/> 7,350	Net (increase)/decrease in cash and cash equivalents	<hr/> (29,945)	
(9,774)	Cash and cash equivalents at the beginning of the reporting	(2,424)	
<hr/> <hr/> (2,424)	<b>Cash and cash equivalents at the end of the reporting</b>	<hr/> <hr/> (32,369)	D.4



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE POLICE AND CRIME COMMISSIONER AND THE PCC GROUP**

### **NOTE A.1: THE POLICE AND CRIME COMMISSIONER FOR DEVON AND CORNWALL AS AN ACCOUNTING ENTITY**

#### **Introduction**

Following the Police Reform and Social Responsibility Act 2011 (The Act), the Devon and Cornwall Police Authority was replaced on 22 November 2012 with two 'corporation sole' bodies, the Police and Crime Commissioner and the Chief Constable. For accounting and regulatory purposes the Police and Crime Commissioner is classed as a local authority and is covered by the CIPFA Code of Practice for Local Authority Accounting 2013-14 (the 2013-14 Code).

#### **Basis of transition**

In accordance with the 2013-14 Code, the financial results were brought into the statements of the two new bodies, the Police and Crime Commissioner for Devon and Cornwall and the Chief Constable for Devon and Cornwall, from the beginning of the year that the transfer occurred; that is from 1 April 2012. This means that the comparative figures for 2012-13 which are presented as the results for the Police and Crime Commissioner include transactions covering the period under the governance of the former Police Authority as well as transactions of the Police and Crime Commissioner.

#### **Accounting Principles**

The Police and Crime Commissioner is part of an accounting group along with the Chief Constable for Devon and Cornwall (referred to, as, the PCC Group). The accounting recognition of the Group's assets, liabilities and reserves during the first stage of transition, reflects the powers and responsibilities of the Police and Crime Commissioner and the Chief Constable as designated by The Act and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. This accounting treatment is also underpinned by the relationships as defined by local regulations, local agreement and practice.

The Police and Crime Commissioner receives all government funding and income and the Chief Constable while fulfilling his responsibilities under The Act does not hold any cash or reserves. The Police and Crime Commissioner has the responsibility for managing the financial relationships with third parties. When the Police and Crime Commissioner's resources are consumed at the request of the Chief Constable all payments are made by the Police and Crime Commissioner from the Police Fund and no cash movements occur between the two bodies.

The financial consequences of the activity under the control of the Chief Constable are shown in the Comprehensive Income and Expenditure Statement within the Chief Constable Accounts (published separately). As the Chief Constable does not hold reserves (see below), the expenditure recognised in the Chief Constable's Comprehensive Income and Expenditure Statement is offset by intra-group adjustments to reflect the payments and accruals made by the Police and Crime Commissioner at the request of the Chief Constable. The result of these adjustments is that the Chief Constable has a nil balance on his General Fund. The intra group adjustments are mirrored in the Police and Crime Commissioners Accounts.

On 22 November 2012 the assets, liabilities and reserves of the Police Authority were transferred directly to the Police and Crime Commissioner and during this first stage of transition, upto 1 April 2014, they remain under the Police and Crime Commissioner's control. All the assets and liabilities and reserves of the PCC Group (with the exception of pension liabilities and other employment related liabilities for officer and staff under the direction of the Chief Constable), are therefore, recognised on the Police and Crime Commissioner's Balance Sheet. Pension liabilities and employment related liabilities for officers and staff under the direction of the Chief Constable are recognised on the Chief Constables Balance Sheet. The liability in the Chief Constables Balance sheet for these items is offset by a long term debtor reflecting the Police and Crime Commissioner's responsibility to provide funds from the Police Fund each year to enable the Chief Constable to administer police pension and meet any liabilities in relation to accrued leave. The table below shows the movement through the intra-group accounts.

Intra-group transactions in the Comprehensive Income and Expenditure Statements	2012-13		2013-14	
	Chief Constable	Police and Crime Commissioner	Chief Constable	Police and Crime Commissioner
	£000	£000	£000	£000
Net Cost of Policing	( 249,883)	249,883	( 250,209)	250,209
Pensions Interest Cost & Pensions Top Up Grant	( 93,348)	93,348	( 97,349)	97,349
Actuarial losses on pensions funds	( 61,365)	61,365	( 183,402)	183,402
<b>Total transactions for the year</b>	<b>( 404,596)</b>	<b>404,596</b>	<b>( 530,961)</b>	<b>530,961</b>
Intra-group transactions in the Balance Sheet	Chief Constable	Police and Crime Commissioner	Chief Constable	Police and Crime Commissioner
	£000	£000	£000	£000
Chief Constable – pensions intra-group debtors *	2,197,241		2,451,786	
Chief Constable – short term intra-group debtors *	10,172		9,447	
Chief Constable – current liabilities	( 10,172)		( 9,447)	
Chief Constable – pension liabilities	( 2,197,241)		( 2,451,786)	
Police and Crime Commissioner – intra-group provision *		( 10,172)		( 9,447)
Police and Crime Commissioner – long term intra-group provision *		( 2,197,241)		( 2,451,786)
Police and Crime Commissioner – Unusable reserves		( 2,207,413)		( 2,461,233)

\* When the Balance Sheets for the two corporate bodies are consolidated into the Group Balance Sheet these intra-group transactions are eliminated.

Further information about accounting judgements with regard to this approach are contained within Note I.2.

## **NOTE A.2: BASIS OF THE PREPARATION OF THE FINANCIAL STATEMENTS, AND CHANGES IN ACCOUNTING POLICIES**

### **General Principles**

These Financial Statements have been prepared in accordance with the 2013-14 Code; the Accounts and Audit Regulations 2011; and the Service Reporting Code 2013-14 supported by International Financial Reporting Standards (IFRS).

The basis of the accounts is historical cost modified by revaluation for certain categories non-current assets. There is a glossary of accounting terms on pages 100 to 106.

This provides an overview of the basis for the preparation of the financial statements and any significant changes in accounting policy in 2013-14 and future years. The full statement of the principle accounting policies adopted is set out in Note I.1 on page 53.

### **Changes in Accounting Policies**

The adoption of the 2011 amendments to IAS 19 - Employee Benefits in the 2013-14 Code represents a change in accounting policy. The change in policy affects the charges in the Comprehensive Income and Expenditure Statement and the principle changes are:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to a discount rate;
- Renaming of actuarial gains and losses as remeasurements;
- A change in the treatment of administration expenses;
- New recognition criteria for termination benefits.

These changes have a relatively minor impact on the costs disclosed in the Comprehensive Income and Expenditure Statement; for the 2012-13 Financial Statements (included as comparatives in these Accounts). The change in policy increases the Net Cost of Police Services of the PCC Group by £86k and the Deficit on the Provision of services by £1,534k and reduces the actuarial gains on pension assets by the same amount, these two adjustments cancel each other out leaving no change in the overall Comprehensive Income and Expenditure for the year. As this is not a material change and there is no impact on the overall performance or on the net worth of the PCC Group a full disclosure of the adjustment to each line item in the financial statements has not been provided.

In accordance with the 2013-14 Code the Police and Crime Commissioner has deferred the adoption of IFRS 13 Fair Value Measurements.

The only other significant change other than the changes required by the 2013-14 Code explained above are that provisions related to employment costs of staff under the direction and control of the Chief Constable are now included on the Balance Sheet of the Chief Constable having previously been included on the single entity Balance Sheet of the Police and Crime Commissioner. The provision is matched by a long term debtor that reflects the Police and Crime Commissioner's responsibility to provide funds from the General Fund each year to cover the costs of policing.

### **Future Changes in Accounting Policies**

The Police and Crime Commissioner is required to disclose information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted. There are no new accounting standards due for adoption in 2014-15 that will impact on policies of the Police and Crime Commissioner in 2014-15.

## NOTE B.1: SUMMARY OF ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

The Group Comprehensive Income and Expenditure Statement shows the cost of providing services according to proper accounting practice. This recognises the full economic (or long term) cost of providing those services. The costs required by regulation to be charged against taxation are different and this note explains the transfers between reserves required so that the transactions in the General Fund reflect the statutory requirements.

The adjustments that are required are to:

- remove transactions required by accounting standards
- add transactions required by statute

The impact of these adjustments is set out below.

### Adjustment for the Year Ended 31 March 2014

	General Fund	Capital Reserves *	Unusable Reserves
	£'000	£'000	£'000
Net reduction in costs relating to Financing Capital Expenditure	5,726	(2,147)	3,579
Net reduction in costs relating to recognition of long term employee benefits (pensions)	71,315	0	71,315
Net increase in costs relating to recognition of council tax income	(897)	0	(897)
Net increase in costs relating to recognition of short term employee benefits (untaken leave entitlement)	(785)	0	(785)
	<u>75,359</u>	<u>(2,147)</u>	<u>73,212</u>

### Adjustment for the Year Ended 31 March 2013

	General Fund	Capital Reserves	Unusable Reserves
	£'000	£'000	£'000
Net reduction in costs relating to Financing Capital Expenditure	2,588	264	(2,852)
Net reduction in costs relating to recognition of pensions costs	72,604	0	(72,604)
Net increase in costs relating to recognition of council tax income	289	0	(289)
Net increase in costs relating to recognition of untaken leave entitlement	533	0	(533)
	<u>76,014</u>	<u>264</u>	<u>(76,278)</u>

\* Capital Reserves comprise the Capital Receipts Reserve and the Capital Grants Unapplied

A more detailed explanation is provided in Note J.3

## NOTE B.2: TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the Earmarked Reserves to provide financing for future expenditure plans and amounts posted back from earmarked reserves to meet General Fund expenditure in 2013-14.

	Balance as at 1 April 2012	Transfers Out 2012-13	Transfers In 2012-13	Balance as at 31 March 2013	Transfers Out 2013-14	Transfers In 2013-14	Balance as at 31 March 2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Helicopter Replacement Fund	500	(750)	250	0	0	0	0
Police Officer Ill Health Reserve	500	0	0	500	0	0	500
Budget Management Fund	2,016	(350)	0	1,666	(1,666)	1,505	1,505
Major Operations Reserve	2,375	0	0	2,375	0	0	2,375
Programmes & Projects Reserve	5,646	(798)	1,431	6,279	0	849	7,128
Workforce Modernisation Reserve	6,109	(575)	2,230	7,764	0	1,435	9,199
Capital Financing Reserve	4,986	(1,504)	3,727	7,209	(719)	893	7,383
Estates Development Reserve	645	(272)	207	580	0	101	681
Revenue Smoothing Fund	9,120	(450)	5,705	14,375	0	8,594	22,969
Remuneration Reserve	0	0	2,876	2,876	0	0	2,876
Transition Fund	183	(233)	233	183	(183)	0	0
Police and Crime Plan Reserve	0	0	0	0	0	560	560
<b>Total</b>	<b>32,080</b>	<b>(4,932)</b>	<b>16,659</b>	<b>43,807</b>	<b>(2,568)</b>	<b>13,937</b>	<b>55,176</b>

This note only shows transfers to/from earmarked revenue reserves. Transfers to usable capital reserves and the General Fund are shown in the Movement in Reserves Statements on pages 15 and 18.

### *The purpose of the Funds and Reserves are set out below:*

<b>Police Officer Ill Health Reserve</b>	To meet the variable one off cost of police officer ill health retirement.
<b>Budget Management Fund</b>	To hold year end under-spends for carry-forward to the following year.
<b>Major Operations Reserve</b>	To meet the costs of major policing operations.
<b>Programme &amp; Projects Reserve</b>	To fund investment in the Force Change Programme including major ICT developments.
<b>Workforce Modernisation Reserve</b>	To meet one off costs of any workforce modernisation scheme.
<b>Capital Financing Reserve</b>	To fund capital investment
<b>Estates Development Reserve</b>	To fund revenue cost of rationalising and developing the estate including planning applications, consultancy costs and project management.
<b>Revenue Smoothing Fund</b>	To smooth the impact of ongoing funding reductions as a result of the national reduction in public service spending in line with the medium term budget.
<b>Transition Fund</b>	To fund one off and short term cost of transition from the Police Authority to the Police and Crime Commissioner.
<b>Remuneration Reserve</b>	To fund one off and unpredictable employment costs.
<b>Police and Crime Plan Reserve</b>	To fund planned Police and Crime Plan Developments

## NOTE B.3: USABLE CAPITAL RESERVES

Movements on usable capital reserves 2013-14

	Capital Receipts Reserve	Capital Grants Unapplied	Total
	£'000	£'000	£'000
<b>Balance at 1 April 2012</b>	(2,695)	(3,943)	(6,638)
Proceeds of Disposals	(1,430)	0	(1,430)
Financing of fixed assets	1,939	2,143	4,082
Capital Grants Received	0	(2,916)	(2,916)
<b>Balance at 31 March 2013</b>	(2,186)	(4,716)	(6,902)
Proceeds of Disposals	(1,847)	0	(1,847)
Financing of fixed assets	637	6,108	6,745
Capital Grants Received	0	(2,751)	(2,751)
<b>Balance at 31 March 2014</b>	<b>(3,396)</b>	<b>(1,359)</b>	<b>(4,755)</b>
<b>Net Movement for 2012-13</b>	509	(773)	(264)
<b>Net Movement for 2013-14</b>	(1,210)	3,357	2,147

### Usable Capital receipts

The use of capital receipts is regulated by Part 1 of the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The receipts can only be used to finance capital expenditure or repay debt.

### Capital Grants Unapplied

This reserve contains specific grants monies where no conditions exist or whose conditions have been satisfied and where the related expenditure has not yet been incurred.

## NOTE B.4: UNUSABLE RESERVES

As at 31 March 2013 £'000		As at 31 March 2014 £'000
20,393	Revaluation Reserve	18,864
91,180	Capital Adjustment Account	88,855
(2,198,398)	Pensions Reserve	(2,453,915)
1,583	Collection Fund Adjustment Account	2,480
(9,706)	Short Term Accumulated Absences Account	(8,921)
0	Available for Sale Financial Instruments Reserve	(43)
(2,094,948)	<b>Total Unusable Reserves</b>	<b>(2,352,680)</b>

Further information on movement in unusable reserves are provided in Note J.4 on page 74.

## **NOTE C.1: EXPLANATION OF THE EXPENDITURE HEADINGS IN THE NET COST OF POLICE SERVICES**

The Comprehensive Income and Expenditure Statement for the Police and Crime Commissioner Group has eleven main expenditure headings. The first nine of the headings relate to Force activities and further detail on the expenditure included within these headings is provided below.

### **Local Policing**

- Neighbourhood policing
- Incident (response) management
- Specialist community liaison
- Local command team and support overheads

### **Dealing with the Public**

- Local call centres/front desk
- Central communications unit
- Contact Management units
- Dealing with the public command team and support overheads

### **Criminal Justice Arrangements**

- Custody
- Criminal justice
- Police National Computer (PNC)
- Criminal Records Bureau (CRB)
- Coroner assistance
- Fixed penalty scheme (central ticket office)
- Property officer/stores
- Criminal justice arrangements command team and support overheads

### **Road Policing**

- Traffic units
- Traffic wardens/police community support officers-traffic
- Vehicle recovery
- Casualty reduction partnership
- Road policing command team and support overheads

### **Specialist Operations**

- Air operations
- Mounted police
- Specialist terrain
- Dogs section
- Level 1 advanced public order
- Airport and ports policing unit
- Firearms unit
- Civil contingencies and planning
- Central operations command team and support overheads

### **Intelligence**

- Intelligence analysis/threat assessments
- Intelligence gathering
- Central intelligence command team and support overheads

### **Specialist Investigation**

- Major investigation unit
- Economic crime (including regional asset recovery team)
- Specialist investigation units
- Serious and organised crime unit
- Public protection
- Local investigation/prisoner processing

## Crime support command team and support overheads

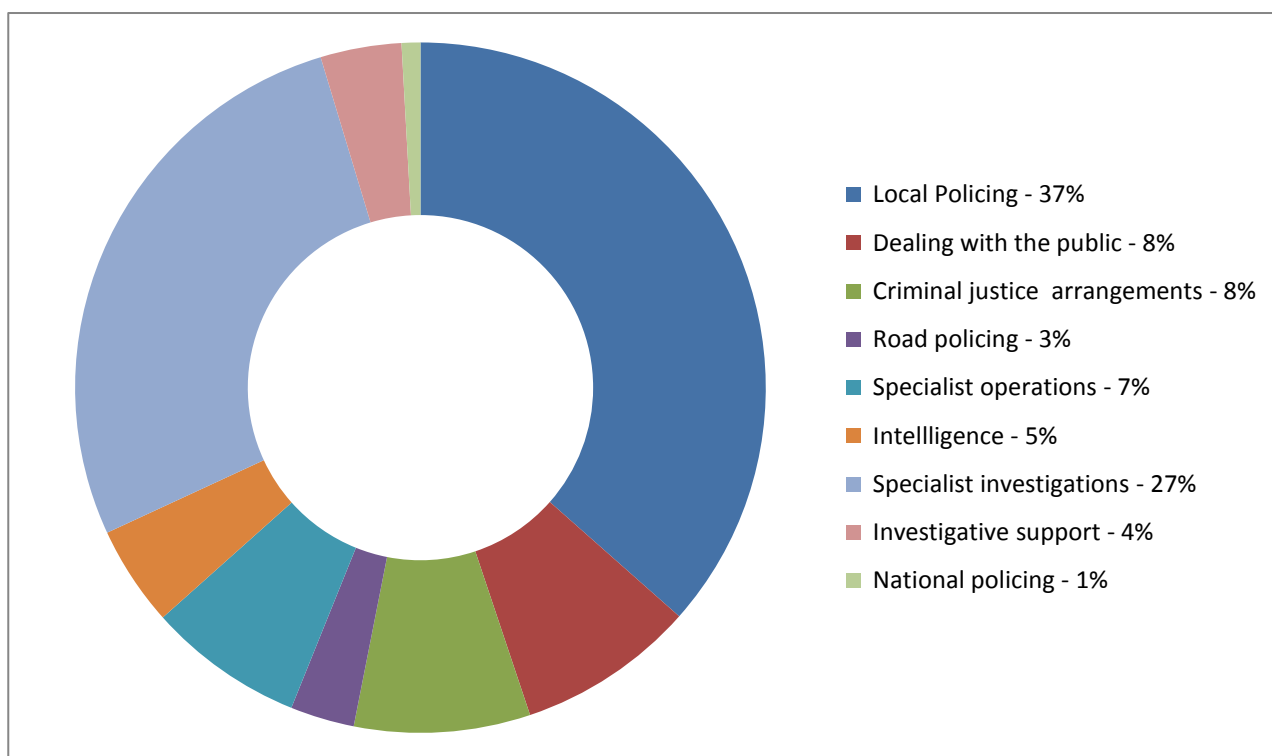
### Investigative Support

Scenes of crime officers  
External forensic costs  
Fingerprint/internal forensic costs  
Photographic image recovery  
Other forensic services  
Investigative support command team and support overheads

### National Policing

Secondments (out of force)  
Counter-terrorism/Special Branch  
ACPO projects/initiatives  
Hosting national services  
Other national policing requirements

### Net Service Expenditure per Service Heading as a Percentage of Total Net Service Expenditure





## NOTE C.2: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The table below shows the Income and Expenditure for 2013-14 and 2012-13 as reported to the Police and Crime Commissioner's Joint Management Board.

### Income and Expenditure Reported to Management

	Outturn Spend 2012-13	Outturn Spend 2013-14
	£'000	£'000
Police Officer Costs	165,541	158,588
Police Staff Costs	64,351	66,201
Change Costs	49	78
Training	569	1,109
Major Operations	690	706
Premises	9,980	12,014
Contract Based	16,712	19,190
Transport	6,526	5,762
Legal	903	1,162
Partnerships & Regional Initiatives	3,023	3,625
Pensions	2,196	2,182
Specific Grants	(10,836)	(3,563)
Income	(6,631)	(6,544)
All other budget costs	10,674	9,458
<b>Net Force Expenditure</b>	<b>263,747</b>	<b>269,968</b>
Treasury Management	1,914	2,267
Police Authority & Police and Crime Commissioner	1,673	1,933
Support for Collection of Council Tax	0	16
Commissioning and Partnership Working	0	2,740
<b>Total Net Expenditure</b>	<b>267,334</b>	<b>276,924</b>
Contributions to / from earmarked reserves	13,231	11,608
<b>Overall Outturn Position</b>	<b>280,565</b>	<b>288,532</b>

Management reports reflect the statutory requirement to charge income and expenditure to the General Fund, whereas the Comprehensive Income and Expenditure Account is prepared according to Generally Accepted Accounting Practice. The difference in the two accounting bases is set out below:

	Income and Expenditure Reported to Management	Comprehensive Income and Expenditure Statement
Capital Expenditure	Capital investment accounted for on a cashflow basis as it occurs	Capital investment accounted for as it is consumed with depreciation, revaluation and impairment losses charged to services
Retirement Benefits	Cost of retirement benefits based on cashflows (payment of employers pension contributions)	Current Service cost of benefits accrued in year
Support Services	Budgeted for centrally	Charged to services

The following reconciliations demonstrate the difference between the outturn position reported to management and the surplus/deficit on the provision of services in the Group Comprehensive Income and Expenditure Statement

**Reconciliation of Income and Expenditure reported to the Police and Crime Commissioner to the Surplus on the Provision of Services in the Group Comprehensive Income and Expenditure Statement by Subjective Heading**

**For the Year Ended 31 March 2014**

	Reported to management	Not included in report to management*	Not included Income and Expenditure Account	Total
	£'000	£'000	£'000	£'000
Fees, charges & other service income	(10,533)	0	0	(10,533)
Government grants and contributions	(201,756)	(37,632)	0	(239,388)
Income from council tax	(90,093)	(897)	0	(90,990)
<b>Total Income</b>	<b>(302,382)</b>	<b>(38,529)</b>	<b>0</b>	<b>(340,911)</b>
Employee expenses	232,961	105,411	0	338,372
Other service expenses	55,773	0	(13)	55,760
Minimum Revenue Provision	1,560	0	(1,560)	0
Depreciation, amortisation and impairment	0	6,291	0	6,291
Loss on the disposal/revaluation of non Current assets	0	4,478	0	4,478
<b>Total Operating Expenses</b>	<b>290,294</b>	<b>116,180</b>	<b>(1,573)</b>	<b>404,901</b>
<b>Net Operating Income</b>	<b>(12,088)</b>	<b>77,651</b>	<b>(1,573)</b>	<b>63,990</b>
Transfer to reserves	12,088	0	(12,088)	0
<b>Surplus on Provision of Services</b>	<b>0</b>	<b>77,651</b>	<b>(13,661)</b>	<b>63,990</b>

**For the Year Ended 31 March 2013**

(Provided for comparative purposes)

	Reported to management	Not included in report to management*	Not included Income and Expenditure Account	Total
	£'000	£'000	£'000	£'000
Fees, charges & other service income	(9,370)	0	0	(9,370)
Government grants and contributions	(192,185)	(33,001)	0	(225,186)
Income from council tax	(99,770)	288	0	(99,482)
<b>Total Income</b>	<b>(301,325)</b>	<b>(32,713)</b>	<b>0</b>	<b>(334,038)</b>
Employee expenses	236,974	103,223	0	340,197
Other service expenses	49,700	0	0	49,700
Minimum Revenue Provision	1,420	0	(1,420)	0
Depreciation, amortisation and impairment	0	6,550	0	6,550
Loss on the disposal/revaluation of non current assets	0	1,878	0	1,878
<b>Total Operating Expenses</b>	<b>288,094</b>	<b>111,651</b>	<b>(1,420)</b>	<b>398,325</b>
<b>Net Operating Income</b>	<b>(13,231)</b>	<b>78,938</b>	<b>(1,420)</b>	<b>64,287</b>
Transfer to reserves	13,231	0	(13,231)	0
<b>Surplus on Provision of Services</b>	<b>0</b>	<b>78,938</b>	<b>(14,651)</b>	<b>64,287</b>

\*These are items that are excluded by regulation from the costs to be charged against taxation

### NOTE C.3: OTHER OPERATING INCOME AND EXPENDITURE

For Year Ended 31 March 2013			For Year Ended 31 March 2014		
PCC £'000	Group £'000		PCC £'000	Group £'000	
<b>Expenditure</b>					
12	12	Net (Surplus) /Deficit from sale of non-current assets	3,714	3,714	
1,866	1,866	Loss on revaluation of non-current assets	764	764	
1,878	1,878	Total Expenditure	4,478	4,478	
<b>Income</b>					
0	(30,085)	Pensions Top Up Grant	0	(34,881)	
0	(30,085)	Total Income	0	(34,881)	
1,878	(28,207)	Net Expenditure	4,478	(30,403)	

### NOTE C.4: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

For Year Ended 31 March 2013			For Year Ended 31 March 2014		
PCC £'000	Group £'000		PCC £'000	Group £'000	
1,330	1,330	Interest payable	1,329	1,329	
		Pensions interest cost			
129	13,179	- Police Staff Scheme (Funded)	244	14,524	
0	88,279	- Police Officer Scheme (Unfunded)	0	92,160	
1,459	102,788	Total Expenditure	1,573	108,013	
(734)	(734)	Interest and investment income	(457)	(457)	
		Expected return on pension assets			
(79)	(8,060)	- Police Staff Scheme (Funded)	(155)	(9,246)	
(813)	(8,794)	Total Income	(612)	(9,703)	
646	93,994	Net Expenditure	961	98,310	

### NOTE C.5: TAXATION AND NON SPECIFIC GRANT INCOME

For Year Ended 31 March 2013			For Year Ended 31 March 2014		
PCC £'000	Group £'000		PCC £'000	Group £'000	
(180,795)	(180,795)	Non ring-fenced government grants	(198,439)	(198,439)	
(2,916)	(2,916)	Recognised capital grants and contributions	(2,751)	(2,751)	
(183,711)	(183,711)		(201,190)	(201,190)	
(99,482)	(99,482)	Council Tax *	(90,990)	(90,990)	
(283,193)	(283,193)		(292,180)	(292,180)	

\* Council tax income has declined due to the introduction of new arrangements to support low income council tax payers as described in paragraph 3.3 of the Foreword

## NOTE C.6: GRANT INCOME

The Police and Crime Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	Year Ended 31 March 2013		Year Ended 31 March 2014	
	£'000	£'000	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>				
Police Grant	(110,454)		(114,024)	
Department of Communities and Local Government	(1,338)		(68,948)	
Non Domestic Rates	(69,003)		0	
Council Benefit and Council Tax Support Grants	0		(15,467)	
		(180,795)		(198,439)
Recognised Capital grant and contributions		(2,916)		(2,751)
<b>Total</b>		<b>(183,711)</b>		<b>(201,190)</b>
<b>Credited to Services</b>				
Community Safety Grant		0		(1,604)
PCSO Grant		(7,569)		0
Counter Terrorism		(1,516)		(1,590)
G8 Funding		0		(409)
Other Local Grants		(128)		(50)
Other minor grants		(2,177)		(72)
<b>Total</b>		<b>(11,390)</b>		<b>(3,725)</b>
<b>Credited to other Operating Expenditure</b>				
Pensions Top Up Grant		<b>(30,085)</b>		<b>(34,881)</b>

## NOTE C.7: OPCC COSTS INCLUDING MEMBERS ALLOWANCES

Year Ended 31 March 2013		Year Ended 31 March 2014	
£'000		£'000	
199	Members allowances and expenses	0	
0	Committee Members	6	
40	Police and Crime Commissioner	124	
769	Statutory and other OPCC staff	996	
711	Other costs	810	
(46)	Income	(3)	
<b>1,673</b>	<b>Sub-total</b>	<b>1,933</b>	<b>*</b>
<b>50</b>	<b>Pension costs</b>	<b>104</b>	
<b>1,723</b>		<b>2,037</b>	

\* Includes £183k transition costs

## NOTE C.8: EXTERNAL AUDIT COSTS

The audit fee payable to Grant Thornton UK LLP during the year ended 31 March 2014 totalled £73k for the Group, while the portion relating to the Police and Crime Commissioner is £48k.

Year Ended 31 March 2013			Year Ended 31 March 2014	
£'000 PCC	£'000 Group		£'000 PCC	£'000 Group
54	79	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	48	73
0	0	Other services provided by external auditor	0	0
(7)	(11)	Less rebate received in 2013-14		
<u>47</u>	<u>68</u>		<u>48</u>	<u>73</u>

The 2012-13 audit fee has been retrospectively adjusted to reflect a rebate received in 2013-14 and accounted for as part of the 2013-14 expenditure within the Comprehensive Income and Expenditure Statement.

## NOTE D.1 : PROPERTY, PLANT AND EQUIPMENT

### (a) Movements on Balances in 2013-14

Cost or Valuation	Operational and Non-Operational Assets		Assets under Construction		Total
	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	£'000
<b>At 1 April 2013</b>	<b>143,486</b>	<b>30,116</b>	<b>4,076</b>	<b>1,910</b>	<b>179,588</b>
Additions	1,223	1,664	1,852	4,123	<b>8,862</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(540)	0	0	0	<b>(540)</b>
Derecognition-Disposals	0	(10,057)	0	0	<b>(10,057)</b>
Derecognition-Other	0	0	0	0	<b>0</b>
Assets re-classified (to)/from Held for Sale	(1,941)	0	(5)	0	<b>(1,946)</b>
Other reclassification	894	4,763	(894)	(4,763)	<b>0</b>
<b>At 31 March 2014</b>	<b>143,122</b>	<b>26,486</b>	<b>5,029</b>	<b>1,270</b>	<b>175,907</b>
<b>Accumulated Depreciation and Impairments</b>					
<b>At 1 April 2013</b>	<b>(10,443)</b>	<b>(17,636)</b>	<b>0</b>	<b>0</b>	<b>(28,079)</b>
Depreciation Charge	(2,832)	(3,307)	0	0	<b>(6,139)</b>
Depreciation written out to the Revaluation Reserve	265	0	0	0	<b>265</b>
Derecognition-Disposals	0	4,924	0	0	<b>4,924</b>
Derecognition-Other	0	0	0	0	<b>0</b>
Assets re-classified (to)/from Held for Sale	183	0	0	0	<b>183</b>
<b>At 31 March 2014</b>	<b>(12,827)</b>	<b>(16,019)</b>	<b>0</b>	<b>0</b>	<b>(28,846)</b>
<b>Net Book Value</b>					
<b>At 31 March 2014</b>	<b>130,295</b>	<b>10,467</b>	<b>5,029</b>	<b>1,270</b>	<b>147,061</b>
<b>At 31 March 2013</b>	<b>133,043</b>	<b>12,480</b>	<b>4,076</b>	<b>1,910</b>	<b>151,509</b>

**(b) Movements on Balances in 2012-13 (included for comparative purposes)**

	<b>Operational and Non-Operational Assets</b>		<b>Assets under Construction</b>		<b>Total</b>
	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	
<b>Cost or Valuation</b>	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2012</b>	<b>139,519</b>	<b>27,854</b>	<b>3,529</b>	<b>1,677</b>	<b>172,579</b>
Additions	389	3,310	4,727	1,225	<b>9,651</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(20)	0	0	0	<b>(20)</b>
Derecognition-Disposals	0	(2,040)	0	0	<b>(2,040)</b>
Derecognition-Other	0	0	0	0	<b>0</b>
Assets re-classified (to)/from Held for Sale	(582)	0	0	0	<b>(582)</b>
Other reclassification	4,180	992	(4,180)	(992)	<b>0</b>
<b>At 31 March 2013</b>	<b>143,486</b>	<b>30,116</b>	<b>4,076</b>	<b>1,910</b>	<b>179,588</b>
<b>Accumulated Depreciation and Impairments</b>					
<b>At 1 April 2012</b>	<b>(7,549)</b>	<b>(16,207)</b>	<b>0</b>	<b>0</b>	<b>(23,756)</b>
Depreciation Charge	(2,955)	(3,451)			<b>(6,406)</b>
Derecognition-Disposals	0	2,022	0	0	<b>2,022</b>
Derecognition-Other	0	0	0	0	<b>0</b>
Assets re-classified (to)/from Held for Sale	61	0	0	0	<b>61</b>
<b>At 31 March 2013</b>	<b>(10,444)</b>	<b>(17,636)</b>	<b>0</b>	<b>0</b>	<b>(28,079)</b>
<b>Net Book Value</b>					
<b>At 31 March 2013</b>	<b>133,042</b>	<b>12,480</b>	<b>4,076</b>	<b>1,910</b>	<b>151,509</b>
<b>At 31 March 2012</b>	<b>131,970</b>	<b>11,647</b>	<b>3,529</b>	<b>1,677</b>	<b>148,823</b>

### **(c) Surplus Assets**

The Police and Crime Commissioner has entered into a conditional contract to sell a significant portion of the HQ site at Middlemoor and a non-returnable deposit received. A number of significant sale conditions are still to be fully delivered and this asset is still in use and has not therefore been classified as surplus. All properties that are not being used or are being used but have sale contracts agreed and don't have any outstanding sale conditions, meet the criteria to be classified as Held for Sale. For this reason no properties are classified as surplus as at 31 March 2014.

### **(d) Depreciation**

The following useful lives and approaches to depreciation have been used to calculate depreciation charges:

#### **Land and Buildings**

The asset lives for individual buildings are assessed by the valuer, asset lives are within the range 15 – 80 years.

#### **Vehicles**

Classes of vehicle are given specific asset lives these are within the range 3-8 years. Vehicles are depreciated monthly over the forecast useful life of the vehicle and the depreciation in the first year will reflect the number of months that the vehicle has been registered.

#### **Information and Communication Technology (ICT)**

Classes of ICT assets are given specific asset lives these are within the range 2-10 years. ICT assets are depreciated monthly.

All depreciation is calculated on a straight-line basis.

### **(e) Significant Capital Commitments**

As at 31 March 2014 the Police and Crime Commissioner had significant capital commitments of £2,987k in relation to property projects, equipment and vehicles. Similar commitments at 31 March 2013 were £1,789k.

### **(f) Revaluations**

Land and buildings are re-valued by a qualified external valuer every five years. This was last done as at 1 April 2009 with the next valuation due to take place towards the end of 2014. Valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Each year the external valuer undertakes a review to identify any significant impairments or any other significant change in the valuation of assets.

### **(g) Asset Transfers**

On the 1 July the Force helicopter was transferred to the National Police Air Service (NPAS), in compensation for the transfer NPAS will pay the Police and Crime Commissioner a series of capital payments over a 12 year period until 2025. A deferred capital credit and matching debtor of £1.798m are included on the Balance Sheet.



## NOTE D.2: NON CURRENT ASSETS HELD FOR SALE

As at 31 March 2013 £'000		As at 31 March 2014 £'000
	Balance outstanding at start of year	
4,282	Helicopter/Property Assets	1,513
	Assets newly classified as held for sale	
521	Property Assets	1,764
	Revaluation decreases on assets classified as held for sale	
	Property Assets	
(1,866)	- Charged to Surplus/Deficit on Provision of service	(764)
	Assets Sold	
(1,424)	Helicopter/Property Assets	(428)
<u>1,513</u>	Balance outstanding at year end	<u>2,085</u>

During 2013-14 two properties have been classed as held for sale. These are in addition to a property which was classed as held for sale in 2011-12 and remains as held for sale as at 31st March 2014. The Police and Crime Commissioner has approved the disposal of four property assets in 2013-14. All properties are vacant and sales are expected to be concluded within the next twelve months.

## NOTE D.3: SHORT TERM DEBTORS

Sundry debtors arise from invoices raised by the Police and Crime Commissioner before 31 March 2014 but not actually paid until the new financial year.

As at 31 March 2013 £'000		As at 31 March 2014 £'000
6,160	Central government bodies	10,976
2,319	Other local authorities	2,655
28	NHS bodies	92
5,064	Other entities and individuals	4,895
<u>13,571</u>	Total Debtors	<u>18,618</u>

## NOTE D.4: CASH AND CASH EQUIVALENTS

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

As at 31 March 2013 £'000		As at 31 March 2014 £'000	
		<b>Current Assets</b>	
21	Cash held by the PCC	13	
75	Bank Current Accounts (deposit)	65	
2,328	Short-term deposits	32,291	
<u>2,424</u>	Total Cash and Cash Equivalents	<u>32,369</u>	
		<b>Current Liabilities</b>	
0	Bank Current Accounts (overdraft)	0	
<u>0</u>	Total Cash and Cash Equivalents	<u>0</u>	
<u>2,424</u>	Net Cash and Cash Equivalents	<u>32,369</u>	

## NOTE D5: CREDITORS

These are amounts owed by the Police and Crime Commissioner as at 31 March 2014 but not actually paid until after that date. Like debtors, the figure in the balance sheet depends very much on the timing of regular monthly payments to suppliers and for PAYE etc. The total is made up as follows:

As at 31 March 2013			As at 31 March 2014		
PCC £'000	Group £'000		PCC £'000	Group £'000	
4,741	4,741	Central government bodies	6,138	6,138	
559	559	Other local authorities	853	853	
1	1	NHS Bodies	5	5	
12,241	21,934	Other entities and individuals	11,406	20,310	
<u>17,542</u>	<u>27,235</u>	Total Creditors	<u>18,402</u>	<u>27,306</u>	

## NOTE D.6: PROVISIONS

All provisions are held by the Police and Crime Commissioner. The table below therefore, shows the balances for the Police and Crime Commissioner single entity accounts and the Group.

### Group

<b>For Year Ended 31 March 2014</b>	<b>Insurance £'000</b>	<b>Remuneration £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
<b>Current Liabilities</b>				
<b>Balance as at 31 March 2013</b>	627	479	832	1,938
Additional provisions made in 2013-14	252	250	0	502
Transfer from long term liabilities	626	0	0	626
Amounts used in 2013-14	(770)	(185)	(462)	(1,417)
<b>Balance at 31 March 2014</b>	735	544	370	1,649
<b>Long Term Liabilities</b>				
<b>Balance as at 31 March 2013</b>	781	0	0	781
Additional provisions made in 2013-14	499	0	0	499
Transfer to current liabilities	(626)	0	0	(626)
<b>Balance at 31 March 2014</b>	654	0	0	654
<b>Total Provisions as at 31 March 2014</b>	1,389	544	370	2,303
<b>For Year Ended 31 March 2013 (provided for comparative purposes)</b>	<b>Insurance £'000</b>	<b>Remuneration £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
<b>Current Liabilities</b>				
<b>Balance as at 31 March 2012</b>	626	1,111	674	2,411
Additional provisions made in 2012-13	0	379	347	726
Transfer from long term liabilities	502	0	0	502
Amounts used in 2012-13	(501)	(1,011)	(189)	(1,701)
<b>Balance at 31 March 2013</b>	627	479	832	1,938
<b>Long Term Liabilities</b>				
<b>Balance as at 31 March 2012</b>	500	0	0	500
Additional provisions made in 2012-13	783	0	0	783
Transfer to current liabilities	(502)	0	0	(502)
<b>Balance at 31 March 2013</b>	781	0	0	781
<b>Total Provisions as at 31 March 2013</b>	1,408	479	832	2,719

## Police and Crime Commissioner

### For Year Ended 31 March 2014

	Insurance £'000	Remuneration £'000	Other £'000	Total £'000
<b>Current Liabilities</b>				
<b>Balance as at 31 March 2013</b>	627	0	832	1,459
Additional provisions made in 2013-14	252	0	0	252
Transfer from long term liabilities	626	0	0	626
Amounts used in 2013-14	(770)	0	(462)	(1,232)
<b>Balance at 31 March 2014</b>	735	0	370	1,105

### Long Term Liabilities

<b>Balance as at 31 March 2013</b>	781	0	0	781
Additional provisions made in 2013-14	499	0	0	499
Transfer to current liabilities	(626)	0	0	(626)
<b>Balance at 31 March 2014</b>	654	0	0	654

<b>Total Provisions as at 31 March 2014</b>	1,389	0	370	1,759
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### For Year Ended 31 March 2013 (provided for comparative purposes)

	Insurance £'000	Remuneration £'000	Other £'000	Total £'000
<b>Current Liabilities</b>				
<b>Balance as at 31 March 2012</b>	626	0	674	1,300
Additional provisions made in 2012-13	0	0	347	347
Transfer from long term liabilities	502	0	0	502
Amounts used in 2012-13	(501)	0	(189)	(690)
<b>Balance at 31 March 2013</b>	627	0	832	1,459

### Long Term Liabilities

<b>Balance as at 31 March 2012</b>	500	0	0	500
Additional provisions made in 2012-13	783	0	0	783
Transfer to current liabilities	(502)	0	0	(502)
<b>Balance at 31 March 2013</b>	781	0	0	781

<b>Total Provisions as at 31 March 2013</b>	1,408	0	832	2,240
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### Insurance Provision

The Police and Crime Commissioner is uninsured for the first £0.1m of each public and employers liability claim up to a total stop loss of £0.8m for claims. The insurance provision is to cover any claims from 2013-14 and previous years. The majority of payments from the provision are expected to be made over the next five years. An assessment of liabilities as at 31 March 2014 has been undertaken and the provision has been increased to a level estimated to be sufficient to meet all the forecast obligations.

### Remuneration Provision

1. Meeting the cost of known contractual pay claims; the current level of the provision is estimated to be sufficient to meet known claims. These payments are expected to be made in 2014-15.
2. Meeting the cost of untaken leave according to an agreement reached with police officers. Payment to be made in early 2014-15.

### Other Provisions

1. To cover the legal costs relating to claims by retired former officers resulting from the A19 policy. These payments are expected to be made in 2014-15
2. To meet the dilapidation costs of buildings following the disposal of leases or outstanding rent review back payments. These payments are expected to be made in 2014-15
3. To meet the cost of re-testing forensic submissions. These payments are expected to be made in 2014-15
4. To meet the contractual cost of payments relating to external procurement support. These payments are expected to be made in 2014-15

## **NOTE D.7: CONTINGENT LIABILITIES**

The Police and Crime Commissioner is currently undertaking a job evaluation exercise to establish a fair and equitable grading structure. The planned implementation date of the new grading scheme is summer 2014. A reserve has been established to fund any one off impact of the new pay structure; it is unclear at present whether this reserve will be adequate. The level of uncertainty is too high for a reliable estimate of any potential liability arising from historic pay inequality to be calculated.

For the period April 2011 to September 2012 the former Police Authority had a policy to require police officers to retire once they reached 30 years of service. A number of officers have made claims for compensation through an employment tribunal. The position is unresolved and is currently the subject of an appeal to the Employment Appeals Tribunal. As with the previous liability, the level of uncertainty is too high for a reliable estimate to be calculated. The timescale is dependent on the progress of the litigation.

Three police officers have made claims for compensation in relation to alleged historical underpayment of overtime. These claims are dependent on an interpretation of the Police Regulations that is at odds with current practice and the civil courts have provided an interpretation of the regulations that support the three claims. For this reason the Police and Crime Commissioner has obtained permission from the Court of Appeal to appeal the judgement. A provision has been made in the 2013-14 accounts in relation to the claims of the three officers, however should the appeal be unsuccessful this may prompt further claims. It is not possible to quantify this liability as the number and value of potential claims is unclear. Timescales are dependent on the progress of the litigation.

The Police and Crime Commissioner is a creditor under the Municipal Mutual Insurance Scheme of Arrangement. This scheme requires that creditors should pay a levy equal to a portion of the claims paid out on their behalf in order to achieve a solvent run off. In 2013-14 the administrators imposed a levy of 15% which was paid by the Police and Crime Commissioner. Modelling by the administrator indicates that the total levy could amount to up to 28%. If the final total levy were to be at this level further charges in the region of £180k would be imposed. This matter is not expected to be resolved within the next twelve months.

The Police and Crime Commissioner is undertaking an estate rationalisation programme and as part of that programme some leases will not be renewed. Dilapidations claims may be received as the result of termination of the contracts. These claims are not judged to be significant in terms of the overall value of the Police and Crime Commissioner accounts. These matters are expected to be resolved over the four year time period of the Medium Term Financial Strategy.

## NOTE E.1: PENSIONS

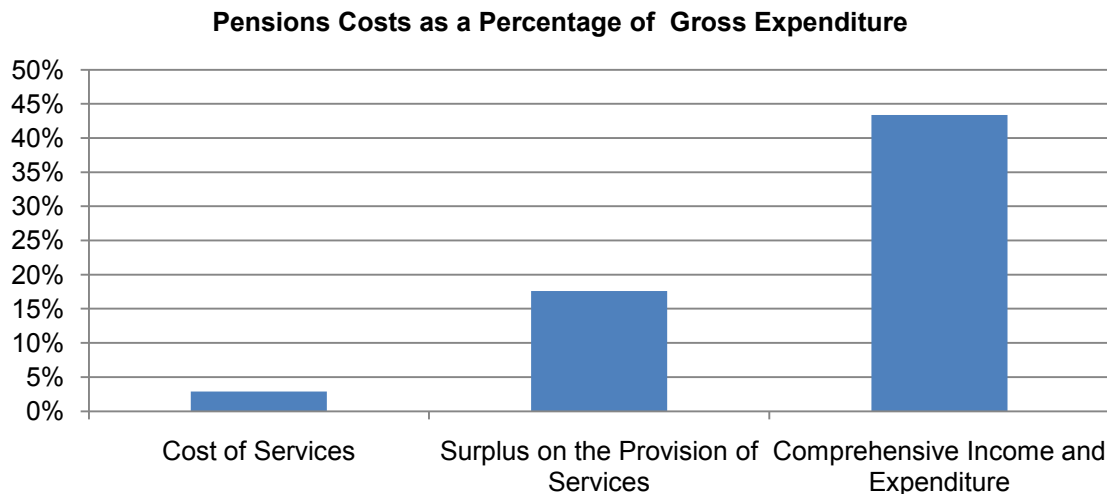
Accounting practice (IAS 19) requires the Police and Crime Commissioner to account for the full cost of future retirement benefits as they are earned by employees. The full cost of paying all future benefits to existing pensioners and current employees as at 31 March 2014 is shown on the Balance Sheet as a liability and the annual change in the level of this liability is reflected in the Comprehensive Income and Expenditure Statement.

Although the Group recognises the full actuarially assessed cost of pensions in the Financial Statements the charge the Group is required to make against council tax is based on the cash payable in the year, so the real cost of post employment /retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The table below shows the additional costs over and above those required to be met from taxation that are charged to the Comprehensive Income and Expenditure Statement and the reversing entry in the Movement in Reserves Statement.

	Year Ended 31 March 2013 £'000	Year Ended 31 March 2014 £'000
<b>Pensions Charges in the Group Comprehensive Income and Expenditure Statement</b>		
Current costs of pensions charged to the Net Cost of Services	47,860	46,116
Actual amount charged to the General Fund	<u>(38,569)</u>	<u>(37,358)</u>
Charged to costs of services	9,291	8,758
Financing and Investment Income	93,398	97,438
Home Office Top Up Grant	<u>(30,085)</u>	<u>(34,881)</u>
Charged to Surplus/Deficit on the Provision of Services	72,604	71,315
Remeasurements arising from changes in experience and changes in actuarial assumptions charged to Other Comprehensive Income and Expenditure	61,510	184,202
Charged to the Comprehensive Income and Expenditure Statements	<u>134,114</u>	<u>255,517</u>
Reversing entry in Movement in Reserves	(134,114)	(255,517)
<b>Balance Sheet</b>		
Pensions Liability - Police Officers	(2,079,794)	(2,327,143)
Pensions Liability - Police Staff	(118,604)	(126,772)
Pensions Reserves	2,198,398	2,453,915

The pension costs and balances are estimated by specialist actuaries and the assumptions used by the actuaries and full disclosure of costs and liabilities are shown in note J.5.

The graph below shows that the portion of gross expenditure is accounted for by pension costs according to the various sub totals presented in the Comprehensive Income and Expenditure Statement.



The main reasons that the pensions earned by employees are more than the amount that the Police and Crime Commissioner Group is required to charge against taxation are:

- (a) pensions interest cost which recognises the increase during the period of the present value of future pension payments which occurs because the pension payments are one year closer to payment
- (b) actuarial losses - these arise when the assumptions used by the actuary vary in such a way as to increase the long term liabilities arising from the pension obligations

It is government policy to halt the recent rise in the costs of public sector pensions and for this reason changes have been made to the Local Government Pensions Scheme as at 1 April 2014. These changes are aimed at stemming the increase in the long term liabilities for pensions and include the introduction of career average pensions. The government is also consulting on changes to the administration of pension funds which are aimed at increasing efficiency of the administration and hence reducing costs. Increased pension contributions for police officers phased over three years were introduced from 1 April 2012 and further changes will be made to the police officer pension scheme from the 1 April 2015. These changes are aimed at capping the contribution of employers to the scheme and over the long term this should have the impact of reducing the long term liabilities.

## NOTE F.1: CAPITAL EXPENDITURE AND FINANCING

Within its three-year financial planning model, the Police and Crime Commissioner approves an annual capital programme to provide and maintain buildings, vehicles and other equipment for the Force. The report below shows what was spent and how the spending was financed.

Year Ended 31 March 2013 £'000		Year Ended 31 March 2014 £'000      £'000	
39,376	Opening capital financing requirement		42,234
<b>Capital Investment:</b>			
5,116	Land and buildings	3,075	
2,153	Vehicles & other transport	4,140	
<u>2,382</u>	Equipment & ICT related	<u>1,647</u>	
9,651		8,862	
<u>213</u>	Intangible Assets	<u>0</u>	
9,864			8,862
<b>Less Sources of Finance:</b>			
(2,143)	Government grants	(6,109)	
(1,939)	Capital receipts	(637)	
<u>(2,924)</u>	Reserves, provisions and MRP	<u>(2,291)</u>	
(7,006)			(9,037)
<u>2,858</u>	Increase in capital financing requirement for the year		<u>(175)</u>
<u>42,234</u>	Closing capital financing requirement for the year		<u>42,059</u>
<b>Represented by:</b>			
Underlying need to borrow can be analysed as follows:			
32,778	External Borrowing (cumulative) excluding accruals for interest due	32,778	
8,866	Internal Borrowing	8,856	
<u>590</u>	Finance Lease Liabilities	<u>425</u>	
42,234		42,059	
<b>Borrowing During the Year</b>			
0	External Borrowing	0	
2,268	Internal Borrowing	(10)	
<u>590</u>	Finance Lease	<u>(165)</u>	
2,858		(175)	
0	Supported by Government financial assistance	0	
2,268	Unsupported by Government financial assistance	(10)	
<u>590</u>	Assets acquired under finance leases	<u>(165)</u>	
<u>2,858</u>		<u>(175)</u>	



## NOTE G.1: OFFICERS' REMUNERATION FOR YEAR ENDED 31 MARCH 2014

This note shows the officer remuneration costs for the Office of the Police and Crime Commissioner (OPCC) for Devon & Cornwall and for the Chief Constable for Devon & Cornwall Police.

The Police and Crime Commissioner (PCC) is an elected official and is excluded from this note. The salary and expenses of the PCC are published on the PCC's website. <http://www.devonandcornwall-pcc.gov.uk/About-Us/What-We-Spend/PCC-expenses.aspx>

Post Holder Information	Note	Salary (Including fees & allowances) £	Bonuses £	Subsistence & Expense Allowances £	Benefits in Kind £	Total Remuneration excl. Pension contributions 2013-14 £	Employers Pension Contributions £	Total Remuneration including Pension Contributions 2013-14 £
<b><u>Office of Police &amp; Crime Commissioner</u></b>								
<b><u>Salary £150,000 plus per year</u></b>								
OPCC Chief Executive	1	207,548	-	16,799	-	224,347	33,821	258,168
<b><u>Salary £50,000 to £149,999 per year</u></b>								
OPCC Chief Executive	2	42,688	-	-	-	42,688	-	42,688
OPCC Treasurer	3	101,439	-	-	-	101,439	16,332	117,771
<b><u>Chief Constable</u></b>								
<b><u>Salary £150,000 plus per year</u></b>								
Chief Constable – Shaun Sawyer		161,051	-	8,897	8,666	178,614	36,807	215,421
<b><u>Salary £50,000 to £149,999 per year</u></b>								
Deputy Chief Constable	4	87,974	-	4,420	5,727	98,121	20,117	118,238
Deputy Chief Constable	5	43,895	-	-	-	43,895	10,248	54,143
ACC Crime & Justice	6	22,561	-	737	2,416	25,714	3,659	29,373
ACC Crime & Justice	7	85,774	-	4,080	8,427	98,281	20,254	118,535
ACC Local Policing & Partnerships		110,712	-	4,448	10,530	125,690	25,765	151,455
ACC Operational Response		108,589	-	4,448	10,140	123,177	25,765	148,942
Director of People & Leadership		101,143	-	4,448	7,205	112,796	16,284	129,080
Director of Legal Services		101,143	-	4,448	7,750	113,341	16,284	129,625
Director of Finance & Resources		108,643	-	4,448	-	113,091	16,284	129,375

### Note

1. Chief Executive 01/04/13-25/11/13 (includes exit costs)
2. Chief Executive 26/11/13-31/03/14
3. Treasurer remuneration includes an arrears payment, some of which relates to 2012-13
4. Deputy Chief Constable 01/04/13-29/11/13
5. Deputy Chief Constable 30/11/13-31/03/14
6. ACC Crime & Justice 01/04/13-31/05/13
7. ACC Crime & Justice 01/05/13-31/03/14

## NOTE G.1 cont'd: OFFICERS' REMUNERATION FOR YEAR ENDED 31 MARCH 2013

(included for comparative purposes)

Post Holder Information	Note	Salary (Including fees & allowances) £	Bonuses £	Subsistence & Expense Allowances £	Benefits in Kind £	Total Remuneration excl. Pension contributions 2012-13 £	Employers Pension Contributions £	Total Remuneration including Pension Contributions 2012-13 £
<b><u>Office of Police &amp; Crime Commissioner</u></b>								
<b><u>Salary £50,000 to £149,999 per year</u></b>								
OPCC Chief Executive		98,319	-	-	-	98,319	15,829	114,148
OPCC Treasurer		87,384	-	-	-	87,384	9,734	97,118
<b><u>Chief Constable</u></b>								
<b><u>Salary £150,000 plus per year</u></b>								
Chief Constable – Shaun Sawyer		157,490	-	8,921	18,323	184,734	36,818	221,552
<b><u>Salary £50,000 to £149,999 per year</u></b>								
Deputy Chief Constable	1	105,299	-	5,599	7,759	118,657	25,482	144,139
ACC Crime & Justice	2	10,775	-	440	812	12,027	2,184	14,211
ACC Crime & Justice	3	85,325	-	3,982	11,473	100,780	19,772	120,552
ACC Local Policing & Partnerships		110,705	-	4,422	10,701	125,828	25,559	151,387
ACC Operational Response		107,814	-	4,422	10,908	123,144	25,561	148,705
Director of People & Leadership		100,557	-	4,422	7,781	112,760	16,190	128,950
Director of Legal Services		100,557	-	4,422	7,364	112,343	16,190	128,533
Director of Finance & Resources		106,097	-	4,422	-	110,519	15,874	126,393

### Note

1. Deputy Chief Constable 28/05/12-31/03/13
2. ACC Crime & Justice 01/04/12-06/05/12
3. ACC Crime & Justice 07/05/12-31/03/13

The number of people paid by the Police and Crime Commissioner whose remuneration, excluding employer's pension contributions was £50,000 or more in bands of £5,000 were:

<b>Remuneration Band</b>	<b>2012-13</b>	<b>2013-14</b>
£50,000 - £54,999	127	138
£55,000 - £59,999	99	84
£60,000 - £64,999	11	21
£65,000 - £69,999	9	7
£70,000 - £74,999	10	7
£75,000 - £79,999	8	11
£80,000 - £84,999	9	6
£85,000 - £89,999	3	1
£90,000 - £94,999	2	2
£95,000 - £99,999	1	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
<b>Total</b>	<b>279</b>	<b>277</b>

1 These figures do not include the remuneration of the senior employees and relevant police officers who have been disclosed separately.

2 The banding figures include both police staff and police officers remuneration.

3 The Police and Crime Commissioner has chosen to disclose all police officers earning more than £50,000 on a voluntary basis (the legislative requirement is to include only police officers above the rank of superintendent)

4 Remuneration includes exit costs as set out in the table below

5 The above table does not include staff paid below £50,000. These staff make up approximately 95% of the workforce.

### **Group Exit Costs**

The total group exit costs shown in the table below are the cash payments made to individuals plus cash payments to recompense the pension for the strain payments that have been calculated on an actuarial basis in 2012-13 and 2013-14.

The charge to the Comprehensive Income and Expenditure statement 2013-14 excludes those exit costs provided for in the 2012-13 accounts.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band (b) and (c)		Total cost of exit packages in each band	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
							£'000	£'000
£0 – £25,000	9	5	2	0	11	5	133	89
£25,001 - £50,000	4	2	0	0	4	2	123	72
£50,001 - £75,000	0	0	2	0	2	0	122	0
£75,001 - £100,000	0	1	0	0	0	1	0	83
£100,001+	0	0	0	1 *	0	1	0	154
<b>TOTAL</b>	<b>13</b>	<b>8</b>	<b>4</b>	<b>1</b>	<b>17</b>	<b>9</b>	<b>378</b>	<b>398</b>
							£000	£000
Provision for Forecast Redundancy Costs 2012-13							(425)	(166)
Provision for Forecast Redundancy Costs 2013-14							166	0
Exit Costs charged to the Comprehensive Income and Expenditure Statement							119	232

Of the exit packages in 2013-14, one relates to the Office of the Police and Crime Commissioner and the remainder to the Force.

\*The one exit package in 2013-14 contained in the band £100,001+ relates to the costs of the former Chief Executive of the Office of the Police and Crime Commissioner.

## NOTE H.1: RELATED TRANSACTIONS & PARTNERSHIPS

The Police and Crime Commissioner is required to disclose material transactions with related parties, including central government, other local authorities, members, senior officers and their close families.

### Central government

The United Kingdom government has effective control over the general operations of the Police and Crime Commissioner – it is responsible for providing the statutory framework, within which the Police and Crime Commissioner operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Police and Crime Commissioner has with other parties (e.g. council tax bills). Grants received from government departments are set out in Note C.6 on grant income. Outstanding balances are set out in notes D.3 and D.5.

### Members

The Chief Executive of the Office of the Police and Crime Commissioner has written to all members explaining the need for disclosure. Member's interests are also publicly reported on the Police and Crime Commissioner's website. No relevant transactions have been reported.

### Officers

The Chief Executive of the Office of the Police and Crime Commissioner has written to all senior officers explaining the need for disclosure. Mr Andrew White acted as Interim Chief Executive of the Office of the Police and Crime Commissioner from December 2013 to 31 March 2014. He was subsequently appointed as Chief Executive on 1 April 2014. Mr White's company 'Andrew White Consulting' undertook consulting work for the Office of the Police and Crime Commissioner over the period June 2013 to November 2013.

### Other Public Bodies

Most of the revenue to pay for the costs of policing comes from government grants and business rates co-ordinated nationally. District councils, borough councils and unitary authorities collect the balance by charging their council tax payers a police precept. The amounts collected (adjusted for surpluses or shortfalls collected for previous years) are shown below. Outstanding balances with other public bodies are shown in notes D.3 and D.5.

### Precepts

Year Ended 31 March 2013		Year Ended 31 March 2014
<u>£'000</u>	<u>Billing Authority:</u>	<u>£'000</u>
9,316	East Devon	8,704
6,086	Exeter	5,510
4,601	Mid Devon	4,355
5,581	North Devon	5,013
12,350	Plymouth	10,932
6,141	South Hams	5,800
7,888	Teignbridge	7,113
8,062	Torbay	7,005
3,902	Torridge	3,552
3,431	West Devon	3,132
32,185	Cornwall	28,758
227	Isles of Scilly	219
<u>99,770</u>		<u>90,093</u>
178	Adjusted for accruals	897
<u><u>99,948</u></u>		<u><u>90,990</u></u>

The Police and Crime Commissioner purchases some services from Devon County Council, mainly internal audit and the pension administration services. Transactions within the pension fund are shown in note J.5. Outstanding balances with other public bodies are shown in Notes D.3 and D.5.

## Commissioning

There are a number of partnerships in which the Police and Crime Commissioner participates. These are arrangements where the Police and Crime Commissioner carries out activities relevant to its own functions jointly with others. For a number of the partnerships a formal partnership agreement is in place. The Police and Crime Commissioner accounts only for its share of the jointly controlled assets, liabilities and expenses that it incurs in relation to partnership activities. The most significant partnerships are shown in the table below.

### OPCC Commissioning & Partnerships

Expenditure	Income	Note		Expenditure	Income
2012-13	2012-13			2013-14	2013-14
Restated *	Restated *				
£'000	£'000	Activity		£'000	£'000
0	0	(i) Community Safety Partnership**		1,418	(1,350)
315	0	(ii) Youth Offending Teams and Services**		561	(254)
163	0	(iii) Drug and Alcohol Action teams		152	0
200	0	(iv) SARCS		200	0
108	0	(v) Domestic Abuse		101	0
85	0	(vi) Safeguarding Adults & Children		82	0
0	0	(vii) Small Grants***		98	0
0	0	(viii) Victim Services and Restorative		16	(16)
80	0	(ix) Other Local Grants and expenditure		128	0
<b>951</b>	<b>0</b>			<b>2,756</b>	<b>(1,620)</b>
<b>Other Partnerships</b>					
<b>800</b>	<b>(703)</b>	Safety Camera Partnership		<b>948</b>	<b>(771)</b>

\* 2012-13 figures restated to correct error in figures disclosed.

\*\* A Community Safety Grant of £1.604m was received from the Home Office to support the Community Safety Partnership and Youth Offending Teams. This funding was previously paid to the Local Authorities.

\*\*\*Partnership arrangements for Small Grants, Restorative Justice and Victim Services commenced in 2013-14

There are no significant jointly controlled assets or liabilities as at 31 March 2014.

Full details of the Police and Crime Commissioners future plans and intentions with regard to commissioning and partnership can be found in the Commissioning Intentions Plan and the Police and Crime Plan

<http://www.devonandcornwall-pcc.gov.uk/Document-Library/What-We-Spend/Commissioning-Intentions-Plan-201415-201617.pdf>

<http://www.devonandcornwall-pcc.gov.uk/Document-Library/The-Police-and-Crime-Plan-2014-FINAL.pdf>

The funding mechanisms for partnerships are complex, and the table above shows expenditure that has passed through the Police and Crime Commissioners accounts.

- (i) The Community Safety Partnership includes the Police and Crime Commissioner, Local Authorities, Fire and Rescue Service, Clinical Commissioning Groups, Public Health, Probation Service and the Youth Offending Service. The aim of the partnership is to work together to enable people to feel and be safe in their homes and communities.

- (ii) The Youth Offending Team is funded by a combination of government grants, and contributions from the Police and Crime Commissioner, Local Authorities, Primary Care Trusts and the National Probation Service. The initiative provides programmes for young people with the intention of preventing re-offending.
- (iii) The Drug and Alcohol Action Team is a referral scheme and is a partnership between the Police and Crime Commissioner, the local authorities and primary care trusts operating in Devon and Cornwall, the probation service and the prison service. Further assistance is provided by the Home Office and the National Treatment Agency. The team jointly commission services relating to substance misuse, education, access to information and development of services for vulnerable people.
- (iv) The Sexual Assault Referral Centres are funded by a combination of government grants, partnership grants and contributions from the Police and Crime Commissioner. The centres are set up in safe locations, where victims of sexual assault can receive medical care and counselling. Referral centres bring together all agencies and departments in one place, which helps both the victims and those investigating the crimes.
- (v) The Domestic Violence Partnership includes the Police and Crime Commissioner, Local Authorities, the National Probation Service, Primary Care Trusts and the Department of Communities and Local Government.
- (vi) Safeguarding Adults and Children partnership includes the Police and Crime Commissioner, Local Authorities and the NHS. The aim of the partnership is to improve and modernise the quality of service delivery to vulnerable adults, vulnerable children, their carers and local communities.
- (vii) Small grants scheme partnership includes the Police and Crime Commissioner and Community groups in Devon and Cornwall. The aim of this grant is to help small community groups whose work focuses on reducing crime and making people feel safer.
- (viii) Victim Services and Restorative Justice partnership includes the Police and Crime Commissioner and local victim services. The aim of this funding is to support providers in providing services to victims of sexual violence and domestic abuse.

## NOTE H.2: THIRD PARTY FUNDS

These are funds held by the Police and Crime Commissioner in accordance with the Proceeds of Crime Act 2002. This money is held until the Courts issue a confiscation order or decides the money can be returned. The income and expenditure and assets and liabilities relating to these funds are not included in the Police and Crime Commissioner's accounting statements.

	Year Ended	
	31 March 2013	31 March 2014
	£'000	£'000
<b>Seized Funds Cashflow</b>		
Income (monies seized)	797	2,429
Expenditure (reimbursed to individuals or passed onto the Home Office)	(910)	(2,456)
Net Cashflow	<u>(113)</u>	<u>(27)</u>
<b>Balances</b>		
Cash Balances	1,161	1,134
Creditors	(1,161)	(1,134)
	<u>0</u>	<u>0</u>

## **NOTE I.1: STATEMENT OF ACCOUNTING POLICIES**

Overarching principles and main changes in accounting policies are set out in note A.2.

The principal accounting policies adopted are set out below.

### **a. Accruals of Income and Expenditure**

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

- Fees and charges due from customers are accounted for at the date the Police and Crime Commissioner provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as stocks on the balance sheet.
- Expenses in relation to services received (including services supplied by employees) are recorded as expenditure as the services are received rather than when the payments are made.
- Interest payable and receivable is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flow fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of the debtors is written down and a charge made to revenue for the income that might not be collected.
- The council tax income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account.

### **b. Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short term investments that are readily convertible to known amounts of cash without penalty and 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 form an integral part of the Group's cash management.

### **c. Exceptional Items**

When items of expenditure are outside the normal type of expenditure incurred by the Group they will be disclosed separately on the face of the Income and Expenditure Statement if they are material and separate disclosure would aid the understanding of the Group's financial performance.

### **d. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

### **e. Charges to Revenue Non - Current Assets**

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

- depreciation attributable to the assets used by the relevant service

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

The Group is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (calculated on a prudent basis determined by the Group in accordance with statutory guidance). This is known as the Minimum Revenue Provision for the repayment of debt. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **f. Presentation of Items in Other Comprehensive Income and Expenditure**

The Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 requires that items listed in Other Comprehensive Income and Expenditure must be grouped into those items that:

- a) will not be reclassified subsequently to the Surplus or Deficit on the Provision of Services, and
- b) will be reclassified subsequently to the Surplus or Deficit on the Provision of Services when specific conditions are met

It is the policy of the Police and Crime Commissioner to only group these items on the face of the Comprehensive Income and Expenditure Statement when the items that may be reclassified are material. The only item that may be reclassified is the unrealised loss on the Available for Sale Financial Instrument which is not material.

#### **g. Employee Costs and Benefits**

##### **(i) Benefits Payable During Employment**

The full cost of employees (including salaries, paid annual leave, paid sick leave, bonuses and non monetary benefits) is charged to the accounting period in which the employees worked, including an adjustment for overtime claims due at the financial year-end.

An accrual is made for the cost of leave earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that the accrued leave is charged to revenue in the financial year in which the absence occurs.

##### **(ii) Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Police and Crime Commissioner to terminate an employee's employment before the normal retirement date and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Police and Crime Commissioner is demonstrably committed to the termination of the employment of an employee.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Group to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards (this only applies to compulsory redundancies). In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

##### **(iii) Post Employment Benefits**

Employees of the Group are members of three separate pension schemes:

- The Old Police Pension Scheme
- The New Police Pension Scheme
- The Local Government Pensions Scheme, administered by Devon County Council



All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Group.

#### Police Officers' Pension Schemes

Both the Old and the New Police Officers' Pension Schemes are accounted for as defined benefits schemes:

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.4% (the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve) which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities.

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

- Service Cost Comprising
  - current service cost – the increase in liabilities as a result of service earned this year. This is allocated to the cost of Police Services in the Comprehensive Income and Expenditure Statement to the revenue accounts of services which the employees worked. Current service cost includes interest on the current service cost which is excluded from net interest on the net defined liability.
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. Debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - net interest on the net defined benefit liability (asset), ie net interest expense for the Police and Crime Commissioner. This is the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements Comprising
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Benefits paid
  - cash paid to pensioners including injury pension payments.

#### Police Officer Injury Benefits

The Group makes payment under the Police Injury Benefits Regulations. These payments are accounted for in the same way as payments under the main police officer pension schemes. The figures are included within the unfunded pension calculation as per IPSAS 25 Employee Benefits, as the injury benefits may be financially significant with volatile actuarial gains and losses. These have been estimated by the independent actuary.

#### The Local Government Pension Scheme

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

The liabilities of the Devon County Council Pension Scheme attributable to the Group are included in the Balance Sheet on an actuarial basis using the projected unit method – as described for the Police Officer Pension Schemes above.

Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (the annualised yield at the 22 year point on the AA Merrill Lynch Corporate bond curve) which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities.

The assets of the Devon County Council pension fund attributable to the Group are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property securities – current bid price
- property – market value

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

- Service Cost Comprising
  - current service cost – as described for the police officer pension scheme above
  - past service cost – as described for the police officer pension scheme above
  - net interest on the net defined benefit liability (asset), ie net interest expense for the authority - as described for the police officer pension scheme above
- Remeasurements Comprising
  - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid
  - contributions paid to the Devon County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

#### Overall Impact on Reserves

For both the Police Officer Pension Schemes and the Local Government Pension Scheme statutory provisions require the General Fund balance to be charged with the amount payable by the Group to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

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

#### **h. Events after the Balance Sheet Date**

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

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

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

## **i. Financial Instruments**

### **(i) Financial Liabilities (Borrowing)**

Financial liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

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

### **(ii) Financial Assets**

Financial assets may be classified into three types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets – assets that have a quoted market price and/or do not have determinable payments
- Fair value through profit and loss – assets that are held for trading and derivatives with positive value

#### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Group becomes a party to the contractual provision of a financial instrument and initially measured at fair value are carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For the loans that the Group has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where the Group has made loans to staff at less than market rates for policy purposes, the accounts are not adjusted for the difference between actual and market interest and would not be unless the total adjustment would be more than £25k in any one year.

Where financial assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset would be written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains or losses that arise once the contract is complete or is terminated are credited/debited to the Comprehensive Income and Expenditure Statement.

#### Available for Sale

Available for Sale Assets are recognised on the Balance Sheet when the Police and Crime Commissioner becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Police and Crime Commissioner.

Assets are maintained in the Balance Sheet at fair value. The Police and Crime Commissioner only invests in instruments with quoted market price and the value is based on the market price.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets

## Financial Instruments at Fair Value through the Profit and Loss

Up to 31 December 2013 the Group employed an external money market fund manager. The portfolio of the money market fund manager consisted of identified financial instruments that were managed together and for which there was evidence of a recent actual pattern of short term profit taking.

The instruments will be recognised at fair value and carried in the balance sheet at fair value. Movements in fair value recorded in the balance sheet will be balanced by posting gains and losses to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement as they arise. Instruments will be valued at mid market price as supplied by reputable sources.

### **j. Government Grants and Contributions**

Government grants and third party contributions are recognised as due to the Group when there is reasonable assurance that:

- the Group will comply with the conditions attached
- the grants or contributions will be received

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contributions are credited to the Comprehensive Income and Expenditure Statement.

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

### **k. Inventories and Long Term Contracts**

All inventories appear in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using an average cost formula.

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

### **l. Jointly Controlled Operations**

The Group participates in a number of partnership activities. These arrangements involve the Group carrying out activities relevant to its own functions jointly with others. The Group accounts only for its share of the jointly controlled assets and the liabilities and expenses that it incurs on its own behalf or jointly with others in respect to its interest in the partnerships and income that it receives in relation to the partnership activities. Only significant partnerships where gross expenditure is over £100k are disclosed in the note on related party transactions.

### **m. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## PCC Group as Lessee

### (i) Finance Leases

Property, plant and equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Group are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability and a finance charge debited to the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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

### (ii) Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

## Group as Lessor

### (i) Operating Leases

Where the Group grants an operating lease over a property or items of plant or equipment, the asset is retained in the Balance Sheet. Rentals received under operating leases are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

## **n. Overheads and Support services**

The cost of overheads and support services are charged to the operational headings set out in the Comprehensive Income and Expenditure statement according to the principles set out in the CIPFA Service Reporting Code and Police Objective Analysis. Costs are allocated to all headings on the basis of benefits received with the exception of the Non-Distributed Costs heading which is not charged with overheads or support costs.

## **o. Intangible Assets**

### (i) Recognition

Expenditure on non monetary assets that do not have physical substance but are controlled by the Group as a result of past events is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Group. Intangible assets are recognised separately from the tangible asset with which they are associated with where the value of the intangible asset is more than 25% and greater than £100k of the main asset value.

Software that is integral to the operating of hardware is capitalised as part of the relevant item of property, plant and equipment.

### (ii) Measurement

Intangible assets are measured initially at cost. Following initial recognition, intangible assets are carried at fair value by reference to an active market, where no active market exists, at amortised cost.

(iii) Amortisation

The depreciable amount of an intangible asset is amortised over its useful life and charged to the Comprehensive Income and Expenditure Statement.

(iv) Impairment

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement.

**p. Plant, Property and Equipment**

Assets that have a physical substance and are held for use in providing police services and are expected to be used during more than one financial year are classified as Property Plant and Equipment.

(i) Recognition

All expenditure on the acquisition, creation and enhancement of property, plant and equipment is capitalised on an accruals basis. Expenditure on the acquisition of a tangible asset, or expenditure which adds to and not merely maintains the value of an existing asset is capitalised provided that it is probable that the future economic benefits or service potential will flow to the Group for more than one year and the cost can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense as it is incurred.

(ii) Measurement

Assets are initially measured at cost, comprising:

- Purchase price
- Any costs attributable to bringing the asset into working condition.

The Group does not capitalise borrowing costs incurred whilst the assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income within the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Heritage Assets are only recognised if they have a value of more than £10k.

Assets are then carried on the balance sheet using the following measurement bases

- Assets under construction – historical cost
- Land and Buildings – fair value determined as the amount that would be paid for the asset in its existing use. Where insufficient market-based evidence of fair value is available Depreciated Replacement Cost has been used by the PCC valuer as an estimate of fair value. Land and buildings are re-valued by a qualified external valuer every five years and this was last done as at 1 April 2009.
- For vehicles, plant and equipment that have short lives or low value or both, depreciated historical cost is used as a proxy for fair value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Where decreases in value are identified, they are accounted for by:

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

Component assets are recognised separately from the main asset that they are associated with when the value of the component is more than 20% and greater than £2.5m of the main asset value.

### (iii) Impairment

Assets are reviewed at the end of the financial period to ensure that there has been no significant decrease in value because of factors such as obsolescence, environmental changes or declining market values. Where impairments are identified as part of this review these are accounted for as follows:

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

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

### (iv) Depreciation

Depreciation spreads the cost of assets over their useful working life (usually in equal annual instalments). An exception is made for assets without a determinable finite useful life (i.e. land) and assets that are not yet available for use (i.e. asset under construction).

The depreciation policy for assets is as follows:

Land and buildings – the useful life of each building is assessed by the valuer and buildings are depreciated individually from the first of the month of acquisition; the land value is not depreciated. Where an asset comprises two or more major components with substantially different useful lives, each component is accounted for separately.

Vehicles - are depreciated monthly over the forecast useful life of the vehicle and the depreciation in the first year will reflect the number of months that the vehicle has been registered.

Information and Communications Technology – depreciation is charged monthly from the first of the month of acquisition starting in the year of acquisition. The asset life of individual groups of assets has been assessed and each group is depreciated individually according to asset life.

Force Helicopter – is depreciated over ten years.

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

### (v) Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount or fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to Non-Current Assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10k are categorised as capital receipts. Receipts are credited to the Useable Capital Receipts Reserve. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written off value of disposals is not charged against council tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### **q. Provisions, Contingent Liabilities and Assets**

##### Provisions

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

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year the Group becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation taking account the relevant risk and uncertainties.

When payments are eventually made they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year. Where the provision is no longer required or the estimated amount can be reduced the provision is reduced and credited back to the relevant

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

Provision is made for termination payments due to staff resulting from restructuring when the Group has raised a valid expectation to the staff affected that it will carry out restructuring by starting to implement a particular restructuring plan or announcing its main features to those affected by it. Each element of the Force restructuring plan will be treated separately and provision made of the estimated termination payments as and when each element of the plan is announced.

##### Contingent Liabilities

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

##### Contingent Assets

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

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



**r. Reserves and Funds**

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 appropriate service in that year to be scored against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement in the year. The reserve is then appropriated back to 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 process for non-current assets, financial instruments, retirements and employee benefits and do not represent usable resources to the Group – the reserves are explained in the relevant policies.

**s. VAT**

VAT is included as an expense only when it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## NOTE I.2: SIGNIFICANT ESTIMATES AND JUDGEMENTS

In applying the accounting policies set out in note I.1, the Police and Crime Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The PCC Group has had to make judgements about the allocation of expenditure between the Police and Crime Commissioner and the Chief Constable to reflect the financial resources of the Police and Crime Commissioner consumed at the request of the Chief Constable. The basis adopted was arrived at after considering the CIPFA SeRCOP and other CIPFA guidance.
- A provision has been established in the Police and Crime Commissioner's Balance Sheet to reflect the continuing requirement on an elected policing body as required under the Police Reform and Social responsibility Act 2011 to provide funds to the Chief Constable from the Police Fund for the payment of pensions and other employee benefits. Should the Police and Crime Commissioner be required to settle future pensions liabilities there is no expectation on the Home Office to provide funding. Similarly the Chief Constable could not be expected to fund the liability as the Chief Constable has no assets, cash reserves, income receipts or other sources of funding. In our judgement, it is reasonable to expect that should the PCC Group be required to settle future pensions liabilities (however unlikely this may be), then settlement would result in an outflow of resources from the Police and Crime Commissioner. This judgement is based on the circumstances of the first phase of the transition.
- Estimation of the pension element of the provision (set out above) is on the basis of apportionment of the total actuarially assessed liability for future pensions benefits for the Group between the two corporate bodies on the basis of current cashflows.
- Note D7 describes liabilities with regard to potential claims against the Police and Crime Commissioner. Judgement has been applied in determining that for each of these actual or potential claims, either the outflow of resources is not probable or the obligation cannot be estimated with sufficient reliability. For this reason the appropriate accounting treatment is judged to be disclosure of a contingent liability rather than the making of a provision.
- It is clear from the Comprehensive Spending Review 2010 and the Chancellors Budget 2013 that funding for policing will reduce over the next four years. In response to this reduction in funding the Police and Crime Commissioner is rationalising the estate and disposing of surplus property. It is judged that this process means that the capacity of the estate will remain in line with operational requirements and assets will not become impaired to any material degree as a result of a need to close facilities and reduce levels of service provision.
- Land and buildings are carried on the Balance sheet at fair value (see Note J.1 p) Valuations are undertaken on a five year cycle by an external valuer. Each year the external valuer undertakes a review to identify any significant impairments or any other significant change in the valuation of assets. This approach provides an estimate of the fair value of land and buildings. In our judgement this estimate is of sufficient accuracy to provide a true and fair view of the value of the assets.

## NOTE I.3: 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 Police and Crime Commissioner about the future or that are otherwise uncertain. Estimates are made by 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 Police and Crime Commissioners Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and amount of the assets falls. It is maintenance that will be incurred in estimated that the annual depreciation relation to individual assets. The current charge for buildings would increase by economic climate makes it uncertain £0.50m for every year that useful lives that the Police and Crime Commissioner had to be reduced.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation relation to individual assets. The current charge for buildings would increase by economic climate makes it uncertain £0.50m for every year that useful lives that the Police and Crime Commissioner had to be reduced.
<b>Provisions</b>	The Police and Crime Commissioner has made a provision of £1.389m to outstanding claims would increase the cover the cost of self insured public and charge to the Comprehensive Income employers' liability claims. The cost of and Expenditure Account by £0.139m. these claims has been estimated by the Force Legal Team.	A 10 percent increase in the cost of the has made a provision of £1.389m to outstanding claims would increase the cover the cost of self insured public and charge to the Comprehensive Income employers' liability claims. The cost of and Expenditure Account by £0.139m. these claims has been estimated by the Force Legal Team.
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Police and Crime Commissioner with expert advice about the assumptions to be applied. The total value of pension liabilities as at 31 March 2014 is £2,453.915m.	The effects on the net pensions liability pensions depends on a number of changes in individual assumptions are complex judgements relating to the shown in note J.5 (d) and (k). discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Police and Crime Commissioner with expert advice about the assumptions to be applied. The total value of pension liabilities as at 31 March 2014 is £2,453.915m.

## NOTE I.4: EVENTS AFTER THE BALANCE SHEET DATE

These accounts were approved by the Police and Crime Commissioner for Devon and Cornwall on 18 September 2014. There were no significant post balance sheet events up to this date.

## NOTE J.1: FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	As at	As at	As at	As at
	31 March	31 March	31 March	31 March
	2013	2014	2013	2014
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	0	5,025	24,115	22,041 (a)
Available for sale Financial Assets	0	1,780	5,006	0 (b)
Financial assets at fair value through profit and loss	0	0	24,268	0 (c)
<b>Total Investments</b>	<b>0</b>	<b>6,805</b>	<b>53,389</b>	<b>22,041</b>
<b>Cash and Cash Equivalents</b>				
Loans and receivables	0	0	2,424	32,369 (d)
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>2,424</b>	<b>32,369</b>
<b>Debtors</b>				
Sundry Debtors – other entities & individuals	0	0	5,064	4,895
<b>Total Debtors</b>	<b>0</b>	<b>0</b>	<b>5,064</b>	<b>4,895</b>
<b>Borrowings</b>				
Financial Liabilities at amortised cost	32,778	30,778	528	2,528 (e)
<b>Total Borrowings</b>	<b>32,778</b>	<b>30,778</b>	<b>528</b>	<b>2,528</b>
<b>Finance Lease Liabilities</b>				
Finance Lease Liabilities	425	250	165	176
<b>Total Finance Lease Liabilities</b>	<b>425</b>	<b>250</b>	<b>165</b>	<b>176</b>
<b>Creditors</b>				
Creditors – trade payables	0	0	21,934	20,310
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>21,934</b>	<b>20,310</b>

(a) Loans and receivables consist of fixed interest deposits.

(b) Available for sale Financial Assets consist of certificates of deposits with major banks and financial institutions held to maturity.

(c) Financial assets at fair value through Profit and Loss consist of deposits with external fund managers. These are valued by reference to quoted market price.

(d) Cash and cash equivalents consist of the bank current account and call accounts repayable at 24 hours notice without penalty.

(e) All long-term borrowing was from the Public Works Loan Board, an executive agency of HM Treasury. Annual repayments are for interest only and the principal is repayable at the date of loan maturity.

## Financial Instruments - Income, Expense, Gains and Losses

For Year Ended 31 March 2014

	Liabilities measured at amortised cost £'000	Financial Assets Loans and Receivables £'000	Available for sale assets £'000	Assets at Fair Value through Profit and Loss £'000	Total £'000
Interest Expense	1,329	0	0	0	1,329
Fee Expense	0	0	0	0	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>1,329</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,329</b>
Interest Income	0	(441)	(16)	0	(457)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(441)</b>	<b>(16)</b>	<b>0</b>	<b>(457)</b>
<b>Net (gain)/loss for year</b>	<b>1,329</b>	<b>(441)</b>	<b>(16)</b>	<b>0</b>	<b>872</b>

For Year Ended 31 March 2013

Provided for comparative purposes

	Financial Liabilities measured at amortised cost £'000	Financial Assets Loans and Receivables £'000	Available for sale assets £'000	Assets at Fair Value through Profit and Loss £'000	Total £'000
Interest Expense	1,330	0	0	0	1,330
Fee Expense	0	0	0	0	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>1,330</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,330</b>
Interest Income	0	(555)	0	(179)	(734)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(555)</b>	<b>0</b>	<b>(179)</b>	<b>(734)</b>
<b>Net (gain)/loss for year</b>	<b>1,330</b>	<b>(555)</b>	<b>0</b>	<b>(179)</b>	<b>596</b>

## Financial Instruments - Fair Value of Assets and Liabilities Carried at Amortised Cost

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

- The fair value balances for financial assets as at 31 March 2014 have been calculated using interest rates in force as at 31 March 2013 and 2014
- The long-term borrowing as at 31 March 2013 and 31 March 2014 have been calculated by reference to the premature repayment set of rates in force as at the respective dates
- The fair value of trade or other receivables is taken to be the invoiced or billed amount

### Financial Assets

	As at 31 March 2013	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables – short term investments	24,115	24,181	27,066	27,119
Available for sale financial assets	5,006	5,006	1,780	1,780
Cash and cash equivalents	2,424	2,424	32,369	32,369
Sundry Debtors* - other entities & individuals	5,064	5,064	4,895	4,895
	<u>36,609</u>	<u>36,675</u>	<u>66,110</u>	<u>66,163</u>

\*See note D.3

### Financial Liabilities

	As at 31 March 2013	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Total Borrowing	33,306	40,074	33,306	37,463
Creditors*	21,934	21,934	20,310	20,310
	<u>55,240</u>	<u>62,008</u>	<u>53,616</u>	<u>57,773</u>

\*See note D.5

## NOTE J.2: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND HOW THE PCC MANAGES THOSE RISKS

The Police and Crime Commissioner'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 Police and Crime Commissioner
- liquidity risk – the possibility that the Police and Crime Commissioner might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Police and Crime Commissioner as a result of changes in such measures as interest rates and stock market movements

### Overall Procedures for Managing Risk

The Police and Crime Commissioner's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are contained in the Local Government Act 2003 and the associated regulations. These require the Police and Crime Commissioner to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall, the Police and Crime Commissioner has met these requirements in 2013-14 by:

- formally adopting the requirements of the Code of Practice
- approving annually in advance prudential indicators for the following three years
- approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counter-parties in compliance with the government guidance

### Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch Ratings Service. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria (as at 31 March 2014) in respect of financial assets held by the Police and Crime Commissioner are contained within the Treasury Management strategy which is published on the Police and Crime Commissioner's website.

The following analysis summarises the Police and Crime Commissioner's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last financial year, adjusted to reflect current market conditions. The Police and Crime Commissioner does not expect any losses from non-performance by any of the counterparties in relation to deposits and bonds.

	31 March 2014	Historical experience of default	Historical Experience adjusted for market conditions at 31 March 2014	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
	A	B	C	(A X C)
Deposits with banks and financial institutions	59,356	0	0.032	19
UK Government	1,780	0	0	0
Customers	1,398	1.4	1.4	20
Other Debtors	17,220	0	0	0
	<u>79,754</u>			<u>39</u>

The Police and Crime Commissioner maintains strict credit criteria for investment counter-parties. For this reason the Police and Crime Commissioner does not expect any losses from non-performance by any of its counter-parties in relation to deposits.

The Police and Crime Commissioner does not generally allow more than 28 days credit for customers. The debt can be analysed by age as follows:

31 March 2013 £'000		31 March 2014 £'000
431	Not past due date	1,098
1,073	1- 30 days past due date	58
9	31-50 days past due date	139
43	51 days and more past due date	104
<u>1,556</u>	Total	<u>1,399</u>

### Liquidity Risk

The Police and Crime Commissioner has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Police and Crime Commissioner has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Police and Crime Commissioner will be bound to replenish a significant proportion of its borrowing at a time of unfavourable rates.

Borrowing has been planned to avoid a large amount of debt maturing in any one year. The maturity analysis of financial liabilities (including accrued interest) is as follows:

31 March 2013 £'000		31 March 2014 £'000
528	Less than one year	2,528
6,500	Between one and ten years	4,500
26,278	More than ten years	26,278
<u>33,306</u>	Total	<u>33,306</u>

All trade and other payables are due to be paid in less than one year.

### Market Risk

The Police and Crime Commissioner is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Police and Crime Commissioner. For instance, a rise in interest rates would have the following effects:

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses. The Police and Crime Commissioner has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year.

If interest rates had been 1% higher with all other variables held constant, there would be no material impact on the accounts. This is because long term borrowing is at fixed rates, short term borrowing is minimal. There would have been some impact on the interest received from the externally managed loans but this would not have a material effect on the accounts.



### Price Risk

The Police and Crime Commissioner is exposed to price risk in terms of movement in the value of available for sale financial instruments and financial assets valued at fair value through profit and loss. The Treasury Management Strategy places the following controls on these investments:

- Available for sale financial instruments – these are limited to certificates of deposit with major banks and financial institutions; it is the Police and Crime Commissioner's policy to hold these financial assets to maturity and this reduces the price risk.

## NOTE J.3: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

### FOR YEAR ENDED 31 MARCH 2014

	Usable Reserves			Unusable Reserves
	General Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	£'000
<b><u>Adjustments involving the Capital Adjustment Accounts:</u></b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non current assets	6,138			(6,138)
Revaluation losses on Assets Held for Sale	764			(764)
Amortisation of Intangible Assets	153			(153)
Capital grant applied to finance capital expenditure			(6,108)	6,108
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	5,561			(5,561)
<b>Insertion of items not debited or credited to the CI&amp;E:</b>				
Statutory provision for the financing of capital investment	(1,560)			1,560
Capital expenditure charged against the General Fund	(732)			732
<b><u>Adjustments involving the Capital Grants Unapplied:</u></b>				
Capital Grants and Contributions unapplied credited to CI&E	(2,751)		2,751	0
<b><u>Adjustments involving the Pensions Reserve:</u></b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure				
Police Officers (Unfunded) Schemes	125,382			(125,382)
Police Staff	18,172			(18,172)
Employer's pensions contributions and direct payments to pensioners payable in the year				
Police Officers (Unfunded) Schemes	(29,419)			29,419
Police Staff	(7,939)			7,939
Pensions Top Up Grant	(34,881)			34,881
<b><u>Adjustments primarily involving the Capital Receipts Reserve:</u></b>				
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the CI&E	(1,847)	1,847		0
Use of capital receipts to finance new expenditure		(637)		637
<b><u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u></b>				
Amount by which finance costs charged to the CI&E are different from finance costs chargeable in the year in accordance with statutory requirements	0			0
<b><u>Adjustments involving the Collection Fund Adjustment Account:</u></b>				
Amount by which council tax income credited to the CI&E is different from council tax income calculated for the year in accordance with statutory requirements	(897)			897
<b><u>Adjustment involving the Short Term Compensated Absences Adjustment Account:</u></b>				
Amount by which staff and officers remuneration charged to the CI&E on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(785)			785
<b>Total Adjustments</b>	<b>75,359</b>	<b>1,210</b>	<b>(3,357)</b>	<b>(73,212)</b>

(provided for comparative purposes)  
FOR YEAR ENDED 31 MARCH 2013

	Usable Reserves			Unusable Reserves
	General Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	£'000
<b><u>Adjustments involving the Capital Adjustment Accounts:</u></b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non current assets	6,406			(6,406)
Revaluation losses on property plant and equipment	1,866			(1,866)
Amortisation of Intangible Assets	144			(144)
Capital grant applied to finance capital expenditure			(2,143)	2,143
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,442			(1,442)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(1,420)			1,420
Capital expenditure charged against the General Fund	(1,504)			1,504
<b><u>Adjustments involving the Capital Grants Unapplied:</u></b>				
Capital Grants and Contributions unapplied credited to Comprehensive Income and Expenditure Account	(2,916)		2,916	0
<b><u>Adjustments involving the Pensions Reserve:</u></b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure (see note 34)				
Police Officers (Unfunded) Schemes	124,056			(124,056)
Police Staff	17,202			(17,202)
Employer's pensions contributions and direct payments to				
Police Officers (Unfunded) Schemes	(30,910)			30,910
Police Staff	(7,659)			7,659
Pensions Top Up Grant	(30,085)			30,085
<b><u>Adjustments primarily involving the Capital Receipts Reserve:</u></b>				
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Account	(1,430)	1,430		0
Use of capital receipts to finance new expenditure		(1,939)		1,939
<b><u>Adjustments involving the Collection Fund Adjustment Account:</u></b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements				
	289			(289)
<b><u>Adjustment involving the Short Term Compensated Absences Adjustment Account:</u></b>				
Amount by which staff and officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements				
	533			(533)
<b>Total Adjustments</b>	<b>76,014</b>	<b>(509)</b>	<b>773</b>	<b>(76,278)</b>

## NOTE J.4: MOVEMENTS IN UNUSABLE RESERVES

### Revaluation Reserve

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

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

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

Year Ended 31 March 2013		Year Ended 31 March 2014
Restated *		
£'000		£'000      £'000
<b>21,088</b>	<b>Balance as at 1 April</b>	<b>20,373</b>
(40)	Downward revaluation of assets - posted to the Surplus or Deficit on the Provision of Services	(275)
(454)	Difference between fair value depreciation and historical cost depreciation	(1,167)
(221)	Accumulated gains on assets sold or scrapped	(67)
(675)	Amount written off to the Capital Adjustment Account	(1,234)
<b>20,373</b>	<b>Balance at 31 March</b>	<b>18,864</b>

\* 2012-13 figures restated to reflect a downward revaluation of £20k.

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Police and Crime Commissioner as finance for the costs of acquisition and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

31 March 2013 £'000		31 March 2014 £'000
93,357	<b>Balance at 1 April</b>	91,200
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(6,406)	Charges for depreciation and impairment of non-current assets	(6,138)
0	Revaluation losses on Property, Plant and Equipment	0
(1,866)	Revaluation losses on Assets Held – for Sale	(764)
(144)	Amortisation of intangible assets	(153)
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(17)		(5,132)
	Assets held for sale written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(1,425)		(429)
(9,858)		(12,616)
675	Adjusting amounts written out of the Revaluation Reserve	1,234
(9,183)	Net written out amount of the cost of non-current assets consumed in the year	(11,382)
	<b>Capital Financing applied in the year:</b>	
1,939	Use of the Capital Receipts Reserve to finance new capital expenditure	637
2,143	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	6,109
0	Application of grants to capital financing from the Capital Grants Unapplied Account	0
1,420	Statutory provision for the financing of capital investment charged against the General Fund balances	1,560
1,504	Capital expenditure charged against the General Fund balances	731
7,006		9,037
91,180	<b>Balance at 31 March</b>	88,855

## Pension 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 Police and Crime Commissioner 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 Police and Crime Commissioner makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Police and Crime Commissioner 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.

Year Ended 31 March 2013			Year Ended 31 March 2014	
PCC	Group		PCC	Group
£'000	£'000		£'000	£'000
(2,064,285)	(2,064,285)	<b>Balance at 1 April</b>	(2,198,398)	(2,198,398)
(133,876)	0	Intra- group adjustments	(254,545)	0
		Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		
(168)	(141,258)		(304)	(143,554)
		Employer's pensions contributions and direct payments to pensioners payable in the year		
75	68,654		133	72,239
		Actuarial (gains)/losses on pensions assets and liabilities		
(144)	(61,509)		(801)	(184,202)
<u>(2,198,398)</u>	<u>(2,198,398)</u>	<b>Balance at 31 March</b>	<u>(2,453,915)</u>	<u>(2,453,915)</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.

Year Ended 31 March 2013			Year Ended 31 March 2014	
£'000			£'000	
1,872		<b>Balance at 1 April</b>	1,583	
		Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements		
(289)			897	
<u>1,583</u>		<b>Balance at 31 March</b>	<u>2,480</u>	

## Short Term Accumulated Absences Account

31 March 2013			31 March 2014	
PCC	Group		PCC	Group
£'000	£'000		£'000	£'000
(19)	(9,173)	<b>Balance at 1 April</b>	(13)	(9,706)
19	9,173	Settlement or cancellation of accrual made at the end of the proceeding year	13	9,706
(13)	(9,706)	Amounts accrued at the end of the current year	(17)	(8,921)
6	(533)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(4)	785
(13)	(9,706)	<b>Balance at 31 March</b>	(17)	(8,921)

## Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Police and Crime Commissioner arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

As at 31 March 2013			As at 31 March 2014	
£'000			£'000	
0	Balance at 1 April		0	
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services		43	
0			43	
0	<b>Balance at 31 March</b>		<b>43</b>	

## **NOTE J.5: DEFINED BENEFIT PENSION SCHEMES**

As part of the terms and conditions of employment of its officers and other employees, the Police and Crime Commissioner Group offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments. This needs to be disclosed at the time that the employees earn their future entitlement. The Police and Crime Commissioner Group operates three pension schemes, two for police officers and one for police staff. All are defined benefits schemes, providing members with benefits based on their final pensionable pay and length of service. The disclosures on pensions use specialist terminology. Definitions are provided in the glossary. The police officer pensions disclosures below apply to the Group Accounts only, this is because all of the police officer are under the control of the Chief Constable and for this reason there are no charges to the Police and Crime Commissioner single entity accounts other than the intra- group transfers described in note A.1.

### **a) Participation in Pension Schemes – Police Officer Schemes**

From 1 April 2006 the Police Officers' pension scheme was replaced by a "new Police Pension Scheme". The new scheme is open to all new recruits. Both of the police officer pension schemes are unfunded defined benefit final salary schemes administered by the Chief Constable for Devon and Cornwall, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Pensions are financed from the Group's and employee's (police officers) contributions. Any deficit is met by the Home Office in the form of a top up grant. The Group's and the employee contributions are paid into a separate Police Officers' Pension Fund Account. The details of this account are provided on page 89.

Police Pension Fund Regulations require Police and Crime Commissioner's to transfer a sum not exceeding the amount that the Police Pensions Fund is in deficit at 31 March from the Police and Crime Commissioners General Fund in to the Police Pensions Fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up-grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Police and Crime Commissioner, which then must repay the amount to central government. The Group makes payments under the Police Injury Benefits Regulations. These payments are accounted for in the same way as payments under the main police officer pension scheme (see accounting policies), the independent actuary has estimated the costs and they are included within Police Officers scheme disclosure.

### **b) Transactions relating to Retirement Benefits – Police Officer Schemes**

The Group recognises the cost of retirement benefits for police officers in the reported cost of services when they are earned by police officers rather than when the benefits are eventually paid as pensions. However the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment /retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made for the police officer schemes in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.



Year Ended 31 March 2013	Year Ended 31 March 2013		Year Ended 31 March 2014	Year Ended 31 March 2014
Old Scheme	New Scheme	<b><u>Comprehensive Income and Expenditure Account</u></b>	Old Scheme	New Scheme
£'000	£'000		£'000	£'000
		<i>Cost of Services</i>		
32,873	2,864	Current service cost	29,602	3,620
40	0	Past service cost	0	0
		(gain)/loss from settlements		
		<i>Financing and Investment Income and Expenditure</i>		
87,123	1,156	Net Interest expense	90,701	1,459
<b>120,036</b>	<b>4,020</b>	<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>120,303</b>	<b>5,079</b>
		<i>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>		
0	0	Remeasurement of the net defined benefit liability comprising:	0	0
65,933	1,556	Actuarial (gains) and losses arising on changes in demographic assumptions	45,618	1,041
0	0	Actuarial (gains) and losses arising on changes in financial assumptions	120,243	2,893
		Experience (gains)/loss on defined benefit obligation	17,324	(852)
<b>185,969</b>	<b>5,576</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statements</b>	<b>303,488</b>	<b>8,161</b>
		<b>Movement In Reserves Statement</b>		
0	0	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(120,303)	(5,079)
		<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
27,722	3,188	Employer contributions payable to scheme	26,068	3,351
30,085	-	Retirement benefits payable to pensioners	34,881	-

c) **Reconciliation of present Value of the Scheme of Liabilities (Defined Benefit Obligation) - Police Officer Schemes**

Reconciliation of present value of the scheme liabilities:

Year Ended 31 March 2013	Year Ended 31 March 2013		Year Ended 31 March 2014	Year Ended 31 March 2014
Old Scheme	New Scheme		Old Scheme	New Scheme
£'000	£'000		£'000	£'000
<b>(1,924,848)</b>	<b>(24,396)</b>	<b>Opening balance at 1 April</b>	<b>(2,048,321)</b>	<b>(31,473)</b>
(32,873)	(2,864)	Current service cost	(29,602)	(3,620)
(87,123)	(1,156)	Interest cost	(90,701)	(1,459)
(12,748)	(1,375)	Contributions from scheme participants	(13,246)	(1,605)
		Remeasurement (gains) and losses:		
0	0	Actuarial gains/(losses) arising from changes in demographic assumptions	(45,618)	(1,041)
(65,933)	(1,556)	Actuarial gains/(losses) arising from changes in financial assumptions	(120,243)	(2,893)
0	0	Experience gains/(losses) on Defined benefit obligation	(17,324)	852
(40)	0	Past service cost	0	0
74,051	(126)	Benefits paid	78,214	(303)
1,193	0	Injury pension payments	1,240	0
<b>(2,048,321)</b>	<b>(31,473)</b>	<b>Closing balance at 31 March as recognised in the balance sheet</b>	<b>(2,285,601)</b>	<b>(41,542)</b>

**Impact on the Police and Crime Commissioner's Cashflow**

The liabilities show the underlying commitments that the Police and Crime Commissioner has in the longrun to pay retirement benefits. The total liability of £2.33 billion has a substantial impact on the net worth of the Group as recorded in the balance sheet resulting in a negative overall balance of £2.29 billion. However, statutory arrangements for funding the deficit mean that the financial position of the Police and Crime Commissioner remains healthy:

- scheme deficits are met by the Home Office
- finance is only required to be raised to cover police pensions when the pensions are actually paid, not when they are earned

The total contributions expected to be made to the Police Pension Fund Account by the Police and Crime Commissioner in the year to 31 March 2015 is £26,814k.

d) **Basis for Estimating Assets and Liabilities - Police Officer Schemes**

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

Both the old and new Police Officer Pension Schemes liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2014

The significant assumptions used by the actuary have been:

Year Ended 31 March 2013 Both Schemes		Year Ended 31 March 2014 Schemes	Both
	<b>Mortality assumptions:</b>		
	<b>Longevity at 65 for current pensioners:</b>		
21.6	Men	22.5	
24.2	Women	25.7	
	<b>Longevity at 65 for future pensioners:</b>		
23.5	Men	24.7	
26.0	en	28.0	
	<b>Financial Assumptions:</b>		
2.6%	of	2.8%	
4.8%	Rate of increase in salaries	5.0%	
2.6%	Rate of increase in pensions	2.8%	
4.5%	Rate for discounting scheme liabilities	4.4%	

It is assumed that members do not transfer any of their lump sum for pension and that active members will retire when they are first able to do so without reduction.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

	Increase in Assumption £'000	Decrease in Assumption £'000
<b>Old Scheme</b>		
Mortality age rating assumption (increase or decrease in 1 year)	(81,849)	82,545
Rate of increase in salaries (increase or decrease by 0.1%)	5,660	(5,630)
Rate of increase in pensions (increase or decrease by 0.1%)	35,799	(35,130)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(40,102)	40,858
<b>New Scheme</b>	Assumption £'000	Assumption £'000
Mortality age rating assumption (increase or decrease in 1 year)	(1,439)	1,452
Rate of increase in salaries (increase or decrease by 0.1%)	255	(253)
Rate of increase in pensions (increase or decrease by 0.1%)	499	(488)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(729)	743

#### e) Participation in Pension Schemes – Police Staff Scheme

Police Staff are part of the Local Government Pension Scheme administered by Devon County Council – this is a funded defined benefit final salary scheme, meaning that the Police and Crime Commissioner and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

In addition to the above scheme there are arrangements for the award of discretionary post employment benefits upon early retirement – this is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. As these benefits are unfunded cash has to be generated to meet actual pension payments as they fall due.

**f) Participation in Pension Schemes – Police Staff Scheme**

The Group recognises the cost of retirement benefits for police staff in the reported cost of services when they are earned by police staffs rather than when the benefits are eventually paid as pensions. However the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment /retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made for the police officer schemes in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Year Ended 31 March 2013	Year Ended 31 March 2013	<b><u>Comprehensive Income and Expenditure Account</u></b>	Year Ended 31 March 2014	Year Ended 31 March 2014
PCC £'000	Group £'000		PCC £'000	Group £'000
		<i>Cost of Services</i>		
117	11,997	Current service cost	216	12,782
1	86	Past service cost	2	112
0	0	(gain)/loss from settlements	0	0
		<i>Financing and Investment Income and Expenditure</i>		
50	5,119	Net Interest expense	89	5,278
<b>168</b>	<b>17,202</b>	<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>306</b>	<b>18,172</b>
		<i>Other Post Employment Benefits Charged to Comprehensive Income and Expenditure Statement</i>		
		Remeasurement of the net defined benefit liability comprising:		
(137)	(14,069)	amount included in the net interest expense)	(2)	(128)
0	0	Actuarial (gains) and losses arising on changes in demographic assumptions	(51)	(3,013)
78	7,971	Actuarial (gains) and losses arising on changes in financial assumptions	324	19,277
0	0	Other actuarial (gains) and losses	5	281
1	119	Experience loss/(gain) on defined benefit obligation	(310)	(18,482)
<b>109</b>	<b>11,223</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statements</b>	<b>271</b>	<b>16,107</b>
(168)	(17,202)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(305)	(18,172)

**Actual amount charged against the General Fund Balance for pensions in the year:**

Funded Liabilities			Funded Liabilities	
PCC	Group		PCC	Group
73	7,501	Employer contributions payable to scheme	131	7,778
Unfunded Liabilities			Unfunded Liabilities	
PCC	Group		PCC	Group
0	158	Retirement benefits payable to pensioners	0	161

**g) Pension Assets and Liabilities recognised in the Balance Sheet**

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

Year Ended 31 March 2013			Year Ended 31 March 2014	
PCC £'000	Group £'000		PCC £'000	Group £'000
(3,101)	(317,950)	Present value of the defined benefit obligation	(5,683)	(338,435)
1,944	199,346	Fair value of plan assets	3,554	211,663
<b>(1,156)</b>	<b>(118,604)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(2,130)</b>	<b>(126,772)</b>

**h) Reconciliation of present Value of the Scheme of Liabilities (Defined Benefit Obligation)**

Reconciliation of present value of the scheme liabilities:

Year Ended 31 March 2013			Year Ended 31 March 2014	
PCC £'000	Group £'000		PCC £'000	Group £'000
<b>(2,305)</b>	<b>(288,202)</b>	<b>Opening balance at 1 April</b>	<b>(3,101)</b>	<b>(317,950)</b>
(116)	(11,943)	Current service cost	(213)	(12,708)
(129)	(13,178)	Interest cost	(244)	(14,524)
(32)	(3,041)	Contributions from scheme participants	(52)	(3,096)
		Remeasurement (gains) and losses:		
0	0	Actuarial gains/losses arising from changes in demographic assumptions	51	3,013
(78)	(7,971)	Actuarial gains/losses arising from changes in financial assumptions	(324)	(19,277)
(1)	(119)	Experience loss/gain on defined benefit obligation	310	18,482
(503)	0	Apportionment Adjustment	(2,239)	0
(1)	(54)	Past service cost including losses/gains on c	(1)	(74)
0	0	Liabilities assumed on entity combinations	0	0
64	6,558	Benefits paid	129	7,699
0	0	Liabilities extinguished on settlements	0	0
<b>(3,101)</b>	<b>(317,950)</b>	<b>Closing balance at 31 March</b>	<b>(5,683)</b>	<b>(338,435)</b>

i) **Reconciliation of the Movements in the Fair Value of Scheme (Plan)**

Year Ended	Year Ended		Year Ended	Year Ended
31 March 2013	31 March 2013		31 March 2014	31 March 2014
PCC	Group		PCC	Group
£'000	£'000		£'000	£'000
1,385	173,161	<b><u>Opening fair value of scheme assets</u></b>	1,944	199,346
79	8,060	Interest income	155	9,246
		Remeasurment gain/(loss):		
		Return on plan assets, excluding the amount included in the net interest expense	2	128
137	14,069			
304	0	Apportionment Adjustment	1,404	0
(1)	(86)	Administration expenses	(2)	(112)
75	7,659	Contributions from employer	133	7,939
30	3,041	Contributions from employees into the scheme	52	3,096
(64)	(6,558)	Benefits paid	(129)	(7,699)
0	0	Other	(5)	(281)
<b>1,944</b>	<b>199,346</b>	<b>Closing fair value of scheme assets</b>	<b>3,554</b>	<b>211,663</b>

The Police and Crime Commissioner's contribution to the Local Government Pension Scheme for the accounting period to 31 March 2015 is estimated to be £7,259k. Expected payments for discretionary benefits for the accounting period to 31 March 2015 are estimated to be £161k.

j) **Local Government Pension Scheme assets comprised**

Year Ended			Year Ended	
31 March 2013			31 March 2014	
£'000		<b><u>Fair Value of Scheme assets</u></b>	£'000	
PCC	Group		PCC	Group
		<b>Cash and cash equivalents</b>		
1,186	121,601	UK Equities	924	55,032
0	0	Overseas Equities	1,208	71,965
253	25,915	Gilts	249	14,816
0	0	Other Bonds	178	10,583
156	15,948	Property	320	19,052
0	0	Infrastructure	71	4,233
292	29,902	Target Return Portfolio	533	31,749
58	5,980	Cash	71	4,233
<b>1,944</b>	<b>199,346</b>	<b>Total</b>	<b>3,554</b>	<b>211,663</b>

k) **Basis for Estimating Assets and Liabilities**

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

The liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

Year Ended 31 March 2013 £'000		Year Ended 31 March 2014 £'000
	<b>Long-term expected rate of return on assets in the scheme:</b>	
4.6	Equity investments	4.5
4.6	Bonds	4.5
4.6	Other	4.5
	<b>Mortality assumptions:</b>	
	<b>Longevity at 65 for current pensioners:</b>	
20.6	Men	22.7
24.6	Women	26.0
	<b>Longevity at 65 for future pensioners:</b>	
22.6	Men	24.9
26.5	Women	28.3
	<b>Financial Assumptions:</b>	
2.6%	Rate of inflation	2.9%
4.8%	Rate of increase in salaries	4.7%
2.6%	Rate of increase in pensions	2.9%
4.6%	Rate for discounting scheme liabilities	4.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

	Increase in Assumption £'000	Decrease in Assumption £'000
<b>PCC</b>		
Mortality age rating assumption (increase or decrease in 1 year)	(198)	199
Rate of increase in salaries (increase or decrease by 0.1%)	25	(25)
Rate of increase in pensions (increase or decrease by 0.1%)	97	95
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(118)	120
<b>Group</b>		
Mortality age rating assumption (increase or decrease in 1 year)	(11,764)	11,871
Rate of increase in salaries (increase or decrease by 0.1%)	1,475	(1,464)
Rate of increase in pensions (increase or decrease by 0.1%)	5,797	5,662
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(7,012)	7,167

#### Other Assumptions

It is assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- 10% of active members will take up the option under the new LGPS to 50% of contributions for 50% of benefits.

#### **I) Impact on the Police and Crime Commissioner's Cash Flows**

The objectives of the scheme, as administered by Devon County Council, are to keep employer's contributions at as constant a rate as possible. A strategy has been agreed with the scheme's actuary to achieve a funding level of 100% over the next 20 years. The next triennial valuation is due to be completed on 31 March 2016.

Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

Devon County Council publishes annual details of the Fund's performance. They can be contacted at County Hall, Topsham Road, Exeter EX2 4QJ.



**NOTE J.6(a): CASHFLOW STATEMENT - OPERATING ACTIVITIES**

The cashflows for operating activities include the following items:

31 March 2013 £'000		31 March 2014 £'000
(21,939)	Net cash (receipts)/payments from operating activities excluding interest receipts and payments	(13,533)
(527)	Interest received	(489)
1,330	Interest paid	1,329
<b>(21,136)</b>	<b>Net Cash flows from operating activities</b>	<b>(12,693)</b>

**NOTE J.6(b): CASHFLOW STATEMENT - INVESTING ACTIVITIES**

31 March 2013 £'000		31 March 2014 £'000
7,882	Purchase of property, plant and equipment, investment property and intangible assets	8,812
22,000	Net movement in short and long term investments	(24,450)
(1,430)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,847)
<b>28,452</b>	<b>Net cash flows from investing activities</b>	<b>(17,485)</b>

**NOTE J.6(c): CASHFLOW STATEMENT – FINANCING ACTIVITIES**

31 March 2013 £'000		31 March 2014 £'000
(68)	Grant Receipts in Advance - Capital	68
102	Cash payments to reduce finance lease liabilities	165
<b>34</b>	<b>Net cash flows from financing activities</b>	<b>233</b>

## NOTE J.7: OPERATING LEASES

The Police and Crime Commissioner leases some properties used to provide operational services. The total future minimum lease payments under non-cancellable leases in future years are:

As at 31 March 2013		As at 31 March 2014	
	£'000		£'000
1,090	Not later than one year	885	
2,271	Later than one year and not later than five years	2,395	
886	Later than five years	1,547	
<u>4,247</u>		<u>4,827</u>	

With the exception of dilapidation clauses, there are no significant terms attached to the Police and Crime Commissioners property leases which lead to potential future assets or liabilities for the Police and Crime Commissioner over and above those disclosed above.

The total costs of property leases included in the Comprehensive Income and Expenditure Statement are:

For Year Ended 31 March 2013	For Year Ended 31 March 2014
£'000	£'000
<u>1,218</u>	<u>1,142</u>

## POLICE OFFICERS' PENSION FUND ACCOUNTING STATEMENTS

The Chief Constable is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. During the year all payments and receipts are made to and from the PCC Group Police Fund. The statement shows income and expenditure for the Police Pension Scheme, this expenditure is not consolidated into the PCC Group Accounts.

### Police Officer Pension Fund Revenue Account

31 March 2013 £'000		31 March 2014 £'000
<b>FUND ACCOUNT</b>		
<b>Contributions Receivable</b>		
(28,711)	Employers (normal)	(27,236)
(14,123)	Employees (normal)	(14,851)
(1,006)	Ill Health capital charge	(943)
<b>Transfers In</b>		
(315)	Individual transfers from other schemes	(608)
<b>Benefits payable</b>		
57,054	Pensions	60,455
16,480	Commutations	17,874
<b>Payment to and on account of leavers</b>		
706	Individual transfers to other schemes	190
30,085	<b>Net amount paid during the year</b>	34,881
(30,085)	<b>Transfer from Police Fund*</b>	(34,881)
0	<b>Net amount payable / receivable for the year</b>	0

\*Additional contribution funded from the Police Fund is met by a top up grant from the Home Office as follows:

25,285	Received in year	25,986
4,800	Debtor	8,895
30,085		34,881

### Police Officer Pension Fund Asset Statement

The Police Officer Pension Fund is unfunded and has no investment assets. There are no short term assets or liabilities.

#### Notes

The Police Officer Pension Fund which is administered by the Chief Constable has been set up for the specific purpose of administering the collection of contributions, the payment of pensions and the refund to central government for the balance outstanding for each year. The fund does not hold any investment assets nor does it reflect the liabilities of both Schemes to pay present and future pensioners.

The main benefits payable are police officer pensions, lump sums that represent the commutation of pensions and other lump sum payments. The Chief Constable paid a contribution equal to 24.2% of police officer pay for 2013-14. As this contribution was insufficient to meet the net costs of benefits after employees' contributions, the account was balanced to nil at the year end by the Home Office top up grant.

The above accounting statement complies with the accounting policies set out in the statement of accounting policies as set out in Note I.1 where those policies are applicable. Recoverable overpayments have been estimated by Devon Pensions Service according to scheme regulations.

For further information on the Police Officers' Pension Scheme see note J.5.

This Financial Statement does not take account of liabilities to pay pensions and other benefits after the 31 March 2014.



# Police and Crime Commissioner for Devon and Cornwall

## Annual Governance Statement 2013/14 For The Office of the Police and Crime Commissioner to 31 March 2014

### 1. Introduction

- 1.1 This annual governance statement for 2013/14 reflects the first full year of the office of the Police and Crime Commissioner [PCC] acting as a separate entity from the Force under a separate governance framework.
- 1.2 The Annual Governance Statement (AGS) is based upon the CIPFA/SOLACE document "Delivering Good Governance in Local Government, Interim Guidance Note for Police Authorities and Forces in England and Wales".
- 1.3 This Statement explains how the PCC has complied with or is intending to comply with the requirements and principles of the revised CIPFA/SOLACE Framework.

### 2. Scope of Responsibility

- 2.1 The PCC made clear his vision for policing in the 2013/14 Police and Crime Plan, *"to make our area a safer place to live work and visit reducing the likelihood that people will become victims of crime."* A refreshed plan for 2014/15 to 2016/17 was submitted and agreed by the Police and Crime Panel on 7 February 2014.
- 2.2 The PCC is responsible for ensuring that business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The PCC has a duty under the Police Reform and Social Responsibility Act 2011 to „secure the maintenance of the police force for that area, and ensure that the police force is efficient and effective.’ To respond to this Act the following changes have been made:
  - The development of a performance framework to hold the Chief Constable to account.
  - The creation of the PCC as a separate corporation sole.
  - The creation of the Chief Constable as a separate corporation sole.
  - The duty to issue Police and Crime plans.
  - The scrutiny of the Plan by the Police and Crime Panel.

2.3 The Office of The Police and Crime Commissioner [OPCC] is responsible for ensuring proper arrangements for the governance of its affairs and facilitating the exercise of the above functions. This includes ensuring a sound system of internal control is in place and that arrangements are in place for the management of risk. The OPCC places reliance on the Chief Constable of the Devon and Cornwall Constabulary to support the governance and risk management processes. This is demonstrated through the separate annual governance statement of the Chief Constable.

2.4 This Annual Governance Statement explains how the PCC has complied with the Code of Corporate Governance and also met the requirements of regulation 4[2] of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit [England] Regulations 2011 in relation to the publication of a statement on internal control.

2.5 The PCC has also appointed an independent advisor with many senior years experience in the public sector who advises principally on finance and organisational matters.

### **3. The Purpose of the Governance Framework**

3.1 The governance framework comprises the systems and processes, culture, values and ethics by which the PCC is directed and controlled and the activities through which he is accountable to and engaged with the community. It enables the PCC to monitor the achievement of his strategic objectives and to consider whether those objectives lead to the delivery of appropriate, cost-effective services, including the achievement of value for money.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the PCC's policies, aims and objectives, to evaluate the likelihood and impact of those risks should they be realised, and to manage them effectively, efficiently and economically.

### **4. The Governance Framework**

4.1 The governance arrangements for the OPCC have been developed in line with the existing statutes and codes of practice. The full framework is documented formally in the OPCC scheme of Governance which includes a scheme of delegation, financial regulations and contract regulations enabling effective accountability. All OPCC decisions are published and available for public scrutiny.

4.2 The framework sets out how the Police and Crime Commissioner and the Chief Constable operate with regard to their respective responsibilities and policies, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. This framework has been

agreed by the Joint Management Board, which itself forms part of the framework, and by the Police and Crime Commissioner with the Chief Constable.

- 4.3 Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force, the Commissioner is required to hold the Chief Constable to account for the exercise of those functions and those of the persons under his direction and control. The Commissioner must satisfy himself that the Force has appropriate mechanisms in place for the maintenance of good governance. The Commissioner and the Chief Constable, as separate corporations sole, have separate but complimentary governance structures which facilitate the achievement of effective governance arrangements, including the monitoring and assessment of performance in line with statutory responsibilities.
- 4.4 The Police and Crime Commissioner is subject to scrutiny by the Police and Crime Panel for Devon and Cornwall. His office provides advice, implements decisions and manages the day-to-day delivery of services. The Treasurer [the Chief Financial Officer fulfilling the Section 151 role] and the Monitoring Officer [the Chief Executive] have a specific statutory duty to ensure that the Commissioner acts within the law and uses resources appropriately.
- 4.5 Members of the public have a number of rights in their dealings with the Police and Crime Commissioner. Some of these are legal rights, whilst others depend on the Police and Crime Commissioner's own processes. Local Advice Centres can advise on individuals' legal rights.
- 4.6 The key elements of the Commissioner's governance arrangements are:
- identifying and communicating his vision and intended outcomes for citizens and service users
  - translating the vision into objectives for the Commissioner
  - measuring the quality of services for users, to ensure they are delivered in accordance with the Commissioner's objectives and represent the best use of resources and value for money
  - defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication, in respect of the Commissioner and partnership arrangements
  - developing, communicating and embedding codes of conduct, defining the standards of behaviour for the Commissioner, members of OPCC advisory groups, Statutory Officers and staff
  - reviewing the effectiveness of the Commissioner's decision-making framework
  - reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability
  - ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

- ensuring effective management of change and transformation and ensuring that the Commissioner's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)
- ensuring the Commissioner's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why they deliver the same impact
- ensuring effective arrangements are in place for the discharge of the head of paid service and monitoring officer functions
- establishing a Joint Audit Committee (with the Chief Constable) and appointing an independent Chair in line with the Home Office's Code of Practice for Financial Management and CIPFA's Audit Committee – Practical Guidance for Local Authorities.
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- procedures for whistle blowing and receiving and investigating complaints from the public
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- enhancing the accountability for service delivery and effectiveness of other public service providers
- developing good governance arrangements in respect of partnership and other joint working arrangements

4.7 The Joint Audit Committee [JAC] has operated since the commencement of the OPCC. The JAC have approved and adopted the principles of the CIPFA/SOLACE Framework. The JAC provides:

- independent assurance to the Commissioner and the Chief Constable on the adequacy and effectiveness of the risk management framework and the associated control environment,
- independent scrutiny of the Force's and Office of the Police and Crime Commissioner's financial and non-financial performance (to the extent that it affects their exposure to risk and weakens the control environment);
- oversees the financial reporting process (adapted from CIPFA Audit Committees Practical Guidance for Local Authorities ).
- Oversees the effectiveness of the framework in place for ensuring compliance with statutory requirements, particularly those in respect of health and safety and equality and diversity.

4.8 An Appointments and Remuneration Committee of independent members has been set up which provides advice on employment and appointment matters relating to

the Commissioner, the Chief Constable and other senior officers and advisors. A recent effectiveness review has produced an action plan for the committee.

- 4.9 OPCC officers gain assurances through attendance at a number of meetings including:
- the Joint Audit Committee
  - the Joint Management Board with the Force, which is chaired by the PCC,
  - the Commissioners Management Board
  - the Force Management Board
  - the Force Chief Officers Group
  - Project Steering Groups
  - the Appointments and Remuneration Committee,
  - the Performance and Accountability Board which ensures scrutiny of key police performance areas,
  - the Commissioning Scrutiny Board
  - The Police and Crime Panel
- 4.10 The roles and responsibilities of each of the OPCC's committees are clearly defined in their individual terms of reference.
- 4.11 A joint Constabulary and OPCC anti-fraud and anti-corruption strategy is in place as part of the governance framework.
- 4.12 There are procedures for protective disclosure (whistleblowing) and receiving and investigating complaints from the public against senior Constabulary officers and staff, and Members or officers of the OPCC. In cases involving complaints against the police the PCC relies upon the Professional Standards Department of the Force whose role is to uphold ethical and professional standards by managing the application of Police Misconduct.
- 4.13 During the year the committees and boards considered a number of major decisions including the legal process for establishing two corporations sole [the Stage 2 process] a proposed strategic alliance with Dorset, budget decisions, commissioning priorities and the OPCC small grants scheme. The Performance and Accountability Board, which holds the Chief Constable to account, was developed and by midyear was meeting monthly at locations in both Devon and Cornwall.
- 4.14 The OPCC aims to promote service quality by ensuring delivery in accordance with the PCC's objectives and best use of resources. This includes public surveys, victim satisfaction surveys, providing speakers from the OPCC at community group events, attending the Strategic Independent Advisory Group and individual Independent Advisory Groups and attendance at various public events throughout Devon and Cornwall e.g. Respect festivals, Pride events and agricultural shows.



## **5. Review of Effectiveness**

- 5.1 The OPCC is responsible for conducting annually, a review of the effectiveness of the governance framework, including the systems of internal audit and internal control.
- 5.2 These reviews have been informed by the work of internal audit, the Audit Commission and also officers within the OPCC who have the responsibility for the development and maintenance of the governance environment. In addition comments made by the external auditors and other review agencies and inspectorates have informed this review. Much of the review work is ongoing throughout the year and is incorporated into the work of the Joint Audit Committee and OPCC staff.

The reviews include:

- the assessment of evidence and the compilation of the Force Annual Governance Statement signed by the Chief Constable,
- the OPCC's Committees reviewing and challenging Force performance. Committee agendas, reports and minutes are available on the OPCC website.
- the Joint Audit Committee receiving reports from internal audit, the external auditors and having a co-ordinating role for the reports and actions emanating from other inspection bodies,
- the Joint Audit Committee having oversight of the OPCC's and Force Risk Registers, and,
- Joint Audit Committee minutes and recommendations are included as items for information on JMB agendas
- The annual report of the PCC senior advisor was considered at the meeting of the Appointments and Remuneration Committee [ARC] in March 2014
- an annual review of the effectiveness of internal audit which concluded that an effective service had been provided during 2013/14

During 2013/14 the internal audit section delivered 15 audits (plus one completed in 13/14 but not yet finalised) of which 5 concluded partial assurance (amber) and 2 of limited assurance (red).

## **6. Developments in 2013-14**

- 6.1 A new scheme of governance has been designed as part of the preparations for the stage 2 transfer.
- 6.2 The role of approving the Statutory Accounts of the Authority made the Joint Audit Committee the obvious choice for Corporate Governance. To ensure that it is ably qualified for such responsibilities, annual assessments of its effectiveness in line with best practice are undertaken which confirmed that the Audit Committee was well suited and equipped for such responsibilities. This committee has enabled a positive working relationship with the new external auditors in their first full year considering

the interpretation of the new accounting requirements of the two corporations sole and providing a venue for the external auditors to host a well received regional audit committee seminar. This Committee also has oversight of general governance matters and will provide comments on any new or proposed Police and Crime Commissioner policies and strategies or changes to existing relevant policies and strategies which in the opinion of the Treasurer and Director of Finance and Resources in the Force are significant with regards to financial risk and probity

- 6.3 In the spirit of promoting continuous improvement the JAC have undertaken an exercise to validate all the evidence related to the above code's core principles and have carried out a review of its own terms of reference as part of its workplan
- 6.4 The Police and Crime Panel undertook a series of meetings where the Police and Crime Commissioner was held to account and at which they approved the revised Police and Crime Plan and the precept for 2014/15, scrutinised OPCC office costs and commissioning intentions, and received reports from the Chief Executive regarding complaints.
- 6.5 In October the existing Chief Executive departed and an interim was appointed. The appointment and remuneration process for a replacement was overseen by the appointments and remuneration committee and through a competitive process a replacement was appointed by the end of the financial year thus ensuring continuity of advice and statutory governance.
- 6.6 In order to strengthen the role of internal audit the OPCC became full members of the Devon Audit Partnership thus enabling it to benefit from attendance at management board meetings and retain key audit staff within the OPCC. This change has improved the sustainability of internal audit.
- 6.7 The OPCC and the Force have developed a joint risk register process across the two corporate entities. This enables the Joint Management Board to assess the overall risk position and communication of priorities. Other significant governance events include:
  - Transfer of staff from the PCC to the Chief Constable on 1<sup>st</sup> April 2014 [part of the stage 2 process]. The governance risks were managed by an internal working group reporting to the JMB. As part of this process governance processes were reviewed and new documentation was developed for use beyond April 2014.
  - As part of the transition work reliance was placed upon the use of consultants to ensure new structures were set up on strong foundations. A review of consultant use was subsequently carried out and increased reliance on in house provision was introduced as a more cost effective form of delivery.
  - Improvement in follow up of internal audit report recommendations
  - Lack of consultation with ARC on the appointment process for the DCC

- 6.8 The Police Reform and Social Responsibility Act required the PCC to undertake a second stage transfer by 1 April 2014. Currently the PCC owns all assets and liabilities and the second stage transfer involves the PCC and the Chief Constable in deciding which assets and staff should transfer to the Chief Constable. Following from these decisions new governance arrangements have followed. Set against these fundamental future changes the following items are of particular importance:
- 6.9 At their meeting of 14 February 2013 JMB specified their intention to manage corporate risks through a joint process. This is to be realised through the development of a joint risk register that describes the salient risks to the achievement of the objectives identified in the PCC's plan. The risks (uncertainties) in this register will have causes and mitigating actions variously owned by and assigned to the OPCC and the Force.
- 6.10 As part of the PCC's responsibility for holding the Chief Constable to account a new performance management framework has been designed which links the Police and Crime Plan, the joint risk register and performance targets to enable regular Performance and Accountability meetings to take place. This work is expected to be fully operational by July to co-incide with work on the joint risk register.

## **7. Significant Governance Issues**

- 7.1 The most significant governance issue facing the OPCC is the gap that occurs in 2018-19 between forecast spending and the resources available to fund that spending. This gap was identified during the preparation of the 2014-15 Medium Term Financial Strategy. In order to address this issue the PCC has formed the Every Penny Counts Board which has the remit to establish a financial road map which closes the budget gap whilst ensuring the delivery of the Police and Crime Plan.

## **8. Planned Developments in 2014-15**

- 8.1 Work is underway to develop a mechanism by which all sources of assurance are identified for any significant risk or activity and an overall assurance assessment arrived at. The aim of this mechanism will be to identify areas of concern to the PCC and Chief Constable where there is insufficient assurance, adequate assurance or potentially over-assurance that controls designed to mitigate key risks are effective, efficient and economical.
- 8.2 It is proposed that assurance activity will be aligned directly to risk registers. Risks covered by the framework will be those identified as direct or indirect threats to the achievement of stated objectives set out primarily in the Police & Crime Plan, as well as the Chief Constable's business and policing plans that support its delivery.
- 8.3 A major strategic collaboration initiative with Dorset is underway which aims to provide service enhancement and adequate VFM reserves. This development will require effective governance arrangements and these are under development.

- 8.4 Having achieved a sound start to the introduction of new governance arrangements we propose over the coming year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the effectiveness review of the statement. These will be monitored during implementation and form part of the next annual review.

**Signed:**

**Police and Crime Commissioner for Devon and Cornwall**

**Andrew White, Chief Executive**

**Duncan Walton, Treasurer**

**Dated 18 September 2014**

## **GLOSSARY OF FINANCIAL TERMS**

*The following definitions of technical terms used in these accounts may help the general reader:*

<b>Accounting period</b>	The period of time covered by the accounts, usually a full year, which for the Office of the Police and Crime Commissioner runs from 1 April to 31 March.
<b>Accrual</b>	Amounts included in the final accounts to cover income and expenditure due in the accounting period but neither paid nor received by 31 March. (For example, goods delivered in March but not invoiced by suppliers until April.)
<b>Actuarial gains and losses</b>	Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.
<b>Actuarial valuation</b>	An independent report on the financial status of a Pension Fund, which shows the estimated cost today of providing benefits in the future.
<b>Agency services</b>	Services provided by one body (the agent) on behalf of, and generally with payment from, the responsible body.
<b>Amortised Cost</b>	This method applies to both financial assets and liabilities. It is a method of determining the Balance Sheet carrying amount and periodic charges or credits to the Income and Expenditure Account of a financial instrument from the expected cash flows. This approach sees through the contractual terms (for example discounts and premiums) to measure the real cost that a Police and Crime Commissioner bears each year from entering into a financial liability. The Office of the Police and Crime Commissioner does not currently have any complex financial instruments where the contractual terms vary significantly from the real cost. For this reason the amortised cost of financial instruments is close to contractual cost.
<b>Appropriation</b>	Charges to the revenue account that build up funds and reserves in the balance sheet.
<b>Asset</b>	Something of practical use that can be measured in cash terms, e.g. land and buildings, or computer and radio equipment.
<b>Bid price</b>	A valuation of financial assets based on the highest price a buyer is willing to offer.

## GLOSSARY OF FINANCIAL TERMS

*The following definitions of technical terms used in these accounts may help the general reader:*

<b>Budget</b>	The Police and Crime Commissioner's plan for providing resources to meet its service obligations. The Office of the Police and Crime Commissioner sets an annual budget within a three-year financial strategy.
<b>Capital expenditure</b>	The cost of buying or building significant assets (e.g. land and buildings) which have a long-term value to the Office of the Police and Crime Commissioner. <i>(Also referred to as capital spending or capital payments).</i>
<b>Capital grants</b>	Grants received by the Office of the Police and Crime Commissioner that can only be used to pay for capital projects.
<b>Capital receipts</b>	Income from the sale of capital assets (land, buildings, etc.). In the public sector, there are generally strict rules on what the receipts can be spent on.
<b>Carrying amount</b>	This is the amount of a financial asset or liability that should be recorded in the Balance Sheet for a given date based upon the correct measurement approach for the financial asset or liability.
<b>Cash flow Statement</b>	This statement summarises the inflows and outflows of cash.
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy, the professional body that sets accounting standards for the public sector.
<b>Collection fund</b>	District and unitary councils pay all receipts from local taxpayers into a "collection fund". They then pay county, police, fire, district, unitary and parish council precepts from the fund.
<b>Commutation of Pension</b>	Commutation is where part of the entitlement to a pension for life is exchanged for a lump sum payable on retirement. This requires a calculation of the current value of the entitlement given up. The calculation is done using actuarial advice. The advice is set out in tables containing „factors'. The level of the factors depends on age and life expectancy.
<b>Contingency</b>	A reserve set aside to meet unexpected costs. For example, the Force always has major operations every year, but can never tell how many will happen or how much each will cost.

## **GLOSSARY OF FINANCIAL TERMS**

*The following definitions of technical terms used in these accounts may help the general reader:*

<b>Contingent liability</b>	A possible cost of past events where the amount to be paid is not certain, or when the payment may not actually be made. (For example, where a court case is still undecided.)
<b>Corporate &amp; democratic core</b>	The costs of actually running the Police and Crime Commissioner.
<b>Council tax</b>	A tax based on the value of property, which is administered by District and Unitary authorities.
<b>Creditors</b>	Amounts owed by the Police and Crime Commissioner for work done, goods received or services received, but for which payment has not been made by the end of the accounting period.
<b>Current Assets &amp; Liabilities</b>	Current assets are items that can be readily converted into cash. Current liabilities are items that are due immediately or in the short-term.
<b>Current Service Cost</b>	The increase in the benefits earned by employees in the current period based on their pay and length of service. This is charged to the net cost of services.
<b>Curtailments</b>	Curtailments arise as a result of the early payment of accrued pensions on retirement on the grounds of efficiency or redundancy or where the Employer has allowed employees to retire on unreduced benefits before they would otherwise have been able to do so.
<b>Debtors</b>	Amounts due to the Police and Crime Commissioner but unpaid by the end of the accounting period.
<b>Deferred charges</b>	Costs build up preparing for a capital project that does not eventually create or buy a fixed asset. Deferred charges are written out of the accounts in the year they are incurred.
<b>Defined Benefit Scheme</b>	A pension scheme which defines the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.
<b>Depreciation</b>	The accounting principle that spreads the cost of a fixed asset over its useful working life.
<b>Discretionary Benefits</b>	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Police and Crime Commissioner's discretionary powers.

## GLOSSARY OF FINANCIAL TERMS

*The following definitions of technical terms used in these accounts may help the general reader:*

<b>Earmarked Reserves</b>	These reserves represent monies set aside to be used for a specific purpose.
<b>Exit costs</b>	These are costs of packages for which the Police and Crime Commissioner is demonstrably committed to. The cost of the package includes the termination benefits, all relevant redundancy costs including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.
<b>Expected return on assets</b>	The average rate of return expected over the remaining life of the pension scheme from the actual investments held by the scheme. Fees charged by investment managers are taken out. The net income is credited to net operating expenditure.
<b>Experience gains &amp; losses (IAS 19 Pensions disclosure)</b>	This shows the impact of actual experience differing from the accounting assumptions, such as pension increases differing from those assumed and unexpected membership movements.
<b>Fair value</b>	This is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price. In most cases, this amount will be the transaction price, e.g. the amount of a loan made.
<b>Fixed assets</b>	Assets that the Police and Crime Commissioner can use for a period of more than one year.
<b>Financial Reporting Standards (FRS)</b>	Accounting standards issued by the Accounting Standards Board of the Financial Reporting Council (FRC), the UK's independent regulator for corporate reporting and governance.
<b>Home Office grant</b>	A central government grant paid by the Home Office to Police Authorities in support of their day to day expenditure.
<b>Impairment</b>	A loss in the value of a fixed asset, caused by physical damage (such as a major fire) or a significant reduction in market value.



## **GLOSSARY OF FINANCIAL TERMS**

*The following definitions of technical terms used in these accounts may help the general reader:*

<b>Intangible asset</b>	An identifiable asset that has no physical substance can be measured reliably and is used for a period of more than one year.
<b>Interest cost</b>	The expected increase during the period in the present value of the scheme liabilities because members of the scheme are one year closer to retirement. This is charged to net operating expenditure.
<b>LAAP</b>	Local Authority Accounting Panel – which sets accounting rules for the public sector.
<b>Loans and Receivables</b>	These occur when money, goods or services are provided to a debtor and payment or repayment will be by fixed determinable payments. Such arrangements are not normally tradable.
<b>Medium Term Financial Strategy</b>	Often referred to as MTFs, it is the financial plan and management of funding, spending and savings over a four year period.
<b>Mid price</b>	A valuation of financial assets based on the mid point between bid and offered prices
<b>Minimum Revenue Provision</b>	The minimum amount of the Police and Crime Commissioner's outstanding debt that must be charged to the General Fund each year.
<b>National non-domestic rates (NNDR)</b>	Rates set nationally and paid by local businesses to the Government, then shared by local and police authorities in proportion to their resident population.
<b>Non distributed costs (NDC)</b>	For the Police and Crime Commissioner these are principally past service costs relating to pensions benefits earned in prior periods.
<b>Non-operational assets</b>	Fixed assets that are not used to deliver direct services. For example, police houses, or assets that are still being built or are no longer used and about to be sold.
<b>Past Service Cost</b>	The increase in the benefits earned by employees from their service in previous years arising because of improved retirement benefits. These costs are paid directly by the employer and are charged to the net cost of services.
<b>Pension scheme (defined benefit)</b>	A pension scheme that pays benefits to members based on the rules of the scheme and not on the value of the pension fund. Benefits are usually based on pay and length of service.

## **GLOSSARY OF FINANCIAL TERMS**

*The following definitions of technical terms used in these accounts may help the general reader:*

<b>Pension scheme (funded)</b>	Each year both employers and members pay standard contributions that are invested in a separate pension fund. Benefits to contributors and their dependants are paid out of investments held in the fund.
<b>Pension scheme (unfunded)</b>	Members pay a standard contribution each year. The employer then pays the cash difference between members' annual contributions and the annual cost of benefits to contributors and their dependants.
<b>Precept</b>	A levy collected by District and Unitary Councils from council taxpayers on behalf of the Police and Crime Commissioner.
<b>Present value ( or Net Present Value)</b>	The amount of money that must be put aside today to pay for a cost in the future, allowing for inflation and interest rates.
<b>Principal</b>	The amount of a loan that was actually borrowed, before interest is added.
<b>Provisions</b>	Amounts set aside to meet costs that are likely to be incurred, but where the actual amount and timing are uncertain.
<b>Related parties</b>	Individuals or other bodies who have significant control and influence over the financial and operating policies of an entity.
<b>Reserves</b>	Amounts set aside to meet the cost of specific future expenditure. The Police and Crime Commissioner plans its reserves as part of a three-year strategy.
<b>Revaluation Reserve</b>	The Reserve records the accumulated gains on the fixed assets held by the Police and Crime Commissioner arising from increases in value. It is debited with the part of the depreciation charge for the asset relating to the revaluation. Any balance on this account is written back to the Capital Adjustment Account upon disposal of the asset.
<b>Revenue support grant (RSG)</b>	A general central government grant paid to the Police and Crime Commissioner, as well as the Home Office Grant, to support its day to day expenditure.
<b>Running costs</b>	Costs from the use of premises, transport and equipment, and other general expenditure needed to provide a service.

## **GLOSSARY OF FINANCIAL TERMS**

*The following definitions of technical terms used in these accounts may help the general reader:*

<b>Specific grants</b>	Grants (usually from the Home Office) that can only be spent on named services and projects.
<b>Statement of Standard Accounting Practice</b>	Guidance issued by the FRC on how to use and apply accounting standards.
<b>Termination benefits</b>	These are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits excluding any voluntary early retirements.
<b>Third party payments</b>	Payments made to outside contractors and other bodies who provide specialist or support services for the Police and Crime Commissioner.