



**Devon & Cornwall Police**  
Building safer communities together

**Statement of Accounts**

for the year ended

**31 March 2015**

**(Unaudited)**



Chief Constable for Devon and Cornwall

Statement of Accounts 2014-15 and Related Reports and  
Statements

**CONTENTS**

	<i>Page</i>
<b>1. Accompanying Reports and Statements</b>	
Foreword to the Accounts	1 - 4
Audit Opinion	5 - 7
Statement of Responsibilities	8
<b>2. Statement of Accounts 2014-15</b>	
Movement in Reserves Statement	9 - 10
Comprehensive Income and Expenditure Statement	11
Balance Sheet	12
Cash Flow Statement	12
Notes to the Accounts	
A. Accounting Structure and Accounting Policies	
B. Notes to the Comprehensive Income and Expenditure Statement	
C. Notes to the Balance Sheet	
D. Notes on Unusable Reserves	
E. Officer Remuneration	
F. Related Party Transactions and Partnerships	
G. Capital Expenditure and Financing	
H. Accounting Policies, Critical Judgements and Estimation	
I. Additional Information, including	
- Financial Instruments	
- Defined Benefit Pension Schemes	
- Unusable reserves	
Pension Fund Accounting Statements	44
Annual Governance Statement	45 - 66
Glossary	67 - 73
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# FOREWORD TO THE ACCOUNTS by SANDY GOSCOMB, DIRECTOR OF FINANCE AND RESOURCES

## 1 Introduction

- 1.1 Welcome to the Chief Constable's Statement of Accounts for 2014-15. The statement of accounts reports the income and expenditure on service provision for the year and the value of the Chief Constables 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 Police and Crime Commissioner and the Chief Constable form an accounting group for reporting purposes. These accounts are the Chief Constable's single entity accounts; the single entity accounts for the Police and Crime Commissioner and the accounts for the Group are presented together in a separate booklet.

## 2 The Statements of Accounts

- 2.1 The Chief Constable's accounts for the year include the following:
- Movement in Reserves Statement, showing the changes in the Chief Constable's financial resources over the year. The Chief Constable does not have delegated control of any of the reserves and does not manage any of the transactions in the reserves and accordingly these statements show a nil balance at the year end.
  - Comprehensive Income and Expenditure Statement – this recognises the accounting cost of providing policing services under the direction of the Chief Constable in the year to 31 March 2015. As the resources consumed by the Chief Constable are funded in full by the Police and Crime Commissioner, this statement shows that all expenditure is matched by an intra-group transfer from the Police and Crime Commissioner.
  - Balance Sheet as at 31 March 2015 – this sets out the assets, liabilities and reserves of the Chief Constable. All liabilities are ultimately the responsibility of the Police and Crime Commissioner, so at the year end the net worth (total assets minus total liabilities) is nil. The liabilities for pension benefits and other employee benefits are matched by an intra-group debtor showing the Police and Crime Commissioner's continuing responsibility to provide funds from the Police Fund to enable the Chief Constable to administer pension and meet other employee benefits liabilities.
  - Cash Flow Statement - this shows the inflow and outflow of cash to the Chief Constable.
- 2.2 To assist the reader, the notes to the accounts include the Chief Constable's accounting policies and give further information on the entries within the main statements as well as supplementary information. This is further supplemented by a glossary of terms.

## 3 Financial Performance

- 3.1 Budget. - Ongoing government spending reductions meant that it was necessary to reduce spending for 2014-15 by £7.4m as compared with the previous year. This reduction was the first year of a four year plan to save over £27m over the period 2014-15 to 2017-18 which involved a continuing programme of staffing and non-pay budget reductions.
- 3.2 Actual spending – Whilst pressures have caused some budget lines (overtime and ill health retirements in particular) to overspend, the staffing and non-pay reductions required in the budget plan have been delivered and final spending (after taking into account carry-forward requirements of £0.7m) was £3.1m below the budget. The main reasons for the under-spend are:
- Police officers chose to retire earlier than expected leaving a time gap between officers retiring and new recruits joining the organisation
  - Other savings in police officer costs, for example a reduction in maternity absence
  - Inflation was less than forecast, particularly in relation to fuel costs

#### **4 Governance Changes**

- 4.1 On the 1 April 2014 stage 2 of the transition to the Police and Crime Commissioner took place. This involved the transfer of staff who are under the direction and control of the Chief Constable from the employ of the Police and Crime Commissioner to the employ of the Chief Constable. This change has not had a material impact on the financial statements of the Chief Constable. The reason for this is that the employment costs of staff that are under the direction and control of the Chief Constable were already recognised in the Chief Constable accounts.
- 4.2 In addition to the transfer of staff described above, some assets currently held by the Police and Crime Commissioner transferred as at 1 April 2014 to the ownership of the Chief Constable. This change means that some assets that were previously included on the Police and Crime Commissioner's Balance Sheet, will now appear on the Balance Sheet of the Chief Constable. It has no impact on the financial position of the Group.

#### **5 Balance Sheet and Movement in Reserves**

##### Liabilities

- 5.1 The following liabilities are recognised on the Chief Constable's Balance Sheet:

- employment related liabilities (mainly pensions to be paid to staff in the future)
- long-term liabilities in relation to the asset transfer described at paragraph 4.2 above, these liabilities will be repaid in line with the depreciation of the assets

##### Assets

- 5.2 The following assets are recognised on the Chief Constable's Balance Sheet

- IT and equipment described at paragraph 4.2 above
- long-term debtors that represent the Police and Crime Commissioner's long term responsibility to provide funding to the Chief Constable and hence meet any future pension liabilities

- 5.3 The Movement in Reserves Statement reflects the position whereby the cost of providing policing services including the total long term pension costs have been transferred by intra-group adjustment to the Police and Crime Commissioner before calculating the net deficit on the provision of services. This transfer includes the actuarial loss on pensions recognised in other Comprehensive Income and Expenditure. For this reason there is a surplus on the provision of services recognised in the Movement in Reserves Statement which is offset by the actuarial loss on pensions.

#### **6 Operational Performance**

- 6.1 The Force's performance figures show that recorded crime across Devon, Cornwall and the Isles of Scilly fell for the 12 months to 31 March 2015, compared to the previous year. Overall crime reduced by 5.2% within the Force area, equivalent to 4,417 crimes.
- 6.2 The Force has seen a number of reductions during the period in areas including domestic burglary (down 9.7%), burglary non dwelling (down 14.4%), vehicle crime (down 10.4%), criminal damage (down 5.7%), public order offences (down 20.3%) and theft (down 12.3%).
- 6.3 There have been some areas where crime levels have gone up, including sexual offences (up 20.4%), violence without injury (up 11.0%), and domestic abuse (up 1.6%).
- 6.4 The Force's focus is very much on the crimes that have the most adverse impact on people's lives. Domestic abuse and sexual offences have traditionally been significantly under reported to the police. Over the last two years we have been encouraging victims to come forward to the police and we hope that this increase in figures shows victims have more confidence in reporting these crimes.

6.5 We know that there are ongoing challenges ahead in tackling levels of violent crime, particularly alcohol-related violence, domestic abuse and sexual offences. These are areas, along with the growing area of cyber-crime, where we will focus our attention in the year ahead. Our partners and the community also have a role to play in that.

6.6 The reality for our communities is that Devon, Cornwall and the Isles of Scilly remain one of the safest places to live in the country. The crime figures and the public and victim satisfaction results are an indication that, despite the funding and resourcing changes faced by the Force, it is still able to deliver a good service to victims and to the public as a whole. More information on how the Chief Constable is working with the Police and Crime Commissioner to meet the objectives in the Police and Crime Plan in 2015-16 and beyond are set out in section 8 below.

## **7 Sustainability**

7.1 The Force continues to monitor the social and environmental impact of its activities and governance of environmental management issues continues to be strong.

7.2 Investments in technology and buildings as outlined in the Police and Crime Plan are aimed not only at improving the efficiency of policing in Devon and Cornwall but also in reducing its environmental impact. An example of this is the fitting of tracker devices in vehicles.

## **8 The outlook for 2015-16 and key challenges**

8.1 The financial position of the Police and Crime Commissioner Group in future years will be affected by two significant factors as follows:

- Service developments
- The impact of the current economic climate on the provision of services

### **Service Development**

8.2 In March 2015 the Chief Constable and the Police and Crime Commissioner signed an agreement to enter into a Strategic Alliance with the Police and Crime Commissioner and the Chief Constable for Dorset. The main aim of the Strategic Alliance is to sustain the delivery of local policing and other frontline services. The Alliance will support the policing service delivered on the ground across the three counties. The strategic alliance is not a merger or a takeover, it sets out how the four corporation soles will collaborate on the provision of both frontline policing and support services with the aim of providing effective policing services more efficiently. For Devon and Cornwall this initiative is a significant element of the plans to reduce service costs to meet the austerity agenda as set out below.

### **The impact of the current economic climate on the Chief Constable**

8.3 The Police and Crime Commissioner has set out his objectives in his Police and Crime Plan (available on the Police and Crime Commissioner's website and from the Office of the Police and Crime Commissioner) and the Chief Constable has agreed a delivery plan aimed at assisting the Police and Crime Commissioner in meeting these objectives. The ongoing challenge for the Chief Constable is to meet the Police and Crime Plan objectives whilst at the same time meeting the Strategic Policing Requirement as set out by the Home Secretary. In addition, delivering changes in service delivery against a back drop of reducing financial and staffing resources will require new ways of working. The Chief Constable is therefore actively reviewing how staff are deployed and the use of technology in order to achieve further efficiencies and to maintain and improve service delivery.

8.4 Funding for policing in Devon and Cornwall is provided to the Police and Crime Commissioner, who in turn provides a budget allocation to the Chief Constable. For this reason, any funding changes for the Commissioner will impact directly on the Chief Constable. The current Medium Term Financial Strategy (MTFS) 2015-16 to 2018-19 is based on the funding announcements contained in the Chancellor's 2014 Autumn Statement and the Budget 2015. An emergency budget is to be announced by the government in July and when combined with a new Comprehensive Spending Review in the autumn 2015 it is possible that the funding forecasts included in the MTFS will have to

be revised. Furthermore the Home Office are due to review the police funding formula in 2016-17 and this may have a significant impact on grant funding levels.

8.5 Other risks inherent in the budget provided by the Police and Crime Commissioner to the Chief Constable include:

- the one-off cost of the Strategic Alliance and other change programmes exceed the budget available;
- delivery of required ongoing savings does not happen within required timescales;
- other variations in pay costs and/or liabilities which will impact on what can be delivered from the budget provided by the Police and Crime Commissioner.

8.6 The Chief Constable is working very closely with the Police and Crime Commissioner to monitor all of the financial and other risks to the delivery of the Police and Crime Plan. A revision of the workforce plan, which is likely to include significant changes, is being developed by the Force and will be discussed with the Police and Crime Commissioner during budget preparation.

8.7 An ongoing operational challenge for the Chief Constable is to balance the competing demands of local policing and delivering the Police and Crime Plan with the national strategic policing requirements. Ongoing mutual aid support to the policing of key national events will require the deployment of resources away from the Force area.

## **9. Annual Governance Statement**

9.1 Production of the Annual Governance Statement (AGS) to accompany the Statement of Accounts is a statutory requirement. The Joint AGS of the Police and Crime Commissioner and the Chief Constable is included at pages 45 to 65 of this document. The AGS describes the internal control environment for the Chief Constable and the Police and Crime Commissioner and comments on its effectiveness and identifies issues that require further work.

## Audit Report



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

### **The Chief Constable's Responsibilities**

The Chief Constable is required to:

- Make arrangements for the proper administration of the financial affairs of Devon and Cornwall Police and to secure that one of his officers has the responsibility for the administration of those affairs. That officer is the Director of Finance and Resources;
- Manage the affairs of the Devon and Cornwall Police 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

**S Sawyer**

**Chief Constable Devon and Cornwall Police**

Date: XX September 2015

### **The Director of Finance and Resource's Responsibilities**

The Director of Finance and Resources is responsible for the preparation of the Annual Statement of Accounts of the Chief Constable in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 (the Code)

In preparing this Statement of Accounts, the Director of Finance and Resources has:

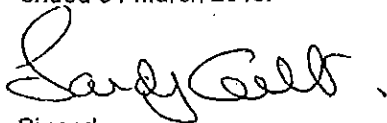
- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Director of Finance and Resources has also:

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

### **Director of Finance and Resource's Certificate**

I certify that this Statement of Accounts for the year ended 31 March 2015 gives a true and fair view of the financial position of the Chief Constable at the accounting date and of the income and expenditure for the year ended 31 March 2015.



Signed

**S Goscomb**

**Director of Finance and Resources**

Date: 30 June 2015



# MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDING 31 MARCH 2015

This statement shows only the pension related transactions for the year ending 2014-15 as all reserves are managed by the Police and Crime Commissioner. The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income and Expenditure Statement.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Force Reserves £'000
<b>As at 31 March 2014</b>	0	0	0	0	0	0	0
<b>Movement in reserves during 2014-15</b>							
(Surplus) or deficit on provision of services Page 11 (see note below)	(367,687)	0	0	0	(367,687)	0	(367,687)
Other Comprehensive Expenditure and Income Page 11	367,687	0	0	0	367,687	0	367,687
<b>Total Comprehensive Expenditure and Income</b>	0	0	0	0	0	0	0
<b>As at 31 March 2015 carried forward</b>	0	0	0	0	0	0	0

The deficit on the provision of services represents the actuarial loss on pensions and is mainly caused by changes in actuarial assumptions as described in note I.1.



## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDING 31 MARCH 2014

This statement shows only the pension related transactions for the year ending 2013-14 as all reserves are managed by the Police and Crime Commissioner. The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income and Expenditure Statement.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Force Reserves £'000
<b>As at 31 March 2013</b>	0	0	0	0	0	0	0
<b>Movement in reserves during 2013-14</b>							
(Surplus) or deficit on provision of services Page 11 (See note below)	(183,402)	0	0	0	(183,402)	0	(183,402)
Other Comprehensive Expenditure and Income Page 11	183,402	0	0	0	183,402	0	183,402
<b>Total Comprehensive Expenditure and Income</b>	0	0	0	0	0	0	0
<b>As at 31 March 2014 carried forward</b>	0	0	0	0	0	0	0

The deficit on the provision of services represents the actuarial loss on pensions and is mainly caused by changes in actuarial assumptions as described in note 1.1.



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement (CIES) reflects the Police and Crime Commissioner's financial resources consumed by the Chief Constable for 2014-15 and 2013-14. In practice all the respective costs are paid for by the Police and Crime Commissioner and the CIES includes intra-group adjustments resulting in a nil balance for total comprehensive income and expenditure.

For Year Ended 31 March 2014			For Year Ended 31 March 2015			Notes
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000	£'000	£'000	£'000	
<b>Continuing operations</b>						
105,470	(2,203)	103,267	Local Policing	124,295	(2,181)	122,114 B1 & B2
23,736	(163)	23,573	Dealing with the Public	23,385	(175)	23,210 B1 & B2
24,556	(1,254)	23,302	Criminal Justice Arrangements	25,142	(1,108)	24,034 B1 & B2
9,541	(1,061)	8,480	Road Policing	9,958	(1,512)	8,446 B1 & B2
21,311	(648)	20,663	Specialist Operations	22,532	(316)	22,216 B1 & B2
13,544	(277)	13,267	Intelligence	14,369	(237)	14,132 B1 & B2
79,878	(2,881)	76,997	Specialist Investigation	78,163	(2,668)	75,495 B1 & B2
10,818	(97)	10,721	Investigative Support	12,404	(799)	11,605 B1 & B2
5,670	(3,189)	2,481	National Policing	6,018	(3,091)	2,927 B1 & B2
2,339	0	2,339	Non Distributed Costs	3,141	0	3,141 B1 & B2
<b>296,863</b>	<b>(11,773)</b>	<b>285,090</b>	<b>Cost of Services</b>	<b>319,407</b>	<b>(12,087)</b>	<b>307,320</b>
0	(34,881)	(34,881)	Pensions Top Up Grant	0	(35,836)	(35,836)
(296,863)	46,654	(250,209)	Intra-group adjustment	(319,407)	47,923	(271,484)
<b>0</b>	<b>0</b>	<b>0</b>	<b>Cost of Police Services Net of Pensions Top Up Grant</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Financing and Investment Income and Expenditure</b>						
97,349	0	97,349	Pensions Interest Cost	115,782	(9,390)	106,392 11
(97,349)	0	(97,349)	Intra-group adjustment - pension interest	(115,782)	9,390	(106,392)
(183,402)	0	(183,402)	Intra-group adjustment - actuarial loss on pensions	(367,687)	0	(367,687) 11
<b>(183,402)</b>	<b>0</b>	<b>(183,402)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(367,687)</b>	<b>0</b>	<b>(367,687)</b>
<b>Other Expenditure and Income</b>						
0	0	183,402	Actuarial loss on pensions	0	0	367,687
<b>0</b>	<b>0</b>	<b>183,402</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>



## BALANCE SHEET

The Chief Constable owns some operational non-current assets and these are included on the Balance Sheet. The Chief Constable does not hold reserves, current and long term liabilities relate to employee benefits and non-current assets. There are entries on the Balance Sheet to show these liabilities and also the assets that represent the Police and Crime Commissioner's responsibility to provide funds to the Chief Constable over the long term. More information is provided in Note A.1.

For Year Ended 31 March 2014 £'000		For Year Ended 31 March 2015 £'000	Notes
	<b>Long Term Assets</b>		
0	IT and Equipment	2,026	C2
2,451,786	Pensions Intra-group debtor	2,920,640	I1
<b>2,451,786</b>	<b>Total Long Term Assets</b>	<b>2,922,666</b>	
	<b>Current Assets</b>		
544	Short term provisions intra-group debtor	460	C1
8,903	Short term accumulated absence intra-group debtor	8,427	D1
<b>9,447</b>	<b>Total Current Assets</b>	<b>8,887</b>	
	<b>Current Liabilities</b>		
(8,903)	Short term accumulated absence	(8,427)	D1
(544)	Short term provisions intra-group	(460)	
<b>(9,447)</b>	<b>Total Current Liabilities</b>	<b>(8,887)</b>	
	<b>Long Term Liabilities</b>		
(2,451,786)	Pensions liabilities	(2,920,640)	I1
0	IT and Equipment - Intra-group creditor	(2,026)	
<b>(2,451,786)</b>	<b>Total Long Term Liabilities</b>	<b>(2,922,666)</b>	
<b>(0)</b>	<b>Net Assets</b>	<b>0</b>	

Sandy Goscomb Force Director of Finance and Resources XX September 2015

## CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

For Year Ended 31 March 2014 £'000		For Year Ended 31 March 2015 £'000
183,402	Net (surplus) or deficit on the provision of services	367,687
	Adjustments to net surplus or deficit on the provision of services for non-cash movements	
(183,402)	(Increase)/Decrease in Pensions Liability	(367,687)
<b>0</b>	<b>Net Cash (In flows)/Outflows from Operating Activities</b>	<b>0</b>
<b>0</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>0</b>



## **NOTE A.1: THE CHIEF CONSTABLE FOR DEVON AND CORNWALL AS AN ACCOUNTING ENTITY**

### **Introduction**

Following the Police Reform and Social Responsibility Act 2011 (the Act), the Devon and Cornwall Police Authority was replaced on 22 November 2012 with two 'corporation sole' bodies, the Police and Crime Commissioner and the Chief Constable. For accounting and regulatory purposes the Police and Crime Commissioner and the Chief Constable are classed as a local authorities and are covered by the CIPFA Code of Practice for Local Authority Accounting 2014-15.

On the 1 April 2014 the second stage of the transition to the two corporation sole bodies took place and employment of staff transferred to the Chief Constable. This did not change the accounting treatment of employment liabilities in the single entity or group accounts. In addition some operational non-current assets were transferred to the Chief Constable from the Police and Crime Commissioner. Furthermore certain categories on operational non-current assets acquired under the 2014-15 and future capital programmes will be classified as Chief Constable assets and appear on the Chief Constable's Balance Sheet. Further information is contained within note C.2 page 20 and H.1 (h) page 31.

### **Accounting Principles**

The Chief Constable is part of an accounting group along with the Police and Crime Commissioner 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. 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.

The financial consequences of the activity under the control of the Chief Constable are shown in the Comprehensive Income and Expenditure Statement. As the Chief Constable does not hold reserves, the Comprehensive Income and Expenditure Statement shows the gross cost of policing for the Chief Constable 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.

On 22 November 2012 the assets, liabilities and reserves of the Police Authority were transferred directly to the Police and Crime Commissioner. All of the assets and liabilities and reserves of the PCC Group (with the exception of pension and other liabilities related to the employment of officers and staff under the direction of the Chief Constable), are therefore, recognised on the Police and Crime Commissioner's Balance Sheet. 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. On the 1 April 2014 the second stage of the transition took place and employment of staff transferred to the Chief Constable. This will not change the accounting treatment of employment liabilities in the single entity or group accounts.



## **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 2014-15 (the 2014-15 Code); the Accounts and Audit Regulations 2011; and the Service Reporting Code 2014-15 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 66 to 72.

This provides an overview of the basis for the preparation of the financial statements and any significant changes in accounting policy in 2014-15 and future years. The full statement of the principle accounting policies adopted is set out in Note H.1 on pages 27 to 32.

### **Changes in Accounting Policies**

There are no significant changes in accounting policy. A change in governance arrangements means that some operational assets are now under the ownership of the Chief Constable and are included in his Balance Sheet. These assets are matched on the Balance Sheet by a long term liability representing the requirement for the Chief Constable to pay for the assets over their remaining life. This is set out in note H.1 (h).

In accordance with the 2014-15 Code the Chief Constable has deferred the adoption of IFRS 13 Fair Value Measurements.

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

The Chief Constable is required to disclose information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted. Changes to IFRS 13 (May 2011) will be implemented in 2015-16 and any changes in accounting policies required will be reflected in the 2015-16 Accounts, however, as most non-current assets are accounted for by the Police and Crime Commissioner these are likely to be minimal if any.



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

The table below shows the Income and Expenditure for 2014-15 and 2013-14 as reported to the Joint Management Board.

### Income and Expenditure Reported to Management

	Outturn Spend 2013-14 £'000	Outturn Spend 2014-15 £'000
Police Officer Costs	158,588	157,451
Police Staff Costs	66,201	64,932
Change Costs	78	469
Training	1,109	831
Major Operations	706	539
Premises	12,014	11,737
Contract Based	19,190	20,240
Transport	5,762	4,808
Legal	1,162	1,009
Partnerships and Regional Initiatives	3,625	4,814
Pensions	2,182	2,600
All other budget costs	9,458	9,299
<b>Net Force Expenditure</b>	<b>280,075</b>	<b>278,729</b>
Police and Crime Commissioner	1,949	1,572
Commissioning and Partnership Working	2,740	2,685
Treasury Management	2,267	2,835
<b>Total Net Expenditure</b>	<b>287,031</b>	<b>285,821</b>
Specific Grants	(3,563)	(1,479)
Income	(6,544)	(7,085)
<b>Expenditure before Contribution to Reserves</b>	<b>276,924</b>	<b>277,257</b>
Contributions to / from earmarked reserves	11,608	7,234
<b>Overall Outturn Position</b>	<b>288,532</b>	<b>284,491</b>

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

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

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

**Reconciliation of Income and Expenditure reported to the Chief Constable to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement by Subjective Heading**

**For the Year Ended 31 March 2015**

	Reported to management	Not included in report to management*	Not included Income and Expenditure Account	Total
	£'000	£'000	£'000	£'000
Employee Expenses	230,111	30,135	0	260,246
Other Service Expenses	48,618	4,142	0	52,760
Minimum Revenue Provision	0	0	(178)	(178)
Capital Expenditure charged against the General Fund	0	0	(928)	(928)
Depreciation, amortisation and impairment	0	7,507	0	7,507
	278,729	41,784	(1,106)	319,407
Specific Grants and Other Income	(8,564)	(3,523)	0	(12,087)
<b>Cost of Services</b>	<b>270,165</b>	<b>38,261</b>	<b>(1,106)</b>	<b>307,320</b>

**Reconciliation of Income and Expenditure reported to the Chief Constable to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement by Subjective Heading**

**For the Year Ended 31 March 2014**

(Provided for comparative purposes)

	Reported to management	Not included in report to management*	Not included Income and Expenditure Account	Total
	£'000	£'000	£'000	£'000
Employee Expenses	231,792	7,885	0	239,677
Other Service Expenses	51,073	0	0	51,073
Specific Grants and Other Income	(11,773)	0	0	(11,773)
Depreciation of Property Plant and Amortisation of Intangible Assets	0	6,114	0	6,114
<b>Cost of Services</b>	<b>271,092</b>	<b>13,999</b>	<b>0</b>	<b>285,091</b>

\* These are items that should not be charged against the council tax and are not therefore part of the revenue budget reported to management, they are however part of expenditure for purposes of reporting according to the IFRS code and for this reason they are added to the expenditure reported to management.

## **NOTE B.2: EXPLANATION OF THE SERVICE EXPENDITURE ANALYSIS**

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

### **Local Policing**

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

### **Dealing with the Public**

- Front desk
- Central communications unit
- Dealing with the public command team and support overheads

### **Criminal Justice Arrangements**

- Custody
- Police doctors/nurses and surgeons
- Other custody costs
- Criminal Justice
- Police National Computer
- Disclosure and Barring Service
- Coroner assistance
- Fixed Penalty Schemes (Central ticket office)
- Property officer/stores
- Criminal justice arrangements command team and support overheads

### **Road Policing**

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

### **Specialist Operations**

- Operational support team and support overheads
- Air operations
- Mounted police
- Specialist terrain
- Dogs section
- Advanced public order
- Airport and ports policing unit
- Firearms unit
- Civil contingencies and planning
- Events

### **Intelligence**

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

### **Specialist Investigations**

- Investigations command team and support overheads
- Major investigation unit
- Economic crime (including regional asset recovery team)

- Specialist investigation units
- Serious and organised crime unit
- Public protection
- Local investigation/prisoner processing

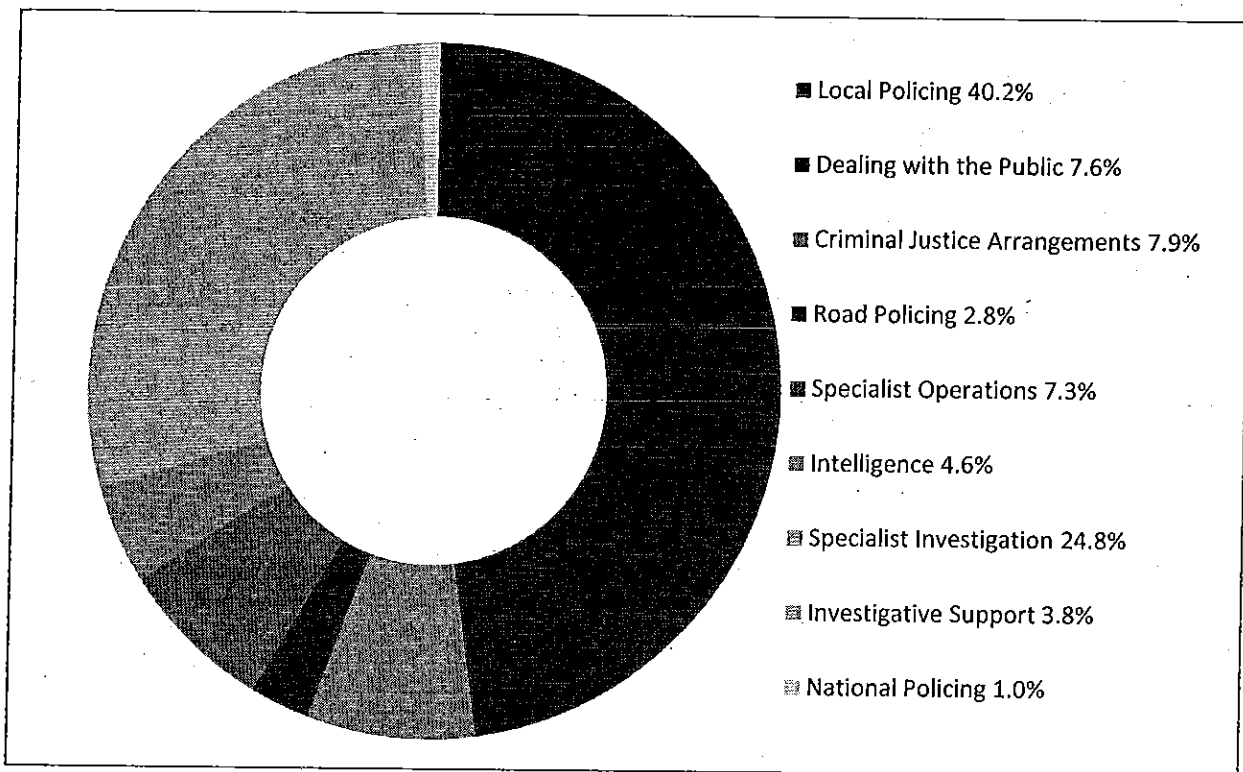
#### Investigative Support

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

#### National Policing

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

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



## NOTE B.3: EXTERNAL AUDIT COSTS

Year Ended 31 March 2014		Year Ended 31 March 2015
£'000		£'000
25	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	22
0	Other services provided by external auditor	0
<u>25</u>		<u>22</u>

The Audit Fees for both financial years include a rebate provided by the Audit Commission.

## NOTE C.1: PROVISIONS

The table below shows a provision made in the Chief Constable's accounts for remuneration related liabilities. These are matched by a long term debtor as the Police and Crime Commissioner has the long term responsibility for funding these liabilities.

Year Ended 31 March 2014	Current Remuneration Provision	Year Ended 31 March 2015
479	Balance as at 31 March	544
250	Additional provisions made in 2014-15	166
(185)	Amounts used in 2014-15	(250)
<u>544</u>	Balance as at 31 March	<u>460</u>

This provision is to meet the following known liabilities:

1. Meeting the cost of known contractual pay claims; the current level of the provision is estimated to be sufficient to meet known claims. These payments are expected to be made in 2015-16.
2. Meeting the cost of accrued leave according to agreement reached with police officers. Payments to be made in early 2015-16.

Further information on provisions is provided in the Accounting Policies Note H.1 (i)



## NOTE C.2 : PROPERTY, PLANT AND EQUIPMENT

### (a) Movements on Balances in 2014-15

	Operational and Non-Operational IT & Equipment
<b>Cost</b>	£'000
At 1 April 2014	0
Additions	1,548
Other reclassification	1,208
<b>At 31 March 2015</b>	<b><u>2,756</u></b>
<b>Accumulated Depreciation and Impairments</b>	
At 1 April 2014	0
Depreciation Charge	(83)
Other reclassification	(647)
<b>At 31 March 2015</b>	<b><u>(730)</u></b>
<b><u>Net Book Value</u></b>	
At 31 March 2014	0
<b>At 31 March 2015</b>	<b>2,026</b>

Comparative balances have not been provided for 2013-14 as the assets transferred as at 1 April 2014. Therefore the balances were nil in 2013-14.

### (b) Depreciation

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

#### Information and Communication Technology

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.

### (c) Asset Transfers

On the 1 April 2014, Body Armour, Automatic Number Plate Recognition equipment and Mobile Data Project transferred from the Police and Crime Commissioner to the Chief Constable as per the scheme of consent. The total net book value that transferred was £561k.

Further information on accounting for property, plant and equipment is provided in the Accounting Policies note H.1 (h)



## NOTE D.1: SHORT TERM ACCUMULATED ABSENCES

The Chief Constable provides benefits to employees in the form of annual leave. In addition, staff who work hours in excess of their contract hours may be awarded time off in lieu. These are accumulating absences that may be carried forward for use in future periods. The obligation to make future payments is recognised in the Comprehensive Income and Expenditure Statement and is a liability on the Chief Constable's Balance Sheet as follows:

31 March 2014			31 March 2015	
£'000	£'000		£'000	£'000
	9,693	Balance at 1 April		8,903
(9,693)		Settlement or cancellation of accrual made at the end of the preceding year	(8,903)	
8,903		Amounts accrued at the end of the current year	8,427	
		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		(476)
	<u>8,903</u>			<u>8,427</u>

Further information on accounting for short term accumulated absences is provided in the Accounting Policies Note on Benefits Payable During Employment - Note H.1 (f (i)).

The Chief Constable has a policy of reducing the amount of time police officers can hold "on card" relating to time off in lieu. This policy involves paying any time off in lieu that is above the agreed threshold, it will lead to a reduction in the amount of short term accumulated absence arising for this reason.



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

The amounts reported below relate to senior employees charged to the Police and Crime Commissioner's Comprehensive Income and Expenditure Statement and recognised in the Comprehensive Income and Expenditure Statement in these accounts.

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>Salary £150,000 plus per year</b>		£	£	£	£	£	£	£
Chief Constable – Shaun Sawyer		163,926	-	-	11,147	175,073	37,175	212,248
<b>Salary £50,000 to £149,999 per year</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	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		109,853	-	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

Subsistence and expenses allowances were phased out during 2014-15 for Chief Police Officers.

The employer's pension contribution rate for Directors who are members of the Local Government Pension Scheme has reduced in 2014-15 this is because payment for the historical deficit is paid as a lump sum rather than a percentage contribution.

## OFFICERS' REMUNERATION FOR YEAR ENDED 31 MARCH 2014

(included for comparative purposes)

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

### Note

- 1 Deputy Chief Constable 01/04/13-29/11/13
- 2 Deputy Chief Constable 30/11/13-31/03/14
3. ACC Crime & Justice 01/04/13-31/05/13
4. ACC Crime & Justice 01/05/13-31/03/14



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

Remuneration Band	2013-14	2014-15
£50,000 - £54,999	138	140
£55,000 - £59,999	84	90
£60,000 - £64,999	21	11
£65,000 - £69,999	7	10
£70,000 - £74,999	7	3
£75,000 - £79,999	11	10
£80,000 - £84,999	6	9
£85,000 - £89,999	1	3
£90,000 - £94,999	2	1
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
Total	277	277

- 1 These figures do not include the remuneration of the senior employees and relevant police officers who have been disclosed separately.
- 2 The banding figures include both police staff and police officers remuneration.
- 3 The Chief Constable has chosen to disclose all police officers earning more than £50,000 on a voluntary basis (the legislative requirement is to include only police officers above the rank of superintendent).
- 4 Remuneration includes exit costs as set out in the table below.
- 5 The above table does not include staff paid below £50,000. These staff make up approximately 94% of the workforce.

#### Termination Costs

The total termination costs (exit costs) shown in the table below are the cash payments made to individuals plus cash payments to recompense the pension for the strain payments that have been calculated on an actuarial basis in 2013-14 and 2014-15.

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	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
							£'000	£'000
£0 - £20,000	3	0	0	16	3	16	42	179
£20,001 - £40,000	3	3	0	2	3	5	78	134
£40,001 - £60,000	1	0	0	3	1	3	41	156
£60,001 - £80,000	0	0	0	0	0	0	83	0
£80,001 - £100,000	1	0	0	0	1	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001+	0	0	0	0	0	0	0	0
	8	3	0	21	7	24	244	469

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## NOTE F.1: RELATED TRANSACTIONS AND PARTNERSHIPS

The Chief Constable is required to disclose material transactions with related parties, including central government, other local authorities, members, senior officer and their close families. At present all transactions are managed through the Police and Crime Commissioner's Fund Account and are reported in the Group accounts. For this reason the Chief Constable does not have any transactions with external bodies. Details of related parties in terms of transactions undertaken at the request of the Chief Constable are as follows:

**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.

**Partnerships** - These are arrangements where activities relevant to policing are carried out jointly with others. For a number of the partnerships a formal partnership agreement is in place. The Chief Constable and the Group account only for his/its share of the jointly controlled assets and the liabilities and expenses that it incurs in relation to partnership activities. The most significant partnerships are shown in the table below.

Expenditure	Income		Expenditure	Income
2013-14	2013-14		2014-15	2014-15
£'000	£'000	Activity	£'000	£'000
948	(771)	Devon and Cornwall Safety Camera Partnership	1,349	(1,164)

### Collaborations

The Police and Crime Commissioner Group are part of a number of collaborative arrangements, these are judged to be joint operations for the purposes of reporting under the Code 2014-15.

Expenditure	Income		Expenditure	Income
2013-14	2013-14	Joint Operation	2014-15	2014-15
£'000	£'000		£'000	£'000
0	0	South West Regional Special Branch	1,031	0
0	0	Regional Forensics Services	1,017	(274)
398	0	South West Procurement Services	410	0
1,094	0	Zephyr	1,250	0
1,492	0		3,708	(274)

### 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 have a 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 was £3,555k 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. The overall cost for year was £2,644k split on a percentage basis, with Devon and Cornwall Police contributing 30.5%, Avon and Somerset contributing 35.3%, Dorset Police contributing 18.8% and Wiltshire Police contributing 15.4%. Overall income was £723k. Prior to the introduction of the formal collaboration, an initial set up project was in place, as this was prior to signing of the collaborative agreement, these figures are not reported above.

### South West Procurement Services

South West Procurement Services is a partnership between Devon and Cornwall Police, Dorset Police, Wiltshire Police and Gloucestershire Police. Staff employed by Devon and Cornwall Police are based across the region, with them all employed by Devon and Cornwall Police. The overall cost for the year was £886k 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 is based within one of two hubs (North & South). The overall cost for the year was £4,256k 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 G.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. Part of that capital programme relates to non-current assets under the ownership and control of the Chief Constable. The table below shows what was spent on assets owned by the Chief Constable. Finance was provided by an advance from the Police and Crime Commissioner.

Year Ended 31 March 2014 £'000		Year Ended 31 March 2015 £'000
	<b>Capital Investment:</b>	
<u>0</u>	Equipment and ICT related	<u>1,548</u>
<u>0</u>		<u>1,548</u>
	<b>Less Sources of Finance:</b>	
<u>0</u>	Advance from Police and Crime Commissioner	<u>(1,548)</u>
<u>0</u>		<u>(1,548)</u>



## **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. Cost and Intra-group Income recognition**

In practice, all income is received by the Police and Crime Commissioner and all expenditure is paid by the Police and Crime Commissioner from the Police Fund. No actual cash transactions or events take place between the two entities. From an accounting perspective, costs are recognised within the Chief Constable's Accounts to reflect the financial resources consumed at the request of the Chief Constable. The income recognised in the Chief Constable's Accounts is the income collected by the Police and Crime Commissioner on behalf of the Chief Constable.

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

The Comprehensive Income and Expenditure Statement has been prepared on the basis of the accounting policies of the Chief Constable, namely that activity is accounted for in the year that the activity takes place, not simply when cash payments are made or received. In particular:

- 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.
- Where expenditure has been recognised but cash has not been paid a creditor for the relevant amount is recorded in the balance sheet.

The Police and Crime Commissioner holds the Police Fund and has the responsibility for managing the financial relationships with third parties. For this reason, the assets and liabilities arising from the accrual of income and expenditure in the Chief Constable's Accounts are recognised on the Police and Crime Commissioner's Balance Sheet. The exception being the liabilities for employee benefits; pensions and accumulating absence liabilities are recognised on the Chief Constable's Balance Sheet and matched by a long term debtor that recognises the Police and Crime Commissioner's ongoing obligation to provide funds for the payment of pensions (see note I.1).

### **c. Overheads and Support services**

In the Comprehensive Income and Expenditure Statement the cost of overheads and support services are charged to the operational headings according to the principles set out in the CIPFA Service Reporting Code. 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.

### **d. Prior Period Adjustments, Changes in Accounting Policies, 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 Chief Constables 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. 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 Chief Constable 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 Chief Constable 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 Chief Constable 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.
  - 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 Officer Injury Benefits

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

### The Local Government Pension Scheme

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

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

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

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

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

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

- Service Cost Comprising
  - current service cost – as described for the police officer pension scheme above
  - past service cost – as described for the police officer pension scheme above
  - net interest on the net defined benefit liability (asset), ie net interest expense for the 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 Officer Pension Schemes and the Local Government Pension Scheme statutory provisions require the General Fund balance to be charged with the amount payable by the Chief Constable 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 Chief Constable 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.

**g. Jointly Controlled Operations**

The Chief Constable participates in a number of partnership activities. These arrangements involve the Chief Constable carrying out activities relevant to its own functions jointly with others. In the Comprehensive Income and Expenditure Statement the Chief Constable accounts only for his expenses that he incurs on his own behalf or jointly with others in respect to his interest in the partnerships whilst the Chief Constable accounts for his share of the jointly controlled assets and the liabilities and income that it receives in relation to the partnership activities. Only significant partnerships where gross expenditure is over £100,000 are disclosed in the note on related party transactions.

**h. Property Plant and Equipment and Intangible Assets**

Property, plant and equipment and intangible assets are accounted for in the Police and Crime Commissioner Accounts with the exception of certain operational assets, which as set out in the Scheme of Consent, have been transferred to the Chief Constable as at 1 April 2014. These operational assets (for example mobile data devices and automatic number plate recognition equipment) are offset on the Balance Sheet by a long term liability representing the requirement that the Chief Constable pays for these assets over their operational life. The long term liability will be written down in line with the depreciation charge to the Chief Constable's accounts for these non-current assets. Details of the depreciation policy is provided in note C.2 (b).

The expenditure within the Comprehensive Income and Expenditure Statement of the Chief Constable includes a charge for use of property, plant and equipment and intangible assets based on the fair value of the assets used by the Chief Constable to deliver a policing service. This "asset charge" is exactly equal to the depreciation recognised in the Police and Crime Commissioner's Comprehensive Income and Expenditure Statement. The accounting policies of the group in relation to depreciation are set out within the Financial Statements of the Police and Crime Commissioner.

**i. Provisions**

Provisions arising from the employment of staff under the control of the Chief Constable are recognised in the Chief Constables Comprehensive Income and Expenditure Statement and in the Chief Constables Balance Sheet. The revenue charges for provisions that relate to activities under the day to day management of the Chief Constable are contained within the Comprehensive Income and Expenditure Statement. Provisions are made where an event has taken place that gives the Chief Constable 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 Chief Constable 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 of the relevant risk and uncertainties. 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.

**j. VAT**

The Chief Constable does not submit a VAT return but the Police and Crime Commissioner submits a single VAT return on behalf of the Police and Crime Commissioner Group. Expenditure in the Chief Constable's accounts excludes any amounts relating to VAT as all VAT is remitted to/from the HM Revenue and Customs.

**k. 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
- those that are indicative of conditions that arose after the reporting period – 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.

## NOTE H.2: SIGNIFICANT ESTIMATES AND JUDGEMENTS

In applying the accounting policies set out in note A.1, the Chief Constable 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 Police and Crime Commissioner and the Chief Constable. The basis adopted was arrived at after considering the CIPFA SeRCOP and the Police Reform and Social Responsibility Act.
- A long term debtor has been established in the Chief Constables Balance Sheet to reflect the continuing requirement on an elected policing body as required under the Police Reform and Social responsibility Act 2011 to provide funds to the Chief Constable from the Police Fund for the payment of pensions and other employee benefits. Should the Police and Crime Commissioner be required to settle future pensions liabilities there is no expectation on the Home Office to provide funding. Similarly the Chief Constable could not be expected to fund the liability as the Chief Constable has no cash reserves, income receipts or other sources of funding. In our judgement, it is reasonable to expect that should the PCC Group be required to settle future pensions liabilities (however unlikely this may be), then settlement would result in an outflow of resources from the Police and Crime Commissioner. This judgement is based on the circumstances of the first phase of the transition.
- Estimation of the pension element of the provision (set out above) is on the basis of apportionment of the total actuarially assessed liability for future pensions benefits for the Group between the two corporate bodies on the basis of current cashflows.

## NOTE H.3: ESTIMATION TECHNIQUES

The financial statements contain estimated figures that are based on assumptions made by the PCC Group about the future or assumptions that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because these balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Chief Constable's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Pensions Liability</b>	Estimation of the net liability to pay pensions The effects on the net pension liability of depends on a number of complex changes in individual assumption is set out in judgements relating to the discount rate note I.1 (d) & (k). 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 2015 is £2,920,640.
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## NOTE H.4: EVENTS AFTER THE BALANCE SHEET DATE

These accounts were approved by the Chief Constable on XX September 2015. There were no significant post balance sheet events up to this date.



## **NOTE I.1: DEFINED BENEFIT PENSION SCHEMES**

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

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

From 1 April 2006 the Police Officers' pension scheme was replaced by a "new Police Pension Scheme". The new scheme is open to all new recruits. Both of the police officer pension schemes are unfunded defined benefit final salary schemes administered by the Chief Constable for Devon and Cornwall, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual 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 44.

Police Pension Fund Regulations require that a sum not exceeding the amount that the Police Pensions Fund is in deficit at 31 March is transferred from the General Fund into 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 General Fund and the amount must be repaid to central government. The Chief Constable 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 note 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 Chief Constable 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 made against council tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made for the police officer schemes in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Year Ended 31 March 2014 Old Scheme £'000	Year Ended 31 March 2014 New Scheme £'000	<b>Comprehensive Income and Expenditure Account</b> Police Officer Scheme	Year Ended 31 March 2015 Old Scheme £'000	Year Ended 31 March 2015 New Scheme £'000
		<i>Cost of Services</i>		
29,602	3,620	Current service cost	51,732	4,299
		<i>Financing and Investment Income and Expenditure</i>		
90,701	1,459	Net Interest expense	99,094	1,878
<b>120,303</b>	<b>5,079</b>	<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>150,826</b>	<b>6,177</b>
		<i>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>		
		Remeasurement of the net defined benefit liability comprising:		
45,618	1,041	Actuarial gains and losses arising on changes in demographic assumptions	0	0
120,243	2,893	Actuarial gains and losses arising on changes in financial assumptions	314,504	9,058
17,324	(852)	Experience loss / gain on Defined Benefit Obligation	0	0
<b>303,488</b>	<b>8,161</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statements</b>	<b>465,330</b>	<b>15,235</b>
		<b>Movement In Reserves Statement</b>		
(120,303)	(5,079)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(150,826)	(6,177)
		<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
26,068	3,351	Employer contributions payable to scheme	25,275	4,249
34,881	0	Home Office Top Up Grant	35,836	0

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

Year Ended 31 March 2014 Old Scheme £'000	Year Ended 31 March 2014 New Scheme £'000		Year Ended 31 March 2015 Old Scheme £'000	Year Ended 31 March 2015 New Scheme £'000
(2,048,321)	(31,473)	Opening balance at 1 April	(2,285,601)	(41,542)
(29,602)	(3,620)	Current service cost	(51,732)	(4,299)
(90,701)	(1,459)	Interest cost	(99,094)	(1,878)
(13,246)	(1,605)	Contributions from scheme participants	(13,393)	(2,046)
		Remeasurement (gains) and losses:		
(45,618)	(1,041)	Actuarial gains/losses arising from changes in demographic assumptions	0	0
(120,243)	(2,893)	Actuarial gains/losses arising from changes in financial assumptions	(314,504)	(9,058)
(17,324)	852	Experience gains/losses on defined benefit obligation	0	0
0	0	Past service cost	0	0
		Losses(gains) on curtailment (where relevant)		
		Liabilities assumed on entity combinations		
78,214	(303)	Benefits paid	79,786	(242)
1,240	0	Injury Pension Payments	1,255	0
(2,285,601)	(41,542)	Closing balance at 31 March as recognised in the balance sheet	(2,683,283)	(59,065)

**Impact on the Chief Constable's Cashflow**

The liabilities show the underlying commitments that the Chief Constable has in the longrun to pay retirement benefits. The total liability of £2.74 billion has a substantial impact on the net worth of the Group as recorded in the balance sheet resulting in a negative overall balance of £2.745 billion. However, statutory arrangements for funding the deficit mean that the financial position of the Police and Crime Commissioner remains healthy:

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

The total contributions expected to be made to the Police Pension Fund Account by the Police and Crime Commissioner in the year to 31 March 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, salary levels, etc.

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

The significant assumptions used by the actuary are:

Year Ended 31 March 2014 Both Schemes		Year Ended 31 March 2015 Both Schemes
	<b>Mortality assumptions:</b>	
	<b>Longevity at 65 for current pensioners:</b>	
22.5	Men	22.6
25.7	Women	25.8
	<b>Longevity at 65 for future pensioners:</b>	
24.7	Men	24.8
28.0	Women	28.1
	<b>Assumptions:</b>	
2.8%	Rate of inflation	2.4%
5.0%	Rate of increase in salaries	4.6%
2.8%	Rate of increase in pensions	2.4%
4.4%	Rate for discounting scheme liabilities	3.3%

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

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

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

	Increase in Assumption £'000	Decrease in Assumption £'000
<b>Old Scheme</b>		
Mortality age rating assumption (increase or decrease in 1 year)	(95,850)	96,663
Rate of increase in salaries (increase or decrease by 0.1%)	6,421	(6,388)
Rate of increase in pensions (increase or decrease by 0.1%)	42,211	(41,426)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(47,355)	48,252
<b>New Scheme</b>	£'000	£'000
Mortality age rating assumption (increase or decrease in 1 year)	(2,039)	2,057
Rate of increase in salaries (increase or decrease by 0.1%)	346	(344)
Rate of increase in pensions (increase or decrease by 0.1%)	1,642	(1,581)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(1,907)	1,973

#### 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 Chief Constable and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

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

The Chief Constable 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 2014 £'000	<u>Comprehensive Income and Expenditure Account</u> Police Staff Scheme	Year Ended 31 March 2015 £'000	
	<i>Cost of Services</i>		
	Service Cost comprising:		
12,495	Current service cost	11,356	
73	Past Service Cost	332	
110	Administration expenses	116	
0	(gain)/loss from settlements	0	
	<i>Expenditure</i>		
5,189	Net Interest expense	5,420	
<hr/>			
17,867	<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	17,224	
	<i>Other Post Employment Benefits Charged to Comprehensive Income and Expenditure Statement</i>		
	Remeasurement of the net defined benefit liability comprising:		
(126)	Return on plan assets (excluding the amount included in the net interest expense)	(11,765)	
(2,962)	Actuarial gains and losses arising on changes in demographic assumptions	0	
18,953	Actuarial gains and losses arising on changes in financial assumptions	56,367	
276	Other	0	
(18,172)	Experience loss/gain on defined benefit obligation	59	
<hr/>			
15,837	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	61,885	
<hr/>			
	<b>Movement In Reserves Statement</b>		
(17,867)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(17,224)	
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Funded liabilities	Unfunded liabilities	Funded liabilities	Unfunded liabilities
<hr/>		<hr/>	
7,648	Employers' contributions payable to scheme	7,539	
<hr/>		<hr/>	
158	Retirement benefits payable to pensioners (net of transfers in)		161

g)

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

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

Year Ended 31 March 2014 £'000		Year Ended 31 March 2015 £'000
(332,752)	Present value of the defined benefit obligation	(409,487)
208,109	Fair value of plan assets	231,195
<b>(124,643)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(178,292)</b>

h)

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

Police Staff Scheme

Year Ended 31 March 2014 £'000		Year Ended 31 March 2015 £'000
(314,849)	Opening balance at 1 April	(332,752)
(12,496)	Current service cost	(11,356)
(14,280)	Interest cost	(14,810)
(3,044)	Contributions from scheme participants	(3,154)
	Remeasurement (gains) and losses:	
2,962	Actuarial gains/losses arising from changes in demographic assumptions	0
(18,953)	Actuarial gains/losses arising from changes in financial assumptions	(56,367)
18,172	Experience loss/gain on defined benefit obligation	(59)
2,239	Apportionment adjustment	1,430
(73)	Past service cost	(332)
	Losses(gains) on curtailment (where relevant)	
0	Liabilities assumed on entity combination:	0
7,570	Benefits paid	7,913
0	Liabilities extinguished on settlements (where relevant)	0
<b>(332,752)</b>	<b>Closing balance at 31 March</b>	<b>(409,487)</b>

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

Year Ended 31 March 2014 £'000		Year Ended 31 March 2015 £'000
197,402	Opening fair value of scheme assets	208,109
9,090	Interest income	9,390
0	Remeasurment gain/(loss):	0
	The return on plan assets, excluding the amount included in the net interest	
126	expense	11,765
(1,403)	Apportionment Adjustment	(895)
(110)	Administration Expenses	(116)
	The effect of changes in foreign	
0	exchange rates	0
7,806	Contributions from employer	7,700
	Contributions from employees into the	
3,044	scheme	3,154
(7,570)	Benefits paid	(7,912)
(276)	Other	0
<b>208,109</b>	<b>Closing fair value of scheme assets</b>	<b>231,195</b>

The Chief Constable's contribution to the Local Government Pension Scheme for the accounting period to 31 March 2016 is estimated to be £7,791k. Expected payments for discretionary benefits for the accounting period to 31 March 2016 are estimated to be £163k.

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

Year Ended 31 March 2014 £'000		Year Ended 31 March 2015 £'000
	<b>Fair Value of Scheme assets</b>	
	<b>Cash and cash equivalents</b>	
54,108	UK Equities	58,364
70,757	Overseas Equities	78,669
14,567	Gilts	14,192
10,405	Other Bonds	7,835
18,732	Property	23,678
4,162	Infrastructure	6,274
31,216	Target return Portfolio	34,078
4,162	Cash and cash equivalents	3,978
0	Alternative assets	4,127
<b>208,109</b>	<b>Total</b>	<b>231,195</b>

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

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

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

The significant assumptions used by the actuary have been:

Year Ended 31 March 2014	Year Ended 31 March 2015
<b>Long-term expected rate of return on assets in the scheme:</b>	
4.5% Equity investments	3.4%
4.5% Bonds	3.4%
4.5% Other	3.4%
<b>Mortality assumptions:</b>	
<b>Longevity at 65 for current pensioners:</b>	
22.7 Men	22.8
26.0 Women	26.1
<b>Longevity at 65 for future pensioners:</b>	
24.9 Men	25.1
28.3 Women	28.4
<b>Assumptions:</b>	
2.9% Rate of inflation	2.5%
4.7% Rate of increase in salaries	4.3%
2.9% Rate of increase in pensions	2.5%
4.5% Rate for discounting scheme liabilities	3.4%

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 reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur exactly as predicted, 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)	(14,174)	14,302
Rate of increase in salaries (increase or decrease by 0.1%)	1,651	(1,638)
Rate of increase in pensions (increase or decrease by 0.1%)	7,184	(7,017)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(8,573)	8,765

#### 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 Chief Constables's Cash Flows**

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

Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect. The aim of these changes over the long term is to achieve a cost cap which limits the exposure of the taxpayers to future increases in pension costs.

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

## 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 2014 £'000		31 March 2015 £'000
	<b>FUND ACCOUNT</b>	
	<b>Contributions Receivable</b>	
(27,236)	Employers (normal)	(27,006)
(14,851)	Employees (normal)	(15,439)
(943)	Ill Health capital charge	(1,263)
	<b>Transfers In</b>	
(608)	Individual transfers from other schemes	(323)
	<b>Benefits payable</b>	
60,455	Pensions	63,981
17,874	Commutations & lump sum retirement benefits	15,499
	<b>Payment to and on account of leavers</b>	
190	Individual transfers to other schemes	387
34,881	<b>Net amount paid during the year</b>	35,836
(34,881)	<b>Transfer from Police Fund*</b>	(35,836)
0	<b>Net amount payable / receivable for the year</b>	0

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

25,986	Received in year	30,509
8,895	Debtor	5,327
34,881		35,836

### 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 2014-15. As this contribution was insufficient to meet the net costs of benefits after employees' contributions, the account was balanced to nil at the year end by the Home Office top up grant.

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

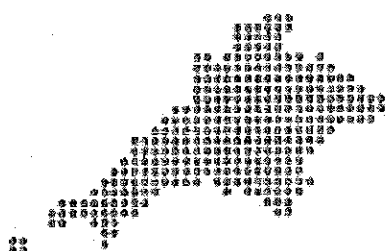
For further information on the Police Officers' Pension Scheme see note I.1.

This Financial Statement does not take account of liabilities to pay pensions and other benefits after the 31 March 2015.





**Devon & Cornwall Police**  
Building safer communities together



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

# **2014-15 JOINT ANNUAL GOVERNANCE STATEMENT**

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

# Table of Contents

<b>1.0 EXECUTIVE SUMMARY</b>	<b>47</b>
<b>2.0 INTRODUCTION</b>	<b>48</b>
2.1 Document Overview	48
2.2 Key Drivers	48
2.3 Strategic Direction of Policing in Devon & Cornwall	48
2.4 Organisational Governance Responsibilities	49
<b>3.0 THE GOVERNANCE FRAMEWORK</b>	<b>50</b>
3.1 Governance Framework Overview	50
3.2 The System of Internal Control	51
3.3 The Governance Framework Following Stage 2 Transition on 1 April 2014	52
3.4 Strategic Alliance	52
3.5 Other Collaboration – Regional & National	52
<b>4.0 ANNUAL REVIEW</b>	<b>53</b>
4.1 Review of Effectiveness of the Governance Framework	53
4.2 Risk Management	56
4.3 Review of Internal Controls	56
<b>5.0 OUTCOME OF THE REVIEW OF EFFECTIVENESS</b>	<b>58</b>
5.1 Outcome of the Review of Effectiveness	58
5.2 Challenges & Areas for Development	58
<b>6.0 IMPROVEMENT PROGRAMME</b>	<b>60</b>
6.1 Resourcing of Policing & The PCC's Vision	60
6.2 Force Organisational Developments	60
6.3 Strategic Alliance	61
6.4 Operational Performance	61
6.5 The force Change Programme	61
6.6 Victim Care	62
6.7 Code of Ethics Plan	62
6.8 Human Resources Issues	62
6.9 Grading & Pay	64
6.10 Business Continuity	64
6.11 Information Assurance	64
6.12 Awareness Among Staff of Making Protected Disclosures ("Whistle Blowing")	65
6.13 Horizon Scanning/Monitoring Relevant Professional and Legislative Guidance	65
6.14 OPCC Organisational Development	65
<b>7.0 CONCLUSION</b>	<b>66</b>

## 1.0 EXECUTIVE SUMMARY

~~This Annual Governance Statement reports on the appropriate structures and mechanisms that are in place to effectively manage the organisations and their performance. The statement is drawn together from expert leads within the force and the Office of the Police and Crime Commissioner (OPCC), coupled with the more independent perspectives of internal and external audit.~~

This statement is written on behalf of Devon and Cornwall Police, the OPCC, the Chief Constable, and the Police & Crime Commissioner (PCC) and is in line with CIPFA Standards. It sets out the position as at 31st March 2015 including plans for the financial year 2015/2016. Both organisations are responsible for ensuring that public money is used effectively and putting in place proper governance arrangements.

External resourcing and demand pressures require us to change the ways we work. This in turn creates an operating environment of additional risk and more frequently exposes organisational vulnerabilities. These risks, vulnerabilities, and how we are managing them are outlined in this governance report, collated on behalf of both the force and OPCC in line with CIPFA standards.

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

- **External scrutiny** from HMIC inspections gives the force an overall 'good' rating as part of the Police Effectiveness, Efficiency, and Legitimacy (PEEL) framework.
- The **internal audit** opinion is also able to **give reasonable assurance** that the control environment is effective. It notes that the progress has been made during the year on joint risk management between the force and OPCC. 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.

Exceptions to this are detailed in the areas identified for development, set out in section 6.0. This identifies for example what is being done about funding challenges, the Strategic Alliance, change programme, HR issues, and changes in how the force is organised.

## 2.0 INTRODUCTION

### 2.1 DOCUMENT OVERVIEW

This statement explains how Devon & Cornwall Police and the Office of the Police and Crime Commissioner (OPCC) have complied with the code of corporate governance while meeting the requirements of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

The statement sits alongside the accounts for both organisations and provides an evidence-based statement on the effectiveness of the governance arrangements.

This document summarises the force Mission, Vision and Strategy, including how that relates to the Police & Crime Commissioner's (PCC) Police and Crime Plan. It also covers the responsibilities of and the governance arrangements between the two organisations. It demonstrates how the management arrangements are set up to meet the principles of good governance, while reviewing internal controls to obtain assurance that these arrangements are appropriate and effective.

A number of activities were undertaken to produce this statement, including:

- An annual review of the effectiveness of governance arrangements
- A review of internal controls through evidence-gathering from professional leads across the business

Lastly, this statement identifies a number of improvement areas from this process.

### 2.2 KEY DRIVERS

The police service faces a series of challenges - from the transformational change and demand reduction we must make to deliver savings and reduce crime, 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 similarly scaling back, creates the urgency for collaborative activities to prevent gaps in service for the public.

These drivers of external resourcing and demand pressures, combined with an approach to drastically change the way we work in partnership, creates an operating environment of additional risk and more frequently exposes organisational vulnerabilities. How we are manage this is outlined in this report of governance, collated on behalf of both the force and OPCC in line with CIPFA standards.

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

The PCC refreshed the Police & Crime Plan in March 2015. The Chief Constable is developing his corporate plan, which is aligned with, and supports, the refreshed Police & Crime Plan, the force Strategy and organisational priorities.

The Chief, Constable is responsible for delivering policing in line with the Commissioners Police and Crime Plan. Both are informed by work such as the Peninsula Strategic Assessment, Force Strategic Assessment and through consultation with the public; statutory partners and local leaders. The Force undertakes extensive

consultation surveys that contribute to the setting of priorities and inform policy and decision-making for the development and planning of police services. Detailed priority delivery plans and Departmental service plans prioritise operational and service delivery against the priorities and activities set out in the plan.

The overall strategic plan of policing in Devon and Cornwall is set out in the PCC's Police & Crime Plan (Annex 2). 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 has a refreshed **mission** for the future, supported by the Police & Crime Commissioner:

- **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.*

We police effectively with the support of local people and partner agencies. To achieve this mission, the force has established a **Vision**:

**“ To be the best rural, coastal and urban police service ”**

The force strategy (Annex 4) summarises the force **Values**, an ethos of **Serving the Public** at the centre of activity, the force's **Goals** towards this vision and the **Commitment** made to communities we serve. In addition, the force has identified 6 priority areas of work (Annex 3) and a 'Force Operating Model' (Annex 5) to clearly identify the responsibilities at each level of the organisation in making decisions towards these goals.

## **2.4 ORGANISATIONAL GOVERNANCE RESPONSIBILITIES**

The PCC has a duty to secure maintenance of an efficient and effective Police Force for the area. The PCC achieves this through the production of a Police and Crime Plan and holding the Chief Constable to account. The Chief Constable is responsible for the direction and control of the force in accordance with the PCC's Police & Crime Plan. This requires the Chief Constable to deliver an efficient and effective police force, which conducts its business in accordance with the law and proper standards, ensuring that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Chief Constable also has a responsibility to ensure that there are proper arrangements for the governance of the force and for the management of risk.

The Director of Finance & Resources and OPCC Treasurer undertake the role of Chief Financial Officers (CFO) to the Chief Constable and PCC respectively. The CFO has a fiduciary duty for the proper financial administration of the force. The role and responsibilities of the CFO 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, 'CIPFA Statement of the Role of the CFO in the Public Sector' and the 'CIPFA Statement on the Role of the Chief Finance Officer of the Police & Crime Commissioner and the Chief Finance Officer of the Chief Constable'.

Both the PCC and Chief Constable are designated as Corporations Sole, which makes the office a statutory entity that allows all assets and liabilities to transfer to the next PCC and Chief Constable. Both corporations sole must ensure that good value for money is obtained. This includes ensuring that persons under their direction and control obtain value for money in exercising their functions.

## **3.0 THE GOVERNANCE FRAMEWORK**

### **3.1 GOVERNANCE FRAMEWORK OVERVIEW**

The PCC and the Chief Constable must ensure business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used effectively. They are responsible for putting in place proper governance arrangements for the OPCC and the force respectively.

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

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. The values and goals mentioned in 2.3 align to 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

Annex 1 sets out in detail how we are meeting each of these core good governance principles, which are summarised below:

- ✓ **Core principle 1** is met by the PCC and the Chief Constable putting serving the public at the heart of their Strategy and Vision.
- ✓ **Core Principle 2** is met by:
  - Ensuring that the Police & Crime Plan and the Force Strategy are closely aligned as demonstrated at Annex 6,
  - Working effectively together, including via the Joint Management Board and Joint Audit Committee,
  - Establishing an agreed scheme of governance, and clearly disseminating strategic plans, priorities and targets to the force.
- ✓ **Core Principle 3** is achieved by both the PCC and the Chief Constable actively promoting their core values and the upholding of high standards of conduct and behaviour. The force is currently implementing the Code of Ethics in the service.
- ✓ **Core Principle 4** is achieved by;
  - Updating meetings and decision making structures to ensure that they are effective and transparent
  - Integration of decision making at joint strategic meetings between the force and OPCC
  - Maintaining an effective joint internal audit function
  - Undertaking internal reviews and inspections
  - Operating within the agreed parameters of the Scheme of Consent
  - Operating a Joint Risk Register and taking joint action to manage risk
  - Operating a clear policy on information transparency
  - Operating a Performance and Accountability Board
- ✓ **Core Principle 5** is achieved by:
  - Leadership and staff development are a key part of the force vision and change programme, also outlined as a priority in the Police & Crime Plan
  - Quarterly performance management reviews within the geographic areas and departments, led by the Deputy Chief Constable
  - The PCC holds the force to account at the Performance Accountability Board
- ✓ **Core Principle 6** is achieved by:
  - PCC's community strategy, Police and Crime Plan and partnership work

### 3.2 THE SYSTEM OF INTERNAL CONTROL

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Police and Crime Commissioner's and the Chief Constable's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It cannot

eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The risk management process is set out at paragraph 4.2 and the process for testing key controls is set out at paragraph 4.3.

### **3.3 THE GOVERNANCE FRAMEWORK FOLLOWING STAGE 2 TRANSITION ON 1 APRIL 2014**

All staff not directly employed in the Office of The Police & Crime Commissioner (OPCC) were successfully transferred to the employment of the Chief Constable on 1 April 2014. The assets transferred to the Chief Constable as part of this are set out in the Scheme of Consent. The Chief Constable worked closely with the OPCC to draft the scheme of governance, which has applied from 1 April 2014.

### **3.4 STRATEGIC ALLIANCE**

A Strategic Alliance has been initiated with Dorset. The aim is to work together as preferred partners to maintain, safeguard and, where possible, transform the service to the public while retaining separate identities.

A section 22A overarching collaboration agreement has now been signed, formally entering into a Strategic Alliance designed for mutual benefit through efficiency and financial savings. This is between the four legal entities (corporations sole), namely the the PCCs of Devon and Cornwall and Dorset and Chief Constables of Devon and Cornwall and Dorset.

There is a separate governance structure specifically for this programme of work. This is managed through a Senior Responsible Officer (SRO) and Programme Team with members from both forces, designed to deliver these outcomes. The force and OPCC are represented at each level in this governance structure. Reports are fed back via joint and other strategic meetings as appropriate (see Annex 7), such as the force Executive Board, force Business Board and Joint Management 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. This committee is specifically designed to provide independent scrutiny and challenge to the Strategic Alliance programme, feeding into that governance structure.

Whilst not seen to be a significant control weakness, the Strategic Alliance has been identified as an area for ongoing monitoring.

### **3.5 OTHER COLLABORATION – REGIONAL & NATIONAL**

The force continues to work in collaboration with its regional neighbours both operationally and in support functions.

From an operational perspective:

- Special branch is regionally managed
- The Regional Organised Crime Unit (ROCU) core competencies are being developed within the region building on the ZEPHYR capability.

- Regional witness protection is now being delivered as is regional prison intelligence officers.
- Regional Forensics has had all three business cases (for Forensic Identification, Digital and CSI) agreed by Commissioning Board and implementation is now underway. The new Head of Regional Forensic Services will act as the 'Lead Officer' for the collaboration, line managed by Devon & Cornwall's Head of Crime & Justice
- Specialist resources and dedicated investigators are brought together within the branch to tackle the harm and threat from OCG's
- Cyber crime: there is a force lead delivering a programme of increasing capacity and capability in this area, working across all force departments and partners.

From a support department perspective:

- Devon & Cornwall Police remain the strategic lead for the South West Police Procurement Department (SWPPD). Established in April 2012, the department has since delivered over £3m in collaborative savings for Devon & Cornwall, Dorset, Gloucestershire and Wiltshire.
- SWPPD has employed one person to develop opportunities to manage pool car assets better to reduce capital cost and maximise capital disposal values. This carries some market risk beyond the direct control of the force.
- There are an increasing number of cross border collaborations in relation to learning and development, with regional Heads of L&D meeting quarterly. For example, the progress of "Gateway2IPLDP" pre-join for new police recruits with a project plan co-ordinated at regional level. All 5 forces have expressed interest in the programme, due to launch in April 2016. Specialist Crime Training is delivered on a regional basis. Other regional groups in place cover driver, QA, technology, crime, and leadership training.
- ICT also has a regional forum called SWIM (South West Information Managers), where common interest items and best practice are shared.

The governance framework has been in place at Office of the Police and Crime Commissioner and at Devon and Cornwall Police for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

## **4.0 ANNUAL REVIEW**

### **4.1 REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK**

#### **The Governance Frameworks**

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
- **OPCC:** OPCC Chief Executive; OPCC Treasurer; Special Advisor to the PCC; OPCC Strategy and Planning Manager; Head of Internal Audit
- **Joint:** Internal Audit, Audit Committee, Appointments & Remuneration Committee, Joint Management Board
- **Other:** External Auditors; Review against the CIPFA principles; Other reviews

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

- The force Executive consider key governance processes and recommends areas for improvement;
- 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; and, to 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 7 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;
- The Head of Internal Audit establishes a risk based internal audit plan agreed with the Joint Audit Committee and both CFO's.

## External audits

The force is subject to a number of external audits 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. External audit provide a separate conclusion on the statement of accounts, which is summarised in section 5.1.

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 first PEEL Assessment of Devon and Cornwall Police indicated that:

- **Effectiveness:** In general, the force is good at reducing crime and preventing offending, good at investigating offending and at tackling anti-social behaviour. Some concerns about the approach to domestic abuse and crime recording were raised
- **Efficiency:** Devon and Cornwall Police has continued to make good progress in achieving savings despite facing a very difficult challenge; and
- **Legitimacy:** The force is acting to achieve fairness and legitimacy in some of the practices that were examined this year

During 2015-16, HMIC will continue the PEEL framework of inspections. This includes a focus on Leadership, commencing May 2015.

The Independent Police Complaints Commission (IPCC) also 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.

## Internal auditing & reviews

The "Internal Audit Opinion Statement" is based on the assurance work undertaken within both the OPCC and force during 2014-15. 'Reasonable assurance' is given that the control environment is effective, however the impact of severe budget reductions and the resultant loss of police staff increases the likelihood that the control environment will be weakened. It notes the progress made jointly with the force on risk management has improved during the year. The Joint Audit Committee has also continued to strengthen its effectiveness through scrutiny of governance arrangements within the OPCC during the year. More detail can be found in the Annual Internal Audit Report 2014-15.

During 2014-15 Internal Audit provided ongoing risk management and governance consultancy advice, while undertaking the following audit activity: Assurance over key financial controls; ICT governance; fraud detection; procurement standards; business continuity; government grant certification; and, following up progress against previous recommendations. The plan for 2015-16 currently includes further risk and governance consultancy advice (including assurance mapping) plus the following audit areas: assurance over transport; ICT contract and governance; workforce planning; elements of the strategic alliance; fraud prevention work; and, following up on progress against previous recommendations.

The force Review & Inspections Team review aspects of the force in line with HMIC activity and thematic inspections as set by the Executive. Specific reviews and work for 2014-15 included reviews of: Response to Child Protection; evening and night time economy policing; and a review of Serious and Organised Crime Branch.

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. Particularly noteworthy cases in 2014-15 included Operation Bann and Operation Livery. In 2015-16 there will be further serious case reviews, reviews of road traffic investigations and joint work with Dorset to share successful historic case investigation techniques.

Both the Review & Inspections Team and CCRU have produced numerous recommendations on how operational policing can be improved for the future.

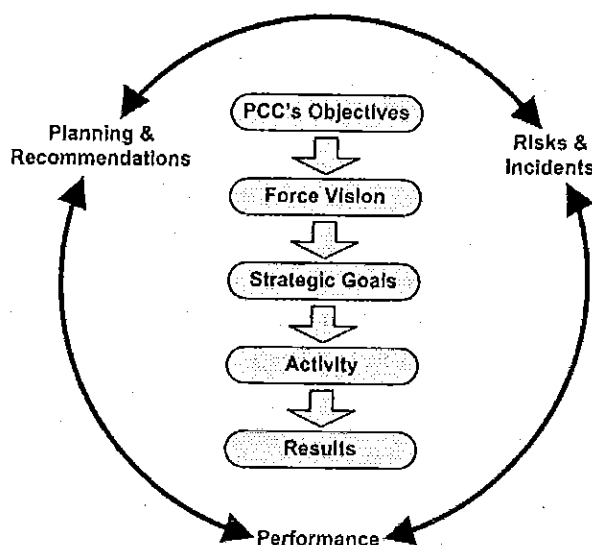
Other specific audits include:

- Workplace audits and the corporate change programme have continued to identify high levels of health and safety commitment within force. A three year health and safety action plan was developed and is being delivered.
- Force Registrar ensures compliance with the National Crime Recording Standards (NCRS)
- Devon and Cornwall Police ICT governance was audited in 2014 with an overall assurance rating of "good"
- Information Management conduct audits assessing the use of force information and system security, for example its compliance with Data Protection

## 4.2 RISK MANAGEMENT

Over the course of 2014-15, 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 complements the planning and performance management processes.



## 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.

Senior managers provide assurance annually through the use of a questionnaire that key controls are in place to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. This is in addition to the other controls outlined already, such as the roles of internal audit, external audit, policies and meeting structures.

The questionnaire assesses both compliance and the evidence of compliance, to facilitate assurance mapping work. It contains thirty-two control questions covering the following topics: People; Policy; Financial; Performance; Risk; and External. The returns for individual control areas are summarised in the Assurance Map (published in the Full Annual Governance Statement as Annex 8 but not included in this version). 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 assurance that the

systems and process that comprise the governance framework provides is therefore deemed to be a reasonable. Analysis of the returns has identified a number of areas for improvement, which are included as items in section 5.2. Work being done to further improve these areas is then highlighted in section 6.0.

The internal controls tested are based on the CIPFA core principles (Annex 1).

## 5.0 OUTCOME OF THE REVIEW OF EFFECTIVENESS

### 5.1 OUTCOME OF THE REVIEW OF EFFECTIVENESS

Force performance provides an overall indication of effectiveness. This shows overall recorded crime for 2014-15 reduced by 5.2% compared with the previous year, to 80,293 recorded offences. Victim based crimes reduced by 5.9%. For the twelve months to January 2015, 75.5% of respondents stated in general the police in their area are doing a good job. However, victim satisfaction has continued its gradual decline since the 2011 peak of 87.9%, now at 83.0%.

The external auditors (Grant Thornton) gave an unqualified opinion for the accounts of both the Chief Constable and the PCC for 2013/14 (the most recent year available) confirming that both accounts give a 'true and fair' view of the respective financial positions and of the income and expenditure recorded. In addition, they also stated that "the financial statements and supporting working papers...were of a good quality and our audit did not identify any significant errors or omissions."

Based upon their work, and having regard to the guidance on the specified criteria published by the Audit Commission, they also provided a Value for Money conclusion for both the PCC and the Chief Constable 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 2014. They also found that the consolidation pack prepared to support the production of Whole of Government Accounts was consistent with the audited financial statements.

Governance of environmental management issues is strong, evidenced by the force being the best performing police force in a recent Carbon Reduction Commitment Energy Efficiency Scheme league table, administered by the Environment Agency.

### 5.2 CHALLENGES & AREAS FOR DEVELOPMENT

The processes in place to check the effectiveness of the governance framework are comprehensive. For this reason there is a reasonable level of assurance that management is aware of the strengths and weakness of the governance arrangements.

Review of effectiveness identified several areas which need to improve the effectiveness of the governance arrangements. Most of these are the subject of ongoing work from the 2013-14 Annual Governance Statement. Other items have arisen since then, for example as significant strategic developments or being raised through the joint approach to risk management. The improvement programmes to address these issues correspond to the numbered sections in 6.0.

1. **Resourcing of policing & the PCC's vision:** The most significant governance issue for both organisations is the expected funding gap in 2018-19, between forecast spending and the resources available to fund that spending. This gap was identified in the 2014-15 Medium Term Financial Strategy (MTFS).
  - o The Devon & Cornwall Police 2014 HMIC value for money profile shows that grant and precept income per head of population is close to the average for all forces. Similarly expenditure on most headings is close to the average and where there are variances these are well understood.

The profile does however show a relatively low level of income generation from sale of services and other chargeable activities, work is in hand to improve income generation.

- Although the profile shows current expenditure is within current resource allocations and generally in line with national patterns, the increasing financial constraints over the next four years mean that significant reductions will be required. 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. More detail is provided in the improvement programme below in section 6.1. The Strategic Alliance outlined in section 3.3 is a significant element of the plans to transform the service and reduce costs.
- 2. Force organisational developments:** Structure and alignment of the force to the refreshed mission and priorities
- 3. Strategic Alliance:** Towards achieving savings and service preservation for people across Devon, Cornwall and Dorset. As a relatively high risk activity, the Strategic Alliance should remain an area of focus for governance activity
- 4. Operational Performance:** The need to maintain or improve performance aligned to our shared objectives, in the face of a reducing workforce and drivers outlined in section 2.2
- 5. The Force Change Programme:** There is an ongoing programme of scrutiny of the change programme through Gateway Reviews and Internal Audits. The change programme should remain an area of focus for governance activity
- 6. Victim Care:** Improvement area for the service provided to victims of crime, including launch of the new Victim Care Unit
- 7. Code of Ethics:** Developments in light of new scheme introduced
- 8. Human Resources:** Raised in the 2013-14 AGS and relevant with the new approaches to strategic HR led by the Director of People & Leadership shared with Dorset
- 9. Grading & Pay:** The effects of this on staff and overall employee engagement
- 10. Business Continuity:** As evidenced by the internal controls review (Annex 8)
- 11. Information Assurance:** Continued progress to the ongoing work to ensure our information assets are effectively managed and safeguarded
- 12. Protected Disclosures/Whistleblowing:** Staff awareness that that they may confidentially report information / concerns, and that they will be adequately protected under the whistle blowing policy – as evidenced by the key controls review
- 13. Horizon Scanning:** Monitoring relevant professional and legislative guidance to ensure effective and compliant operations, following developments in the College of Policing and internal move of the policy unit to Performance & Analysis
- 14. OPCC organisational development:** Further action is required within the OPCC to embed new management structures and roles as well as organisational learning following the OPCC restructure from 1st April 2015. This is evidenced in the internal controls review in Annex 8. In particular further work is required to improve clarity over roles and to implement a revised and suitable performance management and development system for OPCC staff

## 6.0 IMPROVEMENT PROGRAMME

### 6.1 RESOURCING OF POLICING & THE PCC'S VISION

In order to address the gap in resources, the PCC has formed the Every Penny Counts Board. This Board has the remit to establish a financial road map to close the budget gap, whilst ensuring the delivery of the Police and Crime Plan. It oversees savings being made while identifying further savings, by critically examining for example income, scrutinising identified savings in the Strategic Alliance, exploring the use of the estate for income generation and making submissions to the Innovation Fund.

The new Medium Term Financial Strategy (MTFS) for 2015/16 - 2018/19 is being developed to help robustly manage the financial situation. This is informed by the Strategic Alliance and includes revision of the long-term capital programme and development of the workforce plan to meet the resource constraints. Full detailed update reports and projections are provided to the Joint Management Board and force Executive meetings.

The force and OPCC both continue the focus on value for money, effectiveness and income generation. The demand reduction priority of the force aims to further reduce the gap by prioritising activities and removing those which place undue demand on the service.

A revised Estates Strategy is currently being drafted for 2015-2020. This will have more emphasis on income generation and sharing spaces with partner agencies to reduce costs. The Procurement Strategy in place is helping to reduce ongoing contract costs and capital expenditure, overseen by Category Managers across the four regional forces. For example, reducing the cost of IT provision through a new contract with BT and exploring options to reduce the total cost of ownership for force vehicles.

### 6.2 FORCE ORGANISATIONAL DEVELOPMENTS

The revision of the force mission to focus on threat, risk and harm, combined with the development of the Strategic Alliance, has prompted the realignment of Executive portfolios, with work overseen by the Executive Board.

The portfolios are arranged to guide the organisation at the Executive level of the force operating model (Annex 5). These are now as follows:

- ACC Demand: To effectively manage demand with a particular focus on prevention.
- ACC Delivery: Delivery of all operational policing day-to-day, reducing harm to the vulnerable, all under one roof.
- ACC Development: To develop the organisation so that it is fit for purpose in meeting the challenges and expectations of the future. Also acts as SRO for the Alliance with Dorset and other regional collaboration.
- Director Finance & Resources: To provide short, medium and long term business planning and delivery.
- Director People & Leadership: To provide strategic leadership on all people related issues.
- Director Legal & Reputation: To provide advice and management of risk, reputation and professional legal support.

### **6.3 STRATEGIC ALLIANCE**

The work of the now formal Strategic Alliance is being carefully monitored, to ensure it delivers the required financial benefits without adversely affecting existing service delivery, systems or controls. As each business case is produced and implemented over the next two to three years, the cumulative impact of those changes will be monitored and controlled to ensure unanticipated governance and control weaknesses have not been created.

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

### **6.4 OPERATIONAL PERFORMANCE**

The PCC's and force's revised performance regime enables a more informed approach to service delivery, using a range of measures around activity to assess performance across a number of priority areas. These are delivered jointly between the force and PCC, and scrutinised internally at Joint Management Board, joint delivery boards and within the force's performance management meetings. Scrutiny also occurs at the Performance Accountability Board within a public environment.

### **6.5 THE FORCE CHANGE PROGRAMME**

The force change programme continues to be a high risk activity, especially in light of the current extremely challenging financial environment. However it is considered essential towards the force vision to be the best rural, coastal, and urban police service. To this end the change programme now comprises:

- UNIFI Phase 2 (Case & Custody) Ongoing Phase 1 (Crime/Intel) improvements
- Digital Interview Recording
- Mobile Data
- Investigation Management Model (incorporating Crime & SVP)
- Policing the Demand

The work being done by the force Change Programme continues to inform and direct force activity for the future and it is crucial that improvement work is integrated seamlessly with business as usual, regional/national and Strategic Alliance activity, to ensure that policing services continue to maintain the current high levels of performance.

The priorities for the Business Change department for 2015-16 are:

- a) Further development of project managers to support the development of transformational change
- b) Introduction of the Policing the Future team and establishment of a change network across the organisation
- c) Further development of the Benefits Management Framework to track how benefits are monitored by business units post delivery of change

The governance arrangements for the totality of change across force change programmes in both Dorset and Devon and Cornwall are currently being examined.

This is part of the Strategic Alliance Business Case, and will deal with business as usual, regional/alliance collaboration as well as the alliance work.

## **6.6 VICTIM CARE**

In December 2013, a revised victims code replaced the 2006 version and moved towards more locally commissioned services. This prompted the creation of the Victim Care Unit (VCU), commissioned by the PCC, to ensure victims of crime have the best support in a coordinated approach across the peninsula. This unit is run externally to the force, but supports operational policing priorities. Expenditure of this will be monitored jointly through the Joint Management Board meeting (see meeting framework at Annex 7).

The VCU was part funded through the application of Ministry of Justice (MoJ) grant. The 'Local Commissioning of Victims Support Services (including Restorative Justice Services)' grants were received by, co-ordinated and managed by the OPCC. In addition to supporting the VCU these grants were used to build capacity and capability in the third sector to support victims. In particular, direct funding was provided for services to victims subject to serious sexual violence and those subject to domestic violence. During 2014-15 to the total value of all MoJ grant applied totalled £1.7 million.

## **6.7 CODE OF ETHICS PLAN**

Significant activity has taken place to inform and embed the understanding of the Code to all members of the force and OPCC. This includes the following

- ✓ Commitment from the executive level of the force
- ✓ Workshops for departmental and BCU dedicated Single Points of Contact (SPOCs)
- ✓ The development of a force-wide plan, together with expectations of commitment and progression at local level
- ✓ A communications strategy and the establishment of a working group
- ✓ Integration into recruitment and promotion processes

The first of the quarterly "pulse" surveys focuses on staff and officer understanding of the Code, including their confidence to challenge behaviour that falls outside expectations.

To ensure the Code is firmly embedded within the force, future activity includes the formation of internal and external Ethics Boards, screensavers and the dissemination of promotional material. To enhance learning and understanding of the Code information will be published through the intranet to officers and staff, including 'ethical dilemma' videos. There is also an intention to seek and exploit external funding streams to further develop understanding of ethical behaviour.

## **6.8 HUMAN RESOURCES ISSUES**

The force has an HR Strategy that is rooted in nationally recognised best practice and mirrors the CIPD profession map. The Directorate has adopted a delivery model that reinforces the function's enabling, advisory and delivery functions specifying how HR

services will be delivered to support operational policing and organisational requirements.

At a strategic level HR will provide the organisation with insights into emerging HR practice and people developments, HR strategy to support policing requirements and HR solutions to support policing delivery. Work is overseen by the People & Leadership Strategy Delivery Board within the OPCC and the People Strategic Group within the force.

The specific activities for the function will be:

- Service delivery and information
  - develop the necessary policy and procedures
  - collect, analyse and distribute information which informs effective HR and people performance management
- Organisational design
  - Provide advice and guidance to the organisation to influence organisational design in particular the efficient and effective resourcing and change management processes
  - develop and maintain an effective workforce plan, ensuring the availability of staff is appropriately linked to stated organisational requirements
- Organisational development and leadership
  - ensure that the force values are appropriately reinforced and embedded
  - support cultural changes, behavioural expectations and ethical practice
  - develop and support effective leadership of the force at all levels
- Resourcing and talent management
  - Developing effective recruitment, development and talent management policies and processes
- Learning and development
  - To maintain and co-ordinate effective delivery of a comprehensive learning and development plan, ensuring the co-ordinated delivery of all force training
- Performance and reward
  - To ensure the maintenance of an effective pay and reward system, where necessary developing new proposals to reflect organisational need
- Employee engagement
  - To undertake regular staff surveys and respond appropriately to the findings in an effort to improve overall levels of employee engagement
- Employee relations
  - To ensure the efficient and effective adoption of new policy and procedure that reflects key developments in employment law and nationally negotiated settlements
- Health and Safety
  - To ensure safe systems of working
- Wellbeing
  - To promote staff health and wellbeing

The function formally reports performance quarterly by:

- Reviewing key performance indicators
- Monitoring current and planned activity
- Reviewing risks and issues

- Conducting environmental scanning

These quarterly performance reports are circulated widely to ensure whole organisational and partner awareness of, and confidence in, the functions performance and support to organisational priorities.

## **6.9 GRADING & PAY**

A dedicated team are assigned to deliver a legally compliant pay structure, which feels fair to police staff and to management. The work towards this goal is overseen by the Grading & Pay Steering Group, which in turn actively manages its own project risk register.

The proposal was accepted by trade unions and voted in by police staff during 2014-15, following work to compile a fair proposal based on the results of the job evaluation process. Implementation of the new grading and pay framework in payroll commences in May 2015.

## **6.10 BUSINESS CONTINUITY**

An independent audit (undertaken by internal audit) into the business continuity (BC) arrangements of the force was conducted in 2014-15 and the resulting recommendations have been met. An example included the publication of a business continuity handbook. There is a process of continual improvement in place to maintain and demonstrate progress in all areas - as described in the Business Continuity Institutes (BCI) Good Practice Guidelines (GPG) which mirrors ISO 22301.

Other activity in 2014-15 includes:

- Development of tactical options available via SharePoint
- List of priority ICT systems produced and located on SharePoint
- Plans have set review dates, and there is a process for exercising supported by quarterly BC "champions" meetings
- Engagement with BC at national level via police BC forum and at a local level through the delivery of BC awareness sessions to SMTs

From the OPCC perspective, the existing BC plan is out of date and is under review to reflect new working arrangements and ensure that key functions regarding financial approvals and decision making can be maintained in an emergency situation. OPCC wider requirements such as ICT and back room support are addressed through wider force recovery plans as services are provided from within wider force infrastructure (ICT/finance/HR transactions etc).

## **6.11 INFORMATION ASSURANCE**

IA ensures that Officers, Staff and Stakeholders are able to use, share and exploit the benefits of information and information systems with confidence. The Information Strategic Group (ISG), Chaired by the Deputy Chief Constable, provides the high level direction and priorities for IA. The quarterly ISG is attended by the Senior Information Risk Owner, key Information Asset Owners and Business Leads.

Helping deliver the force's IA requirements, such as ensuring compliance with national and regional codes of connection, is a small team of IA Practitioners. The IA Unit

recently supported the force in implementing the new Government Security Classification, ensuring the continued protection of the force's Information Assets whether in electronic or paper form.

Under the Strategic Alliance with Dorset, the IA Unit will become a single cohesive team that will deliver consistent and timely IA advice and support across both Forces.

## **6.12 AWARENESS AMONG STAFF OF MAKING PROTECTED DISCLOSURES (“WHISTLE BLOWING”)**

The force whistleblowing policy was refreshed in late 2014 and is supported by clear working practice documentation. This was publicised to staff at the time, with a further internal media campaign planned for September 2015. The OPCC has similar policy and working practice in place. Individuals are encouraged to raise such concerns under this policy and supporting procedures.

Further work led by Professional Standards Department is taking place during 2015, around the confidential reporting by email and other IT products.

## **6.13 HORIZON SCANNING/MONITORING RELEVANT PROFESSIONAL AND LEGISLATIVE GUIDANCE**

The College of Policing provide reports on legislative guidance and professional practices. The central policy team ensures policies and procedures are updated where required. Local environmental scanning also helps inform the delivery of business objectives in a number of departments, as seen for example through the new quarterly HR packs.

There are also professional groups between forces of like-minded representatives who collaborate to share good practice and legislative developments. These operate in themed meetings or through professional online forums such as the Police OnLine Knowledge Area (POLKA).

## **6.14 OPCC ORGANISATIONAL DEVELOPMENT**

Further action is required within the OPCC to embed new management structures and roles as well as organisational learning following the OPCC restructure from 1st April 2015. This work is being led by the OPCC Chief Executive and will be completed over the summer of 2015.

## 7.0 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 31st March 2015 including plans for the financial year 2015/2016.

Signed:

Shaun Sawyer  
Chief Constable of Devon & Cornwall Police

Sandy Goscomb  
Director of Finance and Resources

Tony Hogg  
Devon & Cornwall PCC

Duncan Walton  
OPCC Treasurer

### Further Information

Annexes are available on the Police and Crime Commissioner website and the Chief Constables website.

## **GLOSSARY OF FINANCIAL TERMS**

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

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

## GLOSSARY OF FINANCIAL TERMS

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

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

## **GLOSSARY OF FINANCIAL TERMS**

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

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

## GLOSSARY OF FINANCIAL TERMS

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

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

## **GLOSSARY OF FINANCIAL TERMS**

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

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

## GLOSSARY OF FINANCIAL TERMS

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

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

## **GLOSSARY OF FINANCIAL TERMS**

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

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

