



# **Statement of Accounts**

for the year ended

**31 March 2015**

**(Unaudited)**

# Police and Crime Commissioner for Devon and Cornwall

## Statement of Accounts 2014-15 and Related Reports and Statements

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ISBN	1 - 85522 - 950 – 1

# FOREWORD TO THE ACCOUNTS by DUNCAN WALTON, TREASURER

## 1 Introduction

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

## 2 The Statements of Accounts

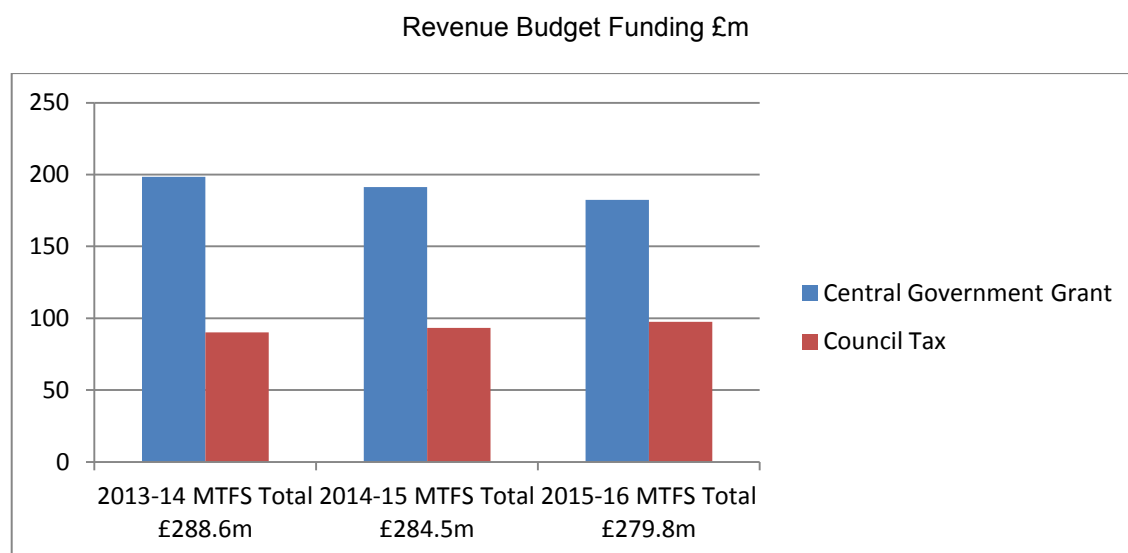
- 2.1 A brief explanation of the purpose of each of the four primary statements is provided below:
- **Movement in Reserves Statement** - for the Group (page 15 and 16) and for the Police and Crime Commissioner (page 17 and 18) as a single entity, shows the changes in the Police and Crime Commissioner's financial resources over the year
  - **Comprehensive Income and Expenditure Statement** - for the Group (page 19) and for the Police and Crime Commissioner as a single entity (page 20), these show the gains and losses that contributed to the changes in resources
  - **Balance Sheet as at 31 March 2015** (page 21), shows how the resources available to the Group and the Police and Crime Commissioner are held in the form of assets and liabilities
  - **Cash Flow Statement** (page 22), shows how the movement in resources has been reflected in cash flows
- 2.2 The notes to the accounts include the accounting policies and gives further information on the entries within the main statements as well as supplementary information. All notes relate to the Group Statements unless it is otherwise specified. These are further supplemented by a glossary of terms.

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

- 3.1 The budget for 2014-15 was set in the context of the government's ongoing austerity measures:
- Formula funding from central government was reduced by £8.9m or 4.8% in 2014-15.
  - Formula funding was forecast to reduce by a further 11.0% in total over the following three years.
- 3.2 Although central government made a special grant available equal to a 1% increase in council tax to allow Police and Crime Commissioner's to freeze their council tax at the same level as the previous

year, the Commissioner, in consultation with the Police and Crime Panel decided to increase the council tax by 1.99% so that police officer numbers could be maintained above 3,000. Council tax was set at £166.16 for a band D property, the second lowest in the South West region and below the national average.

- 3.3 The revenue budget income graph below shows main funding sources in 2014-15 as well as the funding in the previous and following years for comparative purposes. In 2013-14 central government grant was 68.8% of revenue budget, in 2014-15 it fell to 67.2% of funding and in 2015-16 it will fall to 65.2% of total revenue funding.



## 4 Setting the Financial Strategy for 2014-15 and Beyond

- 4.1 Total funding in 2014-15 was £4.6m less than it was in 2013-14, the Police and Crime Commissioner was required to make savings to balance the 2014-15 budget. The Police and Crime Commissioner takes a multi-year approach to budget setting and when setting the 2014-15 budget he anticipated future funding cuts planned as part of the government's austerity programme. To facilitate this, a contribution of £3.6m was made to reserves to smooth the impact of the future reductions. This financial strategy aimed to provide sufficient funding to meet future increases in costs due to inflation and other factors and maintain police officer numbers above 3,000 for as long as possible.

Table 1: The Four Year Medium Term Financial Strategy 2014-15

	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m
Forecast Budget Income	284.5	280.0	276.1	271.3
Budgeted contributions (to)/from the Revenue Smoothing Fund	(3.6)	(0.2)	6.9	8.5
Budgeted contributions (to)/from other Revenue Reserves	4.1	0.1	(0.6)	(0.2)
Forecast Expenditure excluding contribution to/from reserves	285.0	279.9	282.4	279.6

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

Table 2: The Four Year Medium Term Financial Strategy 2014-15 – Savings

	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m
Savings Required	7.4	5.3	6.2	8.6

- 4.3 More information is provided about the updating of the Medium Term Financial Strategy (MTFS) in February 2015 and forecast funding for 2015-16 and future years in Section 16 of this report.

## Strategic Alliance

- 4.4 In March 2015 the Police and Crime Commissioner and the Chief Constable for Devon and Cornwall signed an agreement to enter into a strategic alliance with Dorset Police, more information is provided in paragraph 16.2 below.

## 5 Actual Expenditure 2014-15

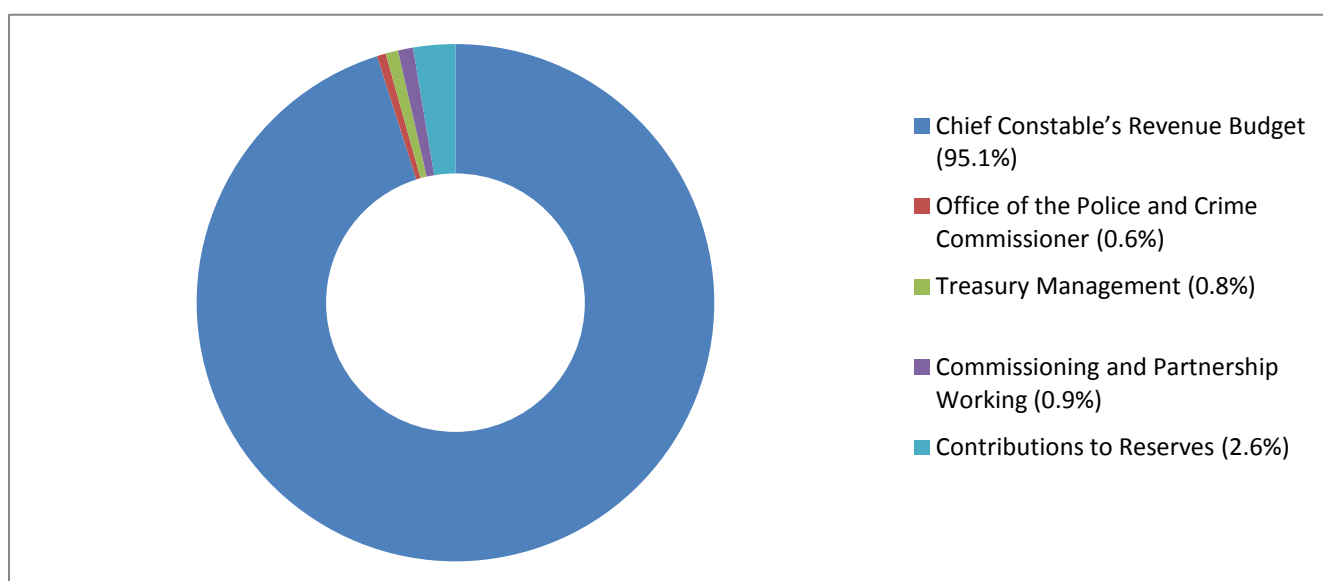
- 5.1 The final outturn position for the Police and Crime Commissioner Group for 2014-15 is £7.764m less than the original budget plan; expenditure and income is summarised in the table below:

Table 3: The Outturn Position

	<b>2014-15 Budgeted Expenditure and Income £'000</b>	<b>2014-15 Actual Expenditure and Income £'000</b>	<b>Variation £'000</b>
Chief Constable's Revenue Budget	277,905	270,784	(7,121)
Office of the Police and Crime Commissioner	1,862	1,572	(290)
Treasury Management	2,440	2,216	(224)
Commissioning and Partnership Working	2,814	2,685	(129)
Net contribution to/(from) Earmarked Reserves	(530)	7,234	7,764
<b>Net Spending</b>	<b>284,491</b>	<b>284,491</b>	<b>0</b>
Revenue Funding			
Government Grant including Council Tax Benefit Grant	191,243	191,243	0
Council Tax *	93,248	93,248	0
<b>Total Funding</b>	<b>284,491</b>	<b>284,491</b>	<b>0</b>

\*Council Tax is the cash received for the year and excludes the reduction in the council tax adjustment account of £937k.

How the £284.5m was spent



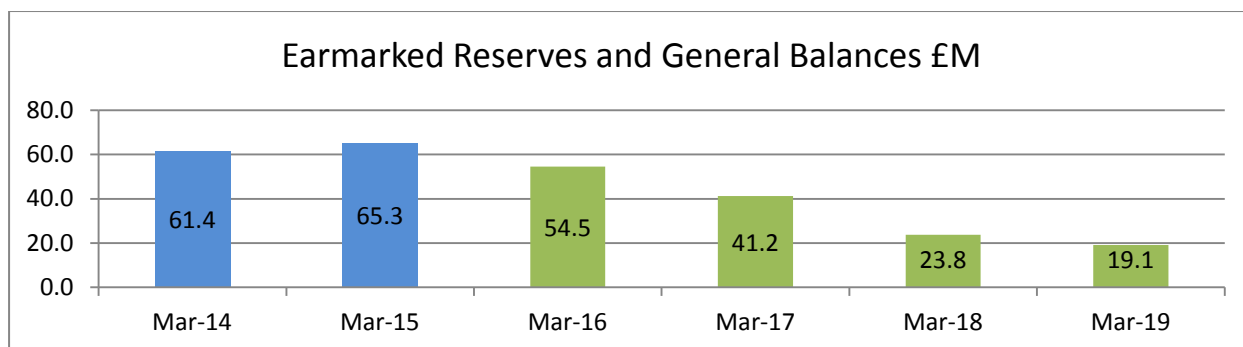
A detailed breakdown of the Chief Constable's spending is provided in note C.2 on pages 31.

- 5.2 Approximately £5m of the total under-spending in table 3 above relates to spending that was due to be met from reserves but has been delayed – in particular spending to be funded from the Workforce Modernisation Reserve and from Programmes and Projects Reserve. The programme and projects expenditure will now take place in 2015-16 and subsequent years. All reserves were reviewed as part of the preparation of the 2015-16 MTFS and a number of proposed transfers from this reserve to fund future costs are included in forward spending plans.
- 5.3 The remaining £3m relates to under-spending on the on-going revenue budget and the main reasons for this are:
- Police officers choose 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
  - Reduction in inflation as compared to forecast particularly in relation to fuel costs
  - Staff reductions and reduced use of Consultants in the Police and Crime Commissioner's office have (when commissioning is excluded) brought costs down to below that of the former Police Authority
- 5.4 Budget monitoring identified a significant portion of the under-spending before the 2015-16 MTFS was agreed. When the Police and Crime Commissioner set the MTFS for 2015-16 it was agreed that the budget net under-spending would be used to make a £2.1m contribution to a new Strategic Alliance Reserve to finance a one off expenditure.

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

	£000	Reason
Revenue Smoothing Fund	3,609	To offset future funding reductions and maintain police officer numbers
Budget Management Fund	(240)	Impact of movement in approved carry-forward
Capital Financing Reserve	689	To fund future capital expenditure
Programme & Projects Reserve	(1,078)	To fund the Force Programme
Workforce Modernisation Reserve	1,940	Modernisation of employment terms and conditions
Estates Development Reserve	(189)	To facilitate rationalisation of the property estate
Police and Crime Plan Reserve	391	To fund police and crime plan initiatives
Strategic Alliance Reserve	2,112	To fund additional temporary or one off costs arising from the Strategic Alliance with Dorset
<b>Revenue Contributions to Reserves</b>	<b>7,234</b>	
Use of Reserves for Capital Financing	(3,318)	
<b>Total Movement in Earmarked Revenue Reserves</b>	<b>3,916</b>	

- 5.5 In addition to the revenue contributions set out above, there was a £3,318k draw down from the Capital Financing Reserve and the Programme and Project Reserve to fund capital spending resulting in a net movement in revenue reserves and balances of £3,916k. The increase in usable reserves between 31 March 2014 and 31 March 2015 and the forecast change in reserves in future years are shown in the graph below.



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

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

- 6.1 Section 11 below describes the Police and Crime Commissioner's capital expenditure. This consists of an ongoing programme of rationalisation, replacement and enhancement of property and other assets. The Police and Crime Commissioner has entered into a conditional contract to dispose of a significant portion of the Force HQ site at Middlemoor Exeter. This transaction has not yet been completed, when the transaction is completed it will represent a material disposal. Other than this transaction there are no individual acquisitions or disposals that are material in 2014-15.

## **7 Governance Changes**

- 7.1 On the 1 April 2014 stage 2 of the transition to Police and Crime Commissioner took place. This involved the transfer of staff who were under the direction and control of the Chief Constable from the employ of the Police and Crime Commissioner to the employ of the Chief Constable. This change has not had a material impact on the financial statements of the Group or on the single entity financial statements of the Police and Crime Commissioner or the Chief Constable. The reason for this is that the financial statements are based on a faithful representation of the substance of an economic situation and for this reason they already recognise the employment costs of staff that are under the direction and control of the Chief Constable in the Chief Constable accounts. As part of the stage 2 transfer some operational non-current assets held by the Police and Crime Commissioner were transferred to the Chief Constable and the impact of this is set out in note D.1 on page 36.

## **8 Changes in Accounting Policies**

- 8.1 As set out in paragraph 7 above, certain operational non-current assets were transferred to the Chief Constable, these included mobile data devices, automatic number plate recognition equipment and software and other assets closely associated with operational policing. This transfer requires certain changes to the Chief Constables accounting policies which are set out in notes A.1 and H.1. There are no other significant changes in accounting policy.

## **9 Movement in Reserves Statement**

- 9.1 The Group Movement in Reserves Statements on page 15 show the movement in the year on the 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and

'unusable reserves' (i.e. those that cannot be applied to fund expenditure or reduce local taxation). Further information on the movement in usable reserves is provided in notes B.1 and B.2 pages 26-28 and on the movement in unusable reserves in note B.3 on page 28. The key figures are shown in table 5.

Table 5 – Movement on Reserves

<u>Usable Reserves</u>	<u>£000</u>	<u>£000</u>
General Fund		0
Earmarked Reserves:		
Net Revenue budget contributions	7,234	
Use to fund capital expenditure	(3,318)	
		3,916
Capital Receipts Reserve		638
Capital Grant Unapplied		(617)
<u>Total Usable Reserves</u>		<u>3,937</u>
<u>Total Unusable Reserves</u>		<u>(462,225)</u>
<u>Total Reserves</u>		<u>458,288</u>

## 10 Comprehensive Income and Expenditure Statements

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

Table 6

	2014-15 £000 <b>PCC</b> <b>0</b>	2014-15 £000 <b>Group</b> <b>0</b>
<b>Deficit On the General Fund</b>		
Current and past service charge for pensions are (less)/more than the actual employer contributions and Home Office Top Up Grant	88	(5,136)
Pensions interest cost	116	106,508
Intra-group funding with regard to pensions and other employee benefits	468,855	0
Other adjustments – mainly to account for capital investment as it is consumed	4,820	4,820
Sub total	473,879	106,192
Transfer to/from earmarked reserves	(7,234)	(7,234)
<b>Deficit on the Provision of Services</b>	<b>466,645</b>	<b>98,958</b>
Other Comprehensive Income and Expenditure		
Surplus on revaluation of non-current assets	(9,808)	(9,808)
Realised gain on available for sale financial instruments	(43)	(43)
Increase in pensions liabilities due to actuarial losses	1,494	369,181
<b>Total Deficit</b>	<b>458,288</b>	<b>458,288</b>

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



## 11 Capital Expenditure and Financing

- 11.1 As well as day to day expenditure on running costs, the Police and Crime Commissioner's money is spent on assets such as buildings, vehicles, communications equipment and information technology. During 2014-15, capital spending was £10.576m. The table below shows how the money was spent and how it was financed.

Table 7

Capital Spending	31 March 2015	
	£000	%
Building Schemes	4,289	40.6
Equipment and ICT Hardware and Software	2,579	24.4
Vehicles	3,708	35.0
	<u>10,576</u>	<u>100.0</u>

Capital Financing	31 March 2015	
	£000	%
Home Office Capital Grant	3,631	34.3
Capital Receipts	1,181	11.2
Direct Revenue Funding and Revenue Reserves	4,245	40.1
Minimum Revenue Provision	1,480	14.0
Borrowing and Lease Finance	39	0.4
	<u>10,576</u>	<u>100.0</u>

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

### Usable Reserves

- 12.1 The Police and Crime Commissioner Group has total usable balances and reserves of £70.066m; made up as follows:

	£000
General Fund	6,198
Earmarked Reserves	59,092
Capital Reserves	4,776

The reserves and balances provide for the following:

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

More details on earmarked reserves are provided in note B.1 on page 26.

### Pensions Liabilities

- 12.2 There has been a £470.553m (19%) increase in pension liabilities for the Group in 2014-15. The main reason for this is a change in the financial assumptions used by the Police and Crime Commissioner's actuary to value the pensions liabilities. In particular there has been a change in the factor used to discount future pension payments which has increased the current value of the liabilities.

Although the Group recognises the full actuarially assessed cost of pensions in the Financial Statements the charge the Group is required to make against council tax is based on the cash payable in the year, so the real cost of post employment /retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. This means that the liabilities shown in the

balance sheet should not impact upon the ability of the Police and Crime Commissioner to provide services in the short to medium-term. For police staff pensions, the value of the pension fund liabilities and assets is assessed triennially and the employer's contribution is increased in line with the actuary's recommendations. For the police officers pension fund, the employer's contribution rate is presently set at 24.2%. Under current legislation, any costs that exceed the employer's contribution are met by the Home Office via a special grant.

#### Borrowing

- 12.3 The Police and Crime Commissioner's total capital financing requirement as at 31 March 2015 was £41.919m. Of this £34.778m was met by external borrowing, £0.254m by lease finance and £6.887m by internal borrowing. Internal borrowing represents the Police and Crime Commissioner Group's use of its cash balances to temporarily fund capital expenditure. This use of internal balances is subject to careful monitoring and management to ensure adequate long term liquidity.

#### Provisions and Contingencies

- 12.4 Provisions are set out in note D.6 on page 43. They include:
- Provisions to meet future liabilities in terms of remuneration
  - Provision for uninsured claims against the Police and Crime Commissioner
  - Other provisions to meet other liabilities for example legal claims

### **13 Cash Flow**

- 13.1 There was a £14.8m decrease in cash and cash equivalents during the year and investments (long and short term combined) increased by £20.3m. This was due to:
- A switch from overnight cash holdings to longer investments due to changes in capital markets and cashflow requirements
  - An increase in overall cash deposits due to an increase in total usable reserves (see paragraph 5.4)
  - Other changes in balances, for example, debtors, creditors and stock

### **14 Performance**

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

### **15 Sustainability**

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

### **16 Looking Ahead to 2015-16 and Beyond**

- 16.1 The financial position of the Police and Crime Commissioner Group in 2015-16 and future years will be affected by a number of factors; they can be grouped as follows:
- Service developments
  - The impact of the current economic climate on the provision of services

#### **Service Development**

- 16.2 In March 2015 the Police and Crime Commissioner and the Chief Constable 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 climate on the Police and Crime Commissioner Group and the services it provides**

- 16.3 The Police and Crime Commissioner's current Four Year Medium Term Financial Strategy (MTFS) contains cash reductions of £29m. Of this total, £8.4m of planned cuts are through the relatively high risk Strategic Alliance plan. As yet unidentified cuts of £9.8m are required in 2018-19. To address this issue the Police and Crime Commissioner has set priority 3 within the Police and Crime Plan, as follows:

"To make every penny count in protecting policing for the long term. We need to drive for further efficiency, work to secure more central funding and actively explore all avenues to deliver the significant savings we require from 2017-18 onwards to sustain our services."

The risks associated with making the savings required are identified in the joint corporate risk register for the Office of the Police and Crime Commissioner and the Force.

- 16.4 The current 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. As savings of £29m are required to balance the reductions in central government funding already included in the Current MTFS any further funding reductions will have a significant impact on the ability of the Police and Crime Commissioner and the Chief Constable to deliver services. Furthermore the Home Office are due to review the police funding formula and this may have a significant impact on grant funding levels.
- 16.5 In addition the uncertainty with regard to government formula funding the Police and Crime Commissioner has a number of funding and cost uncertainties; they include:
- central government controls mean that the 2% increase in council tax included in the medium term financial strategy for 2016-17 and future years is not achievable;
  - other variations in pay costs and/or other liabilities in particular employment related claims

## **17 Annual Governance Statement**

- 17.1 Production of the Annual Governance Statement (AGS) to accompany the Statement of Accounts is a statutory requirement. For 2014-15, it has been decided to produce a joint statement between the Police and Crime Commissioner and the Chief Constable. The Annual Governance Statement is included on pages 91 to 111 of this document. The joint AGS describes the internal control environment for the Police and Crime Commissioner and the Chief Constable. It also comments on its effectiveness and identifies issues that require further work. Reliance is placed on the annual assurance review undertaken by the Chief Constable (and described within the AGS) when drawing up the joint AGS.

## **18 Conclusion**

- 18.1 Along with many other public sector bodies the Police and Crime Commissioner is in a period of financial contraction. An ongoing plan is in place to reduce spending in line with the funding reductions set out in the 2014 Autumn Statement and the 2015 March Budget. However further reductions may be imposed.

- 18.2 In the period 2011-12 to 2014-15 the former Police Authority and the Police and Crime Commissioner have achieved additional savings over and above those required by grant reductions; this is due in part to achieving savings earlier than planned. As a result it has been possible to contribute to the Revenue Support Fund. This fund allows the Police and Crime Commissioner to manage the impact of funding reductions over the period of the medium term financial strategy. However it is clear that changes will be required to the way policing is delivered and in addition to the Strategic Alliance the Police and Crime Commissioner is working with the Chief Constable to find new ways of working that maintain service delivery whilst reducing costs.
- 18.3 The Police and Crime Commissioner has set out his objectives for his term of office in the Police and Crime Plan (see below for further information on the plan). This plan is supported by the Medium Term Financial Strategy approved in February 2015. Delivery of the plan will depend on efficient and effective use of the financial and other resources available to the Commissioner and he will work closely with the Chief Constable to ensure that this takes place. There are a number of threats to the delivery of the Police and Crime Plan, the most significant of which is further reductions in central government funding; the Police and Crime Commissioner has however taken action to mitigate these threats by establishing reserves that will help him manage the impact of future funding cuts.

Duncan Walton, Treasurer  
June 2015

#### Further Information

This publication provides a review of the financial performance of the Police and Crime Commissioner for 2014-15. It may be read in conjunction with; the single entity accounts of the Chief Constable, the Police and Crime Plan and the Police and Crime Commissioner's Annual Report that show a wide range of measures of performance. Further information on these publications can be obtained by writing to the Chief Executive or Treasurer at the Police and Crime Commissioner Offices, Woodwater Park, Pynes Hill, Exeter, Devon, EX2 5WH or from the Police and Crime Commissioner's website:

<http://www.devonandcornwall-pcc.gov.uk/Key-Documents/Key-documents.aspx>

## Audit Opinion

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

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

The Commissioner is required to:

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

### **Approval of the Accounts**

I approve these Statements of Account

Signed

**A Hogg**

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

Date: XX

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

The Treasurer is responsible for the preparation of the Police and Crime Commissioner's Annual Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC "Code of Practice on Local Authority Accounting in the United Kingdom 2014-15" (the Code)

In preparing this Statement of Accounts, the Treasurer has:

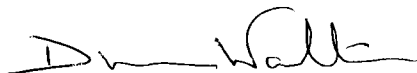
- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice

The Treasurer has also:

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

### **Treasurer's Certificate**

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



Signed

**D Walton**

**Treasurer**

Date: 30 June 2015

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2015 FOR THE POLICE AND CRIME COMMISSIONER GROUP

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

	General Fund Balance £'000	Earmarked Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves £'000</b>	Unusable Reserves £'000	<b>Total Reserves £'000</b>
<b>As at 31 March 2014</b>	6,198	55,176	3,396	1,359	<b>66,129</b>	(2,352,680)	<b>(2,286,551)</b>
<b>Movement in reserves during 2014-15</b>							
Surplus or (deficit) on provision of services (page 19)	(98,958)	0	0	0	<b>(98,958)</b>	0	<b>(98,958)</b>
Other Expenditure and Income (page 19)	0	0	0	0	<b>0</b>	(359,330)	<b>(359,330)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(98,958)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(98,958)</b>	<b>(359,330)</b>	<b>(458,288)</b>
Adjustments between accounting basis & funding basis under regulations (note I.3)	102,874	0	638	(617)	<b>102,895</b>	<b>(102,895)</b>	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>3,916</b>	<b>0</b>	<b>638</b>	<b>(617)</b>	<b>3,937</b>	<b>(462,225)</b>	<b>(458,288)</b>
Transfers (to)/from Earmarked Reserves (note B.1)	(3,916)	3,916	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) In Year</b>	<b>0</b>	<b>3,916</b>	<b>638</b>	<b>(617)</b>	<b>3,937</b>	<b>(462,225)</b>	<b>(458,288)</b>
<b>As at 31 March 2015 carried forward</b>	<b>6,198</b>	<b>59,092</b>	<b>4,034</b>	<b>742</b>	<b>70,066</b>	<b>(2,814,905)</b>	<b>(2,744,839)</b>

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

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

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



# MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2015 FOR THE POLICE AND CRIME COMMISSIONER

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

	General Fund Balance £'000	Earmarked Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves £'000</b>	Unusable Reserves £'000	<b>Total PCC Reserves £'000</b>
<b>As at 31 March 2014</b>	6,198	55,176	3,396	1,359	<b>66,129</b>	(2,352,680)	<b>(2,286,551)</b>
<b>Movement in reserves during 2014-15</b>							
Surplus or (deficit) on provision of services (page 20)	(466,645)	0	0	0	<b>(466,645)</b>	0	<b>(466,645)</b>
Other Expenditure and Income (page 20)	0	0	0	0	<b>0</b>	8,357	<b>8,357</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(466,645)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(466,645)</b>	8,357	<b>(458,288)</b>
Adjustments between accounting basis & funding basis under regulations (note I.3)	470,561	0	638	(617)	<b>470,582</b>	<b>(470,582)</b>	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>3,916</b>	<b>0</b>	<b>638</b>	<b>(617)</b>	<b>3,937</b>	<b>(462,225)</b>	<b>(458,288)</b>
Transfers (to)/from Earmarked Reserves (note B.1)	(3,916)	3,916	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) In Year</b>	<b>0</b>	<b>3,916</b>	<b>638</b>	<b>(617)</b>	<b>3,937</b>	<b>(462,225)</b>	<b>(458,288)</b>
<b>As at 31 March 2015 carried forward</b>	<b>6,198</b>	<b>59,092</b>	<b>4,034</b>	<b>742</b>	<b>70,066</b>	<b>(2,814,905)</b>	<b>(2,744,839)</b>

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

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

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

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

This statement shows the accounting cost in the year to 31 March 2015 of providing services for the Group, in accordance with generally accepted accounting practices. The statement also shows the amount of funding by way of grant income. Local authorities raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

For Year Ended 31 March 2014

For Year Ended 31 March 2015

Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Notes
<b>Continuing operations</b>							
105,470	(2,203)	103,267	Local Policing	124,295	(2,181)	122,114	C1
23,736	(163)	23,573	Dealing with the Public	23,385	(175)	23,210	C1
24,556	(1,254)	23,302	Criminal Justice Arrangements	25,142	(1,108)	24,034	C1
9,541	(1,061)	8,480	Road Policing	9,958	(1,512)	8,446	C1
21,311	(648)	20,663	Specialist Operations	22,532	(316)	22,216	C1
13,544	(277)	13,267	Intelligence	14,369	(237)	14,132	C1
79,878	(2,881)	76,997	Specialist Investigation	78,163	(2,668)	75,495	C1
10,818	(97)	10,721	Investigative Support	12,404	(799)	11,605	C1
5,670	(3,189)	2,481	National Policing	6,018	(3,091)	2,927	C1
2,339	0	2,339	Non Distributed Costs	3,141	0	3,141	
2,756	(1,620)	1,136	Commissioning & Partnerships	4,403	(1,718)	2,685	G1
2,037	0	2,037	Corporate and Democratic Core*	1,667	(6)	1,661	C7
<b>301,656</b>	<b>(13,393)</b>	<b>288,263</b>	<b>Net Cost of Police Services</b>	<b>325,477</b>	<b>(13,811)</b>	<b>311,666</b>	
4,478	(34,881)	(30,403)	Other Operating Income and Expenditure	4,596	(36,105)	(31,509)	C3
108,013	(9,703)	98,310	Financing and Investment Income and Expenditure	117,410	(10,167)	107,243	C4
0	(292,180)	(292,180)	Taxation and Non-Specific Grant Income	0	(288,442)	(288,442)	C5
<b>414,147</b>	<b>(350,157)</b>	<b>63,990</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>447,483</b>	<b>(348,525)</b>	<b>98,958</b>	C2
		275	(Surplus)/Deficit on revaluation of non current assets			(9,808)	D1
		43	Deficit on revaluation of available for sale financial instruments			(43)	I4
		184,202	Actuarial (gains) or losses on pension assets and liabilities			369,181	I5
		<b>184,520</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>359,330</b>	
		<b>248,510</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>458,288</b>	

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

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

This statement shows the accounting cost in the year to 31 March 2015 of providing services in accordance with generally accepted accounting practices for the Police and Crime Commissioner, in addition to the amount of funding by way of grant income.

For Year Ended 31 March 2014				For Year Ended 31 March 2015			Notes
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
			<b>Continuing operations</b>				
296,863	(46,654)	250,209	Intra-group funding policing	319,407	(47,923)	271,484	A1
2,756	(1,620)	1,136	Commissioning and Partnership Working	4,403	(1,718)	2,685	G1
2,037	0	2,037	Corporate and Democratic Core*	1,667	(6)	1,661	C7
<b>301,656</b>	<b>(48,274)</b>	<b>253,382</b>	<b>Net Cost of policing services</b>	<b>325,477</b>	<b>(49,647)</b>	<b>275,830</b>	
4,478	0	4,478	Other Operating Income and Expenditure	4,596	(269)	4,327	C3
106,440	(9,091)	97,349	Pension interest costs - intra group funding	115,782	(9,390)	106,392	A1
1,573	(612)	961	Financing and Investment Income and Expenditure	1,628	(777)	851	C4
183,402	0	183,402	Actuarial losses on pension funds - intra-group adjustment	367,687	0	367,687	A1
0	(292,180)	(292,180)	Taxation and Non-Specific Grant Income	0	(288,442)	(288,442)	C5
<b>597,549</b>	<b>(350,157)</b>	<b>247,392</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>815,170</b>	<b>(348,525)</b>	<b>466,645</b>	
		275	(Surplus)/Deficit on revaluation of non current assets			(9,808)	D1
		43	Deficit on revaluation of available for sale financial instruments			(43)	I4
		800	Actuarial (gains) or losses on pension assets and liabilities			1,494	I5
		<b>1,118</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(8,357)</b>	
		<b>248,510</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>458,288</b>	

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

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

The Balance Sheet shows the value as at 31 March 2015 of the assets and liabilities recognised by the Group and the Police and Crime Commissioner. The net assets of the Group (assets and liabilities) are matched by the reserves held by the Group/Police and Crime Commissioner.

PCC 31 March 2014 £'000	PCC Group 31 March 2014 £'000		PCC 31 March 2015 £'000	PCC Group 31 March 2015 £'000	Notes
<b>Long Term Assets</b>					
147,061	147,061	Property, Plant and Equipment	150,384	152,410	D1
631	631	Intangible Assets	478	478	
6,805	6,805	Long Term Investments	0	0	I1
1,798	1,798	Long Term Debtors	1,798	1,798	
0	0	Long Term Debtor - Intra-group assets	2,026	0	
<u>156,295</u>	<u>156,295</u>	<b>Total Long Term Assets</b>	<u>154,686</u>	<u>154,686</u>	
<b>Current Assets</b>					
22,041	22,041	Short Term Investments	49,176	49,176	I1
2,085	2,085	Assets Held for Sale	3,619	3,619	D2
919	919	Inventories	563	563	
18,618	18,618	Short Term Debtors	21,183	21,183	D3
<u>32,369</u>	<u>32,369</u>	Cash and Cash Equivalents	<u>17,550</u>	<u>17,550</u>	D4
<u>76,032</u>	<u>76,032</u>	<b>Total Current Assets</b>	<u>92,091</u>	<u>92,091</u>	
<b>Current Liabilities</b>					
(2,528)	(2,528)	Short Term Borrowing	(541)	(541)	I1
(18,403)	(27,306)	Short Term Creditors	(18,553)	(26,980)	D5
(1,105)	(1,649)	Provisions	(1,998)	(2,458)	D6
(8,903)	0	Short term accumulated absences - intra-group provision	(8,427)	0	
(544)	0	Short term - Chief Constables Provisions	(460)	0	
<u>(31,483)</u>	<u>(31,483)</u>	<b>Total Current Liabilities</b>	<u>(29,979)</u>	<u>(29,979)</u>	
<b>Long Term Liabilities</b>					
(654)	(654)	Provisions	(529)	(529)	D6
(30,778)	(30,778)	Borrowing	(34,778)	(34,778)	I1
(250)	(250)	Creditors (Lease Finance)	(64)	(64)	
(1,798)	(1,798)	Deferred Capital Receipts	(1,798)	(1,798)	
(2,129)	(126,772)	Pensions Liability - Staff	(3,828)	(182,120)	I5
0	(2,327,143)	Pensions Liability - Officers	0	(2,742,348)	I5
<u>(2,451,786)</u>	<u>0</u>	Pension liabilities - intra-group provision	<u>(2,920,640)</u>	<u>0</u>	
<u>(2,487,395)</u>	<u>(2,487,395)</u>	<b>Total Long Term Liabilities</b>	<u>(2,961,637)</u>	<u>(2,961,637)</u>	
<u>(2,286,551)</u>	<u>(2,286,551)</u>	<b>Net Liabilities</b>	<u>(2,744,839)</u>	<u>(2,744,839)</u>	
<b>Represented by</b>					
(2,352,680)	(2,352,680)	Unusable Reserves	(2,814,905)	(2,814,905)	B3
66,129	66,129	Usable Reserves	70,066	70,066	
<u>(2,286,551)</u>	<u>(2,286,551)</u>	<b>Total Reserves</b>	<u>(2,744,839)</u>	<u>(2,744,839)</u>	

Duncan Walton Treasurer for the Police and Crime Commissioner Devon and Cornwall XX September 2015

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

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

For Year Ended 31 March 2014 £'000		For Year Ended 31 March 2015 £'000	Note
63,990	Net (surplus) or deficit on the provision of services	98,958	
	Adjustments to net surplus or deficit on the provision of services for non-cash movements		
(71,315)	(Increase)/Decrease in Pensions Liability	(101,372)	
(6,291)	Depreciation and amortisation	(7,507)	
415	(Increase)/Decrease in Provisions	(685)	
(3,714)	Surplus/(Loss) on sales of non-current assets	269	
(764)	Surplus/(Loss) on revaluation of non-current assets	(4,596)	
4,986	Movement in relevant assets/liabilities	3,066	
<hr/> (12,693)	Net Cash (In flows)/Outflows from Operating Activities	<hr/> (11,867)	
(17,485)	Investing Activities	28,686	I6 (b)
233	Financing Activities	(2,000)	I6 (c)
<hr/> (29,945)	Net (increase)/decrease in cash and cash equivalents	<hr/> 14,819	
(2,424)	Cash and cash equivalents at the beginning of the reporting	(32,369)	
<hr/> <hr/> (32,369)	<b>Cash and cash equivalents at the end of the reporting</b>	<hr/> <hr/> (17,550)	D4

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

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

#### **Introduction**

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 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 from the Police and Crime Commissioner 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 D.1 (g) page 40 and H.1 (p) page 62.

#### **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. For the period 1 April 2014 to 31 March 2015, all contracts were in the name of the Police and Crime Commissioner. When Police and Crime Commissioner's resources are consumed at the request of the Chief Constable all payments are made by the Police and Crime Commissioner from the Police Fund and no cash movements occur between the two bodies.

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.

Intra-group transactions in the Comprehensive Income and Expenditure Statements	2013-14		2014-15	
	Chief Constable	Police and Crime Commissioner	Chief Constable	Police and Crime Commissioner
	£000	£000	£000	£000
Net Cost of Policing	( 250,209)	250,209	( 271,484)	271,484
Pensions Interest Cost & Pensions Top Up Grant	( 97,349)	97,349	( 106,392)	106,392
Actuarial losses on pensions funds	( 183,402)	183,402	( 367,687)	367,687
<b>Total transactions for the year</b>	<b>( 530,960)</b>	<b>530,960</b>	<b>( 745,563)</b>	<b>745,563</b>

Intra-group transactions in the Balance Sheet	Chief Constable	Police and Crime Commissioner	Chief Constable	Police and Crime Commissioner
	£000	£000	£000	£000
Pensions Long Term intra-group Debtor *	2,451,786		2,920,640	
Short Term intra-group Debtors *	9,447		8,887	
IT and Equipment Long Term intra-group Creditor *	0		( 2,026)	
IT and Equipment Long Term Assets	0		2,026	
Current Liabilities	( 9,447)		( 8,887)	
Pension Long Term Liabilities	( 2,451,786)		( 2,920,640)	
IT and Equipment Long Term intra-group Debtor *		0		2,026
Short Term intra-group Creditors *		( 9,447)		( 8,887)
Pensions Long Term intra-group Creditor *		( 2,451,786)		( 2,920,640)
Unusable reserves		( 2,461,233)		( 2,927,501)

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

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



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

### **General Principles**

These Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 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 non-current assets. There is a glossary of accounting terms on pages 112 to 118.

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 54 to 65.

### **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 (p).

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 Police and Crime Commissioner is required to disclose information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted. 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.

## NOTE B.1: TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the Earmarked Reserves to provide financing for future expenditure plans and amounts posted back from earmarked reserves to meet General Fund expenditure in 2014-15.

	Balance as at 1 April 2013 £'000	Transfers Out 2013-14 £'000	Transfers In 2013-14 £'000	Balance as at 31 March 2014 £'000	Transfers Out 2014-15 £'000	Transfers In 2014-15 £'000	Balance as at 31 March 2015 £'000
Police Officer III Health Reserve	500	0	0	500	0	0	500
Budget Management Fund	1,666	(1,666)	1,505	1,505	(1,505)	1,265	1,265
Major Operations Reserve	2,375	0	0	2,375	0	0	2,375
Programmes & Projects Reserve	6,279	0	849	7,128	(1,756)	106	5,478
Workforce Modernisation Reserve	7,764	0	1,435	9,199	(1,457)	3,397	11,139
Capital Financing Reserve	7,209	(719)	893	7,383	(2,746)	689	5,326
Estates Development Reserve	580	0	101	681	(349)	160	492
Revenue Smoothing Fund	14,375	0	8,594	22,969	0	3,609	26,578
Remuneration Reserve	2,876	0	0	2,876	0	0	2,876
Transition Fund	183	(183)	0	0	0	0	0
Police and Crime Plan Reserve	0	0	560	560	0	391	951
Strategic Alliance Reserve	0	0	0	0	0	2,112	2,112
<b>Total</b>	<b>43,807</b>	<b>(2,568)</b>	<b>13,937</b>	<b>55,176</b>	<b>(7,813)</b>	<b>11,729</b>	<b>59,092</b>

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

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

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

## NOTE B.2: USABLE CAPITAL RESERVES

Movements on usable capital reserves 2014-15

	Capital Receipts Reserve	Capital Grants Unapplied	Total
	£'000	£'000	£'000
<b>Balance at 1 April 2013</b>	<b>(2,186)</b>	<b>(4,716)</b>	<b>(6,902)</b>
Proceeds of Disposals	(1,847)	0	(1,847)
Financing of fixed assets	637	6,108	6,745
Capital Grants Received	0	(2,751)	(2,751)
<b>Balance at 31 March 2014</b>	<b>(3,396)</b>	<b>(1,359)</b>	<b>(4,755)</b>
Proceeds of Disposals	(1,820)	0	(1,820)
Financing of fixed assets	1,182	3,631	4,813
Capital Grants Received	0	(3,014)	(3,014)
<b>Balance at 31 March 2015</b>	<b>(4,034)</b>	<b>(742)</b>	<b>(4,776)</b>
<b>Net Movement for 2013-14</b>	<b>(1,210)</b>	<b>3,357</b>	<b>2,147</b>
<b>Net Movement for 2014-15</b>	<b>(638)</b>	<b>617</b>	<b>(21)</b>

### Usable Capital receipts

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

### Capital Grants Unapplied

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

## NOTE B.3: UNUSABLE RESERVES

As at 31 March 2014		As at 31 March 2015
£'000		£'000
18,864	Revaluation Reserve	27,703
88,855	Capital Adjustment Account	86,887
(2,453,915)	Pensions Reserve	(2,924,468)
2,480	Collection Fund Adjustment Account	3,417
(8,921)	Short Term Accumulated Absences Account	(8,444)
(43)	Available for Sale Financial Instruments Reserve	0
<b>(2,352,680)</b>	<b>Total Unusable Reserves</b>	<b>(2,814,905)</b>

Further information on movements in unusable reserves are provided in Note I.4 on page 75.

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

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

### **Local Policing**

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

### **Dealing with the Public**

- 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

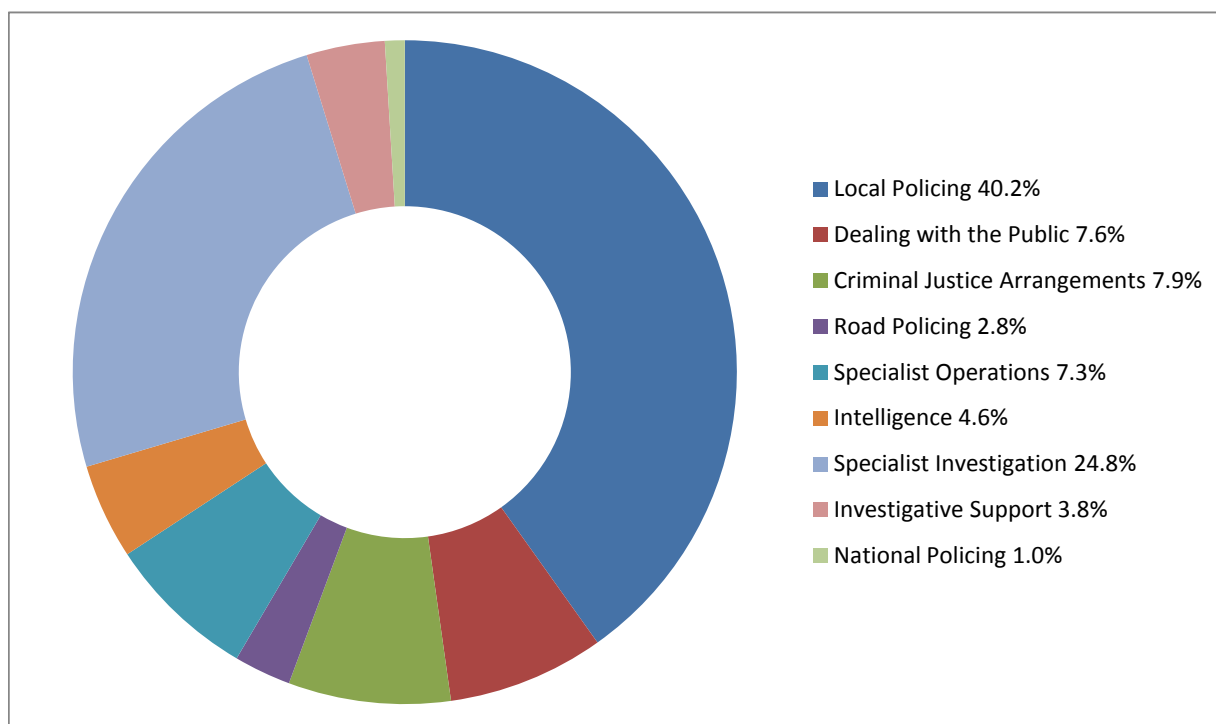
### Investigative Support

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

### National Policing

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

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



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

The table below shows the Income and Expenditure for 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
Regional Collaboration and National Contributions	3,625	4,814
Pensions	2,182	2,600
Other costs	9,458	9,065
Specific Grants	(3,563)	(1,479)
Income	(6,544)	(7,085)
<b>Net Force Expenditure</b>	<b>269,968</b>	<b>269,931</b>
Police and Crime Commissioner	1,949	1,572
Commissioning and Partnership Working	2,740	2,685
Treasury Management	2,267	2,216
<b>Total Net Expenditure</b>	<b>276,924</b>	<b>276,404</b>
Contributions to / from earmarked reserves	11,608	8,087
<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 Police and Crime Commissioner to the Surplus on the Provision of Services in the Group Comprehensive Income and Expenditure Statement by Subjective Heading**

**For the Year Ended 31 March 2015**

	Reported to management	Not included in report to management*	Not included Income and Expenditure	Total
	£'000	£'000	£'000	£'000
Fees, charges & other service income	(11,698)	0	0	<b>(11,698)</b>
Government grants and contributions	(194,728)	(38,850)	0	<b>(233,578)</b>
Income from council tax	(93,248)	(937)	0	<b>(94,185)</b>
<b>Total Income</b>	<b>(299,674)</b>	<b>(39,787)</b>	<b>0</b>	<b>(339,461)</b>
Employee expenses	232,539	136,731	0	<b>369,270</b>
Other service expenses	58,243	0	(928)	<b>57,315</b>
Minimum Revenue Provision	1,658	0	(1,658)	<b>0</b>
Depreciation, amortisation and impairment	0	7,506	0	<b>7,506</b>
Loss on the disposal/revaluation of non Current assets	0	4,328	0	<b>4,328</b>
<b>Total Operating Expenses</b>	<b>292,440</b>	<b>148,565</b>	<b>(2,586)</b>	<b>438,419</b>
<b>Net Operating Income</b>	<b>(7,234)</b>	<b>108,778</b>	<b>(2,586)</b>	<b>98,958</b>
Transfer to reserves	7,234	0	(7,234)	0
<b>Surplus on Provision of Services</b>	<b>0</b>	<b>108,778</b>	<b>(9,820)</b>	<b>98,958</b>

**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
Fees, charges & other service income	(10,533)	0	0	<b>(10,533)</b>
Government grants and contributions	(201,756)	(37,632)	0	<b>(239,388)</b>
Income from council tax	(90,093)	(897)	0	<b>(90,990)</b>
<b>Total Income</b>	<b>(302,382)</b>	<b>(38,529)</b>	<b>0</b>	<b>(340,911)</b>
Employee expenses	232,961	105,411	0	<b>338,372</b>
Other service expenses	55,773	0	(13)	<b>55,760</b>
Minimum Revenue Provision	1,560	0	(1,560)	<b>0</b>
Depreciation, amortisation and impairment	0	6,291	0	<b>6,291</b>
Loss on the disposal/revaluation of non current assets	0	4,478	0	<b>4,478</b>
<b>Total Operating Expenses</b>	<b>290,294</b>	<b>116,180</b>	<b>(1,573)</b>	<b>404,901</b>
<b>Net Operating Income</b>	<b>(12,088)</b>	<b>77,651</b>	<b>(1,573)</b>	<b>63,990</b>
Transfer to reserves	12,088	0	(12,088)	0
<b>Surplus on Provision of Services</b>	<b>0</b>	<b>77,651</b>	<b>(13,661)</b>	<b>63,990</b>

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



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

For Year Ended 31 March 2014			For Year Ended 31 March 2015		
PCC	Group		PCC	Group	
£'000	£'000		£'000	£'000	
<b><u>Expenditure</u></b>					
3,714	3,714	Net deficit from sale of non-current assets	0	0	
764	764	Loss on revaluation of non-current assets	4,596	4,596	
<u>4,478</u>	<u>4,478</u>	Total Expenditure	<u>4,596</u>	<u>4,596</u>	
<b><u>Income</u></b>					
0	0	Net surplus from sale of non-current assets	(269)	(269)	
0	(34,881)	Pensions Top Up Grant	0	(35,836)	
<u>0</u>	<u>(34,881)</u>	Total Income	<u>(269)</u>	<u>(36,105)</u>	
<b><u>4,478</u></b>	<b><u>(30,403)</u></b>	<b>Net Expenditure</b>	<b><u>4,327</u></b>	<b><u>(31,509)</u></b>	

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

For Year Ended 31 March 2014			For Year Ended 31 March 2015		
PCC	Group		PCC	Group	
£'000	£'000		£'000	£'000	
1,329	1,329	Interest payable	1,310	1,310	
		Pensions interest cost			
244	14,524	- Police Staff Scheme (Funded)	318	15,128	
0	92,160	- Police Officer Scheme (Unfunded)	0	100,972	
<u>1,573</u>	<u>108,013</u>	Total Expenditure	<u>1,628</u>	<u>117,410</u>	
(457)	(457)	Interest and investment income	(575)	(575)	
		Expected return on pension assets			
(155)	(9,246)	- Police Staff Scheme (Funded)	(202)	(9,592)	
<u>(612)</u>	<u>(9,703)</u>	Total Income	<u>(777)</u>	<u>(10,167)</u>	
<b><u>961</u></b>	<b><u>98,310</u></b>	<b>Net Expenditure</b>	<b><u>851</u></b>	<b><u>107,243</u></b>	

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

For Year Ended 31 March 2014			For Year Ended 31 March 2015		
PCC	Group		PCC	Group	
£'000	£'000		£'000	£'000	
(198,439)	(198,439)	Non ring-fenced government grants	(191,243)	(191,243)	
(2,751)	(2,751)	Recognised capital grants and contributions	(3,014)	(3,014)	
<u>(201,190)</u>	<u>(201,190)</u>		<u>(194,257)</u>	<u>(194,257)</u>	
(90,990)	(90,990)	Council Tax	(94,185)	(94,185)	
<b><u>(292,180)</u></b>	<b><u>(292,180)</u></b>		<b><u>(288,442)</u></b>	<b><u>(288,442)</u></b>	

## NOTE C.6: GRANT INCOME

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

	Year Ended 31 March 2014		Year Ended 31 March 2015	
	£'000	£'000	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>				
Police Grant	(182,972)		(175,782)	
Council Benefit and Council Tax Support Grants	(15,467)		(15,461)	
		(198,439)		(191,243)
Recognised Capital grant and contributions		(2,751)		(3,014)
<b>Total</b>		<b>(201,190)</b>		<b>(194,257)</b>
<b>Credited to Services</b>				
Community Safety Grant		(1,604)		0
Counter Terrorism		(1,590)		(1,398)
G8 Funding		(409)		0
Commissioning		0		(1,709)
Projects		0		(297)
Other Local Grants		(50)		(34)
Other minor grants		(72)		(47)
<b>Total</b>		<b>(3,725)</b>		<b>(3,485)</b>
<b>Credited to other Operating Expenditure</b>				
Pensions Top Up Grant		<b>(34,881)</b>		<b>(35,836)</b>

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

Year Ended 31 March 2014		Year Ended 31 March 2015	
£'000		£'000	
6	Members allowances and expenses	17	
124	Police and Crime Commissioner	126	
996	Statutory and other OPCC staff	971	
810	Other costs	434	
0	Support for collection of Council Tax	30	
(3)	Income	(6)	
<b>1,933</b>	<b>Sub-total</b>	<b>1,572</b>	
104	Pension costs	89	
<b>2,037</b>		<b>1,661</b>	

\* Includes £183k transition costs

## NOTE C.8: EXTERNAL AUDIT COSTS

Year Ended 31 March 2014		Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	Year Ended 31 March 2015	
£'000	£'000		£'000	£'000
PCC	Group		PCC	Group
48	73		40	66
<b>48</b>	<b>73</b>		<b>40</b>	<b>66</b>

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

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

	Operational and Non-Operational Assets		Assets under Construction		Surplus Assets	Total
Cost or Valuation	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000	£'000
<b>At 1 April 2014</b>	<b>143,122</b>	<b>26,486</b>	<b>5,029</b>	<b>1,270</b>	<b>0</b>	<b>175,907</b>
Additions	1,977	5,971	2,312	316	0	<b>10,576</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	892	0	0	0	0	<b>892</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,363)	0	0	0	0	<b>(8,363)</b>
Derecognition-Disposals	0	(1,993)	0	0	0	<b>(1,993)</b>
Assets re-classified (to)/from Held for Sale	(3,280)	0	0	0	0	<b>(3,280)</b>
Other reclassification	2,320	1,112	(2,615)	(1,112)	295	<b>0</b>
<b>At 31 March 2015</b>	<b>136,668</b>	<b>31,576</b>	<b>4,726</b>	<b>474</b>	<b>295</b>	<b>173,739</b>
<b>Accumulated Depreciation and Impairments</b>						
<b>At 1 April 2014</b>	<b>(12,827)</b>	<b>(16,019)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28,846)</b>
Depreciation Charge	(3,833)	(3,522)	0	0	0	<b>(7,355)</b>
Depreciation written out to the Revaluation Reserve	8,821	0	0	0	0	<b>8,821</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,768	0	0	0	0	<b>3,768</b>
Derecognition-Disposals	0	1,963	0	0	0	<b>1,963</b>
Assets re-classified (to)/from Held for Sale	320	0	0	0	0	<b>320</b>
Other reclassification	0	0	0	0	0	<b>0</b>
<b>At 31 March 2015</b>	<b>(3,751)</b>	<b>(17,578)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21,329)</b>
<b>Net Book Value</b>						
<b>At 31 March 2015</b>	<b>132,917</b>	<b>13,998</b>	<b>4,726</b>	<b>474</b>	<b>295</b>	<b>152,410</b>
<b>At 31 March 2014</b>	<b>130,295</b>	<b>10,467</b>	<b>5,029</b>	<b>1,270</b>	<b>0</b>	<b>147,061</b>

**(b) Movements on Balances in 2013-14 (included for comparative purposes)**

	<b>Operational and Non-Operational Assets</b>		<b>Assets under Construction</b>		<b>Surplus Assets</b>	<b>Total</b>
	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	
<b>Cost or Valuation</b>	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2013</b>	<b>143,486</b>	<b>30,116</b>	<b>4,076</b>	<b>1,910</b>	<b>0</b>	<b>179,588</b>
Additions	1,223	1,664	1,852	4,123	0	<b>8,862</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(540)	0	0	0	0	<b>(540)</b>
Derecognition-Disposals	0	(10,057)	0	0	0	<b>(10,057)</b>
Assets re-classified (to)/from Held for Sale	(1,941)	0	(5)	0	0	<b>(1,946)</b>
Other reclassification	894	4,763	(894)	(4,763)	0	<b>0</b>
<b>At 31 March 2014</b>	<b>143,122</b>	<b>26,486</b>	<b>5,029</b>	<b>1,270</b>	<b>0</b>	<b>175,907</b>

**Accumulated Depreciation and Impairments**

<b>At 1 April 2013</b>	<b>(10,443)</b>	<b>(17,636)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28,079)</b>
Depreciation Charge	(2,832)	(3,307)	0	0	0	<b>(6,139)</b>
Depreciation written out to the Revaluation Reserve	265	0	0	0	0	<b>265</b>
Derecognition-Disposals	0	4,924	0	0	0	<b>4,924</b>
Assets re-classified (to)/from Held for Sale	183	0	0	0	0	<b>183</b>
<b>At 31 March 2014</b>	<b>(12,827)</b>	<b>(16,019)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28,846)</b>

**Net Book Value**

<b>At 31 March 2014</b>	<b>130,295</b>	<b>10,467</b>	<b>5,029</b>	<b>1,270</b>	<b>0</b>	<b>147,061</b>
<b>At 31 March 2013</b>	<b>133,043</b>	<b>12,480</b>	<b>4,076</b>	<b>1,910</b>	<b>0</b>	<b>151,509</b>

## PROPERTY, PLANT AND EQUIPMENT - POLICE AND CRIME COMMISSIONER

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

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

### Accumulated Depreciation and Impairments

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

### Net Book Value

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

**(b) Movements on Balances in 2013-14 (included for comparative purposes)**

	<b>Operational and Non-Operational Assets</b>		<b>Assets under Construction</b>		<b>Surplus Assets</b>	<b>Total</b>
	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	
<b>Cost or Valuation</b>	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2013</b>	<b>143,486</b>	<b>30,116</b>	<b>4,076</b>	<b>1,910</b>	<b>0</b>	<b>179,588</b>
Additions	1,223	1,664	1,852	4,123	0	<b>8,862</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(540)	0	0	0	0	<b>(540)</b>
Derecognition-Disposals	0	(10,057)	0	0	0	<b>(10,057)</b>
Assets re-classified (to)/from Held for Sale	(1,941)	0	(5)	0	0	<b>(1,946)</b>
Other reclassification	894	4,763	(894)	(4,763)	0	<b>0</b>
<b>At 31 March 2014</b>	<b>143,122</b>	<b>26,486</b>	<b>5,029</b>	<b>1,270</b>	<b>0</b>	<b>175,907</b>

**Accumulated Depreciation and Impairments**

<b>At 1 April 2013</b>	<b>(10,443)</b>	<b>(17,636)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28,079)</b>
Depreciation Charge	(2,832)	(3,307)	0	0	0	<b>(6,139)</b>
Depreciation written out to the Revaluation Reserve	265	0	0	0	0	<b>265</b>
Derecognition-Disposals	0	4,924	0	0	0	<b>4,924</b>
Assets re-classified (to)/from Held for Sale	183	0	0	0	0	<b>183</b>
<b>At 31 March 2014</b>	<b>(12,827)</b>	<b>(16,019)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28,846)</b>

**Net Book Value**

<b>At 31 March 2014</b>	<b>130,295</b>	<b>10,467</b>	<b>5,029</b>	<b>1,270</b>	<b>0</b>	<b>147,061</b>
<b>At 31 March 2013</b>	<b>133,043</b>	<b>12,480</b>	<b>4,076</b>	<b>1,910</b>	<b>0</b>	<b>151,509</b>

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

A property previously classed as an asset held for sale no longer meets this criteria. The building on this site has since been demolished and this property is now a land asset which is not in use and therefore has been classed as a surplus asset as at 31 March 2015.

### **(d) Depreciation**

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

#### **Land and Buildings**

The asset lives for individual buildings are assessed by the valuer, asset lives are within the range 10 – 60 years.

#### **Vehicles**

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

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

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

#### **Equipment**

Classes of equipment assets are given specific asset lives these are within the range 2-7 years. Equipment assets are depreciated monthly.

All depreciation is calculated on a straight-line basis.

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

As at 31 March 2015 the Police and Crime Commissioner had significant capital commitments of £819k in relation to property projects, equipment and vehicles. Similar commitments at 31 March 2014 were £2,987k.

### **(f) Revaluations**

Land and buildings are re-valued by a qualified external valuer every five years. Valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. A revaluation exercise was undertaken in 2014-15 with valuations and remaining useful lives provided as at 1 January 2015 and has resulted in an increase in the net book value of £5,212k. Within this overall change, some properties have increased in value and some have decreased. The total increase in land and buildings that have gone up in value is £9,808k. This has been taken to the revaluation reserve. Where the value of land and buildings has reduced in comparison to their net book value, there is a charge to the comprehensive income and expenditure account. The total charge is £4,596k. Between revaluations, the external valuer undertakes an annual review to identify any significant impairments or any other significant change in the valuation of assets.

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

On the 1 April 2014, the Body Armour, Automatic Number Plate Recognition 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.



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

As at 31 March 2014 £'000		As at 31 March 2015 £'000
1,513	Balance outstanding at start of year Property Assets	2,085
1,764	Assets newly classified as held for sale Property Assets	3,510
(764)	Revaluation increase on assets classified as held for sale Property Assets Charged to the Revaluation Reserve	95
(428)	Assets Sold Property Assets	(1,521)
0	Other Reclassification Property Assets	(550)
<b>2,085</b>	Balance outstanding at year end	<b>3,619</b>

During 2014-15 four properties have been classed as held for sale. The status of a property classed as held for sale as at 31 March 2014 has changed and is classed as a surplus asset as at 31 March 2015. The Police and Crime Commissioner has approved the disposal of four property assets in 2014-15. All properties are vacant and sales are expected to be concluded within the next twelve months.

## NOTE D.3: SHORT TERM DEBTORS

Sundry debtors arise from invoices raised by the Police and Crime Commissioner before 31 March 2015 but not actually paid until the new financial year.

As at 31 March 2014 £'000		As at 31 March 2015 £'000
10,976	Central government bodies	11,003
2,655	Other local authorities	4,501
92	NHS bodies	71
4,895	Other entities and individuals	5,608
<b>18,618</b>	Total Debtors	<b>21,183</b>

## NOTE D.4: CASH AND CASH EQUIVALENTS

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

As at 31 March 2014 £'000		As at 31 March 2015 £'000
	<b>Current Assets</b>	
13	Cash held by the PCC	32
65	Bank Current Accounts (deposit)	50
32,291	Short-term deposits	17,468
<b>32,369</b>	<b>Total Cash and Cash Equivalents</b>	<b>17,550</b>

Cash and cash equivalents reported on the balance sheet excludes £1.309m (£1.134m as at 31 March 2014) that is held by the Police and Crime Commissioner in accordance with the Proceeds of Crime Act 2002. This money is held until the Courts issue a confiscation order or decides the money can be returned.

## NOTE D.5: CREDITORS

These are amounts owed by the Police and Crime Commissioner as at 31 March 2015 but not actually paid until after that date. Like debtors, the figure in the balance sheet depends very much on the timing of regular monthly payments to suppliers and for PAYE etc. The total is made up as follows:

As at 31 March 2014			As at 31 March 2015	
PCC £'000	Group £'000		PCC £'000	Group £'000
5,134	5,134	Central government bodies	4,274	4,274
853	853	Other local authorities	2,204	2,204
5	5	NHS Bodies	40	40
12,411	21,314	Other entities and individuals	12,035	20,462
<b>18,403</b>	<b>27,306</b>	<b>Total Creditors</b>	<b>18,553</b>	<b>26,980</b>

## NOTE D.6: PROVISIONS

The table below shows the balances for the Police and Crime Commissioner single entity accounts and the Group.

### Group

<b>For Year Ended 31 March 2015</b>	Insurance £'000	Remuneration £'000	Other £'000	Total £'000
<b>Current Liabilities</b>				
<b>Balance as at 31 March 2014</b>	<b>735</b>	<b>544</b>	<b>370</b>	<b>1,649</b>
Additional provisions made in 2014-15	86	82	1,077	1,245
Transfer from long term liabilities	735	0	0	735
Amounts used in 2014-15	(846)	(250)	(75)	(1,171)
<b>Balance at 31 March 2015</b>	<b>710</b>	<b>376</b>	<b>1,372</b>	<b>2,458</b>
<b>Long Term Liabilities</b>				
<b>Balance as at 31 March 2014</b>	<b>654</b>	<b>0</b>	<b>0</b>	<b>654</b>
Additional provisions made in 2014-15	610	0	0	610
Transfer to current liabilities	(735)	0	0	(735)
<b>Balance at 31 March 2015</b>	<b>529</b>	<b>0</b>	<b>0</b>	<b>529</b>
<b>Total Provisions as at 31 March 2015</b>	<b>1,239</b>	<b>376</b>	<b>1,372</b>	<b>2,987</b>

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

## Police and Crime Commissioner

<b>For Year Ended 31 March 2015</b>	<b>Insurance £'000</b>	<b>Remuneration £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
<b>Current Liabilities</b>				
<b>Balance as at 31 March 2014</b>	<b>735</b>	<b>0</b>	<b>370</b>	<b>1,105</b>
Additional provisions made in 2014-15	85	0	992	1,077
Transfer from long term liabilities	735	0	0	735
Amounts used in 2014-15	(844)	0	(75)	(919)
<b>Balance at 31 March 2015</b>	<b>711</b>	<b>0</b>	<b>1,287</b>	<b>1,998</b>
<b>Long Term Liabilities</b>				
<b>Balance as at 31 March 2014</b>	<b>654</b>	<b>0</b>	<b>0</b>	<b>654</b>
Additional provisions made in 2014-15	610	0	0	610
Transfer to current liabilities	(735)	0	0	(735)
<b>Balance at 31 March 2015</b>	<b>529</b>	<b>0</b>	<b>0</b>	<b>529</b>
<b>Total Provisions as at 31 March 2015</b>	<b>1,240</b>	<b>0</b>	<b>1,287</b>	<b>2,527</b>

<b>For Year Ended 31 March 2014 (provided for comparative purposes)</b>	<b>Insurance £'000</b>	<b>Remuneration £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
<b>Current Liabilities</b>				
<b>Balance as at 31 March 2013</b>	<b>627</b>	<b>0</b>	<b>832</b>	<b>1,459</b>
Additional provisions made in 2013-14	252	0	0	252
Transfer from long term liabilities	626	0	0	626
Amounts used in 2013-14	(770)	0	(462)	(1,232)
<b>Balance at 31 March 2014</b>	<b>735</b>	<b>0</b>	<b>370</b>	<b>1,105</b>
<b>Long Term Liabilities</b>				
<b>Balance as at 31 March 2013</b>	<b>781</b>	<b>0</b>	<b>0</b>	<b>781</b>
Additional provisions made in 2013-14	499	0	0	499
Transfer to current liabilities	(626)	0	0	(626)
<b>Balance at 31 March 2014</b>	<b>654</b>	<b>0</b>	<b>0</b>	<b>654</b>
<b>Total Provisions as at 31 March 2014</b>	<b>1,389</b>	<b>0</b>	<b>370</b>	<b>1,759</b>

### Insurance Provision

The Police and Crime Commissioner is uninsured for the first £0.2m of each public and employers liability claim up to a total stop loss of £1.2m for claims. The insurance provision is to cover any claims from 2014-15 and previous years. The majority of payments from the provision are expected to be made over the next five years. An assessment of liabilities as at 31 March 2015 has been undertaken and the provision has been increased to a level estimated to be sufficient to meet all the forecast obligations.

### Remuneration Provision

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

### Other Provisions

1. To cover the legal costs relating to claims by retired former officers resulting from the A19 policy. These payments are expected to be made in 2015-16.
2. To meet the cost of re-testing forensic submissions. These payments are expected to be made in 2015-16.
3. To meet the contractual cost of payments relating to external procurement support. These payments are expected to be made in 2015-16.

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

The Police and Crime Commissioner has completed a job evaluation exercise to establish a fair and equitable grading structure. The implementation date of the new grading scheme was May 2015. A reserve has been established to fund the one off impact of the new pay structure; with adjustments made to reflect any remaining liability. The level of uncertainty is too high for a reliable estimate of any potential liability arising from historic pay inequality to be calculated.

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

Three police officers have made claims for compensation in relation to alleged historical underpayment of overtime. These claims are dependent on an interpretation of the Police Regulations that is at odds with current practice and the civil courts have provided an interpretation of the regulations that support the three claims. For this reason the Police and Crime Commissioner has obtained permission from the Court of Appeal to appeal the judgement. A provision has been made in the 2014-15 accounts in relation to the claims of the three officers, however should the appeal be unsuccessful this may prompt further claims. It is not possible to quantify this liability as the number and value of potential claims is unclear. Timescales are dependent on the progress of the litigation.

During 2014-15 there were a number of legal developments in employment law that potentially may have financial consequences for police forces in England and Wales. These concern legal challenges in respect of backdated and future payments of overtime and allowances, the most prominent being the ruling of the Employment Appeal Tribunal (EAT) in November 2014 (on the treatment of regular overtime in payments for holiday pay purposes) which may impact on all forces. At the date of publication of the unaudited accounts there was insufficient information to estimate any amounts that the Police and Crime Commissioner may be liable to pay. It is also unclear when the position will become known and when the payments if required will have to be made. The Police and Crime Commissioner has therefore disclosed the recent developments as contingent liabilities rather than as provisions in the Accounts. Any backdated payments in respect of these legal developments would be funded from the existing workforce modernisation reserve.

The Pensions Ombudsman recently published a decision in a case concerning the lump sum pension payment paid to a fire-fighter on his retirement who retired in the early 2000s. The Ombudsman's findings may also have relevance to the Police Scheme given the similar commutation provisions which apply. All pension liabilities are funded by the Home Office. Given the uncertainty around this case at this early stage and the liability and amounts involved, the Ombudsman's decision is disclosed as a contingent liability.

## NOTE E.1: CAPITAL EXPENDITURE AND FINANCING

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

PCC Year Ended 31 March 2014 £'000	Group Year Ended 31 March 2014 £'000		PCC Year Ended 31 March 2015 £'000	Group Year Ended 31 March 2015 £'000
42,234	42,234	Opening capital financing requirement	42,059	42,059
		<b>Capital Investment:</b>		
3,075	3,075	Land and buildings	4,289	4,289
4,140	4,140	Vehicles & other transport	2,579	2,579
1,647	1,647	Equipment & ICT	2,160	3,708
8,862	8,862		9,028	10,576
0	0	Intangible Assets	0	0
8,862	8,862		9,028	10,576
		<b>Less Sources of Finance:</b>		
(6,109)	(6,109)	Government grants	(3,079)	(3,631)
(637)	(637)	Capital receipts	(1,181)	(1,181)
(2,291)	(2,291)	Reserves, provisions and MRP	(4,908)	(5,904)
(9,037)	(9,037)		(9,168)	(10,716)
(175)	(175)	Increase/(Decrease) in capital financing requirement for the year	(140)	(140)
42,059	42,059	Closing capital financing requirement for the year	41,919	41,919
		<b>Represented by:</b>		
		Underlying need to borrow can be analysed as follows:		
		External Borrowing (cumulative) excluding		
32,778	32,778	accruals for interest due	34,778	34,778
8,856	8,856	Internal Borrowing	6,887	6,887
425	425	Finance Lease Liabilities	254	254
42,059	42,059		41,919	41,919
		<b>Borrowing During the Year</b>		
0	0	External Borrowing	2,000	2,000
(10)	(10)	Internal Borrowing	(1,969)	(1,969)
(165)	(165)	Finance Lease	(171)	(171)
(175)	(175)		(140)	(140)

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

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

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

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

### Note

1. ACC Crime & Justice 01/04/14-27/12/14
2. ACC Crime & Justice 14/04/14-31/03/15

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.

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

### Note

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



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

<b>Remuneration Band</b>	<b>2013-14</b>	<b>2014-15</b>
£50,000 - £54,999	138	142
£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	-	-
<b>Total</b>	<b>277</b>	<b>279</b>

- 1 These figures do not include the remuneration of the senior employees and relevant police officers who have been disclosed separately.
- 2 The banding figures include both police staff and police officers remuneration.
- 3 The Police and Crime Commissioner has chosen to disclose all police officers earning more than £50,000 on a voluntary basis (the legislative requirement is to include only police officers above the rank of superintendent)
- 4 Remuneration includes exit costs as set out in the table below
- 5 The above table does not include staff paid below £50,000. These staff make up approximately 95% of the workforce.

### **Group Termination Costs**

The total group 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.

The charge to the Comprehensive Income and Expenditure statement 2014-15 excludes those exit costs provided for in the 2013-14 accounts.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band (b) and (c)		Total cost of exit packages in each band	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14 £'000	2014-15 £'000
£0 – £25,000	5	2	0	17	5	19	89	229
£25,001 - £50,000	2	2	0	2	2	4	72	136
£50,001 - £75,000	0	0	0	2	0	2	0	113
£75,001 - £100,000	1	0	0	0	1	0	83	0
£100,001+	0	0	1*	0	1	0	154	0
<b>TOTAL</b>	<b>8</b>	<b>4</b>	<b>1</b>	<b>21</b>	<b>9</b>	<b>25</b>	<b>398</b>	<b>478</b>

	£000	£000
Provision for Forecast Redundancy Costs 2013-14	(166)	0
Provision for Forecast Redundancy Costs 2014-15	0	0
Exit Costs charged to the Comprehensive Income and Expenditure Statement	<b>232</b>	<b>478</b>

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

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

## NOTE G.1: RELATED PARTY TRANSACTIONS AND PARTNERSHIPS

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

### Central government

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

### Members

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

### Officers

The Chief Executive of the Office and the Police and Crime Commissioner has written to all Senior Officers explaining the need for disclosure. No relevant transactions have been reported.

### Other Public Bodies

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

### Precepts

Year Ended 31 March 2014 £'000	<u>Billing Authority:</u>	Year Ended 31 March 2015 £'000
8,704	East Devon	8,980
5,510	Exeter	5,734
4,355	Mid Devon	4,541
5,013	North Devon	5,234
10,932	Plymouth	11,338
5,800	South Hams	6,076
7,113	Teignbridge	7,402
7,005	Torbay	7,021
3,552	Torridge	3,663
3,132	West Devon	3,188
28,758	Cornwall	29,838
219	Isles of Scilly	232
90,093		93,247
897	Adjusted for accruals	938
<u>90,990</u>		<u>94,185</u>

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

## Commissioning

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

### OPCC Commissioning and Partnerships

Expenditure 2013-14 £'000	Income 2013-14 £'000	Note	Activity	Expenditure 2014-15 £'000	Income 2014-15 £'000
1,418	(1,350)	(i)	Community Safety Partnership	1,709	(3)
561	(254)	(ii)	Youth Offending Teams and Services	549	0
152	0	(iii)	Drug and Alcohol Action teams	0	0
200	0	(iv)	SARCS	110	0
101	0	(v)	Domestic Violence	0	0
82	0	(vi)	Safeguarding Adults and Children	88	0
98	0	(vii)	Small Grants	133	0
16	(16)	(viii)	Victim Services and Restorative Justice	1,189	(1,189)
128	0	(ix)	Competed Fund	99	0
0	0	(x)	Other Local Grants and expenditure	526	(526)
<b>2,756</b>	<b>(1,620)</b>			<b>4,403</b>	<b>(1,718)</b>
<b>Other Partnerships</b>					
<b>948</b>	<b>(771)</b>		<b>Safety Camera Partnership</b>	<b>1,349</b>	<b>(1,164)</b>

There are no significant jointly controlled assets or liabilities as at 31 March 2015.

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

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

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

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

- (i) The Community Safety Partnership includes the Police and Crime Commissioner, Local Authorities, Fire and Rescue Service, Clinical Commissioning Groups, Public Health, Probation Service and the Youth Offending Service. The aim of the partnership is to work together to enable people to feel and be safe in their homes and communities.
- (ii) The Youth Offending Team and Services is funded by a combination of government grants, and contributions from the Police and Crime Commissioner, Local Authorities, Primary Care Trusts and the National Probation Service. The initiative provides programmes for young people with the intention of preventing re-offending.

- (iii) The Drug and Alcohol Action Team is a referral scheme and is a partnership between the Police and Crime Commissioner, the Local Authorities and Primary Care Trusts operating in Devon and Cornwall, the Probation Service and the Prison Service. Further assistance is provided by the Home Office and the National Treatment Agency. The team jointly commission services relating to substance misuse, education, access to information and development of services for vulnerable people.
- (iv) The Sexual Assault Referral Centres are funded by a combination of government grants, partnership grants and contributions from the Police and Crime Commissioner. The centres are set up in safe locations, where victims of sexual assault can receive medical care and counselling. Referral centres bring together all agencies and departments in one place, which helps both the victims and those investigating the crimes.
- (v) The Domestic Violence Partnership includes the Police and Crime Commissioner, Local Authorities, the National Probation Service, Primary Care Trusts and the Department of Communities and Local Government.
- (vi) The Safeguarding Adults and Children partnerships are made of 6 boards with representatives including; the Police and Crime Commissioner, Local Authorities and the NHS. The aim of the partnership is to improve and modernise the quality of service delivery to vulnerable adults, vulnerable children, their carers and local communities.
- (vii) Small grants scheme partnership includes the Police and Crime Commissioner and Community groups in Devon and Cornwall. The aim of this grant is to help small community groups whose work focuses on reducing crime and making people feel safer.
- (viii) Victim Services and Restorative Justice partnership includes the Police and Crime Commissioner and local victim services. The aim of this funding is to support providers in providing services to victims of sexual violence and domestic abuse.
- (ix) Competed Fund Grant was awarded in 2014-15 by the Ministry of Justice following a successful bid against set criteria in relation to Local Commissioning of Victims Support Services.

## Collaborations

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

Expenditure	Income		Expenditure	Income
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	South West Regional Forensics Services	1,017	(274)
398	0	South West Procurement Services	410	0
1,094	0	Zephyr	1,250	0
<u>1,492</u>	<u>0</u>		<u>3,708</u>	<u>(274)</u>

### South West Regional Special Branch

South West Regional Special Branch is a partnership with Avon and Somerset Police, Dorset Police and Wiltshire Police. Each Force has a committed number of staff who are based within their own Force area, but work on behalf of the four Forces. The overall cost for the year 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 £722k. Prior to the introduction of the formal collaboration, set up costs were incurred which were not reported in 2013-14.

### South West Procurement Services

South West Procurement Services is a partnership between Devon and Cornwall Police, Dorset Police, Wiltshire Police and Gloucestershire Police. Staff are based across the region, with them all employed by Devon & 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 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 H.1: STATEMENT OF ACCOUNTING POLICIES**

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

The principal accounting policies adopted are set out below.

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

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

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

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

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short term investments that are readily convertible to known amounts of cash without penalty and with insignificant risk of change in value.

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

### **c. Exceptional Items**

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

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

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

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

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

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

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

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

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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 requires that items listed in Other Comprehensive Income and Expenditure must be grouped into those items that:

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

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

**g. Employee Costs and Benefits**

**(i) Benefits Payable During Employment**

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

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

**(ii) Termination Benefits**

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

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

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

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

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

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

#### Police Officers' Pension Schemes

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

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

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

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

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



### Police Officer Injury Benefits

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

### The Local Government Pension Scheme

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

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

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

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

### Discretionary Benefits

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

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

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

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

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

#### **i. Financial Instruments**

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

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

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

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

Financial assets may be classified into three types:

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

### Loans and Receivables

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

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

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

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

### Available for Sale

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **m. Leases**

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

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

##### PCC Group as Lessee

##### **(i) Finance Leases**

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

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

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

(ii) Operating Leases

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

Group as Lessor

(i) Operating Leases

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

**n. Overheads and Support services**

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

**o. Intangible Assets**

(i) Recognition

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

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

(ii) Measurement

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

(iii) Amortisation

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

(iv) Impairment

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

**p. Plant, Property and Equipment**

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

(i) Recognition

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

(ii) Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

Assets are then carried on the Balance Sheet using the following measurement bases

- Assets under construction – historical cost
- Land and Buildings – fair value determined as the amount that would be paid for the asset in its existing use. Where insufficient market-based evidence of fair value is available Depreciated Replacement Cost has been used by the Police and Crime Commissioner valuer as an estimate of fair value. Land and buildings are re-valued by a qualified external valuer every five years and this was last done as at 1 January 2015.
- For vehicles, plant and equipment that have short lives or low value or both, depreciated historical cost is used as a proxy for fair value.

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

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

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

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

#### (iii) Impairment

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

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

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

#### (iv) Depreciation

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

The depreciation policy for assets is as follows:

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

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

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

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

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

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

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

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

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

Provisions

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

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

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

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

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



### Contingent Liabilities

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

### Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **r. Reserves and Funds**

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to be scored against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement in the year. The reserve is then appropriated back to the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, retirements and employee benefits and do not represent usable resources to the Group – the reserves are explained in the relevant policies.

## **s. Intra Group Funding and Cost Recognition**

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

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

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

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

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

## **u. VAT**

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

## NOTE H.2: SIGNIFICANT ESTIMATES AND JUDGEMENTS

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

- The PCC Group has had to make judgements about the allocation of expenditure between the Police and Crime Commissioner and the Chief Constable to reflect the financial resources of the Police and Crime Commissioner consumed at the request of the Chief Constable. The basis adopted was arrived at after considering the CIPFA SeRCOP and other CIPFA guidance.
- A provision has been established in the Police and Crime Commissioner's Balance Sheet to reflect the continuing requirement on an elected policing body as required under the Police Reform and Social responsibility Act 2011 to provide funds to the Chief Constable from the Police Fund for the payment of pensions and other employee benefits. Should the Police and Crime Commissioner be required to settle future pensions liabilities there is no long term expectation on the Home Office to provide funding. Similarly the Chief Constable could not be expected to fund the liability as the Chief Constable (the current grant arrangements notwithstanding) has no assets, cash reserves, income receipts or other sources of funding. In our judgement, it is reasonable to expect that should the PCC Group be required to settle future pensions liabilities (however unlikely this may be), then settlement would result in an outflow of resources from the Police and Crime Commissioner.
- Estimation of the pension element of the provision (set out above) is on the basis of apportionment of the total actuarially assessed liability for future pensions benefits for the Group between the two corporate bodies on the basis of current cashflows.
- Note D.7 describes liabilities with regard to potential claims against the Police and Crime Commissioner. Judgement has been applied in determining that for each of these actual or potential claims, either the outflow of resources is not probable or the obligation cannot be estimated with sufficient reliability. For this reason the appropriate accounting treatment is judged to be disclosure of a contingent liability rather than the making of a provision.
- In relation to the potential liability to pay holiday pay as set out in Note D.7, the judgement of the Police and Crime Commissioner is that the level of uncertainty with regard to these liabilities is too high to provide a reasonable estimate.
- It is clear from the Comprehensive Spending Review 2010 and the Chancellors Budget 2013 that funding for policing will reduce over the next four years. In response to this reduction in funding the Police and Crime Commissioner is rationalising the estate and disposing of surplus property. It is judged that this process means that the capacity of the estate will remain in line with operational requirements and assets will not become impaired to any material degree as a result of a need to close facilities and reduce levels of service provision.

### NOTE H.3: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Police and Crime Commissioner will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The estimated value of property, plant and equipment as at 31 March 2015 is £152.410m.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.411m for every year that useful lives had to be reduced.
<b>Provisions</b>	The Police and Crime Commissioner has made a provision of £1.239m to cover the cost of self insured public and employers' liability claims. The cost of these claims has been estimated by the Force Legal Team.	A 10 percent increase in the cost of the outstanding claims would increase the charge to the Comprehensive Income and Expenditure Account by £0.124m.
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Police and Crime Commissioner with expert advice about the assumptions to be applied. The total value of pension liabilities as at 31 March 2015 is £2,924.468m.	The effects on the net pensions liability of changes in individual assumptions are shown in note I.5 (d) and (k).

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

These accounts were approved by the Police and Crime Commissioner for Devon and Cornwall on XX September 2015. There were no significant post balance sheet events up to this date.

## NOTE I.1: FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	As at	As at	As at	As at
	31 March	31 March	31 March	31 March
	2014	2015	2014	2015
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	5,025	0	22,041	31,144 (a)
Available for sale Financial Assets	1,780	0	0	18,032 (b)
<b>Total Investments</b>	<u>6,805</u>	<u>0</u>	<u>22,041</u>	<u>49,176</u>
<b>Debtors</b>				
Sundry Debtors – other entities & individuals (see note D.3)	0	0	4,895	5,608
<b>Total Debtors</b>	<u>0</u>	<u>0</u>	<u>4,895</u>	<u>5,608</u>
<b>Borrowings</b>				
Financial Liabilities at amortised cost	30,778	34,778	2,528	541 (c)
<b>Total Borrowings</b>	<u>30,778</u>	<u>34,778</u>	<u>2,528</u>	<u>541</u>
<b>Finance Lease Liabilities - Lease Finance</b>				
Finance Lease Liabilities	250	64	0	0 (d)
<b>Total Finance Lease Liabilities</b>	<u>250</u>	<u>64</u>	<u>0</u>	<u>0</u>
<b>Creditors</b>				
Creditors – trade payables (see note D.3)	0	0	21,314	20,462 (d)
<b>Total Creditors</b>	<u>0</u>	<u>0</u>	<u>21,314</u>	<u>20,462</u>

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

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

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

(d) Short term liabilities in relation to lease finance are contained within creditors trade payable .

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

For Year Ended 31 March 2015

	Financial Liabilities measured at amortised cost £'000	Financial Assets Loans and Receivables £'000	Available for sale assets £'000	Total £'000
Interest Expense	1,310	0	0	1,310
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>1,310</b>	<b>0</b>	<b>0</b>	<b>1,310</b>
Interest Income	0	(488)	(87)	(575)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(488)</b>	<b>(87)</b>	<b>(575)</b>
<b>Net (gain)/loss for year</b>	<b>1,310</b>	<b>(488)</b>	<b>(87)</b>	<b>735</b>

For Year Ended 31 March 2014 (Provided for comparative purposes)

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

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

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

- The fair value balances for financial assets as at 31 March 2015 have been calculated using interest rates in force as at 31 March 2014 and 2015.
- The long-term borrowing as at 31 March 2014 and 31 March 2015 have been calculated by reference to the premature repayment set of rates in force as at the respective dates.
- The fair value of trade or other receivables is taken to be the invoiced or billed amount.

<u>Financial Assets</u>	As at 31 March 2014	As at 31 March 2014	As at 31 March 2015	As at 31 March 2015
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
<b>Long Term Assets</b>				
Long Term Investments	6,805	6,806	0	0
<b>Current Assets</b>				
Short Term Investments	22,041	22,093	49,176	49,227
Sundry Debtors* - other entities & individuals	4,895	4,895	5,608	5,608
	<b>33,741</b>	<b>33,794</b>	<b>54,784</b>	<b>54,835</b>

\*See note D.3

<u>Financial Liabilities</u>	As at 31 March 2014	As at 31 March 2014	As at 31 March 2015	As at 31 March 2015
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
<b>Long Term Liabilities</b>				
Borrowing	30,778	37,463	34,778	45,093
Finance Lease liabilities	250	250	64	64
<b>Current Liabilities</b>				
Short Term Borrowing	2,528	0	541	541
Creditors*	21,314	21,314	20,462	20,462
	<b>54,870</b>	<b>59,027</b>	<b>55,845</b>	<b>66,160</b>

\*See note D.5

## **NOTE 1.2: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND HOW THE PCC MANAGES THOSE RISKS**

The Police and Crime Commissioner's activities expose it to a variety of financial risks:

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

### Overall Procedures for Managing Risk

The Police and Crime Commissioner's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are contained in the Local Government Act 2003 and the associated regulations. These require the Police and Crime Commissioner to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall, the Police and Crime Commissioner has met these requirements in 2014-15 by:

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

### Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch Ratings Service. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria (as at 31 March 2015) in respect of financial assets held by the Police and Crime Commissioner are contained within the Treasury Management strategy which is published on the Police and Crime Commissioner's website.

The Police and Crime Commissioner's maximum exposure to credit risk in relation to its investments in financial institutions of £49.176m can be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Police and Crime Commissioner's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

The Police and Crime Commissioner has some exposure to default and uncollectability in relation to customers. This exposure is small in relation to both the total income of the Police and Crime Commissioner and in terms of income from customers.

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

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

31 March 2014		31 March 2015
£'000		£'000
1,098	Not past due date	531
58	1- 30 days past due date	45
139	31-50 days past due date	27
104	51 days and more past due date	157
<u>1,399</u>	Total	<u>760</u>

#### Liquidity Risk

The Police and Crime Commissioner has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Police and Crime Commissioner has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Police and Crime Commissioner will be bound to replenish a significant proportion of its borrowing at a time of unfavourable rates. Borrowing has been planned to avoid a large amount of debt maturing in any one year. The maturity analysis of financial liabilities (including accrued interest) is as follows:

31 March 2014		31 March 2015
£'000		£'000
2,528	Less than one year	0
4,500	Between one and ten years	4,500
26,278	More than ten years	30,278
<u>33,306</u>	Total	<u>34,778</u>

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

#### Market Risk

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

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

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

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

#### Price Risk

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

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



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

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

For Year Ended 31 March 2015

	Usable Reserves			Unusable Reserves
	General Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	£'000
<b><u>Adjustments involving the Capital Adjustment Accounts:</u></b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non current assets	7,355			(7,355)
Revaluation losses on Assets Held for Sale	0			0
Amortisation of Intangible Assets	152			(152)
Revaluation gains/losses on Property Plant and Equipment	4,596			(4,596)
Capital grant applied to finance capital expenditure			(3,631)	3,631
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	1,551			(1,551)
<b>Insertion of items not debited or credited to the CI&amp;E:</b>				
Statutory provision for the financing of capital investment	(1,658)			1,658
Capital expenditure charged against the General Fund	(4,246)			4,246
<b><u>Adjustments involving the Capital Grants Unapplied:</u></b>				
Capital Grants and Contributions unapplied credited to CI&E	(3,014)		3,014	0
<b><u>Adjustments involving the Pensions Reserve:</u></b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure				
Police Officers (Unfunded) Schemes	157,003			(157,003)
Police Staff	17,594			(17,594)
Employer's pensions contributions and direct payments to pensioners payable in the year				
Police Officers (Unfunded) Schemes	(29,524)			29,524
Police Staff	(7,865)			7,865
Pensions Top Up Grant	(35,836)			35,836
<b><u>Adjustments primarily involving the Capital Receipts Reserve:</u></b>				
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the CI&E	(1,820)	1,820		0
Use of capital receipts to finance new expenditure		(1,182)		1,182
<b><u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u></b>				
Amount by which finance costs charged to the CI&E are different from finance costs chargeable in the year in accordance with statutory requirements				
	0			0
<b><u>Adjustments involving the Collection Fund Adjustment Account:</u></b>				
Amount by which council tax income credited to the CI&E is different from council tax income calculated for the year in accordance with statutory requirements				
	(937)			937
<b><u>Adjustment involving the Short Term Compensated Absences Adjustment Account:</u></b>				
Amount by which staff and officers remuneration charged to the CI&E on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements				
	(477)			477
<b>Total Adjustments</b>	<b>102,874</b>	<b>638</b>	<b>(617)</b>	<b>(102,895)</b>

For Year Ended 31 March 2014

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

## NOTE I.4: MOVEMENTS IN UNUSABLE RESERVES

### Revaluation Reserve

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

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

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

Year Ended 31 March 2014 £'000      £'000		Year Ended 31 March 2015 £'000      £'000	
	<b>20,373</b>		<b>18,864</b>
	Balance as at 1 April		
	Upward/(Downward) revaluation of assets - not posted to the Surplus or Deficit on the		
	(275) Provision of Services		9,808
(1,167)	Difference between fair value depreciation and historical cost depreciation	(969)	
(67)	Accumulated gains on assets sold or scrapped	0	
	Amount written off to the Capital Adjustment (1,234) Account		(969)
	<b>18,864</b>		<b>27,703</b>
	Balance at 31 March		

### Capital Adjustment Account

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

Year Ended		Year Ended
31 March 2014		31 March 2015
PCC Group		PCC Group
£'000		£'000
<b>91,200</b>	<b>Balance at 1 April</b>	<b>88,855</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(6,138)	Charges for depreciation and impairment of non-current assets	(7,354)
(153)	Amortisation of intangible assets	(152)
0	Revaluation losses on Property, Plant and Equipment	(4,596)
(764)	Revaluation losses on Assets Held – for Sale	
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,551)
(5,132)	or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(429)		(13,653)
(12,616)	Adjusting amounts written out of the Revaluation Reserve	969
1,234	Net written out amount of the cost of non-current assets consumed in the year	(12,684)
(11,382)		
	<b>Capital Financing applied in the year:</b>	
637	Use of the Capital Receipts Reserve to finance new capital expenditure	1,181
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,631
6,109	Application of grants to capital financing from the Capital Grants Unapplied Account	0
0	Statutory provision for the financing of capital investment charged against the General Fund balances	1,658
1,560	Capital expenditure charged against the General Fund balances	4,246
731		10,716
9,037		86,887
<b>88,855</b>	<b>Balance at 31 March</b>	

## Pension Reserve

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

Year Ended 31 March 2014			Year Ended 31 March 2015	
PCC £'000	Group £'000		PCC £'000	Group £'000
<b>(2,198,398)</b>	<b>(2,198,398)</b>	<b>Balance at 1 April</b>	<b>(2,453,915)</b>	<b>(2,453,915)</b>
(254,545)	0	Intra- group adjustments	(468,854)	0
		Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(371)	(174,597)
		Employer's pensions contributions and direct payments to pensioners payable in the year	165	73,225
		Actuarial (gains)/losses on pensions assets and liabilities	(1,494)	(369,181)
<b>(2,453,915)</b>	<b>(2,453,915)</b>	<b>Balance at 31 March</b>	<b>(2,924,469)</b>	<b>(2,924,468)</b>

## Collection Fund Adjustment Account

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

Year Ended 31 March 2014			Year Ended 31 March 2015	
£'000			£'000	
<b>1,583</b>		<b>Balance at 1 April</b>		<b>2,480</b>
		Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements		937
897				
<b>2,480</b>		<b>Balance at 31 March</b>		<b>3,417</b>

## Short Term Accumulated Absences Account

Year Ended 31 March 2014			Year Ended 31 March 2015	
PCC £'000	Group £'000		PCC £'000	Group £'000
<b>(13)</b>	<b>(9,706)</b>	<b>Balance at 1 April</b>	<b>(17)</b>	<b>(8,921)</b>
13	9,706	Settlement or cancellation of accrual made at the end of the proceeding year	17	8,921
<u>(17)</u>	<u>(8,921)</u>	Amounts accrued at the end of the current	<u>(17)</u>	<u>(8,444)</u>
(4)	785	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	0	477
<u><b>(17)</b></u>	<u><b>(8,921)</b></u>	<b>Balance at 31 March</b>	<u><b>(17)</b></u>	<u><b>(8,444)</b></u>

## Available for Sale Financial Instruments Reserve

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

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

Year Ended 31 March 2014 £'000			Year Ended 31 March 2015 £'000	
<b>0</b>		<b>Balance at 1 April</b>	<b>43</b>	
43		Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(43)	
<u>43</u>			<u>0</u>	
<u><b>43</b></u>		<b>Balance at 31 March</b>	<u><b>0</b></u>	

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

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

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

From 1 April 2006 the Police Officers' pension scheme was replaced by a "new Police Pension Scheme". The new scheme is open to all new recruits. Both of the police officer pension schemes are unfunded defined benefit final salary schemes administered by the Chief Constable for Devon and Cornwall, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Pensions are financed from the Group's and employee's (police officers) contributions. Any deficit is met by the Home Office in the form of a top up grant. The Group's and the employee contributions are paid into a separate Police Officers' Pension Fund Account. The details of this account are provided on page 90.

Police Pension Fund Regulations require Police and Crime Commissioner's to transfer a sum not exceeding the amount that the Police Pensions Fund is in deficit at 31 March from the Police and Crime Commissioners General Fund in to the Police Pensions Fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up-grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Police and Crime Commissioner, which then must repay the amount to central government. The Group makes payments under the Police Injury Benefits Regulations. These payments are accounted for in the same way as payments under the main police officer pension scheme (see H.1), the independent actuary has estimated the costs and they are included within Police Officers scheme disclosure.

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

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

Year Ended 31 March 2014 Old Scheme £'000	Year Ended 31 March 2014 New Scheme £'000	<b><u>Comprehensive Income and Expenditure Account</u></b>	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>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)	Other	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**

Reconciliation of present value of the scheme liabilities:

Year Ended 31 March 2014	Year Ended 31 March 2014		Year Ended 31 March 2015	Year Ended 31 March 2015
Old Scheme	New Scheme		Old Scheme	New Scheme
£'000	£'000		£'000	£'000
<b>(2,048,321)</b>	<b>(31,473)</b>	<b>Opening balance at 1 April</b>	<b>(2,285,601)</b>	<b>(41,542)</b>
(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	Losses(gains) on curtailment (where relevant)	0	0
0	0	Liabilities assumed on entity combinations	0	0
78,214	(303)	Benefits paid	79,786	(242)
1,240	0	Injury pension payments	1,255	0
<b>(2,285,601)</b>	<b>(41,542)</b>	<b>Closing balance at 31 March as recognised in the balance sheet</b>	<b>(2,683,283)</b>	<b>(59,065)</b>

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

The liabilities show the underlying commitments that the Police and Crime Commissioner has in the longrun to pay retirement benefits. The total liability of £2.74 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 £26,759k.

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

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

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

The significant assumptions used by the actuary have been:

Year Ended 31 March 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>Financial 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
	Increase in Assumption £'000	Decrease in Assumption £'000
<b>New Scheme</b>		
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 Police and Crime Commissioner and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

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

The Group recognises the cost of retirement benefits for police staff in the reported cost of services when they are earned by police 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	Year Ended 31 March 2014	<b>Comprehensive Income and Expenditure Account</b>	Year Ended 31 March 2015	Year Ended 31 March 2015
PCC	Group		PCC	Group
£'000	£'000		£'000	£'000
		<i>Cost of Services</i>		
		Service cost comprising:		
213	12,708	Current service cost	244	11,600
2	74	Past service cost	7	339
2	112	Administration Expenses	3	119
0	0	(gain)/loss from settlements	0	0
		<i>Financing and Investment Income and Expenditure</i>		
89	5,278	Net Interest expense	116	5,536
<b>306</b>	<b>18,172</b>	<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>370</b>	<b>17,594</b>
		<i>Other Post Employment Benefits Charged to Comprehensive Income and Expenditure Statement</i>		
		Remeasurement of the net defined benefit liability comprising:		
(2)	(128)	Return on plan assets (excluding the amount included in the net interest expense)	(253)	(12,018)
(51)	(3,013)	Actuarial gains and losses arising on changes in demographic assumptions	0	0
324	19,277	Actuarial gains and losses arising on changes in financial assumptions	1,210	57,577
5	281	Other	0	0
(310)	(18,482)	Experience loss/gain on defined benefit obligation	1	60
<b>271</b>	<b>16,107</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>1,328</b>	<b>63,213</b>

# Movement in Reserves Statement

(306)	(18,172)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(370)	(17,594)
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## **Actual amount charged against the General Fund Balance for pensions in the year:**

Funded Liabilities			Funded Liabilities	
PCC	Group		PCC	Group
131	7,778	Employers' contributions payable to scheme	165	7,701
Unfunded Liabilities			Unfunded Liabilities	
PCC	Group		PCC	Group
0	161	Employers' contributions payable to scheme	3	164
PCC	Group		PCC	Group
127	7,538		166	7,918
		Retirement benefits payable to pensioners (net of transfers in)		

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

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

Year Ended 31 March 2014			Year Ended 31 March 2015	
PCC £'000	Group £'000		PCC £'000	Group £'000
(5,683)	(338,435)	Present value of the defined benefit obligation	(8,792)	(418,279)
3,554	211,663	Fair value of plan assets	4,964	236,159
<b>(2,129)</b>	<b>(126,772)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(3,828)</b>	<b>(182,120)</b>

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

Reconciliation of present value of the scheme liabilities:

Year Ended 31 March 2014	Year Ended 31 March 2014		Year Ended 31 March 2015	Year Ended 31 March 2015
PCC £'000	Group £'000		PCC £'000	Group £'000
<b>(3,101)</b>	<b>(317,950)</b>	<b>Opening balance at 1 April</b>	<b>(5,683)</b>	<b>(338,435)</b>
(213)	(12,708)	Current service cost	(244)	(11,600)
(244)	(14,524)	Interest cost	(318)	(15,128)
(52)	(3,096)	Contributions from scheme participants	(68)	(3,222)
		Remeasurement (gains) and losses:		
51	3,013	Actuarial gains/losses arising from changes in demographic assumptions	0	0
(324)	(19,277)	Actuarial gains/losses arising from changes in financial assumptions	(1,210)	(57,577)

310	18,482	Experience loss/gain on defined benefit obligation	(1)	(60)
(2,239)	0	Apportionment Adjustment	(1,430)	0
(1)	(74)	Past service cost including losses/gains on curtailments	(7)	(339)
0	0	Liabilities assumed on entity combinations	0	0
129	7,699	Benefits paid	170	8,082
0	0	Liabilities extinguished on settlements	0	0
<b>(5,683)</b>	<b>(338,435)</b>	<b>Closing balance at 31 March</b>	<b>(8,791)</b>	<b>(418,279)</b>

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

Year Ended 31 March 2014	Year Ended 31 March 2014		Year Ended 31 March 2015	Year Ended 31 March 2015
PCC	Group		PCC	Group
£'000	£'000		£'000	£'000
<b>1,944</b>	<b>199,346</b>	<b><u>Opening fair value of scheme assets</u></b>	<b>3,554</b>	<b>211,663</b>
155	9,246	Interest income	202	9,592
		Remeasurment gain/(loss):		
2	128	The return on plan assets, excluding the amount included in the net interest expense	253	12,018
1,403	0	Apportionment Adjustment	895	0
(2)	(112)	Administration expenses	(3)	(119)
0	0	The effect of changes in foreign exchange rates	0	0
133	7,939	Contributions from employer	165	7,865
52	3,096	Contributions from employees into the scheme	68	3,222
(129)	(7,699)	Benefits paid	(170)	(8,082)
(5)	(281)	Other	0	0
<b>3,554</b>	<b>211,663</b>	<b>Closing fair value of scheme assets</b>	<b>4,964</b>	<b>236,159</b>

The Police and Crime Commissioner's Group contribution to the Local Government Pension Scheme for the accounting period to 31 March 2016 is estimated to be £7,958k of which £167k is for the Police and Crime Commissioner. Expected payments for discretionary benefits for the accounting period to 31 March 2016 are estimated to be £167k of which £4k is for the Police and Crime Commissioner.

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

Year Ended 31 March 2014 £'000			Year Ended 31 March 2015 £'000		
PCC	Group	<b><u>Fair Value of Scheme assets</u></b>	PCC	Group	
		<b>Cash and cash equivalents</b>			
924	55,032	UK Equities	1,253	59,617	
1,208	71,965	Overseas Equities	1,689	80,358	
249	14,816	Gilts	305	14,497	
178	10,583	Other Bonds	168	8,003	
320	19,052	Property	508	24,186	
71	4,233	Infrastructure	135	6,409	
533	31,749	Target Return Portfolio	732	34,810	
71	4,233	Cash	85	4,063	
0	0	Alternative Assets	89	4,216	
<b>3,554</b>	<b>211,663</b>	<b>Total</b>	<b>4,964</b>	<b>236,159</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>Financial 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 reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

	Increase in Assumption £'000	Decrease in Assumption £'000
<b>PCC</b>		
Mortality age rating assumption (increase or decrease in 1 year)	(304)	307
Rate of increase in salaries (increase or decrease by 0.1%)	35	(35)
Rate of increase in pensions (increase or decrease by 0.1%)	154	(151)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(184)	188
<b>Group</b>		
Mortality age rating assumption (increase or decrease in 1 year)	(14,478)	14,609
Rate of increase in salaries (increase or decrease by 0.1%)	1,686	(1,673)
Rate of increase in pensions (increase or decrease by 0.1%)	7,338	(7,168)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(8,757)	8,953

### Other Assumptions

It is assumed that:

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

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

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

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

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

These notes relate to the cashflow statement on page 22.

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

The cashflows for operating activities include the following items:

31 March 2014 £'000		31 March 2015 £'000
(13,533)	Net cash (receipts)/payments from operating activities excluding interest receipts and payments	(12,711)
(489)	Interest received	(465)
1,329	Interest paid	1,310
<b>(12,693)</b>	<b>Net Cash flows from operating activities</b>	<b>(11,866)</b>

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

31 March 2014 £'000		31 March 2015 £'000
8,812	Purchase of property, plant and equipment, investment property and intangible assets	10,330
(24,450)	Net movement in short and long term investments	20,176
(1,847)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,820)
<b>(17,485)</b>	<b>Net cash flows from investing activities</b>	<b>28,686</b>

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

31 March 2014 £'000		31 March 2015 £'000
68	Grant Receipts in Advance - Capital	0
0	Net cash receipts from long term borrowing	(2,000)
165	Cash payments to reduce finance lease liabilities	0
<b>233</b>	<b>Net cash flows from financing activities</b>	<b>(2,000)</b>



## NOTE I.7: OPERATING LEASES

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

As at 31 March 2014		As at 31 March 2015	
£'000		£'000	
885	Not later than one year	850	
2,395	Later than one year and not later than five years	2,431	
<u>1,547</u>	Later than five years	<u>2,050</u>	
<u><u>4,827</u></u>		<u><u>5,331</u></u>	

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

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

Year Ended 31 March 2014	Year Ended 31 March 2015
£'000	£'000
<u>1,142</u>	<u>1,119</u>

## POLICE OFFICERS' PENSION FUND ACCOUNTING STATEMENTS

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

### Police Officer Pension Fund Revenue Account

31 March 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	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. There are no short term assets or liabilities.

#### Notes

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

The main benefits payable are police officer pensions, lump sums that represent the commutation of pensions and other lump sum payments. The Chief Constable paid a contribution equal to 24.2% of police officer pay for 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.5.

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*

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## 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 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.

### 3.3 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.

### 3.4 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.

## 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 compliments 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 within Annex 8. 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).
  - 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.