



# Police and Crime Commissioner for Devon and Cornwall

**Statement of  
accounts  
year ending  
31 March  
2016**

# Police and Crime Commissioner for Devon and Cornwall

## Statement of Accounts 2015-16 and Related Reports and Statements

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# NARRATIVE REPORT by DUNCAN WALTON, TREASURER

## 1 Introduction

- 1.1 Welcome to the Police and Crime Commissioner's Statement of Accounts for 2015-16. 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, Cornwall and the Isles of Scilly 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 24.
- 1.3 The aim of this narrative report is to provide an easily understandable explanation of the Police and Crime Commissioner Group's financial performance in 2015-16 and its position at the end of the year. Information is also provided on financial and non-financial performance indicators.
- 1.4 The accounting policies of the Police and Crime Commissioner mean that the total comprehensive income and expenditure 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 7 which shows that although the year-end total Comprehensive Income and Expenditure 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 16 and 17) and for the Police and Crime Commissioner (page 18 and 19) as a single entity, shows the changes in the Police and Crime Commissioner's financial resources over the year
  - **Comprehensive Income and Expenditure Statement** - for the Group (page 20) and for the Police and Crime Commissioner as a single entity (page 21), these show the gains and losses that contributed to the changes in resources
  - **Balance Sheet as at 31 March 2016** (page 22), 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 23), 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.

### Changes in Accounting Policies

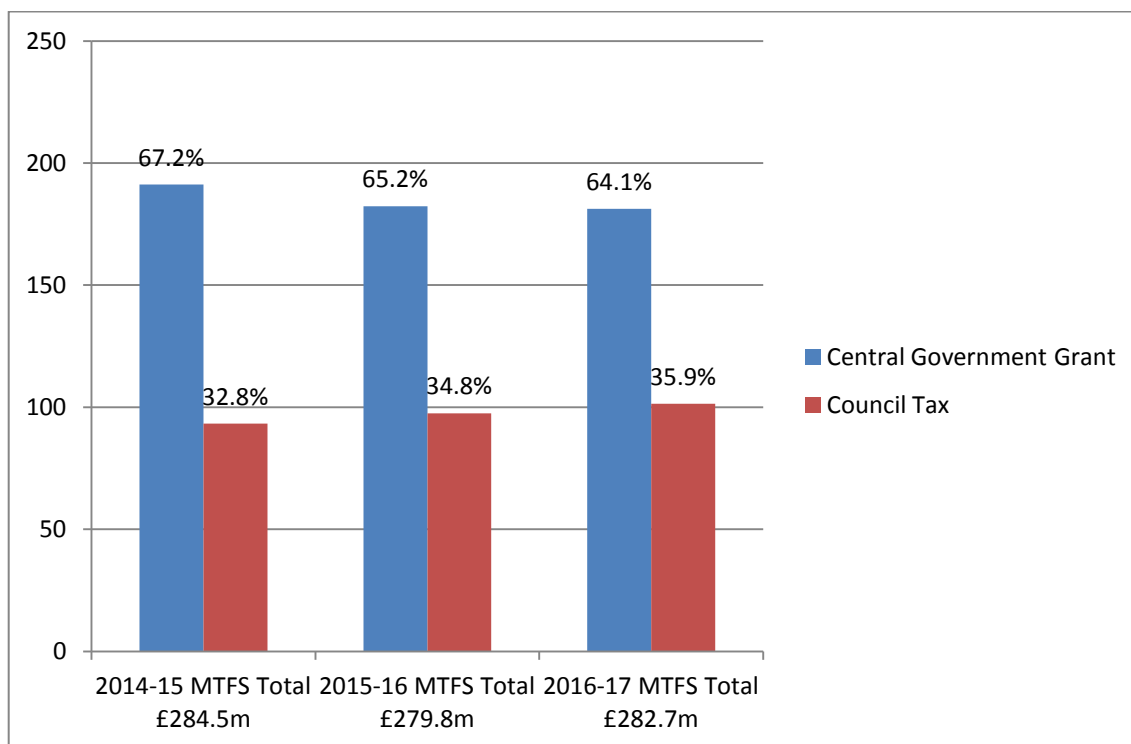
- 2.3 There have been no significant changes in accounting policies in 2015-16. In 2015-16 the Code of Practice on Local Authority Accounting adopted IFRS 13 Fair Value Measurement with adaptations to fit the public sector. This change in the code has had an impact on the valuation surplus properties from 1 April 2015. The Strategic Alliance with Dorset has not required any changes to existing policies.

### 3 Financial Performance of the Police and Crime Commissioner in 2015-16 and Position at 31 March 2016.

#### Resources Available in 2015-16

- 3.1 The budget for 2015-16 was set in the context of a reduction in funding; Home Office formula grant was reduced by £9m or 5.1% in 2015-16, in addition further significant reductions were expected from 2016-17 onwards. As explained in more detail further on in this report the reductions did not materialise as expected and the level of grant reduction was lower than expected.
- 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 1.99% so that services to the public could be maintained against a back drop of reducing central funding. Council tax was set at £169.47 for a band D property, the second lowest in the South West region and below the national average. This meant that overall funding in 2015-16 was £4.7m less than it was in 2014-15.
- 3.3 The revenue budget income graph below shows main funding sources in 2015-16 as well as the funding in the previous and following year for comparative purposes. In 2014-15 central government grant was 67.2% of revenue budget, in 2015-16 it fell to 65.2% of funding and in 2016-17 it will fall to 64.1% of total revenue funding.

Revenue Budget Funding £m



#### Setting the Financial Strategy for 2015-16 and Beyond

- 3.4 The Police and Crime Commissioner takes a multi-year approach to budget setting and a significant factor in setting the 2015-16 budget was the expectation of continuing reductions in central government funding over the following three years of the Medium Term Financial Strategy. For this reason a four year savings plan was agreed that aimed to achieve total savings of £19m by 2018-19. The profile of the funding reductions and the constraints imposed when reducing costs through natural wastage meant that the target savings in the first year of the four year plan exceeded the level required to balance the budget in 2015-16. For this reason it was possible to make a

contribution of £1.9m to reserves in 2015-16 to smooth the impact of the future reductions.

Table 1: The Four Year Medium Term Financial Strategy 2015-16

	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m
Forecast Budget Income	279.8	274.3	270.9	270.9
Budgeted contributions (to)/from the Revenue Support Fund	(1.9)	7.5	10.8	3.1
Net Budgeted contributions (to)/from other Revenue Reserves	3.8	3.0	2.4	0.6
Forecast Expenditure excluding contribution to/from reserves	281.7	284.8	284.1	274.6

3.5 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 2015-16 – Savings

	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m
Savings Required	6.1	10.7	13.3	19.3

#### Actual Expenditure 2015-16

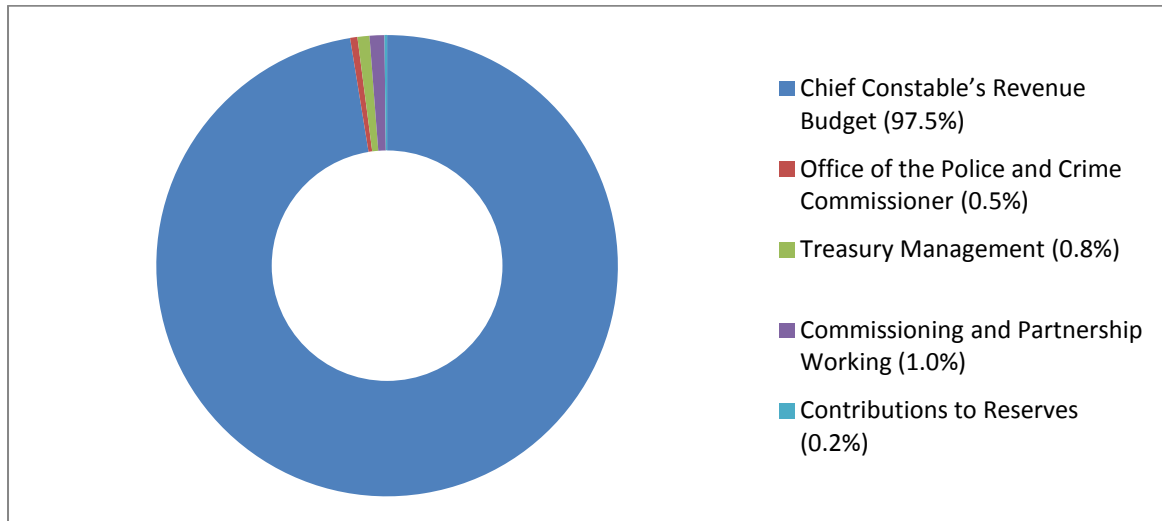
3.6 The final outturn position for the Police and Crime Commissioner Group for 2015-16 is £1,370k less than the original budget plan, £141k of this relates to an under-spending on the Office cost of the Police and Crime Commissioner ; expenditure and income is summarised in the table below:

Table 3: The Outturn Position

	2015-16 Revised Budget Expenditure and Income £m	2015-16 Actual Expenditure and Income £m	Variation £m
Chief Constable's Revenue Budget	273.581	272.595	(0.986)
Office of the Police and Crime Commissioner	1.568	1.427	(0.141)
Treasury Management	2.583	2.355	(0.228)
Commissioning and Partnership Working	2,915	2.900	(0.015)
Net contribution to/(from) Earmarked Reserves	(0.865)	0.505	1.370
<b>Net Spending</b>	<b>279.782</b>	<b>279.782</b>	<b>0</b>
Revenue Funding			
Government Grant including Council Tax Benefit Grant	182.261	182.261	0
Council Tax *	97.521	97.521	0
<b>Total Funding</b>	<b>279.782</b>	<b>279.782</b>	<b>0</b>

\*Council Tax is the cash received for the year and excludes the reduction in the council tax adjustment account of £171k.

### How the £279.8m was spent



- 3.7 The under-spending on the Chief Constable's Revenue budget of £0.986m represents less than 0.4% of the budget. The main reason for the under-spending was the uncertainty with regard to funding in future years that prevailed for the first nine months of the financial year. Up to December 2015 it was expected that funding in 2016-17 onwards would be significantly reduced due to the government's ongoing austerity programme and also because Devon and Cornwall Police were expecting to lose funding under the revised funding formula for police. For this reason a halt was placed on recruitment of police officers. The year-end position was a £1.6m under-spending on police officer costs once pay and overtime are taken into account, this under-spending was partly offset by variations on other budget lines. Significant over-spends occurred on legal costs and programmes and project costs, these were caused by one off variations in spend rather than ongoing increases in the cost base.
- 3.8 In December 2015 it was announced that the reduction in funding would be lower than forecast and in addition the introduction of the new funding formula had been postponed. As a result of these changes police officer recruitment was re-instated.
- 3.9 The Office of the Police and Crime Commissioner's budget under-spent by £0.141m due to savings on staffing, overheads and support to billing authorities to collect the council tax. There was a £0.228m under-spending on the Treasury Management budget due mainly to the decision not to borrow externally to fund capital expenditure. The £1.370m variation on the budget for contributions to and from reserves is due £0.440m of the planned draw-down from the Estates Development and the Police Officer Ill Health reserves not being required due to delays in spending, plus year end contributions as follows:
- to the Budget management Fund for approved carry-forwards of £0.774m
  - to the Police and Crime Plan Reserve to support future Police and Crime Plan initiatives £0.156m

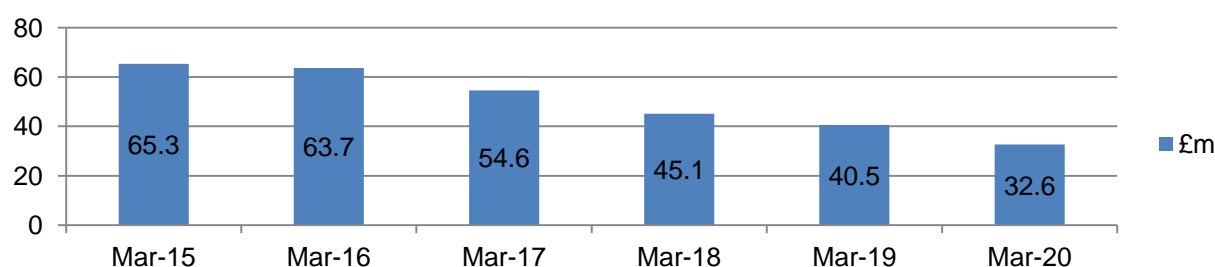
Full details of contribution to and from reserves are provided in table 4, note B1 shows the total movement on each reserve and this includes transfers between reserves.

Table 4: Net Contributions to/(from) Revenue Reserves

	£m	Reason
Revenue Support Fund	1.865	To offset future funding reductions and maintain police officer numbers
Capital Financing Reserve	0.750	To fund future capital expenditure
Budget Management Fund	(0.491)	Impact of movement in approved carry-forwards
Workforce Modernisation Reserve	(0.930)	To fund pay protection arising from the pay and grading review
Programme & Projects Reserve	(0.743)	To fund the Force Programme
Estates Development Reserve	(0.082)	To facilitate rationalisation of the property estate
Police and Crime Plan Reserve	0.136	To fund police and crime plan initiatives
<b>Revenue Contributions to Reserves</b>	<b>0.505</b>	
Use of Reserves for Capital Financing	(2.074)	
<b>Total Reduction in Earmarked Revenue Reserves</b>	<b>(1.569)</b>	

- 3.10 The decrease in usable reserves between 31 March 2015 and 31 March 2016 and the forecast change in reserves in future years are shown in the graph below.

### Earmarked Revenue Reserves and General Balances £m



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

- 3.11 Paragraph 3.18 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. It was reported in the 2014-15 Statement of Accounts that the Police and Crime Commissioner had entered into a conditional contract to dispose of a significant portion of the Force HQ site at Middlemoor Exeter but that the transaction was not complete; this transaction is still subject to legal proceedings. Other than this transaction there are no individual acquisitions or disposals that are material in 2015-16.
- 3.12 In 2015-16 the Chief Constable made payments totalling £8.2m to retired police officers following a decision by the Pensions Ombudsman that the Government Actuaries Department had issued incorrect commutation factors for the calculation of commutation payments during this period. This sum was reimbursed in full by the Home Office. In addition, following a decision to move the date for paying employees from the middle of the month to the end of the month to allow for the integration of Devon and Cornwall and Dorset payroll processes under the Strategic Alliance the Chief Constable made repayable advances with value of £2.5m in March 2016 to a number of staff. This was to assist them to manage the impact of being paid 2 weeks later than before, the advances which do not attract interest will be repaid over the next 12 months.

### 3.13 Staffing Resources

Staff costs make up almost 80% of the budget, staff numbers at the beginning and end of the period were:

Table 5 Staffing Resources		
	As at 31 March 2015	As at 31 March 2016
<b>Force</b>		
Police Officers	3,045	2,959
Police Staff	1,624	1,636
Police and Community Support Officers	351	347
<b>Total for Force</b>	<b>5,020</b>	<b>4,942</b>
<b>Police and Crime Commissioner</b>		
Office of the Police and Crime Commissioner	19	17
Commissioning and Victim Support	10	10

### The Main Financial Statements

- 3.14 The outturn position as set out in table 3 and described in paragraphs 3.6 to 3.10 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 considered more helpful to residents and council taxpayers of Devon and Cornwall than the movement on the Comprehensive Income and Expenditure Statement shown on page 20. 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. Paragraphs 3.15 to 3.17 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 contain many notional figures. These statements are described in more detail below.

### Movement in Reserves Statement

- 3.15 Table 6 shows that usable reserves have reduced by £1.620m. The most significant movements are; use of the Workforce Modernisation Reserves to fund one off costs of job evaluation and use of the Programme and Projects Reserves and Capital Financing Reserves to support investment in projects, these were offset by a contribution to the Revenue Support Fund. Further information on the movement in usable reserves is provided in notes B.1 and B.2 pages 27-29. The increase in the unusable reserves largely reflects changes in actuarial assumptions on pensions described in paragraph 3.20 below further information on unusable reserves is provided in note B.3 on page 29.

Table 6 – Movement on Reserves

<u>Usable Reserves</u>	<u>£m</u>	<u>£m</u>
General Fund		0
Earmarked Reserves:		
Net Revenue budget contributions	0.505	
Use to fund capital expenditure	(2.074)	
		(1.569)
Capital Receipts Reserve		(0.349)
Capital Grant Unapplied		0.298
<u>Total Usable Reserves</u>		<u>(1.620)</u>
<u>Total Unusable Reserves</u>		<u>141.229</u>
<u>Total Reserves</u>		<u>139.609</u>



## Comprehensive Income and Expenditure Statements

- 3.16 The Group Comprehensive Income and Expenditure Statement (on page 20) shows the surplus 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 7 - Reconciliation of the Movement on the General Fund Surplus to the Comprehensive Income and Expenditure Fund Statement

	2015-16 £m <b>PCC</b>	2015-16 £m <b>Group</b>
<b>General Fund</b>	<b>0</b>	<b>0</b>
Current and past service charge for pensions are (less)/more than the actual employer contributions and Home Office Top Up Grant	0.110	(10.118)
Pensions interest cost	0.097	95.365
Intra-group funding with regard to pensions and other employee benefits	(122.717)	0
Other adjustments – mainly to account for capital investment as it is consumed	(4.496)	4.051
Sub total	(127.006)	89.298
Transfer to/from earmarked reserves	(0.505)	(0.505)
<b>Deficit on the Provision of Services</b>	<b>(127,511)</b>	<b>88,793</b>
Other Comprehensive Income and Expenditure		
Surplus on revaluation of non-current assets	(10.715)	(10.715)
Net increase in pension assets and liabilities due to actuarial gains	(1.383)	(217.687)
<b>Total Comprehensive Income and Expenditure</b>	<b>(136,609)</b>	<b>(139,609)</b>

- 3.17 The above reconciliation shows that the Surplus on the Provision of Services and the Surplus arise mainly because the actuarially assessed cost of funding the pensions earned by employees is less than the amount that the Group/Police and Crime Commissioner are required to charge against taxation.

## Capital Expenditure and Financing

- 3.18 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 2015-16, capital spending was £4.988m. The table below shows how the money was spent and how it was financed.

Table 8 - Capital Expenditure and Financing

Capital Spending	31 March 2016	
	£m	%
Building Schemes	1.137	22.4
Equipment and ICT Hardware and intangible assets	2.469	48.7
Vehicles	1.462	28.9
	5.068	100.0
Capital Financing	31 March 2016	
	£m	%
Home Office Capital Grant and external contributions	1.993	39.3
Capital Receipts	0.349	6.9
Direct Revenue Funding and Revenue Reserves	2.172	42.9
Borrowing and lease finance	0.554	10.9
	5.068	100.0

## **The Group and Police and Crime Commissioner Balance Sheets.**

### Usable Reserves

- 3.19 The Police and Crime Commissioner Group has total usable balances and reserves of £68.446m; made up as follows:

	£m
General Fund	6.198
Earmarked Reserves	57.523
Capital Reserves	4.725

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.1 on page 27.

### Pension Liabilities

- 3.20 There has been a £132.440m (5%) decrease in pension liabilities for the Group in 2015-16. The main reason for this is a change in the financial assumptions used by the Police and Crime Commissioner's actuary to value the pensions liabilities. In particular there has been a change in the factor used to discount future pension payments which has decreased the current value of the liabilities.
- 3.21 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. This means 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

- 3.22 The Police and Crime Commissioner's total capital financing requirement as at 31 March 2016 was £40.934m. Of this £34.778m was met by external borrowing, £0.303m by lease finance and £5.853m 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

- 3.23 Total provisions are £2.277m they include:
- Provisions to meet future liabilities in terms of remuneration
  - Provision for uninsured claims against the Police and Crime Commissioner
  - Other provisions to meet other liabilities for example legal claims
- 3.24 Contingent liabilities are set out on page 42; they include possible liabilities in relation to remuneration of current and former employees and also a liability in relation to pensions.

### **Cash Flow**

- 3.25 There was a £5.732m increase in cash and cash equivalents during the year and investments decreased by £13.063m, the total change in cash and investments was a decrease of £7.331m. This

was due to:

- A switch from longer investments to overnight deposits due to changes in capital markets and cash flow requirements
- Other changes in balances, for example, debtors, creditors and stock

## **4 Financial and Non Financial Performance Indicators**

### **Performance Indicators**

- 4.1 The principal independent financial indicators available to the Police and Crime Commissioner are as follows:

HMIC PEEL Report – Her Majesty's Inspectorate of Constabulary review each Force to examine their Efficiency Effectiveness and Legitimacy. The 2015 report indicated that Devon and Cornwall were rated good for each of the three indicators. Key information contained within the report showed that Force performance in term of officers deployed to frontline line duties and victim based crime per 100 population was in line with national averages whilst the costs of the Force was 46p per person per day as compared to the national average of 55p per person per day. Further information on the PEEL inspection is available at <http://www.justiceinspectors.gov.uk/hmic/peel-assessments/peel-2015/devon-and-cornwall/key-facts/>

### **Operational Performance of the Force**

- 4.2 Crime figures for the 2015-16 year showed a 3.8% reduction compared to the previous year. Victim based reported crimes reduced by 5.2%. The Independent Crime Survey results showed that 71.6% of respondents said that Devon & Cornwall Police do a good or excellent job; this is the highest level of public confidence compared to other forces. Further detail on the operational performance of the Force is provided in the Narrative Report to the Chief Constable's Accounts.

## **5 Future Financial Prospects**

- 5.1 Since 2011-12 Devon and Cornwall police have faced significant year on year real terms reductions in central government funding and when the 2015-16 Medium Term Financial Strategy was established it was expected that these significant reductions would continue until 2018-19. However when the police funding settlement was announced in December 2015, the Home Office Minister announced that no PCC will face a cash reduction when taking into account government grant and precept income (so long as they maximise their precept increase). A subsequent announcement from the Home Office indicates that PCCs should expect that settlement over the period 2017-18 to 2019-20 will be flat in cash terms. This means that the PCC will face real terms funding reductions as inflation and other factors increase costs but this is a significant decline in the rate of reduction in funding as compared to the last five years. This position still required savings of £12.8m by 2020-21.
- 5.2 In the summer of 2015 the Home Office provided information on their review of the police funding formula that indicated that Devon and Cornwall would lose a significant level of funding under the new formula. However, as a result of a successful challenge to the legitimacy of the new formula, led principally by the Police and Crime Commissioner for Devon and Cornwall the review was postponed in December 2015. At present there has been no clear announcement from the Home Office as to whether it will be re-instated and if so what the terms of reference will be.
- 5.3 Whilst these announcements give a greater degree of certainty about future financial resources they do not eliminate risk in terms of future funding available and the following risks still exist:
- Changes to the UK or the global economy mean that the funding available to the Home Office and hence police is reduced
  - Events or other factors prompt the Home Office to hold back more funding for national initiatives
  - The formula review is re-instated and the revised formula reduces funding for Devon and Cornwall Police

- Removal of the council tax subsidy grant or other changes to the overall figure for council tax legacy grants

5.4 In addition to the above the referendum decision to leave the European Union also creates an element of uncertainty. This may impact on:

- future funding if Home Office grant levels are changed in future budgets
- future costs, for example, fuel costs may increase as a result of a change in the exchange rate
- other factors such as labour market changes

## **6 Progress in Managing Financial Risks and Opportunities**

6.1 The Police and Crime Commissioner and the Chief Constable have an effective joint process for managing risk and the details are provided in the Annual Governance Statement. A significant risk identified in the Corporate Risk Register is reduction in government funding as set out in section 5 above. There are a number of programmes in place that aim to improve the efficiency of the Force and hence provide some resilience should there be a change in funding available; these are:

The Strategic Alliance with Dorset Police – the aim of the Strategic Alliance is to sustain the delivery of local policing and other frontline services in the context of reducing financial resources. It involves the two Forces working together to form a number of Alliance Departments. Each new department has a detailed business case which will ensure that savings are delivered for each Force. Total savings of £8.2m are forecast for Devon and Cornwall Police by 31 March 2020. Integrating ICT systems is a significant and high risk element of this project that will require careful management.

Regional Collaboration – Devon and Cornwall Police have been collaborating with other South West Forces for a number of years with the aim of improving operational efficiency. It recently became clear that there was a need to strengthen the governance of the collaborative programme and proposals for a new governance framework for the South West Police Collaboration (SWPC) have been agreed by the SWPC Strategic Board.

Review of the Force Workforce Plan – the Chief Constable is working on a Workforce Plan that aims to ensure that the Force has the correct workforce mix to meet current demands and that staff are deployed to address Police and Crime Plan priorities.

In addition to the above initiatives new legislation will provide the Police and Crime Commissioner with the opportunity to work more closely with the local Fire and Rescue Services. This may provide opportunities to make further efficiency reductions.

6.2 In the period 2011-12 to 2014-15 the former Police Authority and the Police and Crime Commissioner achieved additional savings over and above those required by grant reductions; this was due in part to achieving savings earlier than planned. As a result it has been possible to contribute to the Revenue Support Fund. This fund allows the Police and Crime Commissioner to manage the impact of funding reductions over the period of the Medium Term Financial Strategy and is therefore a key element of the risk management strategy.

## **7 Governance Arrangements**

7.1 The Annual Governance Statement is included on pages 83 to 98 of this document. The joint AGS describes the internal control environment for the Police and Crime Commissioner and the Chief Constable. It also comments on its effectiveness and identifies issues that require further work. Reliance is placed on the annual assurance review undertaken by the Chief Constable (and described within the AGS) when drawing up the joint AGS.

7.2 On 5 May 2016 Alison Hernandez was elected as the new Police and Crime Commissioner. The new Commissioner has established five pledges for her term in office that are available on the OPCC website and she will prepare a new Police and Crime Plan.

- 7.3 The Police and Crime Commissioner is preparing for the changes to the Statement of Accounts publication timetable as set out in the Accounts and Audit regulation 2015. The new timetable requires that for the 2017-18 financial year draft Accounts must be published by 31 May (rather than 30 June) and Police and Crime Commissioner and the Chief Constable have plans in hand to meet the new deadline.

## **8 Conclusion**

- 8.1 2015-16 was a very challenging year in terms of the financial management; for the first nine months of the year the Police and Crime Commissioner believed that he was facing significant financial reductions in 2016-17 not only as a result of the government austerity measures but also from a change in the police funding formula. However in December 2015 not only were the forecast austerity cuts reduced but the Home Office announced that the funding formula review was to be postponed. This meant that the break put on spending earlier in the year was not required to the same level as expected. Despite these difficulties and uncertainties the budget position for the year was an under-spending of less than 0.5% of the budget.
- 8.2 As a result of the expectation of continuing severe funding reductions the Police and Crime Commissioner and the Chief Constable had jointly put in place a number of initiatives to improve the efficiency of the Force, these include the Strategic Alliance with Dorset and the development of a new work-force plan. These programmes will continue as the efficiency savings that they deliver will enable the Force to focus resources on the increasing demands arising from public safeguarding and also on combating the increasing complexity of criminal networks and high tech crime.

Duncan Walton, Treasurer  
June 2016

Andrew White, Chief Executive  
June 2016

### **Further Information**

This publication provides a review of the financial performance of the Police and Crime Commissioner for 2015-16. It may be read in conjunction with; the single entity accounts of the Chief Constable, the Police and Crime Plan and the Police and Crime Commissioner's Annual Report that show a wide range of measures of performance. 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**

We have audited the financial statements of the Police and Crime Commissioner for Devon and Cornwall for the year ended 31 March 2016 on pages 16 to 82. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Police and Crime Commissioner, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the 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 the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

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

## **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 83 to 98 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

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

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

### **Auditor's responsibilities**

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

We report if significant matters have come to our attention which prevent us from concluding that the Authority 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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether the Police and Crime Commissioner for Devon and Cornwall had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether 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 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, 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 issued by the C&AG in November 2015, 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 2016.

### **Certificate**

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

**Darren Gilbert, for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

3 Assembly Square, Britannia Quay, Cardiff. CF10 4AX

27 September 2016



## **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 Hernandez**

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

Date: 27 September 2016

### **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 2015-16" (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 2016 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 2016.

Signed

**D Walton**

**Treasurer**

Date: 27 September 2016

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016 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 General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves £'000</b>	Unusable Reserves £'000	<b>Total Reserves £'000</b>
<b>As at 31 March 2015</b>	6,198	59,092	4,034	742	<b>70,066</b>	(2,814,905)	<b>(2,744,839)</b>
<b>Movement in reserves during 2015-16</b>							
Surplus or (deficit) on provision of services (page 20)	(88,793)	0	0	0	<b>(88,793)</b>	0	<b>(88,793)</b>
Other Expenditure and Income (page 20)	0	0	0	0	<b>0</b>	228,402	<b>228,402</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(88,793)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(88,793)</b>	<b>228,402</b>	<b>139,609</b>
Adjustments between accounting basis & funding basis under regulations (note I.1)	87,224	0	(349)	298	<b>87,173</b>	<b>(87,173)</b>	<b>0</b>
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>(1,569)</b>	<b>0</b>	<b>(349)</b>	<b>298</b>	<b>(1,620)</b>	<b>141,229</b>	<b>139,609</b>
Transfers (to)/from Earmarked Reserves (note B.1)	1,569	(1,569)	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) In Year</b>	<b>0</b>	<b>(1,569)</b>	<b>(349)</b>	<b>298</b>	<b>(1,620)</b>	<b>141,229</b>	<b>139,609</b>
<b>As at 31 March 2016 carried forward</b>	<b>6,198</b>	<b>57,523</b>	<b>3,685</b>	<b>1,040</b>	<b>68,446</b>	<b>(2,673,676)</b>	<b>(2,605,230)</b>

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2015 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 General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves £'000</b>	Unusable Reserves £'000	<b>Total Reserves £'000</b>
<b>As at 31 March 2014</b>	6,198	55,176	3,396	1,359	<b>66,129</b>	(2,352,680)	<b>(2,286,551)</b>
<b>Movement in reserves during 2014-15</b>							
Surplus or (deficit) on provision of services (page 20)	(98,958)	0	0	0	<b>(98,958)</b>	0	<b>(98,958)</b>
Other Expenditure and Income (page 20)	0	0	0	0	<b>0</b>	(359,330)	<b>(359,330)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(98,958)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(98,958)</b>	<b>(359,330)</b>	<b>(458,288)</b>
Adjustments between accounting basis & funding basis under regulations (note I.1)	102,874	0	638	(617)	<b>102,895</b>	<b>(102,895)</b>	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>3,916</b>	<b>0</b>	<b>638</b>	<b>(617)</b>	<b>3,937</b>	<b>(462,225)</b>	<b>(458,288)</b>
Transfers (to)/from Earmarked Reserves (note B.1)	(3,916)	3,916	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) In Year</b>	<b>0</b>	<b>3,916</b>	<b>638</b>	<b>(617)</b>	<b>3,937</b>	<b>(462,225)</b>	<b>(458,288)</b>
<b>As at 31 March 2015 carried forward</b>	<b>6,198</b>	<b>59,092</b>	<b>4,034</b>	<b>742</b>	<b>70,066</b>	<b>(2,814,905)</b>	<b>(2,744,839)</b>

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016 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 General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves £'000</b>	Unusable Reserves £'000	<b>Total Reserves £'000</b>
<b>As at 31 March 2015</b>	6,198	59,092	4,034	742	<b>70,066</b>	(2,814,905)	<b>(2,744,839)</b>
<b>Movement in reserves during 2015-16</b>							
Surplus or (deficit) on provision of services (page 20)	127,511	0	0	0	<b>127,511</b>	0	<b>127,511</b>
Other Expenditure and Income (page 20)	0	0	0	0	<b>0</b>	12,098	<b>12,098</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>127,511</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>127,511</b>	<b>12,098</b>	<b>139,609</b>
Adjustments between accounting basis & funding basis under regulations	(129,080)	0	(349)	298	<b>(129,131)</b>	<b>129,131</b>	<b>0</b>
<b>Net Increase /(Decrease) before Transfers to Earmarked Reserves</b>	<b>(1,569)</b>	<b>0</b>	<b>(349)</b>	<b>298</b>	<b>(1,620)</b>	<b>141,229</b>	<b>139,609</b>
Transfers (to)/from Earmarked Reserves (note B.1)	1,569	(1,569)	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) In Year</b>	<b>0</b>	<b>(1,569)</b>	<b>(349)</b>	<b>298</b>	<b>(1,620)</b>	<b>141,229</b>	<b>139,609</b>
<b>As at 31 March 2016 carried forward</b>	<b>6,198</b>	<b>57,523</b>	<b>3,685</b>	<b>1,040</b>	<b>68,446</b>	<b>(2,673,676)</b>	<b>(2,605,230)</b>

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2015 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 General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves £'000</b>	Unusable Reserves £'000	<b>Total Reserves £'000</b>
<b>As at 31 March 2014</b>	6,198	55,176	3,396	1,359	<b>66,129</b>	(2,352,680)	<b>(2,286,551)</b>
<b>Movement in reserves during 2014-15</b>							
Surplus or (deficit) on provision of services (page 20)	(466,645)	0	0	0	<b>(466,645)</b>	0	<b>(466,645)</b>
Other Expenditure and Income (page 20)	0	0	0	0	<b>0</b>	8,357	<b>8,357</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(466,645)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(466,645)</b>	<b>8,357</b>	<b>(458,288)</b>
Adjustments between accounting basis & funding basis under regulations	470,561	0	638	(617)	<b>470,582</b>	<b>(470,582)</b>	<b>0</b>
<b>Net Increase /(Decrease) before Transfers to Earmarked Reserves</b>	<b>3,916</b>	<b>0</b>	<b>638</b>	<b>(617)</b>	<b>3,937</b>	<b>(462,225)</b>	<b>(458,288)</b>
Transfers (to)/from Earmarked Reserves (note B.1)	(3,916)	3,916	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) In Year</b>	<b>0</b>	<b>3,916</b>	<b>638</b>	<b>(617)</b>	<b>3,937</b>	<b>(462,225)</b>	<b>(458,288)</b>
<b>As at 31 March 2015 carried forward</b>	<b>6,198</b>	<b>59,092</b>	<b>4,034</b>	<b>742</b>	<b>70,066</b>	<b>(2,814,905)</b>	<b>(2,744,839)</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 2016 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 2015			For Year Ended 31 March 2016			Notes	
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure		
£'000	£'000	£'000	£'000	£'000	£'000		
Continuing operations							
124,295	(2,181)	122,114	Local Policing	126,729	(2,762)	123,967	
23,385	(175)	23,210	Dealing with the Public	24,971	(175)	24,796	
27,637	(1,108)	26,529	Criminal Justice Arrangements	32,768	(2,753)	30,015	
9,958	(1,512)	8,446	Road Policing	11,598	(1,911)	9,687	
22,532	(316)	22,216	Specialist Operations	24,176	(377)	23,799	
14,369	(237)	14,132	Intelligence	15,925	(322)	15,603	
78,163	(2,668)	75,495	Specialist Investigation	81,096	(2,058)	79,038	
9,909	(799)	9,110	Investigative Support	9,825	(230)	9,595	
6,018	(3,091)	2,927	National Policing	5,062	(1,352)	3,710	
3,141	0	3,141	Non Distributed Costs	2,938	0	2,938	
4,403	(1,718)	2,685	Commissioning & Partnerships	4,791	(1,890)	2,901	G1
1,667	(6)	1,661	Corporate and Democratic Core*	1,532	0	1,532	C6
325,477	(13,811)	311,666	Net Cost of Police Services	341,411	(13,830)	327,581	
4,596	(36,105)	(31,509)	Other Operating Income and Expenditure	1,536	(54,292)	(52,756)	C2
117,410	(10,167)	107,243	Financing and Investment Income and Expenditure	104,830	(8,618)	96,212	C3
0	(288,442)	(288,442)	Taxation and Non-Specific Grant Income		(282,244)	(282,244)	C4
447,483	(348,525)	98,958	(Surplus)/Deficit on Provision of Services	447,777	(358,984)	88,793	C1
		(9,808)	(Surplus)/Deficit on revaluation of non current assets			(10,715)	D1
		(43)	(Surplus)/Deficit on revaluation of available for sale financial instruments			0	I2
		369,181	Actuarial (gains) or losses on pension assets and liabilities			(217,687)	I3
		359,330	Other Comprehensive Income and Expenditure			(228,402)	
		458,288	Total Comprehensive Income and Expenditure			(139,609)	

\* Corporate and Democratic Core covers the functions of 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 2016 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 2015				For Year Ended 31 March 2016			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
Continuing operations							
319,407	(47,923)	271,484	Intra-group funding policing	335,088	(64,175)	270,913	A1
4,403	(1,718)	2,685	Commissioning and Partnership Working	4,791	(1,890)	2,901	G1
1,667	(6)	1,661	Corporate and Democratic Core*	1,532	0	1,532	C6
325,477	(49,647)	275,830	Net Cost of policing services	341,411	(66,065)	275,346	
4,596	(269)	4,327	Other Operating Income and Expenditure	1,536	(2,057)	(521)	C2
115,782	(9,390)	106,392	Pension interest costs - intra group funding	103,200	(7,932)	95,268	A1
1,628	(777)	851	Financing and Investment Income and Expenditure	1,630	(686)	944	C3
367,687	0	367,687	Actuarial losses on pension funds - intra-group adjustment	(216,304)	0	(216,304)	A1
0	(288,442)	(288,442)	Taxation and Non-Specific Grant Income	0	(282,244)	(282,244)	C4
815,170	(348,525)	466,645	(Surplus)/Deficit on Provision of Services	231,473	(358,984)	(127,511)	
		(9,808)	(Surplus)/Deficit on revaluation of non current assets			(10,715)	D1
		(43)	(Surplus)/Deficit on revaluation of available for sale financial instruments			0	I2
		1,494	Actuarial (gains) or losses on pension assets and liabilities			(1,383)	I3
		(8,357)	Other Comprehensive Income and Expenditure			(12,098)	
		458,288	Total Comprehensive Income and Expenditure			(139,609)	

\* Corporate and Democratic Core covers the functions of the OPCC

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

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

As at 31 March 2015			As at 31 March 2016		Notes
PCC	PCC Group		PCC	PCC Group	
£'000	£'000		£'000	£'000	
<b>Long Term Assets</b>					
150,384	152,410	Property, Plant and Equipment	160,927	162,877	D1
478	478	Intangible Assets	612	612	
1,798	1,798	Long Term Debtors	1,798	1,798	
2,026	0	Long Term Debtor - Intra-group assets	1,950	0	
<u>154,686</u>	<u>154,686</u>	<b>Total Long Term Assets</b>	<u>165,287</u>	<u>165,287</u>	
<b>Current Assets</b>					
49,176	49,176	Short Term Investments	36,113	36,113	
3,619	3,619	Assets Held for Sale	575	575	D2
563	563	Inventories	487	487	
21,183	21,183	Short Term Debtors	25,537	25,537	D3
17,550	17,550	Cash and Cash Equivalents	23,282	23,282	D4
<u>92,091</u>	<u>92,091</u>	<b>Total Current Assets</b>	<u>85,994</u>	<u>85,994</u>	
<b>Current Liabilities</b>					
(541)	(541)	Short Term Borrowing	(545)	(545)	
(18,553)	(26,980)	Short Term Creditors	(16,612)	(24,968)	D5
(1,998)	(2,458)	Provisions	(965)	(1,552)	
(8,427)	0	Short term accumulated absences - intra-group provision	(8,356)	0	
(460)	0	Short term - Chief Constables Provisions	(587)	0	
<u>(29,979)</u>	<u>(29,979)</u>	<b>Total Current Liabilities</b>	<u>(27,065)</u>	<u>(27,065)</u>	
<b>Long Term Liabilities</b>					
(529)	(529)	Provisions	(725)	(725)	
(34,778)	(34,778)	Borrowing	(34,778)	(34,778)	
(64)	(64)	Creditors (Lease Finance)	(117)	(117)	
(1,798)	(1,798)	Deferred Capital Receipts	(1,798)	(1,798)	
(3,828)	(182,120)	Pensions Liability - Staff	(2,651)	(165,799)	I3
0	(2,742,348)	Pensions Liability - Officers	0	(2,626,229)	I3
(2,920,640)	0	Pension liabilities - intra-group provision	(2,789,377)	0	
<u>(2,961,637)</u>	<u>(2,961,637)</u>	<b>Total Long Term Liabilities</b>	<u>(2,829,446)</u>	<u>(2,829,446)</u>	
<u>(2,744,839)</u>	<u>(2,744,839)</u>	<b>Net Liabilities</b>	<u>(2,605,230)</u>	<u>(2,605,230)</u>	
<b>Represented by</b>					
(2,814,905)	(2,814,905)	Unusable Reserves	(2,673,676)	(2,673,676)	B3
70,066	70,066	Usable Reserves	68,446	68,446	
<u>(2,744,839)</u>	<u>(2,744,839)</u>	<b>Total Reserves</b>	<u>(2,605,230)</u>	<u>(2,605,230)</u>	

Duncan Walton Treasurer for the Police and Crime Commissioner Devon and Cornwall 27 September 2016



## 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 2015 £'000		For Year Ended 31 March 2016 £'000	Note
98,958	Net (Surplus) or Deficit on the Provision of Services	88,793	
	Adjustments to net surplus or deficit on the provision of services for non-cash movements		
(101,372)	(Increase)/Decrease in pensions liability	(85,247)	
(7,507)	Depreciation and amortisation	(8,747)	
(685)	(Increase)/Decrease in provisions	710	
269	Surplus/(Loss) on sales of non-current assets	(80)	
(4,596)	Surplus/(Loss) on revaluation of non-current assets	601	
3,066	Movement in relevant assets/liabilities	6,571	
<hr/> (11,867)	Net Cash (Inflows)/Outflows from Operating Activities	<hr/> 2,601	I4 (a)
28,686	Investing Activities	(8,333)	I4 (b)
(2,000)	Financing Activities	0	I4(c)
<hr/> 14,819	Net (Increase)/Decrease in Cash and Cash Equivalents	<hr/> (5,732)	
(32,369)	Cash and Cash Equivalents at the beginning of the reporting period	(17,550)	
<hr/> <hr/> (17,550)	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<hr/> <hr/> (23,282)	D4

## **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**

The Police and Crime Commissioner is part of an accounting group along with the Chief Constable for Devon and Cornwall (referred to below as the PCC Group). The accounting recognition of the Group's assets, liabilities and reserves reflects the powers and responsibilities of the Police and Crime Commissioner and the Chief Constable as designated by the Police Reform and Social Responsibility Act 2011 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 2011 Act does not hold any cash or reserves. For the period 1 April 2015 to 31 March 2016, all contracts were in the name of the Police and Crime Commissioner. When 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.

For accounting and regulatory purposes the Police and Crime Commissioner and the Chief Constable are classed as local authorities and are covered by the CIPFA Code of Practice for Local Authority Accounting 2015-16.

The financial consequences of the activity under the control of the Chief Constable are shown in the Chief Constable's single entity accounts which are published separately. As the Chief Constable does not hold reserves, the Chief Constables's Comprehensive Income and Expenditure Statement shows the gross cost of policing which 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 Commissioner's Accounts.

All of the assets and liabilities and reserves of the PCC Group with two exceptions are recognised on the Police and Crime Commissioner's Balance Sheet. The exceptions are:

- Employment liabilities for officers and staff under the direction of the Chief Constable are recognised on the Chief Constable's Balance Sheet. The liability in the Chief Constable's 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 pensions and meet any liabilities in relation to accrued leave.
- Certain categories of operational non current assets as set out in the Scheme of Consent. These assets are offset in the Chief Constable's Balance Sheet by a longer term debtor.

	2014-15		2015-16	
<b>Intra-group transactions in the Comprehensive Income and Expenditure Statements</b>	Chief Constable £'000	Police and Crime Commissioner £'000	Chief Constable £'000	Police and Crime Commissioner £'000
Net Cost of Policing	( 271,484)	271,484	( 270,913)	270,913
Pensions Interest Cost & Pensions Top Up Grant	( 106,392)	106,392	( 95,268)	95,268
Actuarial gains/(losses) on pensions fund:	( 367,687)	367,687	216,304	( 216,304)
<b>Total transactions for the year</b>	<b>( 745,563)</b>	<b>745,563</b>	<b>( 149,877)</b>	<b>149,877</b>

<b>Intra-group transactions in the Balance Sheet</b>	Chief Constable £'000	Police and Crime Commissioner £'000	Chief Constable £'000	Police and Crime Commissioner £'000
Pensions Long Term intra-group Debtor *	2,920,640		2,789,377	
Short Term intra-group Debtors *	8,887		8,943	
IT and Equipment Long Term intra-group Creditor *	( 2,026)		( 1,950)	
Assets	2,026		1,950	
Current Liabilities	( 8,887)		( 8,943)	
Pension Long Term Liabilities	( 2,920,640)		( 2,789,377)	
IT and Equipment Long Term intra-group Debtor *		2,026		1,950
Short Term intra-group Creditors *		( 8,887)		( 8,943)
Pensions Long Term intra-group Creditor *		( 2,920,640)		( 2,789,377)
Unusable reserves		( 2,927,501)		( 2,796,370)

\* 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 H.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 Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (the 2015-16 Code); the Accounts and Audit Regulations 2015; and the Service Reporting Code 2015-16 supported by International Financial Reporting Standards (IFRS).

The basis of the accounts is historical cost modified by revaluation for certain categories of non-current assets. There is a glossary of accounting terms on pages 99 to 105.

This provides an overview of the basis for the preparation of the financial statements and any significant changes in accounting policy in 2015-16 and future years. The full statement of the principle accounting policies adopted is set out in Note H.1 on pages 51 to 62.

### **Changes in Accounting Policies**

Changes required under IFRS 13 Fair Value Measurement have been implemented for the 2015-16 financial statements. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions.

The 2015-16 Code adapts the standard to require that items of property, plant and equipment that are operational and providing service potential for the authority continue to be measured at existing use value. Assets that are held for sale continue to be valued at their market value. Therefore, only assets that are surplus to requirements are required to be valued at their fair value.

As at the end of 2015-16 the PCC holds 5 non-current assets that are classed as surplus to requirement. The effect of implementing IFRS 13 has resulted in a total net decrease in value of £225,000 in relation to these 5 assets.

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

There are a number of amendments to accounting standards that have been issued but not yet adopted:

1. Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiative) - this change will impact on the format of the accounts but will not impact on balances
2. Other minor changes due to Annual Improvement to IFRS cycles, IFRS 11 Joint Arrangements, IAS 16

### **Correction of Errors**

There was an error in the attribution of the costs of forensic medical examiners in the Service Expenditure Analysis within the Comprehensive Income and Expenditure Statement for the year ending 31 March 2015. Correction of the error increases the net expenditure on Criminal Justice Arrangements by £2.495m and reduces the net expenditure on Investigative Support by £2.495m as set out below.

	As Previously Stated 2014-15 £000	As Restated 2014-15 £000	Correction £000
Criminal Justice Arrangements	24,034	26,529	2,495
Investigative Support	11,605	9,110	(2,495)

## NOTE B.1: 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 2015-16.

	Balance as at 1 April 2014 £'000	Transfers Out 2014-15 £'000	Transfers In 2014-15 £'000	Balance as at 31 March 2015 £'000	Transfers Out 2015-16 £'000	Transfers In 2015-16 £'000	Balance as at 31 March 2016 £'000
Police Officer III Health Reserve	500	0	500	<b>1,000</b>	0	930	<b>1,930</b>
Budget Management Fund	1,505	(1,505)	1,265	<b>1,265</b>	(1,265)	774	<b>774</b>
Major Operations Reserve	2,375	0	0	<b>2,375</b>	0	0	<b>2,375</b>
Programmes & Projects Reserve	7,128	(1,756)	106	<b>5,478</b>	(853)	0	<b>4,625</b>
Workforce Modernisation Reserve	9,199	(1,457)	2,897	<b>10,639</b>	(5,528)	0	<b>5,111</b>
Capital Financing Reserve	7,383	(2,746)	689	<b>5,326</b>	(1,966)	15,594	<b>18,954</b>
Estates Development Reserve	681	(349)	160	<b>492</b>	0	768	<b>1,260</b>
Revenue Support Fund	22,969	0	3,609	<b>26,578</b>	(14,310)	0	<b>12,268</b>
Remuneration Reserve	2,876	0	0	<b>2,876</b>	(2,876)	0	<b>0</b>
Police and Crime Plan Reserve	560	0	391	<b>951</b>	0	136	<b>1,087</b>
Strategic Alliance Reserve	0	0	2,112	<b>2,112</b>	0	7,027	<b>9,139</b>
<b>Total</b>	<b>55,176</b>	<b>(7,813)</b>	<b>11,729</b>	<b>59,092</b>	<b>(26,798)</b>	<b>25,229</b>	<b>57,523</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 16 to 19.

***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>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.
<b>Strategic Alliance Reserve</b>	To fund one off and transitional costs of the programme to enter into a Strategic Alliance with Dorset Police.

## NOTE B.2: USABLE CAPITAL RESERVES

Movements on usable capital reserves 2015-16

	Capital Receipts Reserve	Capital Grants Unapplied	Total
	£'000	£'000	£'000
<b>Balance at 1 April 2014</b>	<b>(3,396)</b>	<b>(1,359)</b>	<b>(4,755)</b>
Proceeds of Disposals	(1,820)	0	(1,820)
Financing of fixed assets	1,182	3,631	4,813
Capital Grants Received	0	(3,014)	(3,014)
<b>Balance at 31 March 2015</b>	<b>(4,034)</b>	<b>(742)</b>	<b>(4,776)</b>
Proceeds of Disposals	0	0	0
Financing of fixed assets	349	1,993	2,342
Capital Grants Received	0	(2,291)	(2,291)
<b>Balance at 31 March 2016</b>	<b>(3,685)</b>	<b>(1,040)</b>	<b>(4,725)</b>
<b>Net Movement for 2014-15</b>	<b>(638)</b>	<b>617</b>	<b>(21)</b>
<b>Net Movement for 2015-16</b>	<b>349</b>	<b>(298)</b>	<b>51</b>

### 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.3: UNUSABLE RESERVES

As at 31 March 2015 £'000		As at 31 March 2016 £'000
27,703	Revaluation Reserve	37,290
86,887	Capital Adjustment Account	85,842
(2,924,468)	Pensions Reserve	(2,792,028)
3,417	Collection Fund Adjustment Account	3,588
(8,444)	Short Term Accumulated Absences Account	(8,368)
<b><u>(2,814,905)</u></b>	<b>Total Unusable Reserves</b>	<b><u>(2,673,676)</u></b>

## NOTE C.1: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The table below shows the Income and Expenditure for 2015-16 and 2014-15 as reported to the Joint Management Board.

Income and Expenditure Reported to Management		
	Outturn Spend 2014-15 £'000	Outturn Spend 2015-16 £'000
Police Officer Costs	157,451	156,121
Police Staff Costs	64,932	67,807
Change Costs	469	2,846
Training & other staff costs	831	2,039
Major Operations	539	1,045
Premises	11,737	11,884
Supplies and Services	20,240	16,822
Transport	4,808	4,902
Legal	1,009	1,213
Regional Collaboration and National Contributions	4,814	6,169
Pensions	2,600	2,219
Other costs	9,299	8,085
<b>Net Force Expenditure</b>	<b>278,729</b>	<b>281,152</b>
Police and Crime Commissioner	1,572	1,427
Commissioning and Partnership Working	2,685	2,900
Treasury Management	2,835	3,010
<b>Total Net Expenditure</b>	<b>285,821</b>	<b>288,489</b>
Specific Grants	(1,479)	(1,501)
Income	(7,085)	(9,384)
	<b>277,257</b>	<b>277,604</b>
	7,234	2,178
<b>Overall Outturn Position</b>	<b>284,491</b>	<b>279,782</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:

	<u>Income and Expenditure Reported to Management</u>	<u>Comprehensive Income and Expenditure Statement</u>
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 Deficit on the Provision of Services in the Group Comprehensive Income and Expenditure Statement by Subjective Heading**

<b>For the Year Ended 31 March 2016</b>	Reported to management	Not included in report to management*	Not included Income and Expenditure	Total
	£'000	£'000	£'000	£'000
Fees, charges & other service income	(10,974)	(10,118)	0	<b>(21,092)</b>
Government grants and contributions	(185,674)	(54,526)	0	<b>(240,200)</b>
Income from council tax	(97,521)	(171)	0	<b>(97,692)</b>
<b>Total Income</b>	<b>(294,169)</b>	<b>(64,815)</b>	<b>0</b>	<b>(358,984)</b>
Employee expenses	233,282	145,467	0	<b>378,749</b>
Other service expenses	58,844	0	(98)	<b>58,746</b>
Minimum Revenue Provision	1,538	0	(1,538)	<b>0</b>
Depreciation, amortisation and impairment of assets	0	8746	0	<b>8,746</b>
Loss on the disposal/revaluation of non Current assets	0	1,536	0	<b>1,536</b>
<b>Total Operating Expenses</b>	<b>293,664</b>	<b>155,749</b>	<b>(1,636)</b>	<b>447,777</b>
<b>Net Operating Income</b>	<b>(505)</b>	<b>90,934</b>	<b>(1,636)</b>	<b>88,793</b>
Transfer to reserves	505	0	(505)	<b>0</b>
<b>Deficit on Provision of Services</b>	<b>0</b>	<b>90,934</b>	<b>(2,141)</b>	<b>88,793</b>

<b>For the Year Ended 31 March 2015</b> (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	(7,085)	(13,677)	0	<b>(20,762)</b>
Government grants and contributions	(192,722)	(40,856)	0	<b>(233,578)</b>
Income from council tax	(93,248)	(937)	0	<b>(94,185)</b>
<b>Total Income</b>	<b>(293,055)</b>	<b>(55,470)</b>	<b>0</b>	<b>(348,525)</b>
Employee expenses	222,383	155,335	0	<b>377,718</b>
Other service expenses	61,780	(3,191)	(928)	<b>57,661</b>
Minimum Revenue Provision	1,658	0	(1,658)	<b>0</b>
Depreciation, amortisation and impairment	0	7,507	0	<b>7,507</b>
Loss on the disposal/revaluation of non current assets	0	4,597	0	<b>4,597</b>
<b>Total Operating Expenses</b>	<b>285,821</b>	<b>164,248</b>	<b>(2,586)</b>	<b>447,483</b>
<b>Net Operating Income</b>	<b>(7,234)</b>	<b>108,778</b>	<b>(2,586)</b>	<b>98,958</b>
Transfer to reserves	7,234	0	(7,234)	<b>0</b>
<b>Deficit on Provision of Services</b>	<b>0</b>	<b>108,778</b>	<b>(9,820)</b>	<b>98,958</b>

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

## NOTE C.2: OTHER OPERATING INCOME AND EXPENDITURE

For Year Ended 31 March 2015			For Year Ended 31 March 2016		
PCC £'000	Group £'000		PCC £'000	Group £'000	
		<b>Expenditure</b>			
0	0	Net deficit from sale of non-current assets	80	80	
4,596	4,596	Loss on revaluation of non-current assets	1,456	1,456	
4,596	4,596	Total Expenditure	1,536	1,536	
		<b>Income</b>			
(269)	(269)	Net surplus from sale of non-current assets	0	0	
		Gain on revaluation of non-current assets (reversing historic losses)	(2,057)	(2,057)	
0	(35,836)	Pensions Top Up Grant	0	(52,235)	
(269)	(36,105)	Total Income	(2,057)	(54,292)	
<b>4,327</b>	<b>(31,509)</b>	<b>Net Expenditure</b>	<b>(521)</b>	<b>(52,756)</b>	

## NOTE C.3: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

For Year Ended 31 March 2015			For Year Ended 31 March 2016		
PCC £'000	Group £'000		PCC £'000	Group £'000	
1,310	1,310	Interest payable	1,404	1,404	
		Pensions interest cost			
318	15,128	- Police Staff Scheme (Funded)	226	14,119	
0	100,972	- Police Officer Scheme (Unfunded)	0	89,307	
1,628	117,410	Total Expenditure	1,630	104,830	
(575)	(575)	Interest and Investment Income	(557)	(557)	
(202)	(9,592)	Expected Return on pensions assets	(129)	(8,061)	
(777)	(10,167)		(686)	(8,618)	
<b>851</b>	<b>107,243</b>	<b>Net Expenditure</b>	<b>944</b>	<b>96,212</b>	

## NOTE C.4: TAXATION AND NON SPECIFIC GRANT INCOME

For Year Ended 31 March 2015			For Year Ended 31 March 2016		
PCC £'000	Group £'000		PCC £'000	Group £'000	
(191,243)	(191,243)	Non ring-fenced government grants	(182,261)	(182,261)	
(3,014)	(3,014)	Recognised capital grants and contributions	(2,291)	(2,291)	
(194,257)	(194,257)		(184,552)	(184,552)	
(94,185)	(94,185)	Council Tax	(97,692)	(97,692)	
<b>(288,442)</b>	<b>(288,442)</b>		<b>(282,244)</b>	<b>(282,244)</b>	

## NOTE C.5: 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 2015		Year Ended 31 March 2016	
	£'000	£'000	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>				
Police Grant	(175,782)		(166,800)	
Council Benefit and Council Tax Support Grants	(15,461)		(15,461)	
		(191,243)		(182,261)
Recognised Capital Grant and Contributions		(3,014)		(2,291)
<b>Total</b>		<b>(194,257)</b>		<b>(184,552)</b>
<b>Credited to Services</b>				
Counter Terrorism		(1,398)		(1,294)
Regional Forensics		0		(129)
Commissioning		(1,709)		(1,878)
Projects		(297)		0
Other Local Grants		(34)		(112)
Other Minor Grants		(47)		0
<b>Total</b>		<b>(3,485)</b>		<b>(3,413)</b>
<b>Credited to Other Operating Expenditure</b>				
Pensions Top Up Grant		(35,836)		(52,235)

## NOTE C.6: OPCC COSTS INCLUDING MEMBERS' ALLOWANCES

Year Ended 31 March 2015		Year Ended 31 March 2016	
	£'000		£'000
17	Members allowances and expenses	12	
126	Police and Crime Commissioner	119	
971	Statutory and other OPCC staff	874	
434	Other costs	408	
30	Support for collection of Council Tax	14	
(6)	Income	0	
<b>1,572</b>	<b>Sub-total</b>	<b>1,427</b>	
<b>89</b>	Pension costs	<b>105</b>	
<b>1,661</b>	<b>Total</b>	<b>1,532</b>	

## NOTE C.7: EXTERNAL AUDIT COSTS

Year Ended			Year Ended	
31 March 2015			31 March 2016	
PCC	Group		PCC	Group
£'000	£'000		£'000	£'000
43	66	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	36	55
0	0	Fees payable to external auditors for other services	1	1
<b>43</b>	<b>66</b>		<b>37</b>	<b>56</b>

The audit fees for both financial years include rebates provided by Public Sector Appointments Limited (PSAA).

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

### (a) (i) Movements on Balances in 2015-16

	Operational and Non-Operational Assets		Assets under Construction		Surplus Assets	Total
	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2015</b>	<b>136,668</b>	<b>31,576</b>	<b>4,726</b>	<b>474</b>	<b>295</b>	<b>173,739</b>
Additions	717	2,960	420	682	0	<b>4,779</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,920	0	0	0	2,795	<b>10,715</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,604)	0	0	0	(427)	<b>(5,031)</b>
Derecognition-Disposals	0	(1,846)	0	0	0	<b>(1,846)</b>
Assets re-classified (to)/from Held for Sale	0	0	0	0	3,310	<b>3,310</b>
Other reclassification	(174)	925	(1,903)	(528)	1,677	<b>(3)</b>
<b>At 31 March 2016</b>	<b>140,527</b>	<b>33,615</b>	<b>3,243</b>	<b>628</b>	<b>7,650</b>	<b>185,663</b>

### Accumulated Depreciation and Impairments

<b>At 1 April 2015</b>	<b>(3,751)</b>	<b>(17,578)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21,329)</b>
Depreciation Charge	(4,417)	(4,175)	0	0	0	<b>(8,592)</b>
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	<b>0</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,297	0	0	0	55	<b>5,352</b>
Derecognition-Disposals	0	1,779	0	0	0	<b>1,779</b>
Assets re-classified (to)/from Held for Sale	0	0	0	0	0	<b>0</b>
Other reclassification	335	(276)	0	0	(55)	<b>4</b>
<b>At 31 March 2016</b>	<b>(2,536)</b>	<b>(20,250)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(22,786)</b>

### Net Book Value

<b>At 31 March 2015</b>	<b>132,917</b>	<b>13,998</b>	<b>4,726</b>	<b>474</b>	<b>295</b>	<b>152,410</b>
<b>At 31 March 2016</b>	<b>137,991</b>	<b>13,365</b>	<b>3,243</b>	<b>628</b>	<b>7,650</b>	<b>162,877</b>

**(a) (ii) Movements on Balances in 2014-15** (included for comparative purposes)

	<b>Operational and Non-Operational Assets</b>		<b>Assets under Construction</b>		<b>Surplus Assets</b>	<b>Total</b>
	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	
<b>Cost or Valuation</b>	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2014</b>	<b>143,122</b>	<b>26,486</b>	<b>5,029</b>	<b>1,270</b>	<b>0</b>	<b>175,907</b>
Additions	1,977	5,971	2,312	316	0	<b>10,576</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	892	0	0	0	0	<b>892</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,363)	0	0	0	0	<b>(8,363)</b>
Derecognition-Disposals	0	(1,993)	0	0	0	<b>(1,993)</b>
Assets re-classified (to)/from Held for Sale	(3,280)	0	0	0	0	<b>(3,280)</b>
Other reclassification	2,320	1,112	(2,615)	(1,112)	295	<b>0</b>
<b>At 31 March 2015</b>	<b>136,668</b>	<b>31,576</b>	<b>4,726</b>	<b>474</b>	<b>295</b>	<b>173,739</b>

**Accumulated Depreciation and Impairments**

<b>At 1 April 2014</b>	<b>(12,827)</b>	<b>(16,019)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28,846)</b>
Depreciation Charge	(3,833)	(3,522)	0	0	0	<b>(7,355)</b>
Depreciation written out to the Revaluation Reserve	8,821	0	0	0	0	<b>8,821</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,768	0	0	0	0	<b>3,768</b>
Derecognition-Disposals	0	1,963	0	0	0	<b>1,963</b>
Assets re-classified (to)/from Held for Sale	320	0	0	0	0	<b>320</b>
Other reclassification	0	0	0	0	0	<b>0</b>
<b>At 31 March 2015</b>	<b>(3,751)</b>	<b>(17,578)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21,329)</b>

**Net Book Value**

<b>At 31 March 2015</b>	<b>132,917</b>	<b>13,998</b>	<b>4,726</b>	<b>474</b>	<b>295</b>	<b>152,410</b>
<b>At 31 March 2014</b>	<b>130,295</b>	<b>10,467</b>	<b>5,029</b>	<b>1,270</b>	<b>0</b>	<b>147,061</b>

## NOTE D.1 : PROPERTY, PLANT AND EQUIPMENT - POLICE AND CRIME COMMISSIONER

### (b) (i) Movements on Balances in 2015-16

	Operational and Non-Operational Assets		Assets under Construction		Surplus Assets	Total
	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2015</b>	<b>136,668</b>	<b>28,821</b>	<b>4,726</b>	<b>474</b>	<b>295</b>	<b>170,984</b>
Additions	717	2,150	420	682	0	3,969
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,472	0	0	0	2,795	6,267
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(157)	0	0	0	(427)	(584)
Derecognition-Disposals	0	(1,846)	0	0	0	(1,846)
Assets re-classified (to)/from Held for Sale	0	0	0	0	3,310	3,310
Other reclassification	(174)	924	(1,903)	(528)	1,677	(4)
<b>At 31 March 2016</b>	<b>140,526</b>	<b>30,049</b>	<b>3,243</b>	<b>628</b>	<b>7,650</b>	<b>182,096</b>

### Accumulated Depreciation and Impairments

<b>At 1 April 2015</b>	<b>(3,751)</b>	<b>(16,849)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(20,600)</b>
Depreciation Charge	(4,416)	(3,289)	0	0	0	(7,705)
Depreciation written out to the Revaluation Reserve	4,437	0	0	0	10	4,447
Depreciation written out to the Surplus/Deficit on the Provision of Services	860	0	0	0	45	905
Derecognition-Disposals	0	1,779	0	0	0	1,779
Assets re-classified (to)/from Held for Sale	0	0	0	0	0	0
Other reclassification	335	(275)	0	0	(55)	5
<b>At 31 March 2016</b>	<b>(2,535)</b>	<b>(18,634)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21,169)</b>

### Net Book Value

<b>At 31 March 2015</b>	<b>132,917</b>	<b>11,972</b>	<b>4,726</b>	<b>474</b>	<b>295</b>	<b>150,384</b>
<b>At 31 March 2016</b>	<b>137,991</b>	<b>11,415</b>	<b>3,243</b>	<b>628</b>	<b>7,650</b>	<b>160,927</b>

**(b) (ii) Movements on Balances in 2014-15** (included for comparative purposes)

	<b>Operational and Non-Operational Assets</b>		<b>Assets under Construction</b>		<b>Surplus Assets</b>	<b>Total</b>
	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	
<b>Cost or Valuation</b>	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2014</b>	<b>143,122</b>	<b>26,486</b>	<b>5,029</b>	<b>1,270</b>	<b>0</b>	<b>175,907</b>
Additions	1,977	4,424	2,312	316	0	<b>9,029</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	892	0	0	0	0	<b>892</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,363)	0	0	0	0	<b>(8,363)</b>
Derecognition-Disposals	0	(1,993)	0	0	0	<b>(1,993)</b>
Assets re-classified (to)/from Held for Sale	(3,830)	0	0	0	0	<b>(3,830)</b>
Transfer to Chief Constable	0	(1,208)	0	0	0	<b>(1,208)</b>
Other reclassification	2,870	1,112	(2,615)	(1,112)	295	<b>550</b>
<b>At 31 March 2015</b>	<b>136,668</b>	<b>28,821</b>	<b>4,726</b>	<b>474</b>	<b>295</b>	<b>170,984</b>

**Accumulated Depreciation and Impairments**

<b>At 1 April 2014</b>	<b>(12,827)</b>	<b>(16,019)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28,846)</b>
Depreciation Charge	(3,833)	(3,440)	0	0	0	<b>(7,273)</b>
Depreciation written out to the Revaluation Reserve	8,821	0	0	0	0	<b>8,821</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,768	0	0	0	0	<b>3,768</b>
Derecognition-Disposals	0	1,963	0	0	0	<b>1,963</b>
Assets re-classified (to)/from Held for Sale	320	0	0	0	0	<b>320</b>
Transfer to Chief Constable	0	647	0	0	0	<b>647</b>
Other reclassification	0	0	0	0	0	<b>0</b>
<b>At 31 March 2015</b>	<b>(3,751)</b>	<b>(16,849)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(20,600)</b>

**Net Book Value**

<b>At 31 March 2015</b>	<b>132,917</b>	<b>11,972</b>	<b>4,726</b>	<b>474</b>	<b>295</b>	<b>150,384</b>
<b>At 31 March 2014</b>	<b>130,295</b>	<b>10,467</b>	<b>5,029</b>	<b>1,270</b>	<b>0</b>	<b>147,061</b>



**(c) Surplus Assets**

A number of properties have been taken out of use during the year but do not meet the criteria for Assets Held for Sale and have therefore been classified as Surplus Assets. In addition one asset that was classified as an Asset Held for Sale is judged no longer to meet the Assets Held for Sale criteria and has been transferred to Surplus Assets

**(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 6–63 years.

**Vehicles**

Classes of vehicle are given specific asset lives these are within the range 3-15 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 4-10 years. ICT assets are depreciated monthly.

**Plant and Equipment**

Classes of plant and equipment assets are given specific asset lives these are within the range 4-10 years. These assets are depreciated monthly.

All depreciation is calculated on a straight-line basis.

**(e) Significant Capital Commitments**

As at 31 March 2016 the Police and Crime Commissioner had significant capital commitments of £400k in relation to property projects, equipment and vehicles. Similar commitments at 31 March 2015 were £819k.

**(f) Revaluations**

Land and buildings are revalued by a qualified external valuer every three years. 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. A revaluation exercise was undertaken in 2014-15 with valuations and remaining useful lives provided as at 1 January 2015. Between revaluations, the external valuer undertakes an annual review to identify any significant impairments or any other significant change in the valuation of assets. At the annual update for the year ending 31 March 2016 the valuer concluded that the valuation of buildings valued at depreciated replacement cost had increased by £12,492k. In addition the reclassification of a number of building as surplus assets, plus the valuation of improvement works has led to a net reduction in the valuation of buildings by £1,456k.

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

As at 31 March 2015 £'000		As at 31 March 2016 £'000
	<b>Balance outstanding at start of year</b>	
<b>2,085</b>	Property Assets	<b>3,619</b>
	Assets newly classified as held for sale	
3,510	Property Assets	295
	Revaluation increase on assets classified as held for sale	
95	Property Assets Charged to the Revaluation Reserve	280
	Assets Sold	
(1,521)	Property Assets	(14)
	Other Reclassification	
(550)	Property Assets	(3,605)
<b>3,619</b>	<b>Balance outstanding at year end</b>	<b>575</b>

The Police and Crime Commissioner has approved the disposal of 1 property asset in 2015-16. The property is vacant and the sale is expected to be concluded within the next twelve months. The status of the 4 property assets classed as held for sale as at 31 March 2015 has changed and these are now classed as surplus assets as at 31 March 2016.

## NOTE D.3: SHORT TERM DEBTORS

Sundry debtors arise from invoices raised by the Police and Crime Commissioner before 31 March 2016 but not actually paid until the new financial year.

As at 31 March 2015 £'000		As at 31 March 2016 £'000
11,003	Central government bodies	12,673
4,501	Other local authorities	5,048
71	NHS bodies	14
5,608	Other entities and individuals*	7,802
<b>21,183</b>	<b>Total Debtors</b>	<b>25,537</b>

\*Other entities and individuals includes £2,486k of loans made to employees in relation to their pay date changing from the 15<sup>th</sup> to the 28<sup>th</sup> of the month. These loans will be paid back via payroll deductions during 2016-17.

## 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 2015		As at 31 March 2016
£'000	Current Assets	£'000
32	Cash held by the PCC	32
50	Bank Current Accounts (deposit)	106
17,468	Short-term deposits	23,144
<b>17,550</b>	<b>Total Cash and Cash Equivalents</b>	<b>23,282</b>

Cash and cash equivalents reported on the balance sheet excludes £1.367m (£1.309m as at 31 March 2015) that is 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.

## NOTE D.5: CREDITORS

These are amounts owed by the Police and Crime Commissioner as at 31 March 2016 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 2015			As at 31 March 2016	
PCC £'000	Group £'000		PCC £'000	Group £'000
4,274	4,274	Central government bodies	4,276	4,276
2,204	2,204	Other local authorities	1,190	1,190
40	40	NHS Bodies	93	93
12,035	20,462	Other entities and individuals	11,053	19,409
<b>18,553</b>	<b>26,980</b>	<b>Total Creditors</b>	<b>16,612</b>	<b>24,968</b>

## NOTE D.6: LONG TERM BORROWING

The maturity analysis of long term borrowing is as follows:

As at 31 March 2015			As at 31 March 2016	
PCC £'000	Group £'000	Contractual Maturity	PCC £'000	Group £'000
0	0	Less than one year	4,500	4,500
4,500	4,500	Between five and ten years	2,000	2,000
30,278	30,278	More than ten years	28,278	28,278
<b>34,778</b>	<b>34,778</b>		<b>34,778</b>	<b>34,778</b>

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

(i) The Police and Crime Commissioner has completed a job evaluation exercise to establish a fair and equitable grading structure. The implementation date of the new grading scheme was May 2015. There remains some potential for claims relating from historic pay inequality to be received, although none have been received to date. The level of uncertainty is too high for a reliable estimate to be made.

(ii) 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 the Employment Tribunal. An initial finding in favour of the Claimants was overturned by the Employment Appeals Tribunal. The matter is now the subject of an appeal to the Court of Appeal. As with the previous liability, the level of uncertainty is too high for a reliable estimate to be calculated. The Court of Appeal hearing is due to take place during January 2017, but the timescale for completion of the matter as a whole is dependent on the progress of the litigation.

(iii) In 2015 three police officers made successful claims for compensation in relation to alleged historical underpayment of overtime. The Police and Crime Commissioner has made a provision to meet the costs of these claims and eleven similar claims that have been received but not yet paid. Thus far, the claims received emanate from one team. It is possible that further claims may be received in relation to historical underpayment of overtime from other areas of the Force, however no further claims have been received as yet and it is not possible to make a reliable estimate of the likelihood or value of any such claims.

(iv) Multiple claims have been lodged against each Chief Constable and the Home Office in the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Thus far, 73 claims have been issued against the Chief Constable of Devon & Cornwall. It is expected that more are likely to be received in due course. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a reasonably strong defence against these claims. If the claims are partially or fully successful, quantum and the question of who will bear the cost is uncertain, and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015-16 Accounting Statements.

## NOTE E.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 2015			Year Ended 31 March 2016		
PCC £'000	Group £'000		PCC £'000	Group £'000	
42,059	42,059	<b>Opening capital financing requirement</b>	41,919	41,919	
<b>Capital Investment:</b>					
4,289	4,289	Land and buildings	1,137	1,137	
2,579	2,579	Vehicles & other transport	1,462	1,462	
2,160	3,708	Equipment & ICT	2,181	2,181	
9,028	10,576		4,780	4,780	
0	0	Intangible Assets	288	288	
9,028	10,576		5,068	5,068	
<b>Less Sources of Finance:</b>					
(3,079)	(3,631)	Government grants	(1,993)	(1,993)	
(1,181)	(1,181)	Capital receipts	(349)	(349)	
(4,908)	(5,904)	Reserves, provisions and MRP	(3,711)	(3,711)	
(9,168)	(10,716)		(6,053)	(6,053)	
(140)	(140)	Increase/(Decrease) in capital financing requirement for the year	(985)	(985)	
41,919	41,919	<b>Closing capital financing requirement for the year</b>	40,934	40,934	
<b>Represented by:</b>					
Underlying need to borrow can be analysed as follows:					
34,778	34,778	External Borrowing (cumulative) excluding accruals for interest due	34,778	34,778	
6,887	6,887	Internal Borrowing	5,853	5,853	
254	254	Finance Lease Liabilities	303	303	
41,919	41,919		40,934	40,934	
<b>Borrowing During the Year</b>					
2,000	2,000	External Borrowing	0	0	
(1,969)	(1,969)	Internal Borrowing	1,034	1,034	
(171)	(171)	Finance Lease	(49)	(49)	
(140)	(140)		985	985	

## NOTE F.1: OFFICERS' REMUNERATION FOR YEAR ENDED 31 MARCH 2016

This note shows the officer remuneration costs for the Office of the Police and Crime Commissioner (OPCC) for Devon and Cornwall and for the Chief Constable for Devon and 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 2015-16 £	Employers Pension Contributions £	Total Remuneration including Pension Contributions 2015-16 £
<b><u>Office of the Police &amp; Crime Commissioner</u></b>								
<b><u>Salary £50,000 to £149,999 per year</u></b>								
OPCC Chief Executive	1	103,174	-	5,710	-	108,884	12,794	121,678
OPCC Treasurer		91,223	-	-	-	91,223	11,312	102,535
<b><u>Chief Constable</u></b>								
<b><u>Salary £150,000 plus per year</u></b>								
Chief Constable – Shaun Sawyer	2	165,556	-	21,418	5,984	192,957	34,405	227,362
<b><u>Salary £50,000 to £149,999 per year</u></b>								
Deputy Chief Constable		134,685	-	15,969	4,588	155,242	30,976	186,218
ACC Delivery		106,390	-	-	3,028	109,418	24,656	134,074
ACC Senior Responsible Officer - Strategic Alliance		112,851	-	-	3,636	116,487	26,283	142,770
ACC Operations Support		110,728	-	-	3,404	114,132	26,283	140,415
Director of People & Leadership	3	168,082	-	745	1,253	170,080	2,120	172,200
Director of Legal Services		110,477	-	4,467	1,573	116,517	12,794	129,311
Director of Finance & Resources		110,674	-	4,467	-	115,141	12,794	127,935

### Note

1. Subsistence & expenses allowances includes significant back payment relating to the last two years.
2. Subsistence & Allowances figure includes removal expenses.
3. Director of People & Leadership 1/4/15 to 31/5/15 (total remuneration includes exit costs).

The Director of People and Leadership retired on 31 May 2015. From 1 June 2015 this post is shared between Devon and Cornwall Police and Dorset Police. The contract of employment is with Dorset Police and for this reason the remuneration disclosure is made in Statement of Accounts for Dorset Police. Devon and Cornwall Police meet 60% of the costs of this post.

## NOTE F.1: OFFICERS' REMUNERATION FOR YEAR ENDED 31 MARCH 2015

(included for comparative purposes)

Post Holder Information	Note	Salary (Including fees & allowances) £	Bonuses £	Subsistence & Expense Allowances £	Benefits in Kind £	Total Remuneration excl. Pension contributions 2014-15 £	Employers Pension Contributions £	Total Remuneration including Pension Contributions 2014-15 £
<b><u>Office of the Police &amp; Crime Commissioner</u></b>								
								-
<b><u>Salary £50,000 to £149,999 per year</u></b>								
OPCC Chief Executive		101,647	-	-	-	101,647	12,604	114,251
OPCC Treasurer		87,268	-	-	-	87,268	10,821	98,089
<b><u>Chief Constable</u></b>								
<b><u>Salary £150,000 plus per year</u></b>								
Chief Constable – Shaun Sawyer		163,926	-	-	11,147	175,073	37,175	212,248
<b><u>Salary £50,000 to £149,999 per year</u></b>								
Deputy Chief Constable		131,949	-	-	9,579	141,528	30,669	172,197
ACC Crime & Justice	1	71,934	-	1,861	6,984	80,779	17,014	97,793
ACC Crime & Justice (Now Delivery)	2	102,233	-	-	7,744	109,977	23,658	133,635
ACC Local Policing & Partnerships		111,776	-	1,861	9,888	123,525	26,023	149,548
ACC Operational Response		109,653	-	1,861	9,305	120,819	26,023	146,842
Director of People & Leadership		101,647	-	4,467	7,536	113,650	12,604	126,254
Director of Legal Services		101,647	-	4,467	8,063	114,177	12,604	126,781
Director of Finance & Resources		109,147	-	4,467	-	113,614	12,604	126,218

### Note

1. ACC Crime & Justice 01/04/14-27/12/14

2. ACC Crime & Justice 14/04/14-31/03/15

## NOTE F.1: OFFICERS' REMUNERATION FOR YEAR ENDED 31 MARCH 2016

<u>Remuneration Band</u>	<u>2014-15</u>	<u>2015-16</u>
£50,000 - £54,999	142	140
£55,000 - £59,999	90	88
£60,000 - £64,999	11	18
£65,000 - £69,999	10	8
£70,000 - £74,999	3	8
£75,000 - £79,999	10	6
£80,000 - £84,999	9	3
£85,000 - £89,999	3	4
£90,000 - £94,999	1	3
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
Total	279	278

- These figures do not include the remuneration of the senior employees and relevant police officers who have been disclosed separately.
- The banding figures include both police staff and police officers remuneration.
- 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).
- Remuneration includes exit costs as set out in the table below.
- The above table does not include staff paid below £50,000. These staff make up approximately 95% of the workforce.

### Group Termination Costs

The total termination costs (exit costs) shown in the table below are the payments made to individuals plus payments to recompense the pension fund for the strain payments that have been calculated on an actuarial basis in 2014-15 and 2015-16. They relate to staff employed by the Chief Constable. The costs charged in the Comprehensive Income and Expenditure Statement include adjustments for the sharing of cost with Dorset Police under the Strategic Alliance Agreement, these adjustments are set out below the table.

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	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15 £'000	2015-16 £'000
£0 – £20,000	1	10	16	5	17	15	188	158
£20,001 - £40,000	3	4	2	1	5	5	134	149
£40,001 - £60,000	0	2	3	0	3	2	156	88
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	1	0	0	0	1	0	87
£100,001- £150,000	0	0	0	1	0	1	0	150
TOTAL	4	17	21	7	25	24	478	632

### Adjustments to reflect costs charged in Comprehensive Income and Expenditure Statement

Redundancy cost recharged to Dorset Police as part of Strategic Alliance agreement	(27)
Redundancy cost recharged to Devon and Cornwall by Dorset Police as part of Strategic Alliance agreement	199
Exit Costs charged to the Comprehensive Income and Expenditure Statement	0
	804

Of the exit packages in 2014-15, one relates to the Office of the Police and Crime Commissioner and the remainder to the Force.

All of the exit packages in 2015-16 relate to the Force.



## NOTE G.1: RELATED PARTY TRANSACTIONS AND 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.5 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. Members' 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. No relevant transactions have been reported.

### 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.

### Precepts

Year Ended 31 March 2015		Year Ended 31 March 2016
£'000	<u>Billing Authority:</u>	£'000
8,980	East Devon	9,478
5,734	Exeter	5,974
4,541	Mid Devon	4,657
5,234	North Devon	5,435
11,338	Plymouth	11,656
6,076	South Hams	6,291
7,402	Teignbridge	7,857
7,021	Torbay	7,312
3,663	Torridge	3,852
3,188	West Devon	3,337
29,838	Cornwall	31,448
232	Isles of Scilly	224
<u>93,247</u>		<u>97,521</u>
938	Adjusted for accruals	171
<u><u>94,185</u></u>		<u><u>97,692</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 I.3. 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 and Partnerships

Expenditure 2014-15 £'000	Income 2014-15 £'000	Note	Activity	Expenditure 2015-16 £'000	Income 2015-16 £'000
1,709	(3)	(i)	Community Safety Partnership	1,687	0
549	0	(ii)	Youth Offending Teams and Services	523	0
110	0	(iii)	Sexual Assault Referral Centres	181	0
88	0	(iv)	Safeguarding Adults and Children	137	0
133	0	(v)	Small Grants	100	0
1,189	(1,189)	(vi)	Victim Services and Restorative Justice	1,892	(1,878)
526	(526)	(vii)	Competed Fund	0	0
99	0	(viii)	Other Local Grants and expenditure	271	(12)
<b>4,403</b>	<b>(1,718)</b>			<b>4,791</b>	<b>(1,890)</b>
<b>Other Partnerships</b>					
<b>948</b>	<b>(771)</b>		Safety Camera Partnership	<b>1,216</b>	<b>(1,057)</b>

There are no significant jointly controlled assets or liabilities as at 31 March 2016.

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 and Services is funded by a combination of government grants, and contributions from the Police and Crime Commissioner, Local Authorities, Clinical Commissioning Groups and the National Probation Service. The initiative provides programmes for young people with the intention of preventing re-offending.
- (iii) The Sexual Assault Referral Centres (SARCS) 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.
- (iv) The Safeguarding Adults and Children Boards comprise 6 boards with representatives including; the Police and Crime Commissioner, Local Authorities and the NHS. The aim of the boards is to improve and modernise the quality of service delivery to vulnerable adults, vulnerable children, their carers and local communities.

- (v) 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.
- (vi) 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.
- (vii) Competed Fund Grant was awarded in 2014-15 by the Ministry of Justice following a successful bid against set criteria in relation to Local Commissioning of Victims Support Services.

### Collaborations

The Police and Crime Commissioner's group are signed up to a number of joint operations. This involves joint working with specified Police Forces as part of a collaborative agreement. Part of the joint arrangement is to share control and have rights to net assets.

Expenditure	Income		Expenditure	Income
2014-15	2014-15	Joint Operation	2015-16	2015-16
£'000	£'000		£'000	£'000
1,031	0	South West Regional Special Branch	1,049	0
1,017	(274)	South West Regional Forensics Services	2,376	0
410	0	South West Procurement Services	449	0
1,250	0	Zephyr	1,485	0
<u>3,708</u>	<u>(274)</u>		<u>5,359</u>	<u>-</u>

#### South West Regional Special Branch

South West Regional Special Branch is a partnership with Avon and Somerset Police, Dorset Police and Wiltshire Police. Each Force has a committed number of staff who are based within their own Force area, but work on behalf of the four Forces. The overall cost for the year ending 31 March 2016 was £3,619k split on a percentage basis, with Devon and Cornwall Police contributing 29%, Avon and Somerset contributing 28%, Dorset Police contributing 24% and Wiltshire Police contributing 19%.

### South West Regional Forensics Services

South West Regional Forensics Services is a partnership between Avon and Somerset Police, Dorset Police and Wiltshire Police with bases in all four Forces, with each force employing a number of staff. Devon and Cornwall Police are the Finance leads for this collaboration. Phase 1 went live during 2014-15, with the remaining phases going live in August 2015 and January 2016. The overall cost for the year was £7,844k split on a percentage basis, with Devon and Cornwall Police contributing 30.3%, Avon and Somerset contributing 35.1%, Dorset Police contributing 19.0% and Wiltshire Police contributing 15.6%.

### South West Procurement Services

South West Procurement Services is a partnership between Devon and Cornwall Police, Dorset Police, Wiltshire Police and Gloucestershire Police. Staff are based across the region, with them all employed by Devon and Cornwall Police. The overall cost for the year ending 31 March 2016 was £969k split on a percentage basis with Devon and Cornwall Police contributing 46.3%, Dorset Police contributing 19.5%, Wiltshire Police contributing 17.2% and Gloucestershire Police contributing 17.0%.

### Zephyr

Zephyr is a partnership between Devon and Cornwall Police, Avon and Somerset Police, Dorset Police, Wiltshire Police and Gloucestershire Police working on Serious and Organised Crime matters. Staff are employed by each partnering Police Force and based within one of two hubs (North & South). The overall cost for the year ending 31 March 2016 was £4,459k split on a percentage basis with Devon and Cornwall Police contributing 33.3%, Avon and Somerset Police contributing 32.4%, Dorset Police contributing 11.8%, Wiltshire Police contributing 11.7% and Gloucestershire Police contributing 10.8%.

## NOTE H.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 Comprehensive Income and Expenditure Statement if they are material and separate disclosure would be made to 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 2015-16 requires that items listed in Other Comprehensive Income and Expenditure must be grouped into those items that:

- i) will not be reclassified subsequently to the Surplus or Deficit on the Provision of Services, and
- ii) 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 – 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 - 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 Officers' 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 officers' 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.

- 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 Police and Crime Commissioner - 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 Officers' 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 are 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, and are subsequently measured 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

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.

## **I. 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.

The Group recognises enhancements/adaptations to leasehold buildings that are under operating lease arrangements. Recognition criteria are the same as for enhancement/adaptation expenditure on freehold buildings. The expenditure is depreciated over the remaining life of the lease.

##### **(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
- Surplus assets - fair value in accordance with IFRS 13
- Land and Buildings – fair value is 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 Police and Crime Commissioner 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 January 2015.
- Enhancements/Adaptations to leasehold buildings - historical cost
- 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. 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.

Enhancements/Adaptations to leasehold buildings - are depreciated monthly over the life of the lease.

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.

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

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 Usable 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 service.

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**

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the 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. Intra Group Funding and Cost Recognition**

The principles applied to cost recognitions and intra-group funding are set out in Note A.1

#### **t. Revenue Recognition and Council Tax**

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

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

- a creditor in its Balance Sheet for cash received from the Billing Authority in advance of Police and Crime Commissioner receiving the cash from Council Tax debtors or;
- a debtor in its Balance Sheet for its attributable share of net cash collected from Council Tax debtors by the Billing Authority but not paid over to it at the Balance Sheet date.

**u. 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.

**v. 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.

Assets Held for Sale are:

- immediately available for sale;
- where the sale is highly probable;
- actively marketed;
- expected to be sold within 12 months.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value at highest and best use, less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement

Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. 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.



## NOTE H.2: SIGNIFICANT ESTIMATES AND JUDGEMENTS

In applying the accounting policies set out in note H.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 long term expectation on the Home Office to provide funding. Similarly the Chief Constable could not be expected to fund the liability as the Chief Constable (the current grant arrangements notwithstanding) 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.
- 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 D.6 (i) - (iv) 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.

### NOTE H.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 2016 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 maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Police and Crime Commissioner will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The estimated value of property, plant and equipment as at 31 March 2016 is £162.877m.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £0.4m for every year that useful lives had to be reduced.
<b>Provisions</b>	The Police and Crime Commissioner has made a provision of £1.447m to cover the cost of self insured public and employers' liability claims. The cost of these claims has been estimated by the Force Legal Team.	A 10 percent increase in the cost of the outstanding claims would increase the charge to the Comprehensive Income and Expenditure Account by £0.145m.
<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 2016 is £2,792.028m.	The effects on the net pensions liability of changes in individual assumptions are shown in note I.3 (d) and (k).

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

There are no post balance sheet events that impact on the estimates and judgements used to prepare the accounts and hence no adjustments to the accounts were necessary. The referendum vote on 23 June 2016 to leave the European Union may have an impact on operating conditions in future years but the impact cannot be reliably estimated at present.

## NOTE I.1: 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 2016

	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	8,592			(8,592)
Revaluation losses on Assets Held for Sale				0
Amortisation of Intangible Assets	155			(155)
Revaluation gains/losses on Property Plant and Equipment	(601)			601
Capital grant applied to finance capital expenditure			(1,993)	1,993
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	80			(80)
<b>Insertion of items not debited or credited to the CI&amp;E:</b>				
Statutory provision for the financing of capital investment	(1,539)			1,539
Capital expenditure charged against the General Fund	(2,172)			2,172
<b><u>Adjustments involving the Capital Grants Unapplied:</u></b>				
Capital Grants and Contributions unapplied credited to CI&E	(2,291)		2,291	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	153,263			(153,263)
Police Staff	21,065			(21,065)
Employer's pensions contributions and direct payments to pensioners payable in the year				
Police Officers (Unfunded) Schemes	(28,741)			28,741
Police Staff	(8,105)			8,105
Pensions Top Up Grant	(52,235)			52,235
<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	0	0		0
Use of capital receipts to finance new expenditure		(349)		349
<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
<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				
	(171)			171
<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				
	(76)			76
<b>Total Adjustments</b>	<b>87,224</b>	<b>(349)</b>	<b>298</b>	<b>(87,173)</b>

For Year Ended 31 March 2015

**Usable Reserves**

**Unusable Reserves**

General Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	£'000
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**Adjustments involving the Capital Adjustment Accounts:**

**Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:**

Charges for depreciation and impairment of non current assets	7,355		(7,355)
Revaluation losses on Assets Held for Sale	0		0
Amortisation of Intangible Assets	152		(152)
Revaluation gains/losses on Property Plant and Equipment	4,596		(4,596)
Capital grant applied to finance capital expenditure		(3,631)	3,631
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	1,551		(1,551)

**Insertion of items not debited or credited to the CI&E:**

Statutory provision for the financing of capital investment	(1,658)		1,658
Capital expenditure charged against the General Fund	(4,246)		4,246

**Adjustments involving the Capital Grants Unapplied:**

Capital Grants and Contributions unapplied credited to CI&E	(3,014)	3,014	0
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**Adjustments involving the Pensions Reserve:**

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure

Police Officers (Unfunded) Schemes	157,003		(157,003)
Police Staff	17,594		(17,594)

Employer's pensions contributions and direct payments to pensioners payable in the year

Police Officers (Unfunded) Schemes	(29,524)		29,524
Police Staff	(7,865)		7,865
Pensions Top Up Grant	(35,836)		35,836

**Adjustments primarily involving the Capital Receipts Reserve:**

Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the CI&E	(1,820)	1,820	0
Use of capital receipts to finance new expenditure		(1,182)	1,182

**Adjustments primarily involving the Financial Instruments**

**Adjustment Account:**

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
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**Adjustments involving the Collection Fund Adjustment Account:**

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

(937)	937
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**Adjustment involving the Short Term Compensated Absences**

**Adjustment Account:**

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

(477)	477
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<b>Total Adjustments</b>	<b>102,874</b>	<b>638</b>	<b>(617)</b>	<b>(102,895)</b>
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## NOTE I.2: 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		Year Ended	
31 March 2015		31 March 2016	
£'000	£'000	£'000	£'000
	<b>18,864</b>		<b>27,703</b>
	Balance at 1 April		
	Upward/(Downward) revaluation of assets - not		
	9,808 posted to the Surplus or Deficit on the Provision of		10,715
	Services		
(969)	Difference between fair value depreciation and	(1,128)	
	historical cost depreciation		
0	Accumulated gains on assets sold or scrapped	0	
	(969) Amount written off to the Capital Adjustment		(1,128)
	Account		
	<b>27,703</b>		<b>37,290</b>
	Balance at 31 March		

## 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.

Year Ended 31 March 2015 PCC Group £'000		Year Ended 31 March 2016 PCC Group £'000
<b>88,855</b>	<b>Balance at 1 April</b>	<b>86,887</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
(7,354)	Charges for depreciation and impairment of non-current assets	(8,592)
(152)	Amortisation of intangible assets	(155)
(4,596)	Revaluation losses on Property, Plant and Equipment	601
0	Revaluation losses on Assets Held for Sale	
(1,551)	Value 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	(80)
(13,653)		(8,226)
969	Adjusting amounts written out of the Revaluation Reserve	1,128
(12,684)	Net written out amount of the cost of non-current assets consumed in the year	(7,098)
<b>Capital Financing applied in the year:</b>		
1,181	Use of the Capital Receipts Reserve to finance new capital expenditure	349
3,631	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,993
1,658	Statutory provision for the financing of capital investment charged against the General Fund balances	1,539
4,246	Capital expenditure charged against the General Fund balances	2,172
10,716		6,053
<b>86,887</b>	<b>Balance at 31 March</b>	<b>85,842</b>

## 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 2015			Year Ended 31 March 2016		
PCC £'000	Group £'000		PCC £'000	Group £'000	
<b>(2,453,915)</b>	<b>(2,453,915)</b>	<b>Balance at 1 April</b>	<b>(2,924,468)</b>	<b>(2,924,468)</b>	
(468,854)	0	Intra- group adjustments	131,264	0	
(371)	(174,597)	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	(337)	(174,328)	
165	73,225	Employer's pensions contributions and direct payments to pensioners payable in the year	130	89,081	
(1,493)	(369,181)	Actuarial (gains)/losses on pensions assets and liabilities	1,383	217,687	
<b><u>(2,924,468)</u></b>	<b><u>(2,924,468)</u></b>	<b>Balance at 31 March</b>	<b><u>(2,792,028)</u></b>	<b><u>(2,792,028)</u></b>	

## Collection Fund Adjustment Account

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

Year Ended 31 March 2015			Year Ended 31 March 2016		
£'000			£'000		
<b>2,480</b>		<b>Balance at 1 April</b>	<b>3,417</b>		
937		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	171		
<b><u>3,417</u></b>		<b>Balance at 31 March</b>	<b><u>3,588</u></b>		

## Short Term Accumulated Absences Account

Year Ended 31 March 2015			Year Ended 31 March 2016		
PCC	Group		PCC	Group	
£'000	£'000		£'000	£'000	
<b>(17)</b>	<b>(8,921)</b>	<b>Balance at 1 April</b>	<b>(17)</b>	<b>(8,444)</b>	
17	8,921	Settlement or cancellation of accrual made at the end of the proceeding year	17	8,444	
(17)	(8,444)	Amounts accrued at the end of the current year	(12)	(8,368)	
0	477	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	5	76	
<b>(17)</b>	<b>(8,444)</b>	<b>Balance at 31 March</b>	<b>(12)</b>	<b>(8,368)</b>	

## 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

Year Ended 31 March 2015			Year Ended 31 March 2016		
£'000			£'000		
<b>43</b>	<b>Balance at 1 April</b>		<b>0</b>		
(43)	Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services				
<b>0</b>	<b>Balance at 31 March</b>		<b>0</b>		



## **NOTE I.3: 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 officers 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 2015 both the 1987 and 2006 Police Officers' pension schemes were replaced by a new scheme with future accrual based on the new career average (CARE) model. Both final salary police schemes closed from April 2015, however, there is protection for those closest to retirement, who will be entitled to remain in their current police pension scheme beyond 2015. The new scheme is open to all new recruits. 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 pension 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 82.

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 H.1), 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.

Previously, the 1987 scheme and 2006 scheme have been reported separately in the accounts. With the introduction of the 2015 scheme, it has been decided to combine all three schemes.

Year Ended 31 March 2015	<b><u>Comprehensive Income and Expenditure Account</u></b>	Year Ended 31 March 2016
£'000		£'000
	<i>Cost of Services</i>	
56,031	Current service cost	63,956
	<i>Income and Expenditure</i>	
100,972	Net Interest expense	89,307
<b>157,003</b>	<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>153,263</b>
	<i>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	
	Remeasurement of the net defined benefit liability comprising:	
0	Actuarial (gains) and losses arising on changes in demographic assumptions	0
323,562	Actuarial (gains) and losses arising on changes in financial assumptions	(196,613)
0	Other	8,207
<b>480,565</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statements</b>	<b>(35,143)</b>
	<b>Movement In Reserves Statement</b>	
(157,003)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post- employment benefits in accordance with the code	(153,263)
	<b>Actual amounts charged against the General Fund Balance for pensions in the year:</b>	
29,524	Employer contributions payable to scheme	28,741
35,836	Home Office Top Up Grant	52,235

### 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 2015		Year Ended 31 March 2016
£'000		£'000
<b>(2,327,143)</b>	<b>Opening balance at 1 April 2015</b>	<b>(2,742,348)</b>
(56,031)	Current service cost	(63,956)
(100,972)	Interest cost	(89,307)
(15,439)	Contributions from scheme participants	(15,059)
	Remeasurement (gains) and losses:	
0	Actuarial gains/(losses) arising from changes in demographic assumptions	0
(323,562)	Actuarial gains/(losses) arising from changes in financial assumptions	196,613
0	Experience gains/(losses) on Defined benefit obligation	(8,207)
0	Gains/(losses) on curtailment (where relevant)	0
0	Liabilities assumed on entity combinations	0
79,544	Benefits paid	94,783
1,255	Injury pension payments	1,252
<b>(2,742,348)</b>	<b>Closing balance at 31 March 2016 as recognised in the balance sheet</b>	<b>(2,626,229)</b>

#### Government Actuary's Department (GAD) v Milne

As a result of the Pension Ombudsman's decision in Milne vs. the Government Actuary's Department, some pensioner members have become entitled to additional payments based on revised commutation factors. The total sum paid out to members in the year to 31 March 2016 was £8,207,000. These payments have been recorded both as an experience item and as benefits paid out during the year.

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

The liabilities show the underlying commitments that arise from the fact that Police and Crime Commissioner has to pay retirement benefits over a long-term period. The total liability of £2.62 billion has a substantial impact on the net worth of the Group as recorded in the balance sheet. 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 2016 is £26m.

#### 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 and salary levels.

The Police Officer Pension Scheme 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		Year Ended
31 March 2015		31 March 2016
	<b>Mortality assumptions:</b>	
	<b>Longevity at 65 for current pensioners:</b>	
22.6	Men	22.7
25.8	Women	25.9
	<b>Longevity at 65 for future pensioners:</b>	
24.8	Men	24.9
28.1	Women	28.2
	<b>Financial Assumptions:</b>	
2.4%	Rate of Inflation	2.3%
4.6%	Rate of increase in salaries	4.5%
2.4%	Rate of increase in pensions	2.3%
3.3%	Rate for discounting scheme liabilities	3.6%

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 has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that 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
Mortality age rating assumption (increase or decrease in 1 year)	84,715	(81,991)
Rate of increase in salaries (increase or decrease by 0.1%)	5,368	(5,340)
Rate of increase in pensions (increase or decrease by 0.1%)	43,448	(42,613)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(47,311)	48,245

#### 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 over time 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 staff 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 staff scheme 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 2015		<b><u>Comprehensive Income and Expenditure Account</u></b>	Year Ended 31 March 2016	
PCC £'000	Group £'000		PCC £'000	Group £'000
		<i>Cost of Services</i>		
		Service cost comprising:		
244	11,600	Current service cost	235	14,700
7	339	Past service cost	3	211
3	119	Administration Expenses	2	96
0	0	(gain)/loss from settlements	0	0
		<i>Financing and Investment Income and Expenditure</i>		
116	5,536	Net Interest expense	97	6,058
<b>370</b>	<b>17,594</b>	<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>337</b>	<b>21,065</b>
		<i>Other Post Employment Benefits Charged to Comprehensive Income and Expenditure Statement</i>		
		Remeasurement of the net defined benefit liability comprising:		
(253)	(12,018)	Return on plan assets (excluding the amount included in the net interest expense)	112	6,991
0	0	Actuarial (gains) and losses arising on changes in demographic assumptions	0	0
1,210	57,577	Actuarial (gains) and losses arising on changes in financial assumptions	(581)	(36,324)
1	60	Experience (gain)/loss on defined benefit obligation	1	52
<b>1,328</b>	<b>63,213</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(131)</b>	<b>(8,216)</b>

Year Ended 31 March 2015	Year Ended 31 March 2016		Year Ended 31 March 2015	Year Ended 31 March 2016	
PCC £'000	Group £'000		PCC £'000	Group £'000	
		Movement in Reserves Statement			
(370)	(17,594)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(337)	(21,065)	
		<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>			
Funded Liabilities £'000			Funded Liabilities £'000		
PCC	Group		PCC	Group	
165	7,701	Employers' contributions payable to scheme	127	7,941	
Unfunded Liabilities £'000			Unfunded Liabilities £'000		
PCC	Group		PCC	Group	
3	164	Retirement benefits payable to pensioners	3	164	

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

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

Year Ended 31 March 2015	Year Ended 31 March 2016		Year Ended 31 March 2015	Year Ended 31 March 2016	
PCC £'000	Group £'000		PCC £'000	Group £'000	
(8,792)	(418,279)	Present value of the defined benefit obligation	(6,473)	(404,785)	
4,964	236,159	Fair value of plan assets	3,822	238,986	
<b>(3,828)</b>	<b>(182,120)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(2,651)</b>	<b>(165,799)</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 2015			Year Ended 31 March 2016		
PCC	Group		PCC	Group	
£'000	£'000		£'000	£'000	
<b>(5,683)</b>	<b>(338,435)</b>	<b>Opening balance at 1 April 2015</b>	<b>(8,791)</b>	<b>(418,279)</b>	
(244)	(11,600)	Current service cost	(235)	(14,700)	
(318)	(15,128)	Interest cost	(226)	(14,119)	
(68)	(3,222)	Contributions from scheme participants	(54)	(3,358)	
		Remeasurement gain/(loss):			
0	0	Actuarial gains/(losses) arising from changes in demographic assumptions	0	0	
(1,210)	(57,577)	Actuarial gains/(losses) arising from changes in financial assumptions	581	36,324	
(1)	(60)	Experience gain/(loss) on defined benefit obligation	(1)	(52)	
(1,430)	0	Apportionment Adjustment	2,102	0	
(7)	(339)	Past service cost including gains/(losses) on curtailments	(3)	(211)	
170	8,082	Benefits paid	154	9,610	
<b>(8,791)</b>	<b>(418,279)</b>	<b>Closing balance at 31 March 2016</b>	<b>(6,473)</b>	<b>(404,785)</b>	

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

Year Ended 31 March 2015			Year Ended 31 March 2016		
PCC	Group		PCC	Group	
£'000	£'000		£'000	£'000	
<b>3,554</b>	<b>211,663</b>	<b>Opening fair value of scheme assets</b>	<b>4,964</b>	<b>236,159</b>	
202	9,592	Interest income	129	8,061	
		Remeasurment gain/(loss):			
253	12,018	The return on plan assets, excluding the amount included in the net interest expense	(112)	(6,991)	
895	0	Apportionment Adjustment	(1,187)	0	
(3)	(119)	Administration expenses	(2)	(96)	
165	7,865	Contributions from employer	130	8,105	
68	3,222	Contributions from employees into the scheme	54	3,358	
(170)	(8,082)	Benefits paid	(154)	(9,610)	
0	0	Other	0	0	
<b>4,964</b>	<b>236,159</b>	<b>Closing fair value of scheme assets</b>	<b>3,822</b>	<b>238,986</b>	

The Police and Crime Commissioner's Group contribution to the Local Government Pension Scheme for the accounting period to 31 March 2017 is estimated to be £7,771k of which £124k is for the Police and Crime Commissioner. Expected payments for discretionary benefits for the accounting period to 31 March 2017 are estimated to be £164k of which £3k is for the Police and Crime Commissioner.

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

Year Ended 31 March 2015			Year Ended 31 March 2016		
£'000		<u>Fair Value of Scheme assets</u>	£'000		
PCC	Group		PCC	Group	
Cash and cash equivalents					
1,253	59,617	UK Equities	922	57,673	
1,689	80,358	Overseas Equities	1,228	76,802	
305	14,497	Gilts	105	6,580	
168	8,003	Other Bonds	136	8,478	
508	24,186	Property	428	26,764	
135	6,409	Infrastructure	145	9,048	
732	34,810	Target Return Portfolio	557	34,812	
85	4,063	Cash	85	5,327	
89	4,216	Alternative Assets	216	13,502	
<b>4,964</b>	<b>236,159</b>	<b>Total</b>	<b>3,822</b>	<b>238,986</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 triennial valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

Year Ended		Year Ended
31 March 2015		31 March 2016
	<b>Long-term expected rate of return on assets in the scheme:</b>	
3.4%	Equity investments	3.8%
3.4%	Bonds	3.8%
3.4%	Other	3.8%
	<b>Mortality assumptions:</b>	
	<b>Longevity at 65 for current pensioners:</b>	
22.8	Men	22.9
26.1	Women	26.2
	<b>Longevity at 65 for future pensioners:</b>	
25.1	Men	25.2
28.4	Women	28.6
	<b>Financial Assumptions:</b>	
2.5%	Rate of inflation	2.5%
4.3%	Rate of increase in salaries	4.3%
2.5%	Rate of increase in pensions	2.5%
3.4%	Rate for discounting scheme liabilities	3.8%



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 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
PCC		
Mortality age rating assumption (increase or decrease in 1 year)	188	(183)
Rate of increase in salaries (increase or decrease by 0.1%)	23	(23)
Rate of increase in pensions (increase or decrease by 0.1%)	117	(114)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(135)	138
Group		
Mortality age rating assumption (increase or decrease in 1 year)	11,775	(11,432)
Rate of increase in salaries (increase or decrease by 0.1%)	1,443	(1,432)
Rate of increase in pensions (increase or decrease by 0.1%)	7,290	(7,124)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(8,442)	8,630

#### 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 will be as at 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.

These notes relate to the cashflow statement on page 23.

#### NOTE I.4(a): CASHFLOW STATEMENT - OPERATING ACTIVITIES

The cashflows for operating activities include the following items:

31 March 2015 £'000		31 March 2016 £'000
(12,712)	Net cash (receipts)/payments from operating activities excluding interest receipts and payments	3,382
(465)	Interest received	619
1,310	Interest paid	(1,400)
<b>(11,867)</b>	<b>Net Cash flows from operating activities</b>	<b>2,601</b>

#### NOTE I.4(b): CASHFLOW STATEMENT - INVESTING ACTIVITIES

31 March 2015 £'000		31 March 2016 £'000
10,330	Purchase of property, plant and equipment, investment property and intangible assets	4,667
20,176	Net movement in short and long term investments	(13,000)
(1,820)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
<b>28,686</b>	<b>Net cash flows from investing activities</b>	<b>(8,333)</b>

#### NOTE I.4(c): CASHFLOW STATEMENT – FINANCING ACTIVITIES

31 March 2015 £'000		31 March 2016 £'000
0	Grant receipts in advance - Capital	0
(2,000)	Net cash receipts from long term borrowing	0
0	Cash payments to reduce finance lease liabilities	0
<b>(2,000)</b>	<b>Net cash flows from financing activities</b>	<b>0</b>

## NOTE I.5: 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:

Year Ended		Year Ended
31 March 2015		31 March 2016
£'000		£'000
850	Not later than one year	939
2,431	Later than one year and not later than five years	2,831
2,050	Later than five years	2,697
<u>5,331</u>		<u>6,467</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:

Year Ended		Year Ended
31 March 2015		31 March 2016
£'000		£'000
1,119		1,085
<u>1,119</u>		<u>1,085</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 Police and Crime Commissioner Group Police Fund. The statement shows income and expenditure for the Police Pension Scheme, this expenditure is not consolidated into the Police and Crime Commissioner Group Accounts.

### Police Officer Pension Fund Revenue Account

31 March 2015 £'000		31 March 2016 £'000
	<b>FUND ACCOUNT</b>	
	<b>Contributions Receivable</b>	
(27,006)	Employers (normal)	(26,522)
(15,439)	Employees (normal)	(15,059)
(1,263)	Ill Health capital charge	(967)
	<b>Transfers In</b>	
(323)	Individual transfers from other schemes	(1,474)
	<b>Benefits payable</b>	
63,981	Pensions	66,844
15,499	Commutations & lump sum retirement benefits	29,289
	<b>Payment to and on account of leavers</b>	
387	Individual transfers to other schemes	124
<u>35,836</u>	<b>Net amount paid during the year</b>	<u>52,235</u>
<u>(35,836)</u>	<b>Transfer from Police Fund*</b>	<u>(52,235)</u>
<u>0</u>	<b>Net amount payable / receivable for the year</b>	<u>0</u>

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

30,509	Received in year	41,419
5,327	Debtor	10,816
<u>35,836</u>		<u>52,235</u>

### Police Officer Pension Fund Asset Statement

The Police Officer Pension Fund is unfunded and has no investment assets. Short term assets or liabilities are not material and have not been disclosed for this reason.

### 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 2015-16. (GAD valuation calculated this contribution to now be 21.3% but Home Office regulations state that the Chief Constable should maintain contributions at 24.2%). 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 Note H.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 I.5.

This Financial Statement does not take account of liabilities to pay pensions and other benefits after the 31 March 2016.



**Devon & Cornwall Police**



**PCC**  
Office of the Police  
and Crime Commissioner  
Devon and Cornwall

# **2015-16 JOINT ANNUAL GOVERNANCE STATEMENT**

*For Devon & Cornwall Police and the  
Devon & Cornwall Police and Crime Commissioner*

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## 1.0 EXECUTIVE SUMMARY

This Joint Annual Governance Statement reports on the structures and mechanisms in place to effectively manage the organisation and its activities.

It is written on behalf of the Chief Constable and the Police & Crime Commissioner (PCC) and is in line with CIPFA Standards. Both organisations are responsible for ensuring that public money is used effectively and have proper governance arrangements in place. It sets out the position as at 31st March 2016, including plans for the financial year 2016/2017.

This joint document summarises the responsibilities of and the governance arrangements within and between the two organisations. It demonstrates how these management arrangements are set up to meet the principles of good governance and reviews those arrangements to obtain assurance that they are appropriate and effective.

The annual review of effectiveness shows a **good overall level of assurance and effectiveness of arrangements** across both organisations. This is evidenced through:

- **External scrutiny** from HMIC inspections give the force an overall ‘**good**’ rating as part of the Police Effectiveness, Efficiency, and Legitimacy (PEEL) framework.
- The **internal audit** opinion **gives reasonable assurance** that the control environment is effective. The Chief Executive and Treasurer as Statutory Offices have not had cause to exercise their statutory powers during the year.
- **Locally**, department managers and subject experts also provide a good level of assurance on a range of matters relating to governance around people, policy, finance, performance and risk.

Improvement activity has been identified for any significant governance issues arising (section 5.2) and challenges we face for the future (5.3).

## 2.0 INTRODUCTION

### 2.1 SCOPE OF RESPONSIBILITY

Devon & Cornwall Police (D&CP) and the Office of the Police and Crime Commissioner (OPCC) are responsible for ensuring that their business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, D&CP and OPCC are responsible for putting in place proper arrangements for the governance of their affairs, facilitating the effective exercise of functions, including arrangements for managing risk.

Both organisations follow a code of corporate governance consistent with the principles of the 'CIPFA/SOLACE Framework Delivering Good Governance in Local Government'. This statement explains how D&CP and the OPCC have complied with the code and meet the requirements of the 'Accounts and Audit Regulations 2015' to prepare an annual governance statement.

Both the PCC and Chief Constable are designated as Corporations Sole, which makes the office a statutory entity that allows specified assets and liabilities to transfer to the next PCC and Chief Constable. The Director of Finance & Resources and OPCC Treasurer undertake the roles of Chief Financial Officer (CFO) to the Chief Constable and PCC respectively. The Chief Constable's CFO has a fiduciary duty for the proper financial administration of the force. The Treasurer has overall fiduciary duty for the proper financial administration of the OPCC and to council taxpayers. The role and responsibilities of the CFOs are set out in the Scheme of Delegation.

The Chief Constable and PCC's financial management arrangements conform to the governance requirements of the Home Office Management Code of Practice for the Police. The CFO's of the force and OPCC respectively adhere to the CIPFA Statement on ['The Role of the CFO of the Police & Crime Commissioner and the CFO of the Chief Constable'](#).

### 2.2 STRATEGIC DIRECTION OF POLICING IN DEVON & CORNWALL

The police service faces a series of challenges; at best government funding is forecast to remain flat over the next four years whilst demand for services is forecast to increase. The latter is due to increasing demands of public safeguarding alongside increasing complexity of criminal networks and high tech crime. Policing in this age of austerity, while our partners are also scaling back, creates the urgency for collaborative activities to prevent gaps in service for the public. There are significant investments – in protecting the vulnerable and preventing harm, and in improving our connections with the public – that we need to make.

These drivers of reduced external resourcing and demand pressures create an operating environment of additional risk and complexity.

The Chief Constable is responsible for delivering policing in line with the Commissioners Police and Crime Plan. This is informed by work such as the Peninsula Strategic



Assessment conducted with partner agencies, Force Strategic Assessment and through consultation with the public, statutory partners and local leaders. Detailed delivery plans task and prioritise activities within force to deliver the Police and Crime Plan.

The overall strategic plan of policing in Devon and Cornwall in 2015/16 is set out in the PCC's **Police & Crime Plan** (Annex 1). This outlines six broad policing priorities as follows:

- Cutting crime and keeping people safe
- Reducing alcohol related crime and harm
- Making every penny count to protect long term policing
- An effective criminal justice system working well for victims, witnesses, and society
- Protecting victims
- Active involvement by citizens and communities in policing

Devon and Cornwall Police's **mission** is supported by the Police & Crime Commissioner and is as follows:

- We detect and prevent harm; protect the vulnerable and reduce crime.
- We work together as one team to safeguard communities and neighbourhoods.
- We are sustainable and resilient and provide a high quality service to the public.
- We act in accordance with the national Code of Ethics and our force standards of behaviour.

This mission is underpinned by the Force values of professionalism, courage, integrity, fairness and respect. In addition, the force has drawn up a corporate plan for 2016-2020, to outline priority areas of work and ways of working. This includes sections on policing and the organisational context, governance, corporate responsibility, performance and resources. Meanwhile the 'Force Operating Model' (Annex 2) clearly identifies the responsibilities at each level of the organisation in making decisions towards these goals.

The Force conducts extensive consultation surveys with the public that contribute to the setting of priorities and inform policy and decision-making for the development and planning of police services.

## 3.0 THE GOVERNANCE FRAMEWORK

### 3.1 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes and values through which the OPCC and the force manage its activities. It monitors achievement of strategic objectives, while considering whether this leads to the delivery of appropriate services and value for money for the public.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not an absolute

assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives of both organisations, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

### 3.2 THE GOVERNANCE FRAMEWORK: AN OVERVIEW

The governance framework described in this document has been in place for the year ended 31 March 2016, to the date of approval of the Statement of Accounts.

The Chief Constable has overall direction of police personnel and operational policing matters. The PCC is required to hold the Chief Constable to account for the exercise of these functions. All PCC decisions are published and available for public scrutiny.

The core principles of good governance that underpin our governance framework are summarised below. These originate from the CIPFA/SOLACE Good Governance Framework. Our values and goals also align to these principles. Annex 3 demonstrates in detail how both organisations comply with these principles.

#### CIPFA Core Good Governance Principles

- **Core principle 1:** Focus on the purpose of the PCC and force, create a local vision
- **Core principle 2:** Leaders, officers and partners work together with defined roles
- **Core principle 3:** Promote core values and demonstrate good governance
- **Core principle 4:** Take informed decisions subject to scrutiny, manage risk
- **Core principle 5:** Developing the capacity and capability to be effective
- **Core principle 6:** Engaging with local people to ensure robust accountability

Details of the governance structure within the force are shown at Annex 4. The Executive portfolios are aligned to the force mission to focus on threat, risk and harm. The Force Executive Board is modelled on a company structure including a Chief Operating Officer and non-executive advice

### 3.4 STRATEGIC ALLIANCE GOVERNANCE

A Strategic Alliance (SA) agreement has been formally in place with Dorset Police since 26th May 2015. Our aim is to work together to maintain a high standard of policing to the public while achieving mutual financial savings. This agreement is between the four legal entities (corporations sole), namely the PCCs and the Chief Constables of Devon and Cornwall and of Dorset.

The Alliance is not a merger of forces and, therefore, two Police and Crime Commissioners and two Chief Constables remain in post. However, many policing services will be delivered jointly under consistent operating models, with shared leadership in some functions. Each business area follows a set roadmap of design, consultation and implementation. As at 31/03/2016, functions are aligned as follows:

Joint SA team as at 31/03/2016	Joining in 2016-17	Depts to joining 2017-18 or later
<ul style="list-style-type: none"> <li>•Alliance Ops Dept.</li> <li>•ANPR</li> <li>•Alliance Admin Services Dept.</li> <li>•Dogs</li> <li>•Finance</li> <li>•Integrated Offender Management</li> <li>•Audit Insurance &amp; Strategic Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>•Transport</li> <li>•Alliance Prevention Dept.</li> <li>•Information Management (Phase 1)</li> <li>•Ops Planning</li> <li>•Roads Policing</li> <li>•Firearms / Armed Response Vehicles</li> <li>•Intelligence</li> <li>•ICT (staffing)</li> <li>•People Services</li> <li>•Business Change</li> </ul>	<ul style="list-style-type: none"> <li>•Firearms Licensing</li> <li>•Professional Standards</li> <li>•Resource Management</li> <li>•Info Management (P2)</li> <li>•ICT (full go live 2020)</li> <li>•Major Crime, Criminal Justice, Custody, Collisions and Tickets / Central Ticket Office, Victim &amp; Witness Services, Command &amp; Control, Call Handling, Info Mgt (P3), Force Support Group, Corporate Comms, Estates, On call rotas: Estimated live dates TBC</li> </ul>

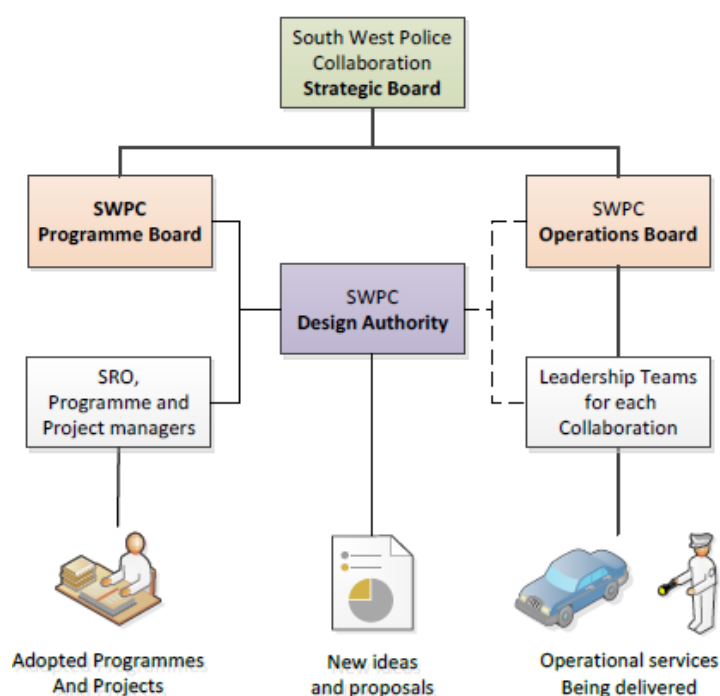
There is a separate governance structure specifically for the SA programme of work. This is managed through a Senior Responsible Officer (SRO) and Programme Team with members from both forces. The force and OPCC are represented at each level in this governance structure. All SA activity is overseen through the Alliance Executive Board.

A Strategic Alliance Audit Committee (SAAC) has been created. This is formed from members of the respective Joint Audit Committees in both Devon & Cornwall and Dorset. The SAAC, has been created to promote independent scrutiny and challenge to the Strategic Alliance process, and where appropriate make recommendations either jointly or separately to their respective Force and OPCC. The independent audit committees of Devon & Cornwall and Dorset continue to function.

### 3.5 REGIONAL COLLABORATION GOVERNANCE

There is a legal duty upon forces to collaborate where possible. The current arrangements that span the region have evolved over a number of years, as collaborative working between forces has continued to develop and be embedded across a number of functions and support services. The landscape has added complexity as a result of the variety of collaborative arrangements that exist at alliance, tri-force, four force and regional level.

Proposals for a new governance framework for the South West Police Collaboration (SWPC) have been agreed by the SWPC Strategic



Board.

An overview of the strategic meetings which provide oversight and governance to the coordination of new and existing regional collaboration are shown in the diagram above. See Annex 4 for more detail on these and how they relate to other governance frameworks.

The Senior Responsible Officer for the SWPC is the Chief Constable of Gloucestershire, with commissioning decisions made in the Strategic Board by the CCs and PCCs of the five forces involved. Operational collaborations include: Special Branch; SW Forensics; Regional Organised Crime Unit (ROCU); and Counter Terrorism Intelligence Unit. From April 2016, operational regional collaborations will be overseen by a Regional ACC.

## 4.0 REVIEW OF EFFECTIVENESS

### 4.1 REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The force and OPCC have responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Chief Constable and PCC have a statutory responsibility (under the Accounts and Audit Regulations 2015) to ensure there is a sound system of internal control, which:

- facilitates the effective exercise of the functions of both the Chief Constable and PCC, and also the achievement of their respective aims and objectives;
- ensures that the financial and operational management of both the force and OPCC is effective; and
- includes effective arrangements for the management of risk.

Annually they are required to conduct a review of the effectiveness of this system of internal control and prepare an annual governance statement. The review is informed by the work of:

- **Force:** Chief Officers; Director of Finance & Resources; Director of Legal Services & Information Management; Department Heads and Commanders; Review against the CIPFA principles
- **OPCC:** OPCC Chief Executive; OPCC Treasurer; OPCC Strategy and Planning Manager; Head of Internal Audit
- **Joint:** Internal Audit; Audit Committee; Appointments & Remuneration Committee; Joint Management Board
- **Other:** External Auditors; Other reviews

The governance framework is continuously reviewed throughout the year as follows:

- The force Executive considers key governance processes and recommends areas for improvement. All work is overseen by the Executive Board.
- The Joint Audit Committee provide independent assurance and advice to the PCC and the Chief Constable regarding the adequacy of the risk management

framework and the associated control environment; oversee the financial reporting process.

- The Appointment & Remuneration Committee considers and advises the PCC and the Chief Constable on remuneration policies and practices for both the OPCC and with regard to senior posts within the force.
- A Joint Risk Register is compiled and reviewed regularly by the Joint Management Board (JMB) and Chief Officers with detailed reviews being undertaken on selected risks.
- The assessment of evidence and compilation of the Annual Governance Statement, signed by the Chief Constable and PCC.
- A variety of strategic meetings and committees monitor progress towards organisational priorities across both the force and OPCC (see Annex 4 for a summary of these meetings and their remit).
- The Professional Standards Department continuously reviews complaints and matters arising from confidential reporting and produces monthly reports.
- Internal Audit delivers a risk based internal audit plan agreed with the Joint Audit Committee and both Chief Financial Officers.
- Funding for local projects and victim support is prioritised and aligned to the Police & Crime Plan priorities through the PCC's 'Commissioning Intentions Plan'. The governance of such projects are overseen through Joint Management Board while funding is allocated as part of the MTFS.

The PCC and Chief Constable follow the CIPFA /SOLACE good governance framework and organisational compliance with the core principles within this framework is shown in Annex 3.

## Internal reviews

The force Review & Inspections Team review aspects of the force in line with HMIC activity and thematic inspections as set by the Executive.

The force Criminal Case Review Unit (CCRU) conduct post trial debriefs of major crimes and research historic serious crimes for their potential to be solved using modern forensic techniques and investigative opportunities. Both the Review & Inspections Team and CCRU have produced numerous recommendations to improve operational policing.

The force Registrar ensures compliance with the National Crime Recording Standards (NCRS) and monitors this accordingly.

## Internal Audit

Qualified professional internal auditors provide objective assurance and opinion on governance and control processes. The audit process examines, evaluates and reports on the adequacy of controls and the efficient use of resources.

A risk based annual audit programme is produced to include all significant financial and non-financial risks and is considered by the Treasurer and Force Chief Financial Officer before approval by the Joint Audit Committee. The work of Internal Audit includes the investigation of any financial irregularities identified by the Treasurer. The Head of Internal Audit issued an unqualified audit opinion for the year which brings significant assurance of the governance framework and internal control arrangements. South West Audit

Partnership (SWAP) have been appointed as the internal auditors for the Strategic Alliance programme.

As part of the Strategic Alliance with Dorset, changes in the arrangements for management of internal audit will be brought into place in 2016.

## External audit

External audit review the Annual Accounts and consider value for money arrangements. KPMG are now the appointed external auditors for Devon and Cornwall Police. They are also external auditors for Dorset Police.

## Other agencies

The force is subject to a number of external reviews and inspections. Reports are considered by the Chief Officer Group as appropriate. The outcomes and recommendations from reviews are retained centrally and where appropriate, progress towards any resulting actions and change in business activities are tracked throughout the corporate planning process.

Her Majesty's Inspector of Constabularies (HMIC) conduct independent reviews of the force around the Police Effectiveness, Efficiency and Legitimacy (PEEL) framework. Responses to all HMIC reports about Devon and Cornwall are published on the [OPCC website](#). The latest [PEEL Assessment of Devon and Cornwall Police](#) graded Devon and Cornwall as 'Good' at effectiveness, efficiency and legitimacy.

The Independent Police Complaints Commission (IPCC) provide independent scrutiny of Devon & Cornwall Police. [Reports and recommendations relating to Devon & Cornwall](#) are published online. Each recommendation is considered and responded to, including whether the force plans to take action to carry out the recommendation.

The Home Office Professional Standards Unit documents lessons learnt and identifies best practice.

The Health and Safety Executive offers independent inspections and reviews in respect of reportable accidents.

The College of Policing has issued the Code of Ethics which sets national standards for professional conduct. The Force has set up an Ethics Committee to advise and advocate ethical behaviour.

## 4.2 RISK MANAGEMENT

Over the course of 2015-16, the force and OPCC have continued to manage risk jointly, through the shared Joint Risk Register (JRR) approach. The JRR is a tool for logging and managing the strategic risks facing the force and the OPCC, and their associated mitigating actions. The JRR is regularly reviewed at the Joint Management Board.



The diagram right illustrates how risk management is aligned with and compliments the planning and performance management processes. Risk management linked to the Strategic Alliance are detailed in section 5.3.

A good example of work done through this method of risk management was a successful challenge to proposed Home Office changes to the funding formula. The challenge avoided significant financial losses for the force. Any reintroduction of a new funding formula poses potential financial risks for the future.



### 4.3 REVIEW OF INTERNAL CONTROLS

The Accounts and Audit Regulations 2015 require the Chief Constable and PCC to conduct a review of internal controls within both organisations and publish the outcome within their Annual Governance Statement. The internal controls tested are based on the CIPFA core principles (Annex 3).

Senior managers provide assurance annually through the use of a questionnaire that assesses both compliance and the evidence of compliance with key controls, to facilitate assurance mapping work. It contains questions covering the following topics: People; Policy; Financial; Performance; Risk; External; and Strategic Alliance.

The returns for individual control areas are summarised in the Assurance Map (summarised in Annex 5). This map indicates that for the majority of controls either a high or medium level of assurance was obtained. At the corporate level a relatively small number of controls received a low or limited level of assurance. Overall the level of assurance that the systems and process that comprise the governance framework provides is therefore deemed to be reasonable.

## 5.0 OUTCOME OF THE REVIEW OF EFFECTIVENESS

### 5.1 OUTCOME OF THE REVIEW OF EFFECTIVENESS

Crime figures for the 2015-16 year showed a 3.8% reduction compared to the previous year. Victim based reported crimes reduced by 5.2%. The independent Crime Survey results showed that 71.6% of respondents said that Devon & Cornwall Police do a good or excellent job; this is the highest level of public confidence compared to other forces in England and Wales.

The external auditors gave an unqualified opinion for the accounts of both the Chief Constable and the PCC for 2014/15, the most recent year available. They confirmed that

both sets of accounts give a 'true and fair' view of the respective financial positions and of the income and expenditure recorded. In addition they reported that there were no control weaknesses that need to be reported to those charged with governance.

KPMG also provided a Value for Money conclusion for both the PCC and the Chief Constable. It stated that each had put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources for the year ending 31 March 2015.

## **5.2 SIGNIFICANT GOVERNANCE ISSUES**

During 2015-16, internal audit conducted a review of our approaches to fraud and corruption. This recommended the introduction of a Fraud & Corruption Strategy. This is currently under development as joint strategy between all four corporations sole and will form the basis for future supporting joint policies.

A jointly commissioned KPMG report with Dorset highlighted the need to improve risk management around the Strategic Alliance and also to consider management structures relating to the Strategic Alliance.

We propose over the coming year to take steps to enhance our governance arrangements to address these issues. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

## **5.3 OTHER GOVERNANCE CHALLENGES & CONSIDERATIONS**

The following items were raised in the 2014-15 or earlier governance statements, and are now considered embedded and/or no longer a concern relevant to this 2015-16 governance statement: Force organisational developments; Operational performance; New victim care unit; Code of ethics; Protected disclosure (whistleblowing); HR issues; Grading & pay; Information assurance; Horizon scanning; and OPCC organisational development.

The items detailed below, while not significant governance issues identified in the review of effectiveness, will prove a challenge for the future and require attention over the coming year.

### **Resourcing of Policing & PCC's Vision**

Government funding is forecast to be broadly flat in cash terms over the next four years. The PCC and the Force however face increasing real terms costs and significant increases in demand from factors such as the increasing complexity of crime as set out in section 2.2. For this reason the OPCC and the Force will need to work together to transform the service so that service delivery to the public can be maintained. The Strategic Alliance outlined in section 3.3 is a significant element of the plans to transform the service and reduce costs

Improved financial reporting to the Joint Management Board for the Force and OPCC was embedded in 2015/16, providing greater scrutiny and focus on areas where corrective action is needed. This includes segmental reporting, covering internal spend (e.g.



overtime), while also highlighting costs aligned to the Strategic Alliance and Regional Collaboration.

The force and OPCC both continue the focus on value for money, effectiveness and income generation. This ethos of value for money and cost savings feed through to resourcing delivery strategies, for example our force Estates Strategy and Procurement Strategy. The force aims to further reduce the gap, through by prioritising activities and removing those which place undue demand on the service.

## Regional Collaboration

The increased level of activity within the Regional programme meant that the existing governance processes were finding it difficult to ensure full transparency in decision making. Significant changes in governance at regional level has done much to address these issues and development continues.

The governance arrangements for regional collaboration, as outlined in section 3.5, should consider the following as considerations for the future:

- Every PCC has a duty to collaborate with other forces. The new D&C PCC appointed in May 2016 may wish to revise the scope of existing collaborations depending on their priorities, as might other PCCs in the region. The regional programme will need the ability to adapt to such changes effectively.
- Consideration should be given ensure efficiency in our long term ICT investment decisions, with a possible divergence between regional and strategic alliance needs.
- Further work is needed to ensure the effective tracking and realisation of all the benefits promised by each collaboration, not just focusing on the financial efficiencies.

## Strategic Alliance

Work towards our formal Strategic Alliance with Dorset is well progressed, with the aim of preserving policing services for the public while achieving savings in delivery. As a relatively high risk activity on which we are reliant to deliver savings for the force, the Strategic Alliance remains an area of focus for strong governance. This includes the significant challenge of the SA risk management highlighted in 5.2. The strategic risks affect both PCCs as well as both Forces.

Joint Governance documentation is under development with arrangements being set for agreement by the alliance partners. Decision-making and reporting protocols must remain flexible during this period to establish an effective long term governance structure.

An independent review of our approach to Strategic Alliance was conducted by KPMG during 2015. The report published in November 2015 gave an unqualified value for money conclusion, stating that the programme is generally well managed and there is a robust process to track benefits arising. No significant governance issues were reported. Several medium- and low-priority recommendations identified will be progressed in partnership with Dorset Police, to ensure we achieve our strategic aims and objectives from the alliance. An example of the challenges is the risk management structure, where a system must be developed to provide a joint risk management framework that allows emergent risks from the new alliance departments to be monitored alongside residual individual

Force risks. A process to identify and control strategic risks that impact on both Forces should also be established to provide assurance during the transition period. These will be overseen by the SA Executive Board, with scrutiny from the SAAC.

Following on from this initial review, KPMG will undertake a follow up review to provide assurance on the auditor's value for money conclusion, that the programme is on track, and review progress against key findings of the initial review.

There is an agreed ICT Convergence Strategy for both forces which reports into the Alliance Programme and Executive Boards.

Examples of challenges to be worked through are as follows:

- The alignment of policies and procedures and risk management structures
- The agreement of a single Code of Corporate Governance

## **Force Change Programme**

The change programme has a mix of national, regional, strategic alliance and local change initiatives for delivery, all of which requires effective coordination. The change programme as such should remain an area of focus for governance activity

The force change programme continues to be a high risk activity, particularly in the context of our challenging financial environment and fast moving technology changes. The programme comprises work such as: operational technology improvements; Policing the Demand; Mobile Data; and the Investigation Management Model.

Change activity is overseen by the Executive, with ultimate governance at the Joint Management Board for both corporations sole.

## **Collaboration with Partners (e.g. Fire, Ambulance)**

Pending legislation will create a duty on PCCs to collaborate with other emergency services, and potentially seek governance over Fire services. There are currently no formal governance arrangements in place.

Exploring opportunities with Devon & Somerset Fire Service will be part of our regional collaborations. While this does not present significant issues at present, it may require attention to more formalised governance arrangements in the future.

## **New PCCs, Approach & New Powers**

With the OPCC organisational developments complete with a clear structure in place, a new PCC was elected in May 2016. Ongoing monitoring of the scrutiny framework needs to take place, to ensure it meets the needs and priorities of the new PCC through the production of a new Police and Crime Plan. The PCC may wish to review existing governance arrangements and meeting structures. Any such changes will be accounted for in the 2016-17 AGS.

Meanwhile the movement of responsibility for estates to the PCC from the Chief Constable, along with the new powers to encompass functions such as the fire brigade

and police complaints, may present governance issues in the future if not managed effectively.

## **Business Continuity**

Operations Planning centrally manage and coordinate business continuity arrangements on behalf of the organisation. Continuity planning is more current and sophisticated in those operational and ICT functions where it is most needed. The internal controls review (summarised at Annex 5) however found that some other department heads gave relatively low assurance for their local continuity arrangements.

Operations planning provide a good level of assurance for business continuity for the organisation as a whole. This is evidenced by an independent audit in 2014/15, publication of guidance and the ongoing assessment of core processes and systems for the organisation.

From the OPCC perspective, the existing business continuity plan needs to be reviewed to reflect new working arrangements and ensure that key functions regarding financial approvals and decision making can be maintained in an emergency situation. OPCC business requirements such as ICT, finance and HR support are addressed through existing force recovery plans, as services are provided from within the general force infrastructure.

## 6.0 CONCLUSION

Over the coming year, we will continue to monitor the areas outlined in this statement to further enhance governance arrangements. We will work in partnership to deliver these arrangements and we are satisfied that these steps will address the improvements that were identified in the review of effectiveness. We will monitor their implementation and operation as part of our next annual review.

This statement is presented on behalf of Devon & Cornwall Police, the OPCC, the Chief Constable and the Police & Crime Commissioner. It sets out the position as at 31<sup>st</sup> March 2016 and refers to plans for the financial year 2016/2017.

Signed:

Shaun Sawyer  
Chief Constable of Devon & Cornwall Police

Sandy Goscomb  
Director of Finance and Resources

Alison Hernandez  
Devon & Cornwall PCC

Duncan Walton  
OPCC Treasurer

## **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 relating to 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>	Physical assets such as equipment and financial assets such as cash and amounts owed by debtors.
<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>	Something of practical use that can be measured in cash terms, e.g. land and buildings, or computer and radio equipment..
<b>International Financial Reporting Standards (IFRS)</b>	Accounting standards issued by the International Accounting Standards Board and from which the CIPFA code of Practice on Local Authority Accounting is derived.
<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 financing commitments 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.