




Police and Crime Commissioner for Devon and Cornwall

Statement of Accounts

year ending
31 March
2017



Police and Crime Commissioner for Devon and Cornwall

Statement of Accounts 2016-17 and Related Reports and Statements

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NARRATIVE REPORT by DUNCAN WALTON, TREASURER

1 Introduction

- 1.1 Welcome to the Police and Crime Commissioner's Statement of Accounts for 2016-17. The statement of accounts reports the income and expenditure on service provision for the year and the value of the Police and Crime Commissioner's assets and liabilities at the end of the financial year. This is done in accordance with proper accounting practices as defined in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 1.2 The primary function of the Police and Crime Commissioner is to secure the maintenance of an efficient and effective police service in Devon, Cornwall and the Isles of Scilly and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996. The Police and Crime Commissioner and the Chief Constable form an accounting group for reporting purposes. This set of accounts includes the Statements for the Police and Crime Commissioner Group and for the Police and Crime Commissioner as a single entity. The Chief Constable's single entity accounts are published separately. Further information on the structure of the group is provided in note A.1 on page 26.
- 1.3 The aim of this narrative report is to provide an easily understandable explanation of the Police and Crime Commissioner Group's financial performance in 2016-17 and its position at the end of the year. Information is also provided on financial and non-financial performance indicators.
- 1.4 The accounting policies of the Police and Crime Commissioner mean that the 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 7 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 17 and 18) and for the Police and Crime Commissioner (page 19 and 20) as a single entity, shows the changes in the Police and Crime Commissioner's financial resources over the year
 - **Expenditure and Funding Analysis** – presents the performance of the Police and Crime Commissioner and the Chief Constable in comparison with the funding allocated for the year. This is reconciled to the Comprehensive Income and Expenditure Statement so that the difference between the two accounting bases are more transparent.
 - **Comprehensive Income and Expenditure Statement** - for the Group (page 22) and for the Police and Crime Commissioner as a single entity (page 23), these show the gains and losses that contributed to the changes in resources
 - **Balance Sheet as at 31 March 2017** (page 24), 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 25), shows how the movement in resources has been reflected in cash flows
- 2.2 The notes to the accounts include the accounting policies and gives further information on the entries within the main statements as well as supplementary information. All notes relate to the Group Statements unless it is otherwise specified. These are further supplemented by a glossary of terms.

Changes in Accounting Policies

- 2.3 In accordance with IAS1 Presentation of Financial Statements, there have been changes to the

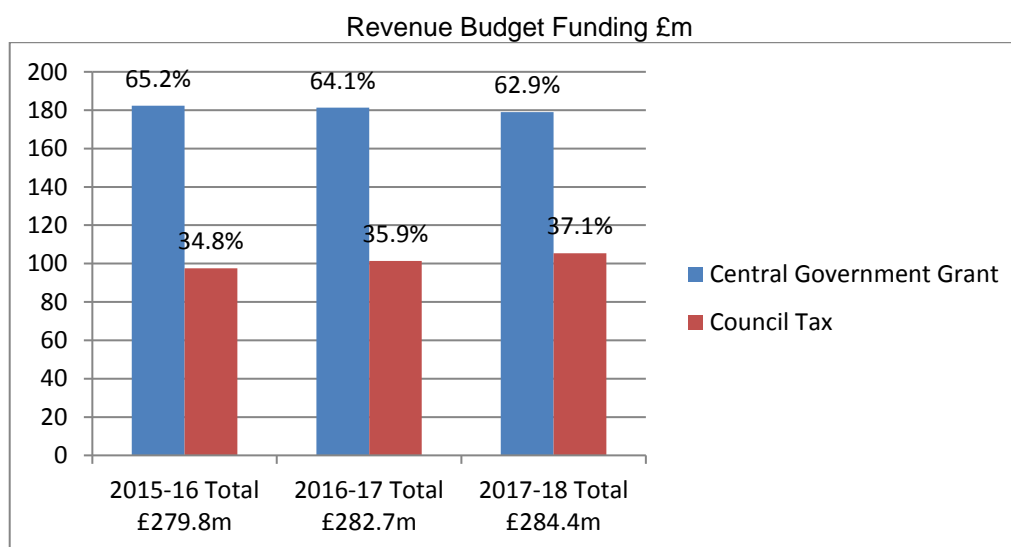
presentation of the financial statements and the introduction of a new statement, namely the Expenditure and Funding Analysis and supporting notes to that statement. There has been no impact on the balances of the accounts.

- 2.4 The changes to the code remove the requirement to report services in accordance with the specifications Service Expenditure Analysis in the Service Reporting Code of Practice (SeRCOP) which was aligned with the Police Objective Analysis.
- 2.5 The code now requires the Police and Crime Commissioner and Chief Constable to report performance on the basis of how the Police and Crime Commissioner Group is structured and how the Group operate and manage financial performance.
- 2.6 This new way of reporting is shown in the Expenditure and Funding Analysis which provides a direct reconciliation between the way the Police and Crime Commissioner Group is funded and its budget and the Comprehensive Income and Expenditure Statement.
- 2.7 The Expenditure and Funding Analysis is supported by a more streamlined Movement in Reserves Statement and it replaces the segmental reporting note.

3 Financial Performance of the Police and Crime Commissioner in 2016-17 and Position at 31 March 2017.

Resources Available in 2016-17

- 3.1 The budget for 2016-17 was set in the context of a reduction in funding; Home Office formula grant was reduced by £0.9m or 0.6% in 2016-17, in addition further reductions are anticipated. These anticipated reductions do not take into account the outcome of the formula funding review which is yet to be announced.
- 3.2 The Commissioner, in consultation with the Police and Crime Panel, decided to increase the council tax by 1.99% so that services to the public could be maintained against a back drop of reducing central funding. Council tax was set at £176.28 for a band D property, the second lowest in the South West region and below the national average. This meant that overall funding in 2016-17 was £3.6m less than it was in 2015-16.
- 3.3 The revenue budget income graph below shows main funding sources in 2016-17 as well as the funding in the previous and following year for comparative purposes. In 2015-16 central government grant was 65.2% of revenue budget, in 2016-17 it fell to 64.1% of funding and in 2017-18 it will fall to 62.9% of total revenue funding.



Setting the Financial Strategy for 2016-17 and Beyond

- 3.4 The Police and Crime Commissioner takes a multi-year approach to budget setting and a significant factor in setting the 2017-18 budget was the expectation of continuing reductions in central government funding over the following three years of the Medium Term Financial Strategy (MTFS). For this reason a four year savings plan was agreed that aimed to achieve total savings of £26.7m by 2019-20.

Table 1: The Four Year Medium Term Financial Strategy 2016-17

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Forecast Budget Income	282.7	284.4	285.7	287.9
Budgeted contributions (to)/from the Revenue Support Fund	0.0	0.4	4.5	5.5
Forecast Expenditure excluding contribution to/from reserves	282.7	284.8	290.2	293.4

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

Table 2: The Four Year Medium Term Financial Strategy 2016-17 – Savings

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Savings Required	6.2	5.8	6.5	8.2

Actual Expenditure 2016-17

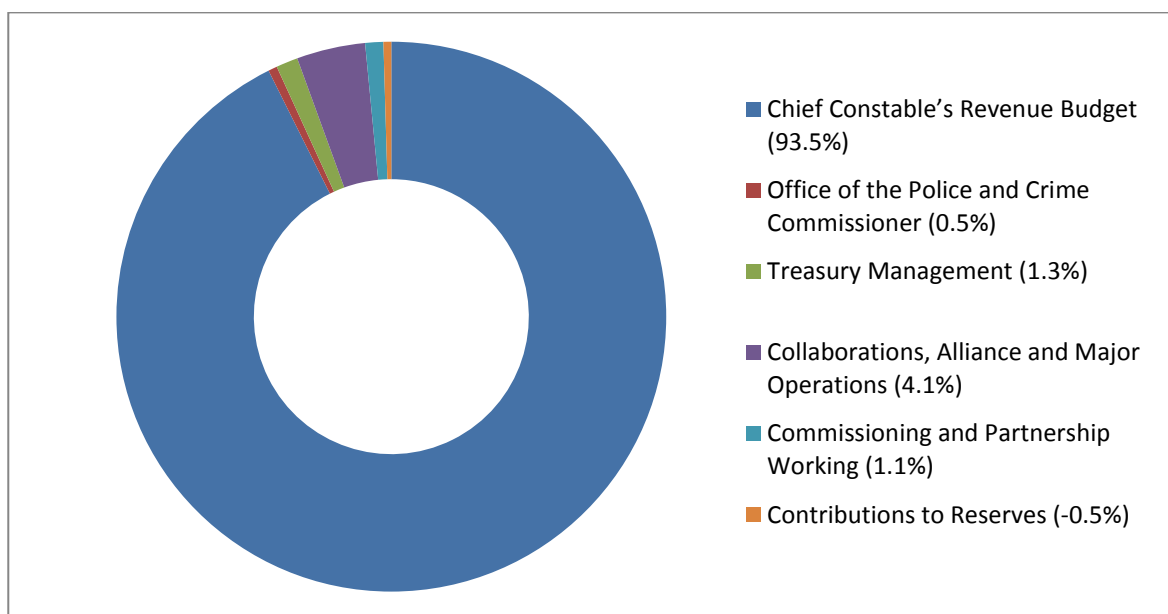
- 3.6 The final outturn position for the Police and Crime Commissioner Group for 2016-17 is £4,432k less than the original budget plan, £134k of this relates to an under-spending on the Office cost of the Police and Crime Commissioner; expenditure and income is summarised in the table below:

Table 3: The Outturn Position

	2016-17 Revised Budget Expenditure and Income £'000	2016-17 Actual Expenditure and Income £'000	Variation £'000
Chief Constable's Revenue Budget	275,280	264,698	(10,582)
Office of the Police and Crime Commissioner	1,625	1,491	(134)
Treasury Management	2,618	2,706	88
Collaborations, Alliance and Major Operations	10,387	11,521	1,134
Commissioning and Partnership Working	3,052	3,039	(13)
Net contribution to/(from) Earmarked Reserves	(10,232)	(5,157)	5,075
Net Spending before transfer of funds	282,730	278,298	(4,432)
Transfer of committed funds to Earmarked Reserves	0	3,571	3,571
Transfer of uncommitted funds to Earmarked Reserves	0	861	861
Net Spending	282,730	282,730	0
Revenue Funding			
Government Grant including Council Tax Benefit Grant	181,309	181,309	0
Council Tax*	101,421	101,421	0
Total Funding	282,730	282,730	0

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

How the £282.7m was spent



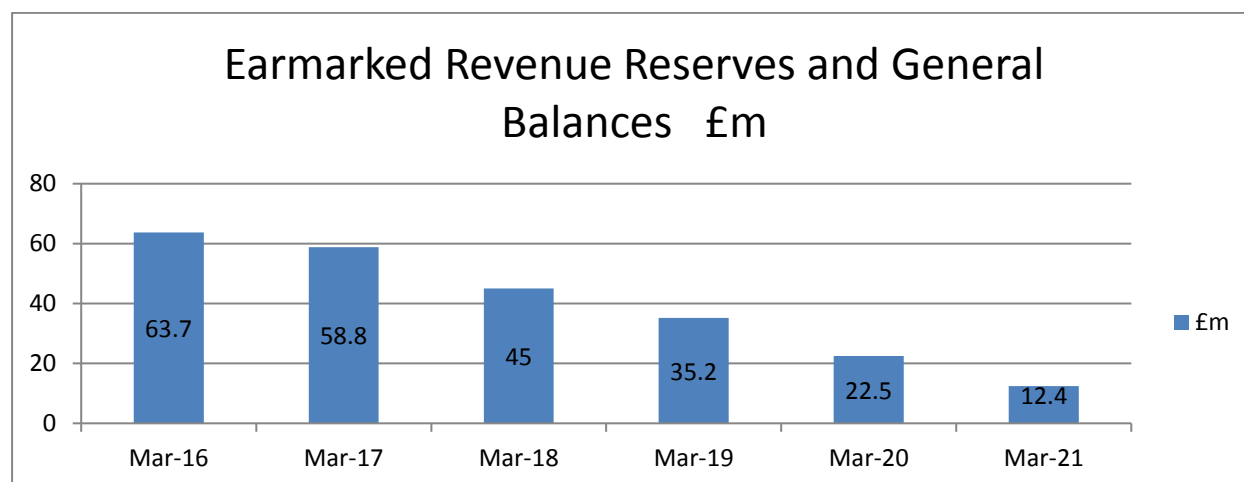
- 3.7 The under-spending on the Police and Crime Commissioner Group Revenue budget of £4,432k represents 1.55% of the budget. The main reason for the under-spending is fewer police officer numbers than budgeted, fewer ill health retirements than forecast, a halt of Police Community Support Officers recruitment in the second half of the year and a resolution of a dispute with a supplier resulting in lower than anticipated charges.
- 3.8 Of the underspend, £3,571k will be used to fund expenditure that was anticipated to be spent in 2016-17 but is expected to be incurred in 2017-18. The residual final underspend of £861k will be used to contribute towards the reduction of the significant deficit on the police staff pension fund.
- 3.9 The Office of the Police and Crime Commissioner's budget under-spent by £134k due to savings on staffing and overheads. There was a £88k increase on the Treasury Management budget due mainly to an increase in revenue contribution to fund capital instead of a loan. The £5,075k variation on the budget for contributions to and from reserves is due mainly to the Programme and Projects Reserve. The planned draw-down from this reserve was not required as there has been delays in spending and consequently funds have been transferred into the reserve. Full details of contribution to and from reserves are provided in table 4.

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

	£'000
Revenue Support Fund	(3,319)
Capital Financing Reserve	953
Budget Management Fund	(774)
Workforce Modernisation Reserve	(750)
Strategic Alliance Reserve	(357)
Police Officer Ill Health Reserve	(370)
Major Operations Reserve	0
Programme & Projects Reserve	1,261
Estates Development Reserve	0
Police and Crime Plan Reserve	(120)
Revenue Contributions to/from Earmarked Reserves	(3,476)
Revenue Contributions to/from General Reserves	(1,681)
Total Revenue Contributions	(5,157)

Total Revenue Contributions	(5,157)
Use of Reserves for Capital Financing	(4,179)
Contribution of under-spend to Budget Management Fund	4,432
Transfer to/(from) Earmarked Reserves to General Reserves	(7,375)
Excluding Contributions to/from General Reserves	1,681
Total Reduction in Earmarked Revenue Reserves	(10,598)

3.10 The decrease in usable reserves between 31 March 2016 and 31 March 2017 and the forecast change in reserves in future years are shown in the graph below.



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

3.11 Paragraph 3.18 below describes the Police and Crime Commissioner's capital expenditure. This consists of an ongoing programme of rationalisation, replacement and enhancement of property and other assets. There are no individual acquisitions or disposals that are material in 2016-17.

3.12 In addition, following a decision to move the date for paying employees from the middle of the month to the end of the month to allow for the integration of Devon and Cornwall and Dorset payroll processes under the Strategic Alliance the Chief Constable made repayable advances with value of £2.5m in March 2016 to a number of staff. This was to assist them to manage the impact of being paid 2 weeks later than before, the advances which do not attract interest have been repaid with a small balance of £7k to be recovered in 2017-18. This remaining balance has been included in the debtors figures.

3.13 Staffing Resources

Staff costs make up almost 80% of the budget, full time equivalents (FTE) at the beginning and end of the period were:

Table 5 Staffing Resources

	As at 31 March 2016 FTE	As at 31 March 2017 FTE
Force		
Police Officers	2,959	2,900
Police Staff	1,636	1,636
Police and Community Support Officers	347	312
Total for Force	4,942	4,848
Police and Crime Commissioner		
Office of the Police and Crime Commissioner	17	19
Commissioning and Victim Support	10	16

The Main Financial Statements

- 3.14 The outturn position as set out in table 3 and described in paragraphs 3.6 to 3.10 represents the movement on the general fund balance and the earmarked reserves. In 2016-17 a review of the level of reserves was undertaken and a decision made to transfer some earmarked balances to the general fund balance resulting in an increase from £6,198k to £11,892k. This information is considered more helpful to residents and council taxpayers of Devon and Cornwall than the movement on the Comprehensive Income and Expenditure Statement shown on page 22. This is because the outturn position records only those expenses which statute allow to be charged against the Police and Crime Commissioner's annual budget and the amounts to be collected from council tax. Paragraphs 3.15 to 3.17 below set out the position as recorded in the Financial Statements, this is different from the outturn position as these statements are produced on a different accounting basis and contain many notional figures. These statements are described in more detail below.

Movement in Reserves Statement

- 3.15 Table 6 shows the movement on reserves. The most significant movements are: the transfer of £5,000k to reduce the Local Government Pension scheme deficit; the use of the Capital Financing Reserve to support investment in projects; the transfer of earmarked reserves to the general fund balance and contribution from revenue to reserves. Further information on the movement in usable reserves is provided in notes B.1 and B.2 pages 29-31. The increase in the unusable reserves largely reflects changes in actuarial assumptions on pensions described in paragraph 3.21 below. Further information on unusable reserves is provided in note B.3 on page 31.

Table 6 – Movement on Reserves

	£000	£000
General Fund		5,694
Earmarked Reserves		
Net Revenue budget contributions	(6,419)	
Use to fund capital expenditure	(4,179)	
		(10,598)
Capital Receipts Reserve		681
Capital Grant Unapplied		710
Total Usable Reserves		(3,513)
Total Unusable Reserves		(786,173)
Total Reserves		(789,686)

Comprehensive Income and Expenditure Statements

- 3.16 The Group Comprehensive Income and Expenditure Statement (on page 22) 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 7

	2016-17 £000 PCC	2016-17 £000 Group
Deficit On the General Fund		
Current and past service charge for pensions are (less)/more than the actual employer contributions and Home Office Top Up Grant	(20)	(20,427)
Pensions interest cost	104	99,309
Intra-group funding with regard to pensions and other employee benefits	800,229	0
Other adjustments – mainly to account for capital investment as it is consumed	(4,246)	5,999
Sub total	796,067	84,881
Transfer to/from earmarked reserves	724	724
Deficit on the Provision of Services	796,791	85,605
Other Comprehensive Income and Expenditure		
Surplus on revaluation of non-current assets	(8,472)	(8,472)
Net increase in pension assets and liabilities due to actuarial losses	1,367	712,553
Total Deficit	789,686	789,686

- 3.17 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.

Capital Expenditure and Financing

- 3.18 As well as day to day expenditure on running costs, the Police and Crime Commissioner's money is spent on assets such as buildings, vehicles, communications equipment and information technology. During 2016-17, capital spending was £7,407k. The table below shows how the money was spent and how it was financed.

Table 8

	31 March 2017	
Capital Spending	£000	%
Building Schemes	1,518	20.5
Equipment and ICT Hardware and Software	1,669	22.5
Vehicles	4,220	57.0
	<u>7,407</u>	<u>100.0</u>
	31 March 2017	
Capital Financing	£000	%
Home Office Capital Grant	2,114	40.0
Capital Receipts	194	7.0
Direct Revenue Funding and Revenue Reserves	3,522	43.6
Minimum Revenue Provision	1,577	9.4
	<u>7,407</u>	<u>100.0</u>

The Group and Police and Crime Commissioner Balance Sheets

Usable Reserves

- 3.19 The Police and Crime Commissioner Group has total usable balances and reserves of £64.9m; made up as follows:

	£000
General Fund	11,892
Earmarked Reserves	46,925
Capital Reserves	6,116

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 29.

Pension Liabilities

- 3.20 There has been a £791m increase in pension liabilities for the Group in 2016-17. The main reason for this is a change in the financial assumptions used by the Police and Crime Commissioner's actuary to value the pension's 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.
- 3.21 Although the Group recognises the full actuarially assessed cost of pensions in the Financial Statements the charge the Group is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. This means that the liabilities shown in the balance sheet should not impact upon the ability of the Police and Crime Commissioner to provide services in the short to medium-term. For police staff pensions, the value of the pension fund liabilities and assets is assessed triennially and the employer's contribution is increased in line with the actuary's recommendations. For the police officers pension fund, the employer's contribution rate is presently set at 24.2%. Under current legislation, any costs that exceed the employer's contribution are met by the Home Office via a special grant.

Borrowing

- 3.22 The Police and Crime Commissioner's total capital financing requirement as at 31 March 2017 was £39,934k. Of this £30,277k was met by external borrowing, £234k by lease finance and £9,423k by internal borrowing. Internal borrowing represents the Police and Crime Commissioner Group's use of its cash balances to temporarily fund capital expenditure. This use of internal balances is subject to careful monitoring and management to ensure adequate long term liquidity.

Provisions and Contingencies

- 3.23 Total provisions are £1,985k they include:
- Provisions to meet future liabilities in terms of remuneration
 - Provision for uninsured claims against the Police and Crime Commissioner
 - Other provisions to meet other liabilities for example legal claims
- 3.24 Contingent liabilities are set out on page 47; they include possible liabilities in relation to remuneration of current and former employees and also a liability in relation to pensions.

Cash Flow

- 3.25 There was a £217k increase in cash and cash equivalents during the year and investments increased by £780k, the total change in cash and investments was an increase of £997k. This was due to:
- A switch from longer investments to overnight deposits due to changes in capital markets

- and cash flow requirements
- Other changes in balances, for example, debtors, creditors and stock

4 Financial and Non Financial Performance Indicators

Performance Indicators

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

HMIC PEEL Report – Her Majesty’s Inspectorate of Constabulary review each Force to examine their Efficiency, Effectiveness and Legitimacy. The 2016 report indicated that Devon and Cornwall were rated good for Legitimacy and requiring improvement for the two other indicators. Key information contained within the report showed that Force performance in term of officers deployed to frontline line duties (78%) and victim based crime per 100 population were in line with national averages whilst the costs of the Force was 46p per person per day compared to the national average of 55p per person per day. Further information on the PEEL inspection is available at <http://www.justiceinspectorates.gov.uk/hmic/devon-and-cornwall/>

HMIC Crime Data Integrity Report – This inspection found that Devon and Cornwall Police had made limited improvements to its crime-recording arrangements since HMIC’s 2014 Crime Data Integrity inspection report. HMIC found that:

- the majority of officers and staff have made progress in placing the victim at the forefront of their crime-recording decisions;
- the force has worked hard in bringing about improvements in the knowledge and understanding of crime-recording requirements among officers and staff within its public protection teams; and
- it is introducing mobile devices for all frontline officers to enable more prompt recording of crimes.

HMIC stated that much work remains to be done. The force has completed fewer than half of the recommendations for improvement made in the 2014 report and the limited progress in this respect is seriously undermining the efficiency and effectiveness of its crime-recording arrangements.

Auditors Value for Money Opinion - Auditors last provided a Value for Money conclusion for both the PCC and the Chief Constable for the year ending 31 March 2016; this stated that during the year the PCC and CC had appropriate arrangements for securing economy, efficiency and effectiveness in their use of resources.

Operational Performance of the Force

- 4.2 In 2016-17 recorded crime in Devon and Cornwall rose by 10.6% over the previous year. Victim based reported crimes rose by 10.3%. When compared with the other 42 Forces the position is as follows:
- For the 12 months to March 2017, Devon & Cornwall recorded 85,021 crimes. This equates to 49.4 crimes per 1,000 population and is the third lowest rate in England & Wales.
 - Nationally crime increased by 10.9% over the 12 months to March 2017.

Increases can be attributed to the addition of malicious communications crimes to violent crime, increased reporting of sexual offences and changes to recording practices linked to crime data integrity.

- 4.3 The Independent Crime Survey results showed that 85.7% of respondents said that they have confidence in Devon & Cornwall Police. This is the highest level of public confidence of all 43 forces in England and Wales.

- 4.4 The Force undertakes regular work-force surveys to understand the work-force climate and staff engagement. These surveys indicate generally good results. There is work underway to further understand and address the priority areas identified: fairness and uncertainty.
- 4.5 One area where performance has been below the level required is in the operation of the non-emergency 101 telephone service. Improvement of this service has been a priority of the Chief Constable and the Police and Crime Commissioner. For several years the Force has acted to reduce voice demand into its call handling function and to open other channels to expand choice, respond to different needs and better manage demand. Unpredictable demand means it is not possible to remove wait times completely but significant work has gone into reducing them to tolerable levels, informed by public consultation, in non-urgent cases.

5 Future Financial Prospects

- 5.1 The government's previous Comprehensive Spending Review (CSR) placed considerable pressure on all crime, community safety and criminal justice agencies. The Police and Crime Commissioner for Devon and Cornwall has had to make savings of £54.4m since 2009 in order to balance the budget. The budget to 2020-21 relies upon further savings of £9.8m. This will be achieved through changes in workforce numbers based upon a reductions contained in business cases produced as part of the strategic alliance with Dorset.

- 5.2 The current CSR, announced in November 2015, brought about an improved outlook for the funding of the Police Service. At the time of these announcements the Chancellor of the Exchequer said:

"Now is not the time for further police cuts. Now is the time to back our police and give them the tools to do the job. I am today announcing that there will be no cuts in the police budget at all. There will be real-terms protection for police funding. The police protect us, we are going to protect the police."

- 5.3 The announcement was applicable to all police funding, and assumed that:

- Grant funding to individual PCC's will continue to reduce;

Reductions in grant will be offset by increases in council tax income driven by:

- Assumed annual increase in council tax precept of 1.99% (being the maximum that can be determined without the need for a local referendum to be held);
- Assumed average increase in council tax base across all PCC's areas.
- The final grant funding to individual PCC's would further be subject to 'reallocations' of funds to support other areas of spend, including continuation of the Police Transformation fund, and the cost of the new Emergency Services Network (ESN) programme;
- Capital grant funding to individual PCC's would continue to be cut, requiring alternative arrangements to be put into place to support the funding of ongoing capital requirements.

- 5.4 The referendum result in June 2016 led to a new Prime Minister and, importantly for policing, a new Home Secretary. On 23 November 2016 the Chancellor of the Exchequer announced the Autumn Statement. This was the first economic statement given by the Government since the vote to leave the European Union and the key issues for national funding were:

- The Government has abolished its target for public spending to be in budget surplus by 2019-20.
- The Office for Budget Responsibility (OBR) forecast for the public finances has deteriorated since the 2016 budget based upon lower tax revenues and a poorer economic outlook.
- The OBR predicts that the Consumer Price Index (CPI) measure of inflation will rise to 2.3% in 2017-18 and drop back to 2% in 2020-21.

- 5.5 There are a number of areas beyond the level of central government grant that are cost sensitive in Devon and Cornwall to changes in the wider economy. These are:

- The interest earned on the reserves which is linked to the bank base rate. Employers pension costs which are reliant upon the performance of pension fund investment and the yields on government gilts.

- The fall in the value of sterling against the Euro and the dollar has led to some additional inflationary costs.
- As nearly 80% of the future budget costs are employment related and linked to the governments' public sector pay limitation of 1% until September 2020 these costs are relatively protected from the external influences of the wider economy. The most significant impact is likely to be on fuel and computer products.

All these factors have been assessed when setting the underlying projection assumptions for the future.

- 5.6 The relative stability in Central Government funding is welcome. However significant uncertainty remains over future police funding in terms of the grant allocation formula. The Policing Minister, Brandon Lewis announced in November 2016 that the Home Office is once again reviewing the central government police grant formula. A previously proposed revised formula would have resulted in £15m being removed annually from the Devon and Cornwall police grant. These proposals were eventually withdrawn as flawed.
- 5.7 The general election on June 8th 2017 delayed the review of the funding formula and the formation of a new government is awaited to assess how this uncertainty will affect future budgeting of force finance.
- 5.8 The OPCC are fully engaged with this new national process. There is considerable expertise in Devon and Cornwall and the team is working closely with the Chief Constable to feed in ideas and comments to the national technical and steering groups. The PCC is personally involved and sits on representation on the Home Office Senior Sector Group.
- 5.9 These future funding risks are regularly reviewed and mitigating actions taken wherever possible.

6 Progress in Managing Financial Risks and Opportunities

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

The Strategic Alliance with Dorset Police – the aim of the Strategic Alliance is to sustain the delivery of local policing and other frontline services in the context of reducing financial resources. It involves the two Forces working together to form a number of Alliance Departments. Each new department has a detailed business case which will ensure that savings are delivered for each Force. Total savings of £7.6m are forecast for Devon and Cornwall Police by 31 March 2021. Integrating ICT systems is a significant and high risk element of this project that will require careful management.

Regional Collaboration – Devon and Cornwall Police have been collaborating with other South West Forces for a number of years with aim of improving operational efficiency.

Review of the Force Workforce Plan – during 2016-17 the Chief Constable has further developed the Workforce Plan that ensures that the Force has the correct workforce mix to meet current demands and that staff are deployed to address Police and Crime Plan priorities.

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

- 6.2 In the period 2011-12 to 2015-16 the former Police Authority and the Police and Crime Commissioner achieved additional savings over and above those required by grant reductions; this was due in part to achieving savings earlier than planned. As a result it has been possible to

contribute to the Revenue Support Fund. This fund allows the Police and Crime Commissioner to manage the impact of funding reductions over the period of the Medium Term Financial Strategy and is therefore a key element of the risk management strategy.

- 6.3 Policing Response Investigation and Safeguarding Model (PRISM) is the name of the portfolio of change across Devon & Cornwall and Dorset that puts the victim at the heart of the Police Service and aligns with the Police Service missions. The PRISM portfolio of change will look at how the policing response, investigation and safeguarding model can be used for both Devon and Cornwall Police and Dorset Police to deal with calls from the public in a very different way. There are six PRISM principles: quality of service; safeguarding at the first point of contact and throughout; a whole force task approach demonstrating an efficient and fair allocation of demand; one team approach; staff wellness and welfare; and today's policing today.

7 Governance Arrangements

- 7.1 The Annual Governance Statement is included on pages 88 to 108 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 when drawing up the joint AGS.
- 7.2 On 5 May 2016 Alison Hernandez was elected as the new the Police and Crime Commissioner. The new Commissioner has established five pledges for her term in office that are available on the OPCC website and has prepared a new Police and Crime Plan.
- 7.3 The Police and Crime Commissioner is preparing for the changes to the Statement of Accounts publication timetable as set out in the Accounts and Audit Regulations 2015. The new timetable requires that for the 2017-18 financial year draft Accounts must be published by 31 May (rather than 30 June) and Police and Crime Commissioner and the Chief Constable have plans in hand to meet the new deadline.

8 Conclusion

- 8.1 As a result of the expectation of continuing severe funding reductions the Police and Crime Commissioner and the Chief Constable had jointly put in place a number of initiatives to improve the efficiency of the Force, these include more collaborative working and the further development of the work-force plan. These initiatives will help to generate efficiency savings that will enable the Force to focus resources on the increasing demands arising from public safeguarding and also on combating the increasing complexity of criminal networks and high tech crime.

Duncan Walton, Treasurer
7th June 2017

Further Information

This publication provides a review of the financial performance of the Police and Crime Commissioner for 2016-17. 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, Andy Hocking House, Alderson Drive, Exeter EX2 7RP

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

Independent auditor's report to the Police and Crime Commissioner for Devon and Cornwall

We have audited the financial statements of the Police and Crime Commissioner for Devon and Cornwall for the year ended 31 March 2017 on pages 17 to 87. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Treasurer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner and the Group as at 31 March 2017 and of the Police and Crime Commissioner's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

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

- the Annual Governance Statement set out on pages 88 to 108 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or

- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

Police and Crime Commissioner's responsibilities

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

Auditor's responsibilities

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

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, the Police and Crime Commissioner put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

Darren Gilbert

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

3 Assembly Square,
Britannia Quay,
Cardiff CF10 4AX

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

Approval of the Accounts

I approve these Statements of Account

Signed

A Hernandez

Police and Crime Commissioner for Devon and Cornwall

Date:

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 2016-17" (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 2017 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 2017.

Signed

D Walton

Treasurer

Date:

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2017 FOR THE POLICE AND CRIME COMMISSIONER GROUP

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2016	6,198	57,523	3,685	1,040	68,446	(2,673,676)	(2,605,230)
Movement in reserves during 2016-17							
Total Comprehensive Income and Expenditure	(85,605)	0	0	0	(85,605)	(704,081)	(789,686)
Adjustments from income & expenditure charged under the accounting basis to the funding basis	84,020	(3,319)	681	710	82,092	(82,092)	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves in 2016-17	(1,585)	(3,319)	681	710	(3,513)	(786,173)	(789,686)
Transfers (to)/from Earmarked Reserves (note B.1)	7,279	(7,279)	0	0	0	0	0
Increase/(Decrease) In Year 2016-17	5,694	(10,598)	681	710	(3,513)	(786,173)	(789,686)
Balance at 31 March 2017 carried forward	11,892	46,925	4,366	1,750	64,933	(3,459,849)	(3,394,916)

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016 FOR THE POLICE AND CRIME COMMISSIONER GROUP

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2015	6,198	59,092	4,034	742	70,066	(2,814,905)	(2,744,839)
Movement in reserves during 2015-16							
Total Comprehensive Income and Expenditure	(88,793)	0	0	0	(88,793)	228,402	139,609
Adjustments from income & expenditure charged under the accounting basis to the funding basis	87,224	0	(349)	298	87,173	(87,173)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(1,569)	0	(349)	298	(1,620)	141,229	139,609
Transfers (to)/from Earmarked Reserves (note B.1)	1,569	(1,569)	0	0	0	0	0
Increase/(Decrease) In Year 2015-16	0	(1,569)	(349)	298	(1,620)	141,229	139,609
Balance at 31 March 2016 carried forward	6,198	57,523	3,685	1,040	68,446	(2,673,676)	(2,605,230)

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2017 FOR THE POLICE AND CRIME COMMISSIONER

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2016	6,198	57,523	3,685	1,040	68,446	(2,673,676)	(2,605,230)
Movement in reserves during 2016-17							
Total Comprehensive Income and Expenditure	(796,791)	0	0	0	(796,791)	7,105	(789,686)
Adjustments from income & expenditure charged under the accounting basis to the funding basis	795,206	(3,319)	681	710	793,278	(793,278)	0
Net Increase /(Decrease) before Transfers to Earmarked Reserves	(1,585)	(3,319)	681	710	(3,513)	(786,173)	(789,686)
Transfers (to)/from Earmarked Reserves (note B.1)	7,279	(7,279)	0	0	0	0	0
Increase/(Decrease) In Year 2016-17	5,694	(10,598)	681	710	(3,513)	(786,173)	(789,686)
Balance at 31 March 2017 carried forward	11,892	46,925	4,366	1,750	64,933	(3,459,849)	(3,394,916)

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016 FOR THE POLICE AND CRIME COMMISSIONER

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2015	6,198	59,092	4,034	742	70,066	(2,814,905)	(2,744,839)
Movement in reserves during 2015-16							
Total Comprehensive Income and Expenditure	127,511	0	0	0	127,511	12,098	139,609
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(129,080)	0	(349)	298	(129,131)	129,131	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(1,569)	0	(349)	298	(1,620)	141,229	139,609
Transfers (to)/from Earmarked Reserves (note B.1)	1,569	(1,569)	0	0	0	0	0
Increase/(Decrease) In Year 2015-16	0	(1,569)	(349)	298	(1,620)	141,229	139,609
Balance at 31 March 2016 carried forward	6,198	57,523	3,685	1,040	68,446	(2,673,676)	(2,605,230)

EXPENDITURE AND FUNDING ANALYSIS (GROUP)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Police and Crime Commissioner Group in comparison with those resources consumed or earned by the Police and Crime Commissioner Group in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Police and Crime Commissioner directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

For Year ended 31 March 2016				For Year ended 31 March 2017		
Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
274,607	48,540	323,147	Chief Constable	277,347	33,211	310,558
2,901	14	2,915	Commissioning Working	3,038	(1)	3,037
1,427	92	1,519	Office of the Police and Crime Commissioner	1,491	(6)	1,485
278,935	48,646	327,581	Net cost of services	281,876	33,204	315,080
0	(52,756)	(52,756)	Other Operating Income and Expenditure	0	(43,913)	(43,913)
847	95,365	96,212	Financing and Investment Income and Expenditure	854	99,309	100,163
(279,782)	(2,462)	(282,244)	Taxation and Non-Specific Grant Income	(282,730)	(2,995)	(285,725)
0	88,793	88,793	(Surplus)/Deficit on Provision of Services	0	85,605	85,605
6,198			Opening General Fund Balance	6,198		
0			Less/Plus Surplus or (Deficit) on General Fund in Year	0		
0			Transfer (to)/from other reserves	5,694		
6,198			Closing General Fund Balance	11,892		

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

This statement shows the accounting cost in the year to 31 March 2017 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 and the Expenditure and Funding Analysis.

For Year Ended 31 March 2016			For Year Ended 31 March 2017			Notes
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000	£'000	£'000	£'000	
Continuing operations						
335,087	(11,940)	323,147	328,246	(17,688)	310,558	
4,805	(1,890)	2,915	5,055	(2,018)	3,037	
1,519	0	1,519	1,817	(332)	1,485	
341,411	(13,830)	327,581	335,118	(20,038)	315,080	
1,536	(54,292)	(52,756)	1,096	(45,009)	(43,913)	D1
104,830	(8,618)	96,212	109,864	(9,701)	100,163	D2
0	(282,244)	(282,244)	0	(285,725)	(285,725)	D3
447,777	(358,984)	88,793	446,078	(360,473)	85,605	
		(10,715)			(8,472)	E1
		0			0	J2
		(217,687)			712,553	J3
		(228,402)			704,081	
		(139,609)			789,686	

* The 2015-16 figures have been restated as per the change in accounting policy IAS1 presentation of financial statements. See Note C4.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE POLICE AND CRIME COMMISSIONER

This statement shows the accounting cost in the year to 31 March 2017 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 2016				For Year Ended 31 March 2017			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
Continuing operations							
335,087	(64,175)	270,913	Intra-group funding policing	328,246	(62,258)	265,988	A1
4,805	(1,890)	2,914	Commissioning Working	5,055	(2,018)	3,037	H1
1,519	0	1,519	Office of the Police & Crime Commissioner	1,817	(332)	1,485	D5
341,411	(66,065)	275,346	Net Cost of policing services	335,118	(64,608)	270,510	
1,536	(2,057)	(521)	Other Operating Income and Expenditure	1,096	(439)	657	D1
103,200	(7,932)	95,268	Pension interest costs - intra group funding	108,255	(9,050)	99,205	A1
1,630	(686)	944	Financing and Investment Income and Expenditure	1,609	(651)	958	D2
(216,304)	0	(216,304)	Actuarial losses on pension funds - intra-group adjustment	711,186	0	711,186	A1
0	(282,244)	(282,244)	Taxation and Non-Specific Grant Income	0	(285,725)	(285,725)	D3
231,473	(358,984)	(127,511)	(Surplus)/Deficit on Provision of Services	1,157,264	(360,473)	796,791	
		(10,715)	(Surplus)/Deficit on revaluation of non current assets			(8,472)	E1
		0	(Surplus)/Deficit on revaluation of available for sale financial instruments			0	J2
		(1,383)	Actuarial (gains) or losses on pension assets and liabilities			1,367	J3
		(12,098)	Other Comprehensive Income and Expenditure			(7,105)	
		(139,609)	Total Comprehensive Income and Expenditure			789,686	

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 2017 of the assets and liabilities recognised by the Group and the Police and Crime Commissioner. The net assets of the Group (assets and liabilities) are matched by the reserves held by the Group/Police and Crime Commissioner.

As at 31 March 2016			As at 31 March 2017		Notes
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000	
Long Term Assets					
160,927	162,877	Property, Plant and Equipment	165,203	167,692	E1
612	612	Intangible Assets	826	826	
1,798	1,798	Long Term Debtors	1,577	1,577	
1,950	0	Long Term Debtor - Intra-group assets	2,489	0	
<u>165,287</u>	<u>165,287</u>	Total Long Term Assets	<u>170,095</u>	<u>170,095</u>	
Current Assets					
36,113	36,113	Short Term Investments	37,525	37,525	
575	575	Assets Held for Sale	400	400	E2
487	487	Inventories	557	557	
25,537	25,537	Short Term Debtors	24,382	24,382	E3
<u>23,282</u>	<u>23,282</u>	Cash and Cash Equivalents	<u>23,089</u>	<u>23,089</u>	E4
<u>85,994</u>	<u>85,994</u>	Total Current Assets	<u>85,953</u>	<u>85,953</u>	
Current Liabilities					
(545)	(545)	Short Term Borrowing	0	0	
(16,612)	(24,968)	Short Term Creditors	(24,542)	(33,664)	E5
(965)	(1,552)	Provisions	(498)	(1,026)	
		Short Term Accumulated Absences - intra-group provision	(9,122)	0	
(8,356)	0	Short Term - Chief Constables Provisions	(528)	0	
<u>(587)</u>	<u>0</u>	Total Current Liabilities	<u>(34,690)</u>	<u>(34,690)</u>	
<u>(27,065)</u>	<u>(27,065)</u>	Long Term Liabilities			
(725)	(725)	Provisions	(959)	(959)	
(34,778)	(34,778)	Borrowing	(30,277)	(30,277)	
(117)	(117)	Creditors (Lease Finance)	0	0	
(1,798)	(1,798)	Deferred Capital Receipts	(1,577)	(1,577)	
(2,651)	(165,799)	Pensions Liability - Staff	(4,098)	(239,075)	J3
0	(2,626,229)	Pensions Liability - Officers	0	(3,344,386)	J3
<u>(2,789,377)</u>	<u>0</u>	Pension Liabilities - Intra-group provision	<u>(3,579,363)</u>	<u>0</u>	
<u>(2,829,446)</u>	<u>(2,829,446)</u>	Total Long Term Liabilities	<u>(3,616,274)</u>	<u>(3,616,274)</u>	
<u>(2,605,230)</u>	<u>(2,605,230)</u>	Net Liabilities	<u>(3,394,916)</u>	<u>(3,394,916)</u>	
Represented by					
(2,673,676)	(2,673,676)	Unusable Reserves	(3,459,849)	(3,459,849)	B3
68,446	68,446	Usable Reserves	64,933	64,933	
<u>(2,605,230)</u>	<u>(2,605,230)</u>	Total Reserves	<u>(3,394,916)</u>	<u>(3,394,916)</u>	

Duncan Walton Treasurer for the Police and Crime Commissioner Devon and Cornwall 21 September 2017

CASHFLOW STATEMENT FOR THE POLICE AND CRIME COMMISSIONER GROUP

The Cash Flow Statement shows the changes in cash and cash equivalents of the Police and Crime Commissioner Group 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 2016 £'000		For Year Ended 31 March 2017 £'000	Notes
88,793	Net (Surplus) or Deficit on the Provision of Services	85,605	
	Adjustments to net surplus or deficit on the provision of services for non-cash movements		
(85,247)	(Increase)/Decrease in pensions liability	(75,561)	
(8,747)	Depreciation and amortisation	(9,491)	
710	(Increase)/Decrease in provisions	292	
(80)	Surplus/(Loss) on sales of non-current assets	(1,414)	
601	Surplus/(Loss) on revaluation of non-current assets	118	
6,571	Movement in relevant assets/liabilities	(7,585)	
<hr/> 2,601	Net Cash (Inflows)/Outflows from Operating Activities	<hr/> (8,036)	J4(a)
(8,333)	Investing Activities	8,229	J4(b)
0	Financing Activities	0	J4(c)
<hr/> (5,732)	Net (Increase)/Decrease in Cash and Cash Equivalents	<hr/> 193	
(17,550)	Cash and Cash Equivalents at the beginning of the reporting period	(23,282)	
<hr/> (23,282)	Cash and Cash Equivalents at the end of the reporting period	<hr/> (23,089)	E4

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

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

Introduction

The Police and Crime Commissioner is part of an accounting group along with the Chief Constable for Devon and Cornwall (referred to below as the PCC Group). The accounting recognition of the Group's assets, liabilities and reserves reflects the powers and responsibilities of the Police and Crime Commissioner and the Chief Constable as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. This accounting treatment is also underpinned by the relationships as defined by local regulations, local agreement and practice.

The Police and Crime Commissioner receives all government funding and income and the Chief Constable while fulfilling his responsibilities under the 2011 Act does not hold any cash or reserves. For the period 1 April 2016 to 31 March 2017, all contracts were in the name of the Police and Crime Commissioner. When Police and Crime Commissioner's resources are consumed at the request of the Chief Constable all payments are made by the Police and Crime Commissioner from the Police Fund and no cash movements occur between the two bodies.

For accounting and regulatory purposes the Police and Crime Commissioner and the Chief Constable are classed as local authorities and are covered by the CIPFA Code of Practice for Local Authority Accounting 2016-17.

The financial consequences of the activity under the control of the Chief Constable are shown in the Chief Constable's single entity accounts which are published separately. As the Chief Constable does not hold reserves, the Chief Constables's Comprehensive Income and Expenditure Statement shows the gross cost of policing which is offset by intra-group adjustments to reflect the payments and accruals made by the Police and Crime Commissioner at the request of the Chief Constable. The result of these adjustments, is that the Chief Constable has a nil balance on his General Fund. The intra-group adjustments are mirrored in the Police and Crime Commissioner's Accounts.

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

- Employment liabilities for officers and staff under the direction of the Chief Constable are recognised on the Chief Constable's Balance Sheet. The liability in the Chief Constable's Balance Sheet for these items is offset by a long term debtor reflecting the Police and Crime Commissioner's responsibility to provide funds from the Police Fund each year to enable the Chief Constable to administer police pensions and meet any liabilities in relation to accrued leave.
- Certain categories of operational non current assets as set out in the Scheme of Consent. These assets are offset in the Chief Constable's Balance Sheet by a longer term creditor.

	2015-16		2016-17	
Intra-group transactions in the Comprehensive Income and Expenditure Statements	Chief Constable £'000	Police and Crime Commissioner £'000	Chief Constable £'000	Police and Crime Commissioner £'000
Net Cost of Policing	(270,913)	270,913	(265,988)	265,988
Pensions Interest Cost & Pensions Top Up Grant	(95,268)	95,268	(99,205)	99,205
Actuarial gains/(losses) on pensions fund:	216,304	(216,304)	(711,186)	711,186
Total transactions for the year	(149,877)	149,877	(1,076,379)	1,076,379

Intra-group transactions in the Balance Sheet	Chief Constable £'000	Police and Crime Commissioner £'000	Chief Constable £'000	Police and Crime Commissioner £'000
Pensions Long Term intra-group Debtor *	2,789,377		3,579,363	
Short Term intra-group Debtors *	8,943		9,650	
IT and Equipment Long Term intra-group Creditor *	(1,950)		(2,489)	
Assets	1,950		2,489	
Current Liabilities	(8,943)		(9,650)	
Pension Long Term Liabilities	(2,789,377)		(3,579,363)	
IT and Equipment Long Term intra-group Debtor *		1,950		2,489
Short Term intra-group Creditors *		(8,943)		(9,650)
Pensions Long Term intra-group Creditor *		(2,789,377)		(3,579,363)
Unusable reserves for intra-group adjustments		(2,796,370)		(3,586,524)

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

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

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

General Principles

These Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (the 2016-17 Code); and the Accounts and Audit Regulations 2015 supported by International Financial Reporting Standards (IFRS).

The basis of the accounts is historical cost modified by revaluation for certain categories of non-current assets. There is a glossary of accounting terms on pages 109 to 115.

This provides an overview of the basis for the preparation of the financial statements and any significant changes in accounting policy in 2016-17 and future years. The full statement of the principle accounting policies adopted is set out in Note I.1 on pages 56 to 69.

Changes in Accounting Policies

The changes to IAS1 Presentation of Financial Statements under the Internal Accounting Standards Board (IASB) Disclosure Initiative have been adopted. The changes affect the format and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement. It also introduces a new statement, namely the Expenditure and Funding Analysis and the supporting notes to this new statement.

The changes to the code remove the requirement to report services in accordance with the specifications Service Expenditure Analysis in the Service Reporting Code of Practice (SeRCOP) which was aligned with the Police Objective Analysis.

The code now requires the Police and Crime Commissioner and Chief Constable to report performance on the basis of how the Police and Crime Commissioner Group is structured and how the Group operates and manages financial performance.

This new way of reporting is shown in the Expenditure and Funding Analysis which provides a direct reconciliation between the way the Police and Crime Commissioner Group is funded and its budget and the Comprehensive Income and Expenditure Statement.

The Expenditure and Funding Analysis is supported by a more streamlined Movement in Reserves Statement and it replaces the segmental reporting note.

Future Changes in Accounting Policies

Appendix C of the code requires Local Authorities to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. Standards that fall into this category are:

- Amendment to the reporting of Pension fund Scheme transaction costs
- Amendment to the reporting of investment concentration

All of these standards will be incorporated into the Code from 2017-18 and will be complied with by the PCC. However, none have material impact for the PCC and none warrant specific disclosure in these 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 2016-17.

	Balance as at 1 April 2015 £'000	Transfers Out 2015-16 £'000	Transfers In 2015-16 £'000	Balance as at 31 March 2016 £'000	Transfers Out 2016-17 £'000	Transfers In 2016-17 £'000	Balance as at 31 March 2017 £'000
Police Officer III Health Reserve	1,000	0	930	1,930	(1,930)	0	0
Budget Management Fund	1,265	(1,265)	774	774	(774)	4,432	4,432
Major Operations Reserve	2,375	0	0	2,375	(2,375)	0	0
Programmes & Projects Reserve	5,478	(853)	0	4,625	(281)	1,261	5,605
Workforce Modernisation Reserve	10,639	(5,528)	0	5,111	(4,441)	0	670
Capital Financing Reserve	5,326	(1,966)	15,594	18,954	(5,470)	953	14,437
Estates Development Reserve	492	0	768	1,260	0	0	1,260
Revenue Support Fund	26,578	(14,310)	0	12,268	(3,319)	2,251	11,200
Remuneration Reserve	2,876	(2,876)	0	0	0	0	0
Police and Crime Plan Reserve	951	0	136	1,087	(540)	0	547
Strategic Alliance Reserve	2,112	0	7,027	9,139	(365)	0	8,774
Total	59,092	(26,798)	25,229	57,523	(19,495)	8,897	46,925

This note only shows transfers to/from Earmarked Revenue Reserves. Transfers to Usable Capital Reserves and the General Fund are shown in the Movement in Reserves Statements on pages 16 to 19.

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

Police Officer Ill Health Reserve	To meet the variable one off cost of police officer ill health retirement.
Budget Management Fund	To hold year end under-spends for carry-forward to the following year.
Major Operations Reserve	To meet the costs of major policing operations.
Programme & Projects Reserve	To fund investment in the Force Change Programme including major ICT developments.
Workforce Modernisation Reserve	To meet one off costs of any workforce modernisation scheme.
Capital Financing Reserve	To fund capital investment.
Estates Development Reserve	To fund revenue cost of rationalising and developing the estate including planning applications, consultancy costs and project management.
Revenue Smoothing Fund	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.
Remuneration Reserve	To fund one off and unpredictable employment costs.
Police and Crime Plan Reserve	To fund planned Police and Crime Plan Developments.
Strategic Alliance Reserve	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 2016-17

	Capital Receipts Reserve	Capital Grants Unapplied	Total
	£'000	£'000	£'000
Balance at 1 April 2015	(4,034)	(742)	(4,776)
Proceeds of Disposals	0	0	0
Financing of Fixed Assets	349	1,993	2,342
Capital Grants Received	0	(2,291)	(2,291)
Balance at 31 March 2016	(3,685)	(1,040)	(4,725)
Proceeds of Disposals	(875)	0	(875)
Financing of Fixed Assets	194	2,114	2,308
Capital Grants Received	0	(2,824)	(2,824)
Balance at 31 March 2017	(4,366)	(1,750)	(6,116)
Net Movement for 2015-16	349	(298)	51
Net Movement for 2016-17	(681)	(710)	(1,391)

Capital Receipts Reserve

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 2016 £'000		As at 31 March 2017 £'000
37,290	Revaluation Reserve	44,104
85,842	Capital Adjustment Account	84,884
(2,792,028)	Pensions Reserve	(3,583,461)
3,588	Collection Fund Adjustment Account	3,759
(8,368)	Short Term Accumulated Absences Account	(9,135)
<u>(2,673,676)</u>	Total Unusable Reserves	<u>(3,459,849)</u>

NOTE C.1 : NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

For Year Ended 31 March 2017

	Adjustments for Capital Purposes (Note 1)	Net Change for Pensions Adjustments (Note 2)	Other Differences (Note 3)	Intra-group Funding	Total Adjustments
	£'000	£'000	£'000	£'000	£'000
Chief Constable	7,571	24,163	1,477	(33,211)	0
Commissioning and Partnership Working	0	(3)	2	0	(1)
Office of the Police & Crime Commissioner	0	(17)	11	33,211	33,205
Net Costs of Services	7,571	24,143	1,490	0	33,204
Other Operating Income and Expenditure	657	(44,570)	0	0	(43,913)
Financing and Investment Income and Expenditure	0	99,309	0	0	99,309
Taxation and Non-Specific Grant Income	0	0	(2,995)	0	(2,995)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	8,228	78,882	(1,505)	0	85,605

For Year Ended 31 March 2016

	Adjustments for Capital Purposes (Note 1)	Net Change for Pensions Adjustments (Note 2)	Other Differences (Note 3)	Intra-group Funding	Total Adjustments
	£'000	£'000	£'000	£'000	£'000
Chief Constable	7,110	42,007	(577)	(48,540)	0
Commissioning and Partnership Working	0	15	(1)	0	14
Office of the Police & Crime Commissioner	0	96	(4)	48,540	48,632
Net Costs of Services	7,110	42,118	(582)	0	48,646
Other Operating Income and Expenditure	(521)	(52,235)	0	0	(52,756)
Financing and Investment Income and Expenditure	0	95,365	0	0	95,365
Taxation and Non-Specific Grant Income	0	0	(2,462)	0	(2,462)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	6,589	85,248	(3,044)	0	88,793

Adjustment for Capital Purposes

This column adds in the depreciation and impairment and revaluation gains and losses in the service line and for:

- **Other operating expenditure** - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- **Financing and investment income and expenditure** - the statutory charges for capital financing i.e Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for Pensions' Adjustments

Net Change for the removal of pensions contributions and the addition of IAS 19 Employee Benefits pensions related expenditure and income :

- **For Services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

Other differences

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

- **For Financing and investment income and expenditure** - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and that which was projected to be received at the start of year and the income recognised under generally accepted accounting practices in the code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

NOTE C.2:SEGMENTAL INCOME

For Year Ended 31 March 2016

Income from
services

£'000

(11,940)

Chief Constable

(1,890)

Commissioning and Partnership Working

0

Office of the Police & Crime Commissioner

(13,830)

For Year ended 31 March 2017

Income from
services

£'000

(17,688)

(2,018)

(332)

(20,038)

NOTE C.3:EXPENDITURE AND INCOME ANALYSED BY TYPE

For Year Ended 31 March 2016	Expenditure/Income	For Year Ended 31 March 2017
£'000		£'000
	Expenditure	
378,748	Employee benefit expenses	376,590
57,342	Other Service expense	57,554
8,747	Depreciation, amortisation, impairment	9,491
1,404	Interest Payments	1,347
1,536	Loss on the disposal of assets	1,096
447,777	Total Expenditure	446,078
(13,830)	Fees charges and other service income	(20,038)
(2,057)	Gain on revaluation of Fixed Assets	(439)
(8,618)	Interest and investment income	(9,701)
(97,692)	Income from Council Tax	(101,592)
(236,787)	Government Grants and Contributions	(228,703)
(358,984)	Total Income	(360,473)
88,793	Deficit on the Provision of Services	85,605

NOTE C.4 : CHANGE IN SEGMENTAL REPORTING

To comply with the changes in the Code of Practice on Local Authority Accounting introduced in 2016-17, the Police and Crime Commissioner has made changes to Segmental Reporting. This has changed the Segments reported within the Comprehensive Income and Expenditure Statement.

	Segments as previously stated for Year Ended 31 March 2016	Adjustment	Restated opening balance for Year Ended 31 March 2016
	£'000	£'000	£'000
Local Policing	123,967	(123,967)	0
Dealing with the Public	24,796	(24,796)	0
Criminal Justice Arrangements	30,015	(30,015)	0
Road Policing	9,687	(9,687)	0
Specialist Operations	23,799	(23,799)	0
Intelligence	15,603	(15,603)	0
Specialist Investigation	79,038	(79,038)	0
Investigative Support	9,595	(9,595)	0
National Policing	3,710	(3,710)	0
Non Distributed Costs	2,938	(2,938)	0
Chief Constable	0	323,147	323,147
Office of the Police and Crime Commissioner	2,901	14	2,915
Corporate and Democratic Core	1,532	(1,532)	0
Commissioning Working	0	1,519	1,519
Net Cost of Police Services	327,581	0	327,581

The restatement has consolidated the Chief Constable's ten objective headings into one heading. In addition the Office of the Police and Crime Commissioner which was included under the heading Corporate and Democratic Core is now described as the Office of the Police and Crime Commissioner

A minor adjustment has been made to the Commissioning and Partnerships spend to reflect employee benefits in relation to pensions that were previously incorrectly included in the Corporate and Democratic Core.

NOTE D.1: OTHER OPERATING INCOME AND EXPENDITURE

For Year Ended 31 March 2016			For Year Ended 31 March 2017		
PCC £'000	Group £'000		PCC £'000	Group £'000	
Expenditure					
80	80	Net deficit from sale of non-current assets	538	538	
1,456	1,456	Loss on revaluation of non-current assets	558	558	
<u>1,536</u>	<u>1,536</u>	Total Expenditure	<u>1,096</u>	<u>1,096</u>	
Income					
0	0	Net surplus from sale of non-current assets	0	0	
(2,057)	(2,057)	Gain on revaluation of non-current assets (reversing historic losses)	(439)	(439)	
0	(52,235)	Pensions Top Up Grant	0	(44,570)	
<u>(2,057)</u>	<u>(54,292)</u>	Total Income	<u>(439)</u>	<u>(45,009)</u>	
<u>(521)</u>	<u>(52,756)</u>	Net Expenditure	<u>657</u>	<u>(43,913)</u>	

NOTE D.2: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

For Year Ended 31 March 2016			For Year Ended 31 March 2017		
PCC £'000	Group £'000		PCC £'000	Group £'000	
1,404	1,404	Interest payable	1,347	1,347	
		Pensions interest cost			
226	14,119	- Police Staff Scheme (Funded)	262	15,270	
0	89,307	- Police Officer Scheme (Unfunded)	0	93,247	
<u>1,630</u>	<u>104,830</u>	Total Expenditure	<u>1,609</u>	<u>109,864</u>	
(557)	(557)	Interest and Investment Income	(493)	(493)	
(129)	(8,061)	Expected Return on pensions assets	(158)	(9,208)	
<u>(686)</u>	<u>(8,618)</u>		<u>(651)</u>	<u>(9,701)</u>	
<u>944</u>	<u>96,212</u>	Net Expenditure	<u>958</u>	<u>100,163</u>	

NOTE D.3: TAXATION AND NON SPECIFIC GRANT INCOME

For Year Ended 31 March 2016			For Year Ended 31 March 2017		
PCC £'000	Group £'000		PCC £'000	Group £'000	
(182,261)	(182,261)	Non ring-fenced government grants	(181,309)	(181,309)	
<u>(2,291)</u>	<u>(2,291)</u>	Recognised capital grants and contributions	<u>(2,824)</u>	<u>(2,824)</u>	
(184,552)	(184,552)		(184,133)	(184,133)	
<u>(97,692)</u>	<u>(97,692)</u>	Council Tax	<u>(101,592)</u>	<u>(101,592)</u>	
<u>(282,244)</u>	<u>(282,244)</u>		<u>(285,725)</u>	<u>(285,725)</u>	

NOTE D.4: 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 2016		Year Ended 31 March 2017	
	£'000	£'000	£'000	£'000
Credited to Taxation and Non Specific Grant Income				
Police Grant	(166,800)		(165,848)	
Council Benefit and Council Tax Support Grants	(15,461)		(15,461)	
		(182,261)		(181,309)
Recognised Capital Grant and Contributions		(2,291)		(2,824)
Total		(184,552)		(184,133)
Credited to Services				
Counter Terrorism		(1,294)		(1,778)
Regional Forensics		(129)		0
Commissioning		(1,878)		(2,018)
Projects		0		(866)
Other Local Grants		(112)		(92)
Armed Response Vehicle Uplift		0		(1,275)
Total		(3,413)		(6,029)
Credited to Other Operating Expenditure				
Pensions Top Up Grant		(52,235)		(44,570)

NOTE D.5: OPCC COSTS INCLUDING MEMBERS' ALLOWANCES

Year Ended 31 March 2016		Year Ended 31 March 2017	
£'000		£'000	
12	Members allowances and expenses	11	
119	Police and Crime Commissioner	109	
874	Statutory and other OPCC staff	891	
408	Other costs	687	
14	Support for collection of Council Tax	14	
0	Income	(332)	
1,427	Sub-total	1,380	
92	Pension costs	105	
1,519	Total	1,485	

2015-16 restated from £1,532k to £1,519k as detailed in the change in segmental reporting note C.4.

NOTE D.6: EXTERNAL AUDIT COSTS

Year Ended			Year Ended	
31 March 2016			31 March 2017	
PCC	Group		PCC	Group
£'000	£'000		£'000	£'000
36	55	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	39	58
1	1	Fees payable to external auditors for other services	0	0
37	56		39	58

NOTE E.1 : PROPERTY, PLANT AND EQUIPMENT - GROUP

(a) (i) Movements on Balances in 2016-17

	Operational and Non-Operational Assets		Assets under Construction		Surplus Assets	Total
	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2016	140,527	33,615	3,243	628	7,650	185,663
Additions	833	4,887	684	627	1	7,032
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,508	0	0	0	(36)	8,472
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,551)	0	0	0	(45)	(3,596)
Derecognition-Disposals	(856)	(729)	0	0	0	(1,585)
Assets re-classified (to)/from Held for Sale	0	0	0	0	0	0
Other reclassification	(620)	277	(546)	(277)	766	(400)
At 31 March 2017	144,841	38,050	3,381	978	8,336	195,586

Accumulated Depreciation and Impairments

At 1 April 2016	(2,536)	(20,250)	0	0	0	(22,786)
Depreciation Charge	(5,280)	(4,051)	0	0	0	(9,331)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,476	0	0	0	1	3,477
Derecognition-Disposals	56	690	0	0	0	746
Assets re-classified (to)/from Held for Sale	0	0	0	0	0	0
Other reclassification	1	0	0	0	(1)	0
At 31 March 2017	(4,283)	(23,611)	0	0	0	(27,894)

Net Book Value

At 31 March 2016	137,991	13,365	3,243	628	7,650	162,877
At 31 March 2017	140,558	14,439	3,381	978	8,336	167,692

(a) (ii) Movements on Balances in 2015-16 (included for comparative purposes)

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

Accumulated Depreciation and Impairments

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

Net Book Value

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

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

(b) (i) Movements on Balances in 2016-17

	Operational and Non-Operational Assets		Assets under Construction		Surplus Assets	Total
	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2016	140,526	30,049	3,243	628	7,650	182,096
Additions	833	3,742	684	627	1	5,887
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,508	0	0	0	(36)	8,472
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,551)	0	0	0	(45)	(3,596)
Derecognition-Disposals	(856)	(729)	0	0	0	(1,585)
Assets re-classified (to)/from Held for Sale	0	0	0	0	0	0
Other reclassification	(620)	277	(546)	(277)	766	(400)
At 31 March 2017	144,840	33,339	3,381	978	8,336	190,874

Accumulated Depreciation and Impairments

At 1 April 2016	(2,535)	(18,634)	0	0	0	(21,169)
Depreciation Charge	(5,280)	(3,444)	0	0	0	(8,724)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,476	0	0	0	1	3,477
Derecognition-Disposals	56	690	0	0	0	746
Assets re-classified (to)/from Held for Sale	0	0	0	0	0	0
Other reclassification	1	0	0	0	(1)	0
At 31 March 2017	(4,282)	(21,388)	0	0	0	(25,670)

Net Book Value

At 31 March 2016	137,991	11,415	3,243	628	7,650	160,927
At 31 March 2017	140,558	11,951	3,381	978	8,336	165,204

(b) (ii) Movements on Balances in 2015-16 (included for comparative purposes)

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

Accumulated Depreciation and Impairments

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

Net Book Value

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

(c) Surplus Assets

Two properties have been taken out of use during the year but do not meet the criteria for Assets Held for Sale and have therefore been classified as Surplus Assets.

(d) Depreciation

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

Land and Buildings

The asset lives for individual buildings are assessed by the valuer, asset lives are within the range 6–63 years.

Vehicles

Classes of vehicle are given specific asset lives these are within the range 3-15 years. Vehicles are depreciated monthly over the forecast useful life of the vehicle and the depreciation in the first year will reflect the number of months that the vehicle has been registered.

Information and Communication Technology (ICT)

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

Plant and Equipment

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

All depreciation is calculated on a straight-line basis.

(e) Significant Capital Commitments

As at 31 March 2017 the Police and Crime Commissioner had significant capital commitments of £1,481k in relation to property projects, equipment and vehicles. Similar commitments at 31 March 2016 were £400k.

(f) Revaluations

Land and buildings are revalued by a qualified external valuer every three years. Valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. A revaluation exercise was undertaken in 2014-15 with valuations and remaining useful lives provided as at 1 January 2015. Between revaluations, the external valuer undertakes an annual review to identify any significant impairments or any other significant change in the valuation of assets. At the annual update for the year ending 31 March 2017 the valuer concluded that the valuation of buildings valued at depreciated replacement cost had increased by £8,353k. In addition the reclassification of a number of buildings as surplus assets, plus the valuation of improvement works has led to a net reduction in the valuation of buildings by £557k.

(g) Heritage Assets

In 2016-17 the museum artefacts were gifted to the South West Heritage Trust. These heritage assets were not recognised on the balance sheet as the value of each individual item did not exceed £10k.

NOTE E.2: NON CURRENT ASSETS HELD FOR SALE

As at 31 March 2016 £'000		As at 31 March 2017 £'000
3,619	Balance outstanding at start of year Property Assets	575
295	Assets newly classified as held for sale Property Assets	400
280	Revaluation increase on assets classified as held for sale Property Assets Charged to the Revaluation Reserve	0
(14)	Assets Sold Property Assets	(575)
(3,605)	Other Reclassification Property Assets	0
575	Balance outstanding at year end	400

The Police and Crime Commissioner has approved the disposal of 1 property asset in 2016-17. The property is vacant and the sale is expected to be concluded within the next twelve months.

NOTE E.3: SHORT TERM DEBTORS

Sundry debtors arise from invoices raised by the Police and Crime Commissioner before 31 March 2017 but not actually paid until the new financial year.

As at 31 March 2016 £'000		As at 31 March 2017 £'000
12,673	Central government bodies	10,763
5,048	Other local authorities	6,875
14	NHS bodies	49
7,802	Other entities and individuals*	6,695
25,537	Total Debtors	24,382

NOTE E.4: CASH AND CASH EQUIVALENTS

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

As at 31 March 2016		As at 31 March 2017	
£'000	Current Assets	£'000	
32	Cash held by the PCC	32	
106	Bank Current Accounts (deposit)	97	
23,144	Short-term deposits	22,960	
23,282	Total Cash and Cash Equivalents	23,089	

NOTE E.5: CREDITORS

These are amounts owed by the Police and Crime Commissioner as at 31 March 2017 but not actually paid until after that date. The figure in the balance sheet depends on the timing of regular monthly payments to suppliers and for PAYE etc. The total is made up as follows:

As at 31 March 2016			As at 31 March 2017		
PCC £'000	Group £'000		PCC £'000	Group £'000	
4,276	4,276	Central government bodies	6,281	6,281	
1,190	1,190	Other local authorities	6,400	6,400	
93	93	NHS Bodies	98	98	
11,053	19,409	Other entities and individuals	11,762	20,884	
16,612	24,968	Total Creditors	24,541	33,664	

NOTE E.6: LONG TERM BORROWING

The maturity analysis of long term borrowing is as follows:

As at 31 March 2016			As at 31 March 2017		
PCC £'000	Group £'000	Contractual Maturity	PCC £'000	Group £'000	
4,500	4,500	Less than one year	0	0	
2,000	2,000	Between five and ten years	2,000	2,000	
28,278	28,278	More than ten years	28,277	28,277	
34,778	34,778		30,277	30,277	

NOTE E.7: CONTINGENT LIABILITIES

(i) The Chief Constable of Devon and Cornwall, along with other Chief Constables and the Home Office, currently has 182 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016-17 Accounting Statements.

NOTE F.1: CAPITAL EXPENDITURE AND FINANCING

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

Year Ended 31 March 2016			Year Ended 31 March 2017		
PCC £'000	Group £'000		PCC £'000	Group £'000	
41,919	41,919	Opening capital financing requirement	40,934	40,934	
Capital Investment:					
1,137	1,137	Land and buildings	1,518	1,518	
1,462	1,462	Vehicles & other transport	1,294	1,294	
2,181	2,181	Equipment & ICT	3,074	4,220	
4,780	4,780		5,886	7,032	
288	288	Intangible Assets	375	375	
5,068	5,068		6,261	7,407	
Less Sources of Finance:					
(1,993)	(1,993)	Government grants	(2,024)	(2,114)	
(349)	(349)	Capital receipts	(194)	(194)	
(3,711)	(3,711)	Reserves, provisions and MRP	(5,043)	(6,099)	
(6,053)	(6,053)		(7,261)	(8,407)	
(985)	(985)	Increase/(Decrease) in capital financing requirement for the year	(1,000)	(1,000)	
40,934	40,934	Closing capital financing requirement for the year	39,934	39,934	
Represented by:					
Underlying need to borrow can be analysed as follows:					
34,778	34,778	External Borrowing (cumulative) excluding accruals for interest due	30,277	30,277	
5,853	5,853	Internal Borrowing	9,423	9,423	
303	303	Finance Lease Liabilities	234	234	
40,934	40,934		39,934	39,934	
Borrowing During the Year					
0	0	External Borrowing	4,500	4,500	
1,034	1,034	Internal Borrowing	(3,569)	(3,569)	
(49)	(49)	Finance Lease	69	69	
985	985		1,000	1,000	

NOTE G.1: OFFICERS' REMUNERATION FOR YEAR ENDED 31 MARCH 2017

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 2016-17 £	Employers Pension Contributions £	Total Remuneration including Pension Contributions 2016-17 £
<u>Office of the Police & Crime Commissioner</u>								
<u>Salary £50,000 to £149,999 per year</u>								
OPCC Chief Executive		104,208	-	-	-	104,208	12,922	117,130
OPCC Treasurer		93,238	-	-	-	93,238	11,562	104,800
<u>Chief Constable</u>								
<u>Salary £150,000 plus per year</u>								
Chief Constable – Shaun Sawyer		167,408	-	13,560	5,496	186,464	-	186,464
<u>Salary £50,000 to £149,999 per year</u>								
Deputy Chief Constable	1	118,487	-	18,215	3,454	140,156	26,050	166,206
Deputy Chief Constable	2	20,187	-	-	-	20,187	4,443	24,630
ACC Delivery		113,171	-	-	3,005	116,176	26,294	142,470
ACC Senior Responsible Officer - Strategic Alliance		113,938	-	-	2,822	116,760	26,546	143,306
ACC Operations Support	3	93,104	-	-	3,141	96,245	22,103	118,348
ACC Operations Support	4	15,417	-	-	-	15,417	3,889	19,306
Director of Legal Services		112,541	-	4,467	1,923	118,931	12,922	131,853
Director of Finance & Resources		111,708	-	4,467	-	116,175	12,922	129,097

Note

1. DCC from 01/04/16 to 31/01/17. Subsistence & Allowances figure includes removal expenses.
2. DCC from 01/02/17 to 31/03/17.
3. ACC Operations Support from 01/04/16 to 31/01/17.
4. ACC Operations Support from 06/02/17 to 31/03/17.

The Director of People and Leadership post is shared between Devon and Cornwall Police and Dorset Police. The contract of employment is with Dorset Police and for this reason the remuneration disclosure is made in the Statement of Accounts for Dorset Police. Devon and Cornwall Police meet a proportion of the costs of this post.

The Director of Legal services provides a service to Devon and Cornwall Police and Dorset Police. The contract of employment is with Devon and Cornwall Police and for this reason the remuneration disclosure is made in the Statement of Accounts for Devon and Cornwall Police. Dorset Police meets a proportion of the costs of this post.

The DCC's for Devon and Cornwall Police and Dorset Police are working across the two Forces with effect from 01/02/2017. Their employment and associated costs are disclosed within the Statement of Accounts for each of their respective forces.

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

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

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

Post Holder Information	Note	Salary (Including fees & allowances) £	Bonuses £	Subsistence & Expense Allowances £	Benefits in Kind £	Total Remuneration excl. Pension contributions 2015-16 £	Employers Pension Contributions £	Total Remuneration including Pension Contributions 2015-16 £
<u>Office of the Police & Crime Commissioner</u>								
<u>Salary £50,000 to £149,999 per year</u>								
OPCC Chief Executive	1	103,174	-	5,710	-	108,884	12,794	121,678
OPCC Treasurer		91,223	-	-	-	91,223	11,312	102,535
<u>Chief Constable</u>								
<u>Salary £150,000 plus per year</u>								
Chief Constable – Shaun Sawyer	2	165,556	-	26,850	5,984	198,390	34,405	232,795
<u>Salary £50,000 to £149,999 per year</u>								
Deputy Chief Constable		134,685	-	15,969	4,588	155,242	30,976	186,218
ACC Delivery		106,390	-	-	3,028	109,418	24,656	134,074
ACC Senior Responsible Officer - Strategic Alliance		112,851	-	-	3,636	116,487	26,283	142,770
ACC Operations Support		110,728	-	-	3,404	114,132	26,283	140,415
Director of People & Leadership	3	168,082	-	745	-	168,827	2,120	170,947
Director of Legal Services		110,477	-	4,467	1,573	116,517	12,794	129,311
Director of Finance & Resources		110,674	-	4,467	-	115,141	12,794	127,935

Note

1. Subsistence & expenses allowances includes significant back payment relating to the last two years.
2. Subsistence & allowances figure includes removal expenses. The subsistence & allowances figure has been restated to £26,850 from £21,418. The restated figure includes tax.
3. Director of People & Leadership 1/4/15 to 31/5/15 (total remuneration includes exit costs).

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

NOTE G.1: OFFICERS' REMUNERATION FOR YEAR ENDED 31 MARCH 2017

<u>Remuneration Band</u>	<u>2015-16</u>	<u>2016-17</u>
£50,000 - £54,999	140	205
£55,000 - £59,999	88	97
£60,000 - £64,999	18	19
£65,000 - £69,999	8	11
£70,000 - £74,999	8	6
£75,000 - £79,999	6	7
£80,000 - £84,999	3	8
£85,000 - £89,999	4	3
£90,000 - £94,999	3	1
£95,000 - £99,999	-	-
£100,000 - £104,999	-	1
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
Total	278	358

- These figures do not include the remuneration of the senior employees and relevant police officers who have been disclosed separately.
- The banding figures include both police staff and police officers remuneration.
- The Police and Crime Commissioner has chosen to disclose all police officers earning more than £50,000 on a voluntary basis (the legislative requirement is to include only police officers above the rank of superintendent).
- Remuneration includes exit costs as set out in the table below.
- The above table does not include staff paid below £50,000. These staff make up approximately 95% of the workforce.
- Employees that have transferred between the forces as part of the Strategic Alliance have been recorded at their Year-End Force, with their total remuneration throughout the year disclosed.

Group Termination Costs

The total termination costs (exit costs) shown in the table below are the payments made to individuals plus payments to recompense the pension fund for the strain payments that have been calculated on an actuarial basis in 2015-16 and 2016-17. They relate to staff employed by the Chief Constable. The costs charged in the Comprehensive Income and Expenditure Statement include adjustments for the sharing of cost with Dorset Police under the Strategic Alliance Agreement, these adjustments are set out below the table.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band (b) and (c)		Total cost of exit packages in each band	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16 £'000	2016-17 £'000
£0 – £20,000	10	6	5	4	15	10	158	96
£20,001 - £40,000	4	2	1	1	5	3	149	97
£40,001 - £60,000	2	0	0	0	2	0	88	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	1	0	0	0	1	0	87	0
£100,001- £150,000	0	0	1	0	1	0	150	0
TOTAL	17	8	7	5	24	13	632	193

Adjustments to reflect costs charged in Comprehensive Income and Expenditure Statement

Redundancy cost recharged to Dorset Police as part of Strategic Alliance agreement	(27)	(36)
Redundancy cost recharged to Devon and Cornwall by Dorset Police as part of Strategic Alliance agreement	199	230
Exit Costs charged to the Comprehensive Income and Expenditure Statement	804	387

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

All of the exit packages in 2016-17 relate to the Force.

NOTE H.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 D.5 on grant income. Outstanding balances are set out in notes E.3 and E.5.

Members

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

Officers - The Chief Executive of the Office of the Police and Crime Commissioner has written to all senior officers explaining the need for disclosure. Two disclosures were made as follows:

A consultant that was employed to review the funding formula on a one month contract is a relation of the Treasurer of the OPCC.

The Director of Finance and Resources is a member of the South West Audit Partnership that supplies Internal Audit services to the Force. In order to receive the services, Forces have to nominate a member. No personal benefit is received by the Director of Finance and Resources.

A loan payment was made to a Deputy Chief Constable within the year. The loan has been fully repaid in 2017/18.

No other relevant transactions have been reported.

Other Public Bodies

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

Precepts

Year Ended		Year Ended
31 March 2016	<u>Billing Authority:</u>	31 March 2017
£'000		£'000
9,478	East Devon	9,910
5,974	Exeter	6,209
4,657	Mid Devon	4,761
5,435	North Devon	5,574
11,656	Plymouth	12,086
6,291	South Hams	6,581
7,857	Teignbridge	8,299
7,312	Torbay	7,744
3,852	Torridge	4,025
3,337	West Devon	3,588
31,448	Cornwall	32,411
224	Isles of Scilly	251
97,521		101,439
171	Adjusted for accruals	(18)
97,692		101,421

The Police and Crime Commissioner purchases the pension administration services (Peninsula Pensions) from Devon County Council. Transactions within the pension fund are shown in note J.3. Outstanding balances with other public bodies are shown in notes E.3 and E.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 2015-16 £'000	Income 2015-16 £'000	Note	Activity	Expenditure 2016-17 £'000	Income 2016-17 £'000
1,687	0	(i)	Community Safety Partnership	1,600	0
523	0	(ii)	Youth Offending Teams and Services	500	0
181	0	(iii)	Sexual Assault Referral Centres	211	0
137	0	(iv)	Safeguarding Adults and Children	143	0
100	0	(v)	Small Grants	100	0
1,892	(1,878)	(vi)	Victim Services and Restorative Justice	1,868	(2,018)
271	(12)	(vii)	Other Local Grants and expenditure	633	0
4,791	(1,890)			5,055	(2,018)
Other Partnerships					
1,216	(1,057)		Safety Camera Partnership	1,454	(1,131)

There are no significant jointly controlled assets or liabilities as at 31 March 2017.

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) Devon, Cornwall and the Isles of Scilly has nine Community Safety Partnerships (CSPs) comprised of a wide range of partners including the Police Force, 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 partnerships is to consider crime and disorder issues through the work of each individual agency and to work collectively to address crime and disorder and to build and sustain safe communities. Funding is provided to each partnership for the delivery of an agreed business plan which will include contributions to a commissioned domestic abuse and sexual violence service and a substance misuse service addressing local evidenced need.
- (ii) The Youth Offending Service (YOS) is comprised of multi-agency teams, co-ordinated by a local authority, overseen by the Local Justice Board and funded by a combination of government grants, and contributions from the Police and Crime Commissioner, Local Authorities, Clinical Commissioning Groups and the National Probation Service. The Service works with young offenders, sets up community services and reparation plans, attempts to prevent youth recidivism and youth offending.

- (iii) Sexual Assault Referral Centres (SARCS) provide services to victims/survivors of rape or sexual assault regardless of whether the person chooses to report the offence to the police or not. SARCs are funded by a combination of government grants, partnership grants and contributions from the Police and Crime Commissioner. SARCs are designed to be comfortable and multi-functional, providing private space for interviews and medical examinations, and offer counselling services by specially trained staff.
- (iv) Devon and Cornwall has four Safeguarding Adults Boards and four Safeguarding Children Boards (LSAB and LSCB) with representatives including; the Police and Crime Commissioner, the Police Force, Local Authorities, voluntary sector and the CCG. The statutory objectives of the Boards are to co-ordinate what is being done by each person or body represented on the Board for the purposes of safeguarding and promoting the welfare of children and vulnerable adults in the area and to ensure the effectiveness of what is done by each person or body for those purposes.
- (v) Small grants scheme partnership includes the Police and Crime Commissioner and Community groups in Devon and Cornwall. The aim of this grant is to help small community groups whose work focuses on reducing crime and making people feel safer.

The Mental Health Street Triage service is commissioned through a Partnership between the Police and Crime Commissioner and the Devon Health CCGs and provides immediate access to clinical information for front line staff via mental health clinicians working in the police control rooms. The aim of the service is to offer appropriate support to people experiencing a mental health crisis in public and to ensure they access the most appropriate care (such as access to a designated Place of Safety) rather than being held in police custody.

- (vi) The Victim Care Network now has a membership of 82 different organisations receiving a grant from the Police and Crime Commissioner to deliver local victim services. The funding, which originates from the Ministry of Justice, ensures tailored support can be provided to victims of crime according to their individual needs. The Ministry of Justice also provides funding for the delivery of a Restorative Justice Service; a new service is being commissioned by the Police and Crime Commissioner in the 2017/18 financial year to support victims of crime in recovering from the effects of crime.
- (vii) The Police and Crime Commissioner manages an **Emerging Commissioning Priorities Fund** which allows grants to be made to organisations to support work delivering the objectives set out within the Police and Crime Plan. This includes support for initiatives aimed at preventing and deterring crime, and protecting people at risk of abuse and those who are vulnerable.

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
2015-16	2015-16	Joint Operation	2016-17	2016-17
£'000	£'000		£'000	£'000
1,049	0	South West Regional Special Branch	1,043	0
2,376	0	South West Regional Forensics Services	5,906	0
449	0	South West Procurement Services	427	0
1,485	0	Zephyr	2,242	0
153	0	Regional Programme	240	0
5,512	0		9,858	0

South West Regional Special Branch

South West Regional Special Branch is a partnership with Avon and Somerset Police, Dorset Police and Wiltshire Police. Each Force has a committed number of staff who are based within their own Force area, but work on behalf of the four Forces. The overall cost for the year ending 31 March 2017 was £3,608k split on a percentage basis, with Devon and Cornwall Police contributing 28.9%, Avon and Somerset contributing 28.4%, Dorset Police contributing 23.9% and Wiltshire Police contributing 18.8%.

South West Regional Forensics Services

South West Regional Forensics Services is a partnership with 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 Collaboration has been implemented on a phased basis with 2016-17 being the first full financial year. The overall cost for the year was £18,812k. Most of the cost is split on a percentage basis, with Devon and Cornwall contributing 30.5%, Avon and Somerset contributing 36.6%, Dorset Police contributing 18.7% and Wiltshire Police contributing 14.2%.

South West Procurement Services

South West Procurement Services is a partnership with Devon and Cornwall Police, Dorset Police, Wiltshire Police and Gloucestershire Police. Staff are based across the region, with them all employed by Devon and Cornwall Police. The overall cost for the year ending 31 March 2017 was £922k 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 with Devon and Cornwall Police, Avon and Somerset Police, Dorset Police, Wiltshire Police and Gloucestershire Police working on Serious and Organised Crime matters. Two additional units were added in 2016-17 hence the increase in contribution. Staff are employed by each partnering Police Force and based within one of two hubs (North & South). The overall cost for the year ending 31 March 2017 was £6,811k. Most of the cost is 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%.

South West Collaboration Programme

The South West Police Collaboration Programme is a partnership with Devon and Cornwall Police, Dorset Police, Gloucestershire Police and Wiltshire Police with Avon and Somerset being the lead force. The Programme consists of a range of teams that manage the implementation of collaboration business change projects. Costs are shared with the Forces that are involved in each project. Devon and Cornwall Police contribute 33.3% to the Programme Team, Emergency Services Mobile Communications Process, Regional Organised Crime Unit and Armed Policing Unit and 30.5% to the Programme Change aspect of South West Regional Forensics Services.

NOTE I.1: STATEMENT OF ACCOUNTING POLICIES

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

The principal accounting policies adopted are set out below.

a. Accruals of Income and Expenditure

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

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

b. Cash and cash equivalents

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

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

c. Exceptional Items

When items of expenditure are outside the normal type of expenditure incurred by the Group they will be disclosed separately on the face of the 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 2016-17 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 four separate pension schemes:

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

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

Police Officers' Pension Schemes

All Police Officers' Pension Schemes are accounted for as defined benefits schemes:

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

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

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

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

Police Officers' Injury Benefits

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

The Local Government Pension Scheme

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

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

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

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

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

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

Overall Impact on Reserves

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

Discretionary Benefits

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

h. Events after the Balance Sheet Date

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

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

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

i. Financial Instruments

(i) Financial Liabilities (Borrowing)

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

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

(ii) Financial Assets

Financial assets may be classified into three types:

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

Loans and Receivables

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

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

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

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

Available for Sale

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

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

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

Financial Instruments at Fair Value through the Profit and Loss

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

j. Government Grants and Contributions

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

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

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

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

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

k. Inventories and Long Term Contracts

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

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

I. Jointly Controlled Operations

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

m. Leases

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

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

PCC Group as Lessee

(i) Finance Leases

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

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

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

(ii) Operating Leases

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

Group as Lessor

(i) Operating Leases

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

n. Overheads and Support services

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

o. Intangible Assets

(i) Recognition

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

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

(ii) Measurement

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

(iii) Amortisation

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

(iv) Impairment

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

p. Plant, Property and Equipment

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

(i) Recognition

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

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

(ii) Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- Assets under construction – historical cost
- Surplus assets - fair value in accordance with IFRS 13
- Land and Buildings – fair value is determined as the amount that would be paid for the asset in its existing use. Where insufficient market-based evidence of fair value is available Depreciated Replacement Cost has been used by the Police and Crime Commissioner valuer as an estimate of fair value. Land and buildings are re-valued by a qualified external valuer every five years and this was last done as at 1 January 2015.
- Enhancements/Adaptations to leasehold buildings - historical cost
- For vehicles, plant and equipment that have short lives or low value or both, depreciated historical cost is used as a proxy for fair value.

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

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

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

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

(iii) Impairment

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

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

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

(iv) Depreciation

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

The depreciation policy for assets is as follows:

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

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

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

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

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

(v) Disposals

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

q. Provisions, Contingent Liabilities and Assets

Provisions

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

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

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

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

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

Contingent Liabilities

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

Contingent Assets

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

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

r. Reserves and Funds

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

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

s. Intra Group Funding and Cost Recognition

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

t. Revenue Recognition and Council Tax

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

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

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

u. VAT

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

v. Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

Assets Held for Sale are:

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

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

Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

NOTE I.2: SIGNIFICANT ESTIMATES AND JUDGEMENTS

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

- The PCC Group has had to make judgements about the allocation of expenditure between Police and Crime Commissioner and the Chief Constable. The basis adopted was arrived at after considering the CIPFA SeRCOP and the Police Reform and Social Responsibility Act.
- A 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 E.7 (i) describes liabilities with regard to potential claims against the Police and Crime Commissioner Group. Judgement has been applied in determining that for each of these actual or potential claims, either the outflow of resources is not probable or the obligation cannot be estimated with sufficient reliability. For this reason the appropriate accounting treatment is judged to be disclosure of a contingent liability rather than the making of a provision.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Police and Crime Commissioner about the future or that are otherwise uncertain. Estimates are made by taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Police and Crime Commissioners Balance Sheet at 31 March 2017 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
Property, Plant and Equipment	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 2017 is £167.692m.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £0.2m for every year that useful lives had to be reduced.
Provisions	The Police and Crime Commissioner has made a provision of £1.457m 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 £0.146m.
Pensions Liability	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 2017 is £3,583.461m.	The effects on the net pensions liability of changes in individual assumptions are shown in note J.3 (d) and (k).

NOTE I.4: EVENTS AFTER THE BALANCE SHEET DATE

There are no post balance sheet events that impact on the estimates and judgements used to prepare the accounts and hence no adjustments to the accounts were necessary.

NOTE J.1: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

For Year Ended 31 March 2017

	Usable Reserves			Unusable Reserves
	General Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	£'000
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:.				
Pensions costs (transferred to (or from) the Pensions Reserve)	82,199	0	0	(82,199)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	0	0	0	0
Council Tax and NDR (transfers to or from Collection Fund)	(171)	0	0	171
Holiday pay (transferred to the Accumulated Absences Reserve)	767	0	0	(767)
Equal pay settlements (transferred to the Unequal Pay/Back Pay AC	0	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA):	10,148	0	0	(10,148)
Total Adjustments to Revenue Resources	92,943	0	0	(92,943)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	875	0	(875)
Transfer of Grants from Revenue to the Capital Grant Reserve	(2,824)	0	2,824	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	0	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,577)	0	0	1,577
Capital expenditure financed from revenue balances (transfer to the CAA)	(4,522)	0	0	4,522
Total Adjustments between Revenue and Capital Resources	(8,923)	875	2,824	5,224
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	(194)	0	194
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0
Application of capital grants to finance capital expenditure	0	0	(2,114)	2,114
Cash payments in relation to deferred capital receipts	0	0	0	0
Total Adjustments to Capital Resources	0	(194)	(2,114)	2,308
Total Adjustments excluding Earmarked Adjustments	84,020	681	710	(85,411)
Earmarked Adjustments from Income and Expenditure charged under the Accounting Basis to the Funding Basis				3,319
Total Adjustments including Earmarked Adjustments				(82,092)

For Year Ended 31 March 2016

	Usable Reserves			Unusable Reserves
	General Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	£'000
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:.				
Pensions costs (transferred to (or from) the Pensions Reserve)	85,247	0	0	(85,247)
Adjustments Account)	0	0	0	0
Council Tax and NDR (transfers to or from Collection Fund)	(171)	0	0	171
Holiday pay (transferred to the Accumulated Absences Reserve)	(76)	0	0	76
Equal pay settlements (transferred to the Unequal Pay/Back Pay AC	0	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA):	8,226	0	0	(8,226)
Total Adjustments to Revenue Resources	93,226	0	0	(93,226)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	0	0	0
Transfer of Grants from Revenue to the Capital Grant Reserve	(2,291)	0	2,291	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	0	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,539)	0	0	1,539
Capital expenditure financed from revenue balances (transfer to the CAA)	(2,172)	0	0	2,172
Total Adjustments between Revenue and Capital Resources	(6,002)	0	2,291	3,711
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	(349)	0	349
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0
Application of capital grants to finance capital expenditure	0	0	(1,993)	1,993
Cash payments in relation to deferred capital receipts	0	(349)	(1,993)	2,342
Total Adjustments to Capital Resources	0	(349)	(1,993)	2,342
Total Adjustments excluding Earmarked Adjustments	87,224	(349)	298	(87,173)
Earmarked Adjustments from Income and Expenditure charged under the Accounting Basis to the Funding Basis				
				0
Total Adjustments including Earmarked Adjustments				(87,173)

NOTE J.2: MOVEMENTS IN UNUSABLE RESERVES

Revaluation Reserve

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

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

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

Year Ended		Year Ended	
31 March 2016		31 March 2017	
£'000	£'000	£'000	£'000
	27,703		37,290
	Balance at 1 April		
	Upward/(Downward) revaluation of assets - not		
	10,715 posted to the Surplus or Deficit on the Provision of		8,472
	Services		
(1,128)	Difference between fair value depreciation and	(1,536)	
	historical cost depreciation		
0	Accumulated gains on assets sold or scrapped	(122)	
	(1,128) Amount written off to the Capital Adjustment		(1,658)
	Account		
	37,290		44,104
	Balance at 31 March		

Capital Adjustment Account

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

Year Ended 31 March 2016 PCC Group £'000		Year Ended 31 March 2017 PCC Group £'000
86,887	Balance at 1 April	85,842
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(8,592)	Charges for depreciation and impairment of non-current assets	(9,331)
(155)	Amortisation of intangible assets	(160)
601	Revaluation losses on Property, Plant and Equipment	(557)
0	Revaluation losses on Assets Held for Sale	0
(80)	Value of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,414)
(8,226)		(11,462)
1,128	Adjusting amounts written out of the Revaluation Reserve	2,097
(7,098)	Net written out amount of the cost of non-current assets consumed in the year	(9,365)
	Capital Financing applied in the year:	
349	Use of the Capital Receipts Reserve to finance new capital expenditure	194
1,993	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,114
1,539	Statutory provision for the financing of capital investment charged against the General Fund balances	1,577
2,172	Capital expenditure charged against the General Fund balances	4,522
6,053		8,407
85,842	Balance at 31 March	84,884

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 2016			Year Ended 31 March 2017		
PCC £'000	Group £'000		PCC £'000	Group £'000	
(2,924,468)	(2,924,468)	Balance at 1 April	(2,792,028)	(2,792,028)	
131,264	0	Intra- group adjustments	(789,984)	0	
(337)	(174,328)	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	(300)	(164,349)	
130	89,081	Employer's pensions contributions and direct payments to pensioners payable in the year	218	85,469	
1,383	217,687	Actuarial (gains)/losses on pensions assets and liabilities	(1,367)	(712,553)	
(2,792,028)	(2,792,028)	Balance at 31 March	(3,583,461)	(3,583,461)	

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 2016			Year Ended 31 March 2017		
£'000			£'000		
3,417		Balance at 1 April	3,588		
171		Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	171		
3,588		Balance at 31 March	3,759		

Short Term Accumulated Absences Account

Year Ended 31 March 2016			Year Ended 31 March 2017		
PCC	Group		PCC	Group	
£'000	£'000		£'000	£'000	
(17)	(8,444)	Balance at 1 April	(12)	(8,368)	
17	8,444	Settlement or cancellation of accrual made at the end of the proceeding year	12	8,368	
(12)	(8,368)	Amounts accrued at the end of the current year	(13)	(9,135)	
5	76	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	(1)	(767)	
(12)	(8,368)	Balance at 31 March	(13)	(9,135)	

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 2016			Year Ended 31 March 2017		
£'000			£'000		
0		Balance at 1 April	0		
0		Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0		
0		Balance at 31 March	0		

NOTE J.3: DEFINED BENEFIT PENSION SCHEMES

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

a) Participation in Pension Schemes – Police Officer Schemes

From 1 April 2015 both the 1987 and 2006 Police Officers' pension schemes were replaced by a new scheme with future accrual based on the new career average (CARE) model. Both final salary police schemes closed from April 2015, however, there is protection for those closest to retirement, who will be entitled to remain in their current police pension scheme beyond 2015. The new scheme is open to all new recruits. The police officer pension schemes are unfunded defined benefit final salary schemes administered by the Chief Constable for Devon and Cornwall, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Pensions are financed from the Group's and employee's (police officers) contributions. Any deficit is met by the Home Office in the form of a top up grant. The Group's and the employee contributions are paid into a separate Police Officers' Pension Fund Account. The details of this account are provided on page 87.

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 I.1), the independent actuary has estimated the costs and they are included within Police Officers scheme disclosure.

b) Transactions relating to Retirement Benefits – Police Officer Schemes

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

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

Year Ended 31 March 2016	<u>Comprehensive Income and Expenditure Account</u>	Year Ended 31 March 2017
£'000		£'000
	<i>Cost of Services</i>	
63,956	Current service cost	53,652
	<i>Income and Expenditure</i>	
89,307	Net Interest expense	93,247
153,263	Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	146,899
	<i>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	
	Remeasurement of the net defined benefit liability comprising:	
0	Actuarial (gains) and losses arising on changes in demographic assumptions	(1,622)
(196,613)	Actuarial (gains) and losses arising on changes in financial assumptions	645,638
8,207	Other	0
(35,143)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statements	790,915
	Movement In Reserves Statement	
(153,263)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post- employment benefits in accordance with the code	(146,899)
	Actual amounts charged against the General Fund Balance for pensions in the year:	
28,741	Employer contributions payable to scheme	28,188
52,235	Home Office Top Up Grant	44,570

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 2016		Year Ended 31 March 2017
£'000		£'000
(2,742,348)	Opening balance at 1 April 2016	(2,626,229)
(63,956)	Current service cost	(53,652)
(89,307)	Interest cost	(93,247)
(15,059)	Contributions from scheme participants	(14,585)
	Remeasurement (gains) and losses:	
0	Actuarial gains/(losses) arising from changes in demographic assumptions	1,622
196,613	Actuarial gains/(losses) arising from changes in financial assumptions	(645,638)
(8,207)	Experience gains/(losses) on Defined benefit obligation	0
0	Gains/(losses) on curtailment (where relevant)	0
0	Liabilities assumed on entity combinations	0
94,783	Benefits paid	85,878
1,252	Injury pension payments	1,465
(2,626,229)	Closing balance at 31 March 2017 as recognised in the balance sheet	(3,344,386)

Government Actuary's Department (GAD) v Milne

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

Impact on the Police and Crime Commissioner's Cashflow

The liabilities show the underlying commitments that arise from the fact that Police and Crime Commissioner has to pay retirement benefits over a long-term period. The total liability of £3.34 billion has a substantial impact on the net worth of the Group as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Police and Crime Commissioner remains healthy:

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

The total contributions expected to be made to the Police Pension Fund Account by the Police and Crime Commissioner in the year to 31 March 2018 is £25m.

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

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

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

The significant assumptions used by the actuary have been:

Year Ended		Year Ended
31 March 2016		31 March 2017
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.7	Men	22.2
25.9	Women	24.7
	Longevity at 65 for future pensioners:	
24.9	Men	24.4
28.2	Women	27.1
	Financial Assumptions:	
2.3%	Rate of Inflation	2.7%
4.5%	Rate of increase in salaries	4.9%
2.3%	Rate of increase in pensions	2.7%
3.6%	Rate for discounting scheme liabilities	2.7%

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

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

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption £'000	Decrease in Assumption £'000
Mortality age rating assumption (increase or decrease in 1 year)	134,113	(128,797)
Rate of increase in salaries (increase or decrease by 0.1%)	6,680	(6,645)
Rate of increase in pensions (increase or decrease by 0.1%)	56,095	(55,000)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(61,585)	62,836

e) Participation in Pension Schemes – Police Staff Scheme

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

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

f) Participation in Pension Schemes – Police Staff Scheme

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

Year Ended 31 March 2016		<u>Comprehensive Income and Expenditure Account</u>	Year Ended 31 March 2017	
PCC £'000	Group £'000		PCC £'000	Group £'000
		<i>Cost of Services</i>		
		Service cost comprising:		
235	14,700	Current service cost	192	11,200
3	211	Past service cost	1	37
2	96	Administration Expenses	3	151
0	0	(gain)/loss from settlements	0	0
		<i>Financing and Investment Income and Expenditure</i>		
97	6,058	Net Interest expense	103	6,062
337	21,065	Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	299	17,450
		<i>Other Post Employment Benefits Charged to Comprehensive Income and Expenditure Statement</i>		
		Remeasurement of the net defined benefit liability comprising:		
112	6,991	Return on plan assets (excluding the amount included in the net interest expense)	(620)	(36,178)
0	0	Actuarial (gains) and losses arising on changes in demographic assumptions	11	649
(581)	(36,324)	Actuarial (gains) and losses arising on changes in financial assumptions	1,872	109,203
0	0	Other actuarial (gains) and losses	99	5,794
(915)	0	*Apportionment Adjustment	192	0
1	52	Experience (gain)/loss on defined benefit obligation	(187)	(10,931)
(1,046)	(8,216)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	1,666	85,987

*This apportionment adjustment in 2015-16 was not shown in the PCC note but was included in the group totals. For transparency and comparative purposes this has been included in the PCC note for 2016-17 and 2015-16 restated by £915k.

Year Ended 31 March 2016		Movement in Reserves Statement	Year Ended 31 March 2017	
PCC £'000	Group £'000		PCC £'000	Group £'000
(337)	(21,065)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(299)	(17,450)
Funded Liabilities £'000		Actual amount charged against the General Fund Balance for pensions in the year:	Funded Liabilities £'000	
PCC	Group		PCC	Group
127	7,941	Employers' contributions payable to scheme	215	12,549
Unfunded Liabilities £'000			Unfunded Liabilities £'000	
PCC	Group		PCC	Group
3	164	Retirement benefits payable to pensioners	3	162

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 2016			Year Ended 31 March 2017	
PCC £'000	Group £'000		PCC £'000	Group £'000
(6,473)	(404,785)	Present value of the defined benefit obligation	(8,986)	(524,201)
3,822	238,986	Fair value of plan assets	4,888	285,126
(2,651)	(165,799)	Net liability arising from defined benefit obligation	(4,098)	(239,075)

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 2016			Year Ended 31 March 2017		
PCC	Group		PCC	Group	
£'000	£'000		£'000	£'000	
(8,791)	(418,279)	Opening balance at 1 April 2016	(6,473)	(404,785)	
(235)	(14,700)	Current service cost	(192)	(11,200)	
(226)	(14,119)	Interest cost	(262)	(15,270)	
(54)	(3,358)	Contributions from scheme participants	(54)	(3,178)	
		Remeasurement gain/(loss):			
0	0	Actuarial gains/(losses) arising from changes in demographic assumptions	(11)	(649)	
581	36,324	Actuarial gains/(losses) arising from changes in financial assumptions	(1,872)	(109,203)	
(1)	(52)	Experience gain/(loss) on defined benefit obligation	187	10,931	
2,102	0	Apportionment Adjustment	(466)	0	
(3)	(211)	Past service cost including gains/(losses) on curtailments	(1)	(37)	
154	9,610	Benefits paid	158	9,190	
(6,473)	(404,785)	Closing balance at 31 March 2017	(8,986)	(524,201)	

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

Year Ended 31 March 2016			Year Ended 31 March 2017		
PCC	Group		PCC	Group	
£'000	£'000		£'000	£'000	
4,964	236,159	Opening fair value of scheme assets	3,822	238,986	
129	8,061	Interest income	158	9,208	
		Remeasurment gain/(loss):			
(112)	(6,991)	The return on plan assets, excluding the amount included in the net interest expense	620	36,178	
(1,187)	0	Apportionment Adjustment	276	0	
(2)	(96)	Administration expenses	(3)	(151)	
130	8,105	Contributions from employer	218	12,711	
54	3,358	Contributions from employees into the scheme	54	3,178	
(154)	(9,610)	Benefits paid	(158)	(9,190)	
0	0	Other	(99)	(5,794)	
3,822	238,986	Closing fair value of scheme assets	4,888	285,126	

The Police and Crime Commissioner's Group contribution to the Local Government Pension Scheme for the accounting period to 31 March 2018 is estimated to be £9,274k of which £129k is for the Police and Crime Commissioner. Expected payments for discretionary benefits for the accounting period to 31 March 2018 are estimated to be £162k of which £2k is for the Police and Crime Commissioner.

j) Local Government Pension Scheme assets comprised

Year Ended 31 March 2016			Year Ended 31 March 2017		
£'000		<u>Fair Value of Scheme assets</u>	£'000		
PCC	Group		PCC	Group	
Cash and cash equivalents					
922	57,673	UK Equities	1,175	68,563	
1,228	76,802	Overseas Equities	1,700	99,150	
105	6,580	Gilts	146	8,511	
136	8,478	Other Bonds	125	7,287	
428	26,764	Property	428	24,947	
145	9,048	Infrastructure	190	11,096	
557	34,812	Target Return Portfolio	726	42,333	
85	5,327	Cash	130	7,612	
216	13,502	Alternative Assets	268	15,627	
3,822	238,986	Total	4,888	285,126	

k) Basis for Estimating Assets and Liabilities

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

The liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full triennial valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

Year Ended 31 March 2016		Year Ended 31 March 2017
	Long-term expected rate of return on assets in the scheme:	
3.8%	Equity investments	2.8%
3.8%	Bonds	2.8%
3.8%	Other	2.8%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.9	Men	23.4
26.2	Women	25.5
	Longevity at 65 for future pensioners:	
25.2	Men	25.6
28.6	Women	27.8
	Financial Assumptions:	
2.5%	Rate of inflation	2.7%
4.3%	Rate of increase in salaries	4.2%
2.5%	Rate of increase in pensions	2.7%
3.8%	Rate for discounting scheme liabilities	2.8%

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

Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption £'000	Decrease in Assumption £'000
PCC		
Mortality age rating assumption (increase or decrease in 1 year)	323	(311)
Rate of increase in salaries (increase or decrease by 0.1%)	34	(34)
Rate of increase in pensions (increase or decrease by 0.1%)	163	(160)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(193)	197
Group		
Mortality age rating assumption (increase or decrease in 1 year)	18,839	(18,166)
Rate of increase in salaries (increase or decrease by 0.1%)	1,980	(1,962)
Rate of increase in pensions (increase or decrease by 0.1%)	9,533	(9,314)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(11,254)	11,512

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;
- It is assumed that members opted-in to the 50:50 section at the previous valuation date will continue in this section.

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

The objectives of the scheme, as administered by Devon County Council, are to keep employer's contributions at as constant a rate as possible. A strategy has been agreed with the scheme's actuary to achieve a funding level of 100% over the next 20 years. The next triennial valuation will be as at 31 March 2019.

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.

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

These notes relate to the cashflow statement on page 25.

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

The cashflows for operating activities include the following items:

31 March 2016 £'000		31 March 2017 £'000
3,382	Net cash receipts/(payments) from operating activities excluding interest receipts and payments	(7,198)
619	Interest received	509
(1,400)	Interest paid	(1,347)
2,601	Net Cash flows from operating activities	(8,036)

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

31 March 2016 £'000		31 March 2017 £'000
4,667	Purchase of property, plant and equipment, investment property and intangible assets	5,926
(13,000)	Net movement in short and long term investments	1,428
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	875
(8,333)	Net cash flows from investing activities	8,229

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

31 March 2016 £'000		31 March 2017 £'000
0	Grant receipts in advance - Capital	0
0	Net cash receipts from long term borrowing	0
0	Cash payments to reduce finance lease liabilities	0
0	Net cash flows from financing activities	0

NOTE J.5: OPERATING LEASES

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

Year Ended		Year Ended
31 March 2016		31 March 2017
£'000		£'000
939	Not later than one year	906
2,831	Later than one year and not later than five years	2,920
2,697	Later than five years	2,144
<u>6,467</u>		<u>5,970</u>

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

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

Year Ended	Year Ended
31 March 2016	31 March 2017
£'000	£'000
1,085	954
<u>1,085</u>	<u>954</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 2016 £'000		31 March 2017 £'000
	FUND ACCOUNT	
	Contributions Receivable	
(26,522)	Employers (normal)	(25,681)
(15,059)	Employees (normal)	(14,585)
(967)	Ill Health capital charge	(1,042)
	Transfers In	
(1,474)	Individual transfers from other schemes	(903)
	Benefits payable	
66,844	Pensions	69,441
29,289	Commutations & lump sum retirement benefits	17,340
	Payment to and on account of leavers	
124	Individual transfers to other schemes	0
<u>52,235</u>	Net amount paid during the year	<u>44,570</u>
<u>(52,235)</u>	Transfer from Police Fund*	<u>(44,570)</u>
<u>0</u>	Net amount payable / receivable for the year	<u>0</u>

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

41,419	Received in year	37,500
10,816	Debtor	7,070
<u>52,235</u>		<u>44,570</u>

Police Officer Pension Fund Asset Statement

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

Notes

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

The main benefits payable are police officer pensions, lump sums that represent the commutation of pensions and other lump sum payments. The Chief Constable paid a contribution equal to 24.2% of police officer pay for 2016-17. (GAD valuation calculated this contribution to now be 21.3% but Home Office regulations state that the Chief Constable should maintain contributions at 24.2%). As this contribution was insufficient to meet the net costs of benefits after employees' contributions, the account was balanced to nil at the year end by the Home Office top up grant.

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

For further information on the Police Officers' Pension Scheme see note J.3.

This Financial Statement does not take account of liabilities to pay pensions and other benefits after the 31 March 2017.



Devon & Cornwall Police

Building safer communities together



PCC

Office of the Police
and Crime Commissioner
Devon and Cornwall

2016-17 JOINT ANNUAL GOVERNANCE STATEMENT

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

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1.0 EXECUTIVE SUMMARY

Devon & Cornwall Police operates in a financially challenging environment with external pressures and changing demands on policing. Effective governance arrangements for both the force and Office of the Police & Crime Commissioner (OPCC) are key to ensuring the continued achievement of our shared objectives.

This Annual Governance Statement provides a review of the respective governance arrangements in place for each organisation. This report summarises the governance frameworks in place, including structures of decision making, responsibilities and broad regulations followed. It then assesses their effectiveness against the revised principles within the CIPFA/SOLACE 2016 framework: *'Delivering Good Governance in Local Government'*. Areas for improvement are identified for the coming year.

The overall opinion of the current assurance arrangements is **reasonable**, with adequate controls in place for most areas reviewed. Further work will take place on Strategic Alliance governance, to integrate better with existing frameworks.

2.0 INTRODUCTION & PURPOSE

This statement is written on behalf of the Chief Constable of Devon & Cornwall Police (D&CP) and the Police & Crime Commissioner (PCC) in line with CIPFA Standards. Both organisations are responsible for ensuring that public money is used effectively and have proper governance arrangements in place. The statement sets out the position as at 31st March 2017, including plans for the financial year 2017/2018.

2.1 POLICING IN DEVON & CORNWALL

The overall strategic plan of policing in Devon and Cornwall is set out in the [PCC's Police & Crime Plan](#). This plan is fully consulted with the Chief Constable and outlines five broad policing priorities:

- Connecting communities and policing
- Preventing and deterring crime
- Protecting people at risk of abuse and those who are vulnerable
- Supporting victims and witnesses and helping them to get justice
- Getting the best out of the police

[Devon and Cornwall Police's mission](#) is underpinned by values of professionalism, courage, integrity, fairness and respect. The mission is to:

- Detect and prevent harm; protect the vulnerable and reduce crime
- Work together as one team to safeguard communities and neighbourhoods
- Be sustainable and resilient, providing a high quality service to the public
- Act in accordance with the Code of Ethics and our force standards of behaviour

Continued challenges relating to funding and the evolving policing environment summarised in the [NPCC Policing Vision 2025](#) create an operating environment of additional risk and complexity. We continue to explore opportunities to work more closely with Dorset, other forces regionally/nationally and agencies, while implementing our own transformational change programme to meet such challenges. Such activities emphasise the importance of sound governance to ensure successful long-term decision making, efficient use of our limited resources and to demonstrate accountability.

2.2 PURPOSE & DEFINITION OF GOVERNANCE

Governance refers to the arrangements put in place to ensure that outcomes for stakeholders are achieved as defined and intended. The governance framework comprises the systems, processes and values through which the Office of the Police and Crime Commissioner (OPCC) and Devon & Cornwall Police (D&CP) manage their activities. It monitors achievement of strategic objectives, while considering whether this leads to the delivery of appropriate services and value for money for the public.

This governance statement aims to provide assurance by evaluating our internal control structure and management of resources.

3.0 THE GOVERNANCE FRAMEWORK

The governance framework for the force and OPCC is underpinned by the CIPFA/SOLACE '7 Principles' of good governance.

3.1 FORCE & OPCC GOVERNANCE FRAMEWORK

The structures described in this Corporate Governance Framework are those in place during the financial year 2016-2017. It should be noted that these continue to evolve as the Strategic Alliance with Dorset develops, as outlined in section 3.2.

The Corporate Governance Framework

There are three main bodies which make up local police governance: The Chief Constable (who represents the Force), The Police and Crime Commissioner (PCC), and the Police & Crime Panel (PCP).

Within Devon & Cornwall Police, the Chief Constable and the PCC have established a joint seven-part [Corporate Governance Framework, published in detail online](#). This framework consists of the following:

- [Part 1: Framework and explanation](#)
- [Part 2: Principles of decision making and good governance](#)
- [Part 3: Responsibility for functions \(including asset schedule, contract list\)](#)
- [Part 4: Rules of procedure \(Financial regulations, Contract Standing Orders, Complaints procedure, Human resources procedures\)](#)
- [Part 5: Policies \(including Equality statement, Staff code of conduct, Code of conduct for members and special advisors, Gifts and Hospitality\)](#)
- [Part 6: Terms of reference for committees](#)
- [Part 7: Scheme of allowances](#)

The following sections provide highlights on the legal regulations, management responsibilities and strategic decision making frameworks.

Legal Responsibilities and Regulations

D&CP and the OPCC are responsible for ensuring that their business is conducted in accordance with the law and proper standards, and that public money is used efficiently and effectively. In discharging this overall responsibility, D&CP and OPCC are responsible for putting in place proper arrangements for the governance of their affairs, facilitating the effective exercise of functions, including arrangements for managing risk.

The PCC and Chief Constable are two separate entities who govern both jointly and separately to ensure the organisation is “doing the right things, in the right way, for the right people in an open inclusive and accountable way”. The defined statutory framework for their respective legal responsibilities include the following:

- [Police Reform and Social Responsibility Act 2011](#)
- [Policing Protocol Order 2011](#)
- [Financial Management Code of Practice for the Police 2013](#)
- [Strategic Policing Requirement 2015](#)

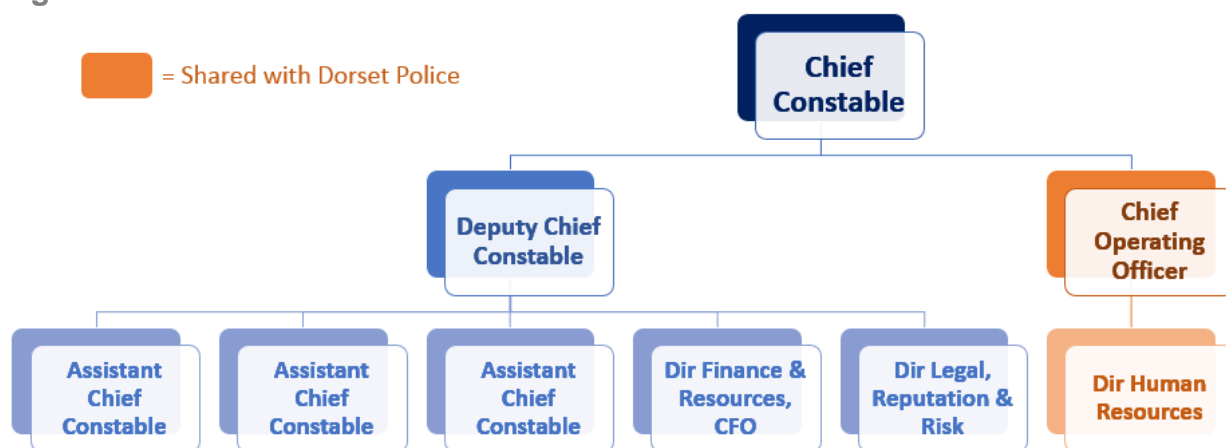
- [Accounts and Audit Regulations 2015](#)

Governance Responsibilities & Management

The Chief Constable provides overall direction of police personnel and operational policing matters. The Chief Constable is responsible for delivering policing in line with the [Commissioner's Police and Crime Plan](#). The PCC is required to hold the Chief Constable to account for the exercise of these functions.

A force model outlines the appropriate level of decision making for D&CP (Executive, Business or Operational). The Chief Constable is supported by a team of specialist Chief Officers at an Executive level, who have individual and collective responsibility for the delivery of effective governance. The [Executive portfolios](#) are aligned to the force mission to focus on threat, risk and harm. Below the Executive level summarised at **Figure 1**, [senior officers and department heads](#) hold responsibility for delivering business and operational policing, some of which are strategically aligned with Dorset. Recently this model has developed to include two Deputy Chief Constables, each reporting across both Dorset and Devon and Cornwall.

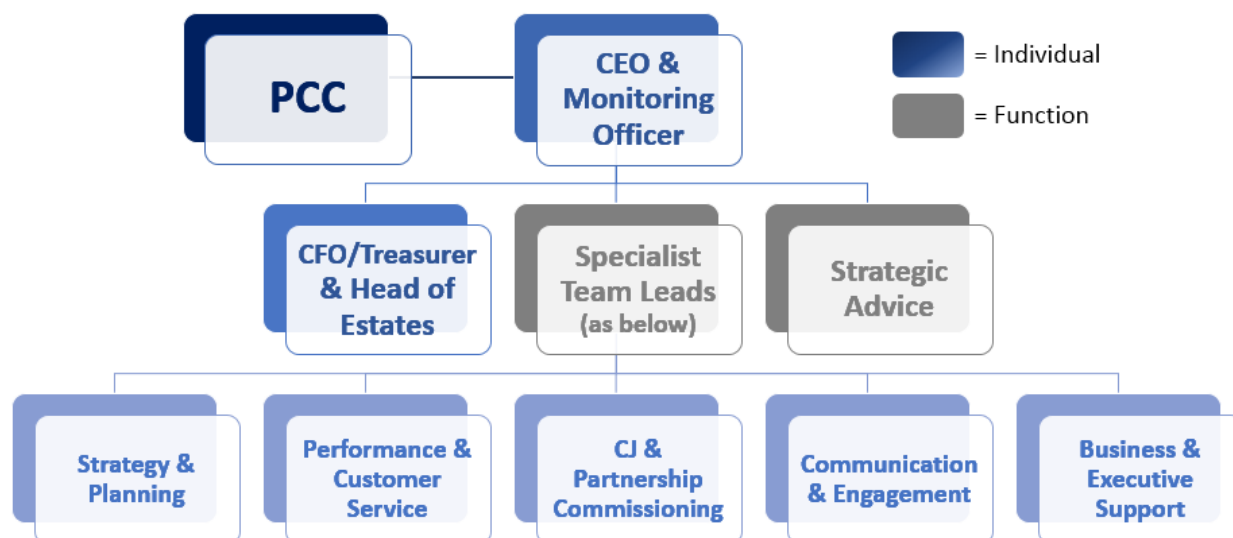
Figure 1: Force Executive Structure



The Director of Finance & Resources and OPCC Treasurer undertake the roles of Chief Financial Officer (CFO) to the Chief Constable and PCC respectively. The role and responsibilities of the CFOs are set out in the Scheme of Delegation. The CFOs of the force and OPCC respectively adhere to the CIPFA Statement on '[The Role of the CFO of the Police & Crime Commissioner and the CFO of the Chief Constable](#)'.

The [OPCC structure](#) is led by the Chief Executive Officer on behalf of the PCC. This role and that of The Treasurer are both statutory roles required by the Police Reform and Social Responsibility Act 2011. Within this are the specialist teams who consult with stakeholders and the public, summarised at **Figure 2**.

Figure 2: OPCC Executive & Team Structure



Decision Making & Strategic Meetings Structure

All [PCC decisions](#) are published and available for public scrutiny online. [Force strategic decisions and meeting minutes](#) are also openly published online. Decisions are often informed by [public consultation](#).

A number of strategic advisory and decision-making boards/committees facilitate progress towards organisational priorities across both the force and OPCC. Each board has a set membership and terms of reference that defines their purpose and agenda. Below are some key examples, while **Annex 1** provides a more comprehensive list of such meetings, their remit and interrelatedness.

- Joint Executive Board (from 2017) a Resources Board, chaired by the Chief Constable, will oversee more detailed financial reports, estates and HR matters to support more informed decision making.
- [Joint Management Board](#) coordinates and decides upon the most significant strategic issues affecting the force and OPCC, determining the strategic direction of the force.
- [Force Executive Board](#) provides organisational leadership and direction for the force. It monitors coordination of activity towards force mission, vision and values.
- The [Joint Audit Committee](#) provide independent assurance and advice to the PCC and the Chief Constable on governance arrangements to fulfil requirements set out in the Financial Management Code of Practice for Policing. This includes scrutiny and challenge of the adequacy of the risk management framework, financial reporting process and associated control environment. The committee is supported by the work of the Internal Auditors (South West Audit Partnership – SWAP) who deliver an agreed annual plan of assurance work across the Strategic Alliance. The independent internal audit opinion for Devon & Cornwall Police states: “For the 12 months ended 31 March 2017 I am able to offer reasonable assurance, in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally, risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.”

- 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.

3.2 THE STRATEGIC ALLIANCE GOVERNANCE FRAMEWORK

As a relatively high risk activity on which we are reliant to deliver savings for the force, the [Strategic Alliance with Dorset Police](#) remains an area of focus for strong governance. The strategic risks affect both PCCs as well as both Forces.

Legal Responsibilities and Regulations

In March 2015 an agreement was signed between Devon & Cornwall Police and Dorset Police and their respective Police and Crime Commissioners formally entering into a Strategic Alliance. The four entities of the alliance support a commitment to work together as a single team to support the deliver an effective police service.

The Alliance Governance Framework

As a transformational programme the Alliance project team is accountable to the four entities for the delivery of the programme objectives. To support this a separate governance structure has been established to ensure robust and effective reporting and decision-making processes. An important aspect is that one force acts as 'lead' for a given area of joint business.

Examples of Alliance challenges to be worked through are as follows:

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

Governance Responsibilities & Management

The Alliance project team is supported by a team of specialist officers who have individual responsibilities for the delivery of the programme. The DCC of D&C and that of Dorset are responsible for delivery of change and performance respectively across both forces.

Governance of decision making may be affected beyond the SA as a project; many decisions may still require raising concurrently through both forces in the absence of a single authority.

Decision Making & Alliance Strategic Meetings Structure

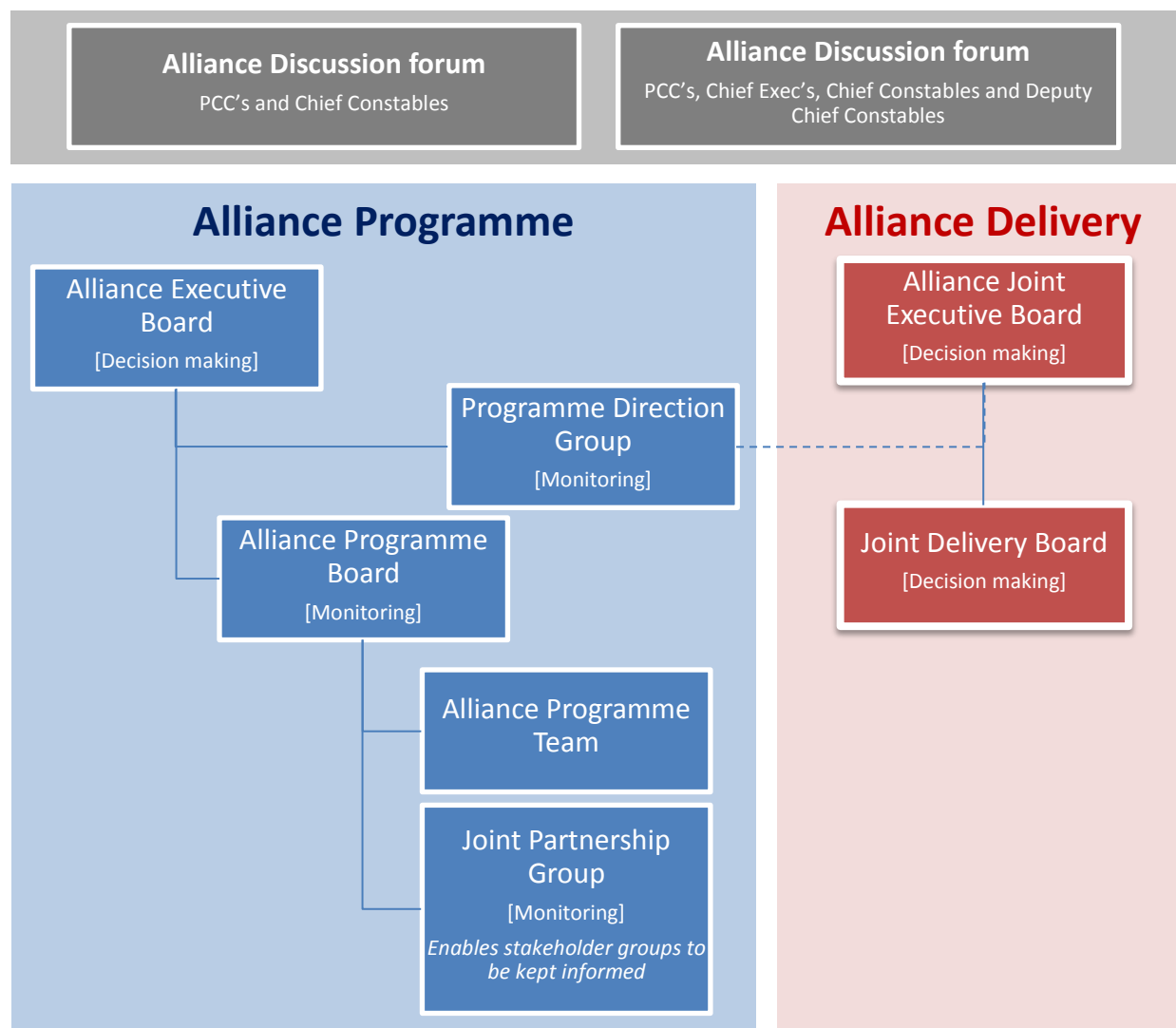
The Alliance programme is managed through a series of meetings. Each board has a set membership and terms of reference that defines their purpose and agenda. Governance is formally overseen by the Alliance Executive Board which includes both Chief Constables and both PCCs. Oversight of the programme is carried out by the attendance of the PCC at a selection of Alliance board meetings and through reports submitted to the Audit Committee. This committee currently meets in shadow form for the SA.

In line with the Financial Management Code of Practice, a joint Strategic Alliance Audit Committee has been established to provide assurance on alliance governance

arrangements through scrutiny and challenge. The committee currently comprises of independent members from the independent audit committees of both forces.

The Alliance board meeting structure is recorded in **Figure 3**. Further meetings and how they relate are shown at **Annex 1**.

Figure 3: Alliance board meeting structure



3.3 OTHER GOVERNANCE FRAMEWORKS

Beyond the Strategic Alliance, the force also explores other collaborations and working arrangements with other forces and organisations.

For example, the force is part of the governance framework for the [South West Police Collaboration \(SWPC\)](#). The Senior Responsible Officer for the SWPC is the Chief Constable of Gloucestershire, with commissioning decisions made in the Strategic Board by the CCs and PCCs of the five forces involved.

A Police Pensions Board is now in place, covering all five regional forces. The Board is established by the Scheme Managers for the five Forces under the powers of Section 5 of the Public Service Pensions Act 2013. Each Chief Constable is required, as Scheme

Manager, to hold a pensions board and the regional approach helps reduce duplication. The Board is chaired by an Independent chair and complies with statutory requirements for attendance of management and staff representation. The primary purpose of the Board is to assist the Scheme Managers in their duty to ensure compliance with scheme regulations, compliance with the requirements of The Pension Regulator and other matters such as record-keeping and publishing information. The Police Pensions Scheme is unfunded and there are no investments decisions to be made at the Board.

4.0 ANNUAL GOVERNANCE FRAMEWORK REVIEW

This review provides the public with assurance on current practice, long term delivery and the Force commitment to work in the public's best interest at all times.

4.1 METHODS OF REVIEW

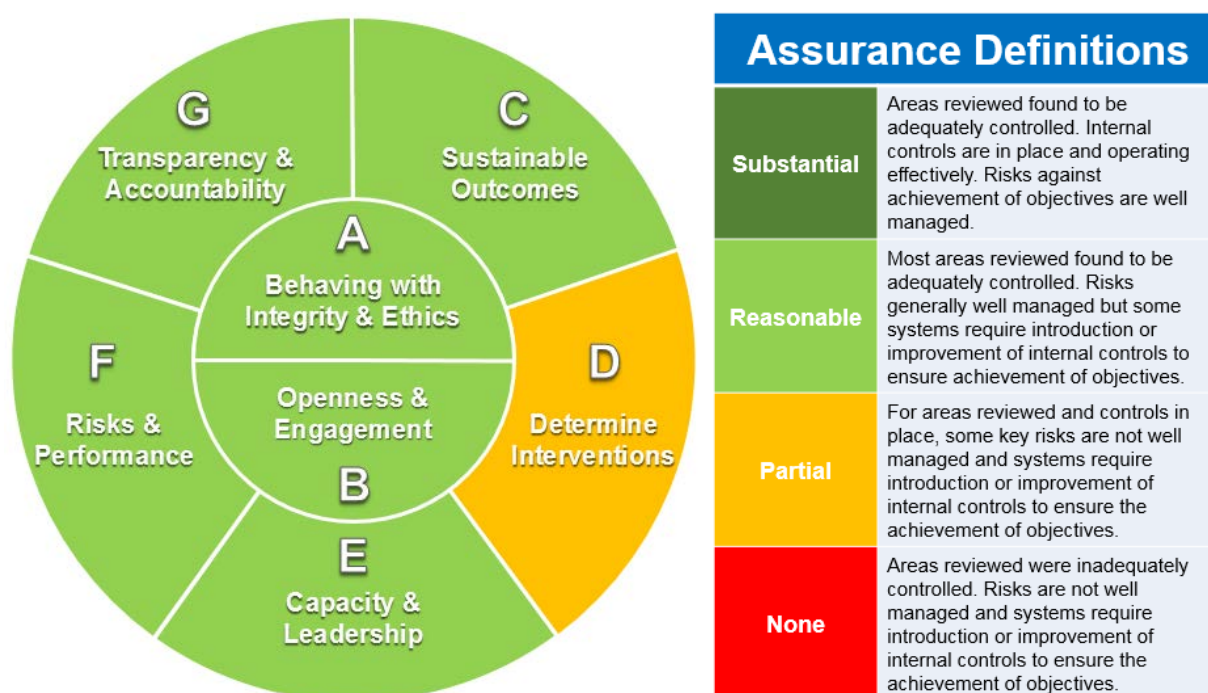
Each year the force and OPCC review current governance arrangements against delivery of service. The assessment framework below is from the CIPFA guidance 'delivering good governance: guidance for policing bodies in England and Wales 2016 edition'.

The assessment of effectiveness considered the range of evidence available:

- Assessment of internal and externally published material demonstrating adherence to principles.
- Professional independent opinions, including findings from varied internal/external reviews, audits and inspections. For example SWAP, HMIC, IPCC.
- Assurance perspectives from senior managers and professional leads on their respective areas of expertise/responsibility. This was through a guided self-assessment against themes of people, policy, financial, performance, risk, external and strategic alliance governance matters.

4.2 SUMMARISED FINDINGS AGAINST CIPFA PRINCIPLES

The following is a summary of the corporate governance framework self-assessment review against each of the seven principles of good governance, including assurance definitions. A more detailed analysis of findings can be found in **Annex 2**, including specific evidence gathered and links to publicly available supporting documentation.



The self-assessment overall opinion of the current assurance arrangements as outlined in this report is **reasonable**. Most areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or

improvement of internal controls to ensure the achievement of objectives. One 'significant' governance issue was found, with additional 'moderate' improvement areas also noted. Section 4.3 outlines an action plan to address issues in the findings, towards continually improving the levels of assurance.

4.3 RISKS, WEAKNESSES AND ACTIONS

Action plan to address issues identified in 2016-17:

The below table summarises actions over the coming year identified to address the moderate risks/weaknesses in the corporate governance framework review. The item 'HMIC Crime Data Integrity - Under recording' is highlighted in the table as a 'significant' governance issue. Other items are considered 'moderate'.

Several governance changes occurred toward the end of the financial year. Whilst these are designed to provide an even stronger basis, as they are to some degree all in development, they do involve some risk.

Reference	Risk / Weakness	Action
A. Integrity & Ethics	Force Performance Appraisal perceptions	Improve culture in use of Personal Development Review (PDR) process, ensuring clear link to performance.
	HMIC Legitimacy - Ethics & behaviour improvement suggested	Implement HMIC-identified areas for improvement, including wider vetting compliance, updated counter-corruption strategic assessment and improve integrity-related auditing processes. The force is also enhancing the monitoring capacity of vetting and anti-corruption processes within D&C through the Strategic Alliance with Dorset to create a single Professional Standards department.
B. Openness & Engagement	HMIC Effectiveness - Community engagement	Implement identified areas for improvement, including improved local engagement with communities and analysis.
	Openness of documentation	Increase scope and consistency of force documentation published online.
C. Sustainable Outcomes	HMIC Effectiveness - Improvement areas	Improve use of problem-solving models with partners and managing risks relating to sex offenders.
	Transformational change	Develop the governance of the Transformational PRISM Programme, ensuring dependencies are clearly defined. Proposals for strategic change should also be communicated to the public for consideration and scrutiny of outcomes.
D. Determining Interventions	HMIC Efficiency - Future demand	Develop resilient operating model beyond 2020 and effectively align resources.
	Change & benefits	Clearer articulation of benefits of change, at strategic and local level. Clearer alignment of interrelated projects/programmes through corporate planning timetable.
	Plans driving budgets	At local level, work to ensure budgets built upon planned delivery, not last year.
E. Capacity & Leadership	OPCC staff appraisal & development	Improve clarity over roles and to implement a revised and suitable performance management and development system for OPCC staff.
F Manage Risks & Performance	HMIC Crime Data Integrity - Under recording	Implement recommendations resulting from the HMIC Crime Data Integrity inspection (2016), which

		graded the force as 'Inadequate', with under-recording of crimes.
	Alliance Governance arrangements	The force will continue to put in place effective governance arrangements, as the Alliance moves from managing the Programme to managing Delivery. This includes developing the Strategic Alliance Audit Committee to provide independent audit assurances and advice across both Forces. Also developing a single risk management strategy to support our organisational objectives.
	Internal Audit concerns around payroll & financial control	Although no financial loss occurred, implement the full action plan now in place. Management and audit insight/review will continue during 2017/2018. Continue to develop the Resources Committee to strengthen governance of resources issues, particularly for HR, Estates and Finance.

Identified in 2015-16 AGS and actions during 2016-17:

A summary of how the risks identified in the 2015/16 Annual Governance Statement have since been resolved or are in progress is provided below:

Issue raised in 2015/16	Current position
Strategic Alliance implementation	ONGOING: The Alliance implementation programme is working to an agreed set of delivery timescales which are subject to re scheduling as the details of individual delivery plans evolves. A revised schedule of delivery dates indicates that the original savings of the alliance will be achieved.
Strategic Alliance risk management	ONGOING: A jointly commissioned KPMG report with Dorset highlighted the need to improve Strategic Alliance risk management and management structures. The force risk lead is conducting a strategic review of risk management including governance between the force, OPCC and Strategic Alliance.
Fraud & Corruption Strategy	COMPLETE: During 2015-16, internal audit conducted a review of our approaches to fraud and corruption. This recommended the introduction of a Fraud & Corruption Strategy. This is a joint strategy between all four corporations sole and will form the basis for future supporting joint policies.
Resourcing of Policing & PCC's Vision	COMPLETE: Transformational change continues to provide cost savings and efficiencies. The medium and long term financial strategies remain robust and in line with spend.
Governance and the Changing Powers of the PCC	COMPLETE: The Police and Crime Act is now in effect with all current legislative changes implemented. Joint governance arrangements across the Alliance will support both PCCs with the adoption of any additional powers.
Regional & Partnership Collaboration	COMPLETE: The development of long term demand-led arrangements for operational policing will drive more effective partnership and collaborative working activity. Agreement recently launched with Fire Service for missing persons for example.
Business Continuity	COMPLETE: Continuity plans are more current and relevant in operational and ICT functions. This is less consistent in other departments, though pose minimal risk to the organisation.

5.0 OPINION & CONCLUSION

Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives. Therefore, an overall assurance opinion of **reasonable** is provided.

The force and OPCC have elements of good governance; however, in recognition of the Strategic Alliance and transitional change there is need for ongoing work in order to maintain the effectiveness of the system.

We are committed to a process of continual improvement of governance and will monitor the implementation of the action plan (see 4.0 above) as part of the next annual review. We will work in partnership, especially with our Strategic Alliance partner Dorset, 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 written 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 2017 and refers to plans for the financial year 2017/2018.

Signed:

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Shaun Sawyer
**Chief Constable of
Devon & Cornwall Police**

Sandy Goscomb
**Devon & Cornwall Police
Director of Finance and Resources**

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Alison Hernandez
Police & Crime Commissioner

Duncan Walton
OPCC Treasurer

ANNEX 1: GOVERNANCE STRUCTURE OF STRATEGIC MEETINGS

In addition to having distinct joint meetings for strategic decision-making, the strategic business meetings in both the [force](#) and OPCC have attendance from each corporation sole. Listed here are strategic oversight meetings providing governance across both organisations. The scope of each meeting and the roles and responsibilities of attendees are clearly defined in their individual terms of reference.

Force Meetings – Driving business within the force

- ❖ **Force Executive Board** – Executive-level decision forum, guiding the organisation
- ❖ **Chief Operating Board** – Ensures delivery of policing coordinated around strategic objectives
- ❖ **Performance Management Reviews** – Thematic force performance meeting, providing accountability at the business lead level
- ❖ **Business Board** – Makes decisions on business proposals and activities
- ❖ **Equality Diversity & Human Rights Committee** – Advisory board on equality and diversity
- ❖ **Health & Wellbeing Delivery Group** – Group working to improve employee wellbeing
- ❖ **Health & Safety Committee** – Manages strategic health and safety issues
- ❖ **Basic Command Unit & Departmental SMT Meetings** – Ensuring local delivery of force objectives
- ❖ **Joint Negotiating Consultative Committee** – Consultative meeting for the force and staff associations
- ❖ **Independent Advisory Groups** – Advise on matters relating to equality & diversity
- ❖ **Programme & Project Boards** – Provide governance for the delivery of various programmes and projects

OPCC Scrutiny Groups

- ❖ **Police & Crime Panel** – Subjects the PCC to scrutiny, open to the public
- ❖ **Themed Strategic delivery Boards** oversee delivery of activities aligned to Police and Crime Plan

Force & OPCC Key Joint Meetings

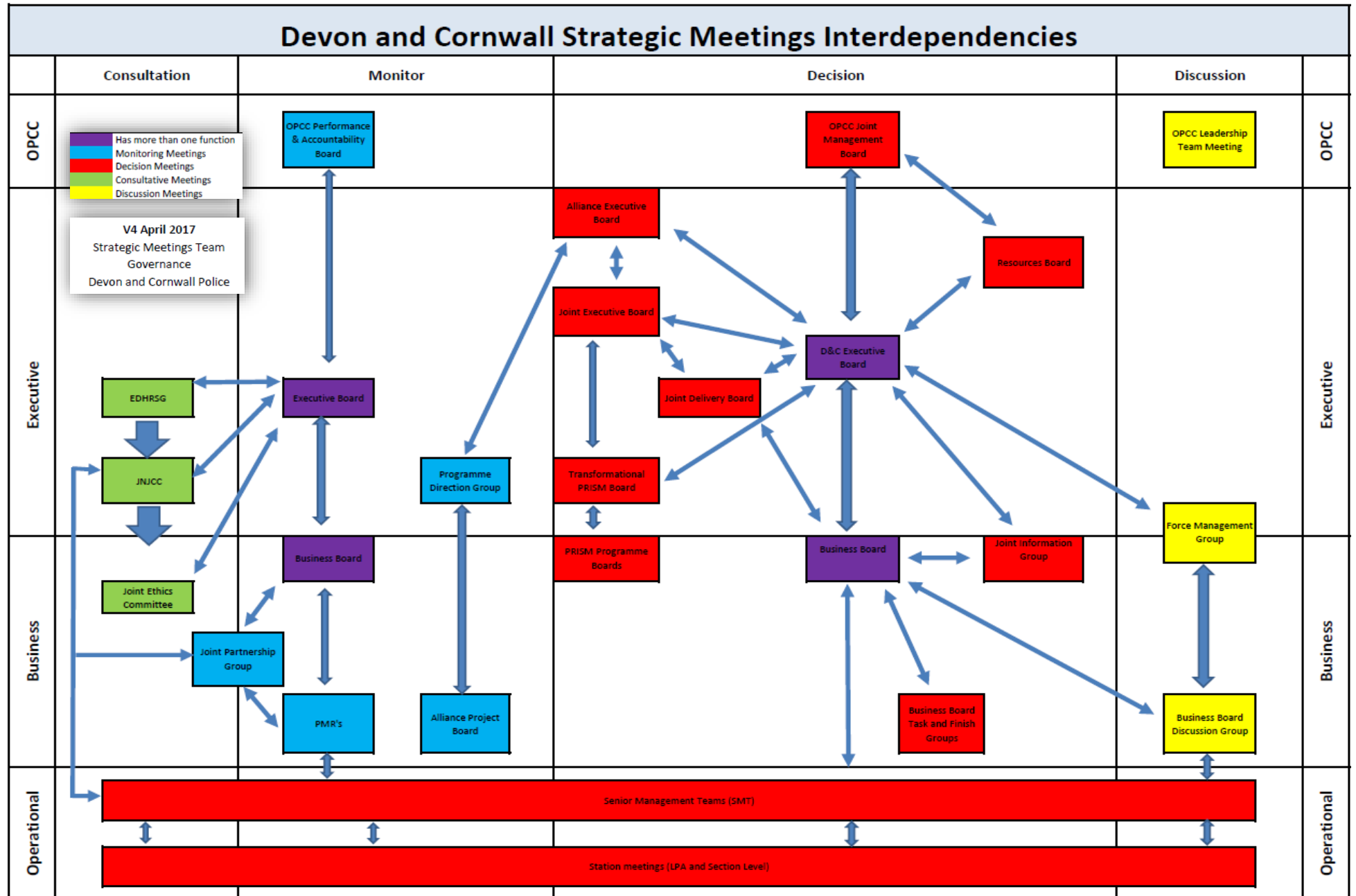
- ❖ **Joint Management Board** – Joint strategic decision making forum between force & OPCC
- ❖ **Joint Audit Committee** – Advisory group providing independent assurance on a range of matters
- ❖ **Appointments & Remuneration Committee** – Independent employment advice for executive level
- ❖ **Ethics Board** – Enhancing trust and confidence in the ethical governance and actions of D&C Police

Strategic Alliance Meetings

- ❖ **Alliance Executive Board** – Oversees delivery of the SA and approves business cases
- ❖ **Joint Executive Board** – Takes executive decisions across both Forces
- ❖ **Programme Delivery Group** – Provides management overview of business cases
- ❖ **Joint Programme Board** – Oversees change programme across SA, joint mgmt. of business cases
- ❖ **Joint People Board** – Provides oversight of people management in D&C and Dorset

External Meetings

- ❖ **South West Police Collaboration (SWPC) Strategic Board** – Accountable for overall governance & commissioning of the SWPC change programme
- ❖ **SWPC Programme Board** – Oversight & coordination of regional projects & development activity
- ❖ **SWPC Operations Board** – Reviews tasking & performance of existing collaborations
- ❖ **SWPC Design Authority** – Advice & quality assurance to development of new proposals & prioritisation
- ❖ **Various regional & partnership thematic meetings** – Joint partnership meetings for various matters, e.g. delivery of local policing, safeguarding, criminal justice. Includes Joint Working Forum, Strategic Prosecution Team Performance Management (SPTPM)



ANNEX 2: DETAILED EVIDENCE ALIGNED TO CIPFA CORE PRINCIPLES

This section outlines the compliance with and evidence against each core principle within the CIPFA document “*Delivering Good Governance in Local Government - Guidance Notes for Police*”.

Principle and Description	OPCC Evidence of Compliance	Force Evidence of Compliance
<p>Principle A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. Consists of:</p> <ul style="list-style-type: none"> • Behaving with integrity • Demonstrating a strong commitment to ethical values • Respecting the rule of law <p>Assurance rating: ‘REASONABLE’</p>	<ul style="list-style-type: none"> • OPCC Statement of Ethics, aligned to the Seven Standards of Conduct in Public Life and support of the Code of Ethics for the police • Protected Disclosure policy & working practices • Register of Business Interests • Adherence to Staff Code of Conduct, including procedures for Gifts and Hospitality • Advisory Boards for audit and remuneration • OPCC systems and processes subject to scrutiny by Joint Audit Committee • Performance appraisals supported by HR and discipline procedures • PCC Complaints procedure 	<ul style="list-style-type: none"> • Incidents of unprofessional or unethical behaviour are dealt with swiftly and effectively • Complaints handled in line with IPCC ‘statutory guidance’ • Force values/behaviour underpinned by Code of Ethics • Relevant policies and working practices relating to professional standards & HR, including Public Complaints, Protected Disclosure, Register of Business Interests, Gifts & Hospitality, discipline • Professional Standards review complaints and matters arising from confidential reporting • Expectations of Leaders published • Ethics Committee established under leadership of Director of Legal, champions ethical decisions & examines ethical dilemmas. Allied to communications plan which includes scenario based films. • Director of Legal is a member of the Executive Board • Promote use of National Decision Model • Routine monitoring of professional and legislative guidance to ensure continued compliance • Job descriptions in place for all roles • Undertaking internal reviews and inspections • IPCC provide independent scrutiny, with reports and recommendations published online. • Supplier relationships: SWPPD ‘Guide to Suppliers’ sets ethical, cultural and environmental/social expectations. ‘Invitations to Tender’ process assessed via government ‘Standard Selection Questionnaire’. Contracts then set these out in written T&Cs.

		<ul style="list-style-type: none"> • HMIC Legitimacy 2016 rated D&C as 'Good' overall, treating the public and staff with fairness and respect. It should however improve the way it identifies and intervenes early to reduce risks to integrity. • Performance appraisals mostly take place, but the force needs to improve perceptions of the fairness and effectiveness of the appraisal system
<p>Principle B Ensuring openness and comprehensive stakeholder engagement. Consists of:</p> <ul style="list-style-type: none"> • Openness • Engaging comprehensively with constitutional stakeholders • Engaging with individual citizens and service users effectively <p>Assurance rating: 'REASONABLE'</p>	<ul style="list-style-type: none"> • Police and Crime Plan informed by Peninsula Strategic Assessment, with associated performance framework in place • PCC's Annual Report • Decisions & documents published online, including FOIA publication scheme • Police and Crime Panel - formal and informal communication and engagement in place • PCC communication and engagement strategy, including extensive consultation on public and political matters (e.g. precept) • Several committees/boards open to the public • Independent evaluation of Victim Care in D&C • Published events calendar • Commissioning Intentions Plan and Partnerships Team network in place • Joint strategic meetings (Annex 1) • Ability of all to communicate with the PCC through modern social media • Customer Service Policies and Practices in place • Political Engagement approach in place. More work needed to build engagement network with town and parish councillors in Devon 	<ul style="list-style-type: none"> • FOIA publication scheme of information, including performance, data protection, public consultations and executive meeting minutes • Extensive public consultations through surveys of citizens and victims. Results identify local priorities for consideration and action by the Force • Partnership frameworks and collaboration agreements • Peninsula and Force Strategic Assessments inform planning • Force Corporate Plan, including recognition of the strategic policing requirement • Medium Term Financial Strategy (MTFS) published online • HMIC Effectiveness 2016: Improvement required in consistency of engagement with various communities and supporting analysis. • Openness & transparency encouraged at corporate level, though the culture shift towards with all documentation under new GSC guidance will take time (i.e. moving from a 'Restricted' mindset to 'Official, FOI Open' marking). • Decisions with supporting materials not routinely published online in accessible manner • Plans including above mentioned documents (e.g. Corporate Plan, PSA) not routinely published online, while those plans published are out of date
<p>Principle C Defining outcomes in terms of sustainable economic, social and environmental benefits. Consists of:</p> <ul style="list-style-type: none"> • Defining outcomes 	<ul style="list-style-type: none"> • Police and Crime Plan reviewed annually – with inputs from the public, force and partners • Peninsula Strategic Assessment informs planning • PCC's Annual Report • Regular review of underlying action plans and board governance that drives work • Working with force towards joint outcomes, integrated decision making via Joint Management Board and Joint Audit Committee 	<ul style="list-style-type: none"> • Consideration of long term operational requirements created by the Strategic Alliance with Devon and Cornwall Police will affect strategic demand planning • Force Mission, Vision and Values defined, with business plans contributing towards delivery. Compatibility with Police & Crime Plan • Recognition and action towards Strategic Policing Requirement • Peninsula and Force Strategic Assessments inform planning • Chief Constable's Corporate Plan

<ul style="list-style-type: none"> Sustainable economic, social and environmental benefits <p>Assurance rating: 'REASONABLE'</p>	<ul style="list-style-type: none"> Commissioning Intentions Strategy Strategic Alliance shared vision & guiding principles, ensured by the SA governance framework Quarterly performance reporting on OPCC website Medium Term Financial Strategy (MTFS) ensures economic sustainability Value for Money judgement by external auditors and HMIC Value for Money Profiles PCC's complaints procedure, with IPCC oversight Utilise force contracts which give due consideration to environmental impacts HMIC reports acknowledged and responded to on the OPCC website. Decisions & documents published online 	<ul style="list-style-type: none"> Force Tactical Tasking process Medium Term Financial Strategy (MTFS) ensures economic sustainability Force performance framework and publishing performance online Business plans across the organisation align to force objectives and are monitored regularly by SMTs Victim Satisfaction & Public Surveys Strategic Alliance shared vision & guiding principles, ensured by the SA governance framework Force Carbon Management Plan Sustainability Strategy and Plan, including force contracts which give due consideration to environmental impacts Undertaking internal reviews and inspections HMIC assessments/recommendations acknowledged and acted upon, though sometimes in a fragmented manner SWPPD Responsible Procurement Policy considers sustainability and wider social benefits where appropriate Supplier relationships: SWPPD 'Guide to Suppliers' sets ethical, cultural and environmental/social expectations. 'Invitations to Tender' process assessed via government 'Standard Selection Questionnaire'. Contracts then set these out in written T&Cs. Partnership working in line with force mission, although HMIC PEEL 2016 Effectiveness identified improvement required to more effectively record and solve problems with partners, using a consistent problem-solving model HMIC PEEL 2016 Effectiveness identified improvement required in reducing re-offending and better manage risks posed by registered sex offenders Future plans for transformational change must be communicated to the public for scrutiny of outcomes Clear project business cases not always in place when initiating work.
<p>Principle D Determining the interventions necessary to optimise the</p>	<ul style="list-style-type: none"> Police and Crime Plan with performance framework and 'strategic measures of success', compatible with force plans 	<ul style="list-style-type: none"> Implementation of Strategic Alliance with Dorset has supported the review of Force practices for effectiveness The delivery of shared services has been independently reviewed for the delivery of projected cost savings and is predicted to improve resource controls and management

<p>achievement of the intended outcomes. Consists of:</p> <ul style="list-style-type: none"> • Determining interventions • Planning interventions • Optimising achievement of intended outcomes <p>Assurance rating: 'PARTIAL'</p>	<ul style="list-style-type: none"> • Working with force towards joint outcomes, via Joint Management Board and Joint Audit Committee • Quarterly performance reporting on OPCC website • Decisions & documents published online • Joint risk management framework and Joint Risk Register in place • Medium Term Financial Strategy (MTFS) • Commissioning Intentions Plan and Partnerships Team network in place • PCC communication and engagement strategy to help determine how services are planned and delivered 	<ul style="list-style-type: none"> • Information needs regularly reviewed to inform decisions, overseen by Joint Information Board • Force performance framework • Force subject to various internal and external reviews and inspections. Includes targeted internal 'Post-Implementation Reviews'. Reports considered by the Executive, recommendations held centrally and progressed in relevant business plans • Force 'Corporate Plan' provides information on strategic interventions towards achieving mission / vision • Business plans are generally in place & progress regularly monitored across departments to support delivery of organisational objectives • Extensive engagement of internal and external stakeholders for interventions where necessary • Joint risk management framework and Joint Risk Register in place, supported by local and project risk management • Medium Term Financial Strategy (MTFS) considers cost of significant strategic items • HMIC PEEL 2016 Efficiency assessment identified improvement required in developing a resilient operating model beyond 2020 and better align resources to meet current and future demand • Benchmarking compared to other forces in place for most items of strategic importance. Not consistent, rarely with organisations beyond policing to identify best practice • Options for intervention assessed on risks, results and value for money for strategic matters, though little evidence this is done in local planning • Benefits realisation process for strategic change in place, though requires improvement and consistency in use. Change often initiated from a need to reduce financial cost, without clear understanding of benefits / dis-benefits • Reviews of the effectiveness of actions / deliverables beyond the central change programme are sporadic • Lack of consistency of zero-based budget planning at local/dept. level aligned to objectives
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		<ul style="list-style-type: none"> • Lack of clear strategic alignment of planning timetable and forward-thinking integration/structure for interrelated projects and programmes
<p>Principle E Developing the entity's capacity, including the capability of its leadership and the individuals within it. Consists of:</p> <ul style="list-style-type: none"> • Developing the entity's capacity • Developing the capability of the entity's leadership and other individuals. <p>Assurance rating: 'REASONABLE'</p>	<ul style="list-style-type: none"> • Clearly defined roles and responsibilities of governance between PCC and Chief Constable • Role profiles • Regular meetings to discuss wellbeing and personal development • Workforce planning in place • Further work required to improve clarity over roles and to implement a revised and suitable performance management and development system for OPCC staff 	<ul style="list-style-type: none"> • Clearly defined roles and responsibilities of governance between PCC and Chief Constable • Force performance framework, including quarterly performance management reviews led by the DCC • Job descriptions in place for all roles • Personal Development Review (PDR) process • Training delivery programme in place, including local training panels, role-specific training and a bespoke D&C leadership development programme • College of Policing and Authorised Professional Practice embedded into procedures • Talent management and succession planning in place at strategic level • Collaborative working explored across forces and other organisations in the region • Wellbeing strategy in place (Activate 2020) with support to individuals to encourage good health and wellbeing • HMIC 2016 Leadership inspection identified improvement required in coordination of the leadership programme and talent management processes to develop leaders • Performance appraisals mostly take place, but the force needs to improve perceptions of the fairness and effectiveness of the appraisal system • Performance improvement HR processes not always used consistently/robustly, particularly for police officers and more senior employees. Time and paperwork cited as confining factors • Induction organised for new officers, though not for most staff or when transferring roles • Workforce plans in place, but lack sophistication. Driven primarily by financial decisions and little understood or communicated within/outside the organisation • Benchmarking compared to other forces in place for most items of strategic importance. Not consistent, rarely with organisations beyond policing to identify best practice

Principle F

Managing risks and performance through robust internal control and strong public financial management.

Consists of:

- Managing risk
- Managing performance
- Managing data
- Robust internal control
- Strong public financial management

Assurance rating:
'REASONABLE'

- [Police and Crime Plan](#) informed by Peninsula Strategic Assessment, with associated performance framework in place
- Joint Management Board decision making
- Terms of reference; regular reports to the PCC
- Joint risk management framework and Joint Risk Register in place
- Effective internal audit function
- External auditor (KPMG) unqualified opinion for the accounts, as a 'true and fair' view of the financial position and no control weaknesses.
- Quarterly performance reporting on OPCC website
- Budget setting and medium term financial planning through [Medium Term Financial Strategy](#) (MTFS)
- Financial standards and working practices
- Funding for local projects and victim support is prioritised and aligned to the Police & Crime Plan priorities through the PCC's 'Commissioning Intentions Plan'
- Partners in funding are all subject to formal agreement
- OPCC systems and processes subject to scrutiny by Joint Audit Committee
- Publication of relevant reports and minutes online
- Health & Safety considered and practices followed consistently (e.g. accident reporting / learning)
- Briefing papers routinely published by subject experts
- Professionals advice received on financial, legal, HR, estates and procurement matters, under arrangements within Schemes of Delegation and Consent
- Protected Disclosures' (Whistle blowing) policy & practices
- External auditor (KPMG) unqualified opinion for the accounts, as a 'true and fair' view of the financial position and no control weaknesses
- Internal audit provision of 'reasonable' assurance that the control environment has been effective over the year
- Joint risk management framework and risk register in place. Review of framework underway by force 'Risk Lead', to support alignment with Dorset governance
- Risks managed at strategic, operational and project level
- Budget setting and medium term financial planning through [Medium Term Financial Strategy](#) (MTFS)
- Effective internal audit function
- The annual audit programme has been completed with an unqualified audit opinion issued. This provides the public with assurance on effective governance arrangements
- Evidence of strong management of risks, performance, budgeting and data at departmental level and by those charged as professional lead across the force
- Financial standards and working practices
- HMIC [Value for Money Profiles](#) and PEEL inspections
- Information management and data integrity/sharing well understood throughout organisation, supported by designated 'information asset owners'. FOIA arrangements in place. All overseen through Joint Information Board / Chief Information Officer
- Publication of relevant reports and minutes online
- Health & Safety considered and practices followed consistently (e.g. accident reporting / learning)
- Briefing papers routinely published by subject experts
- Protected Disclosures' (Whistle blowing) policy & practice
- Promoting use of National Decision Model
- Central performance and registrar function
- The Alliance implementation programme has created a gap in governance arrangements. Although risk and performance data is provided to Chief Officers of both Forces, there is an associated delay in decision making
- Internal Audit highlighted areas of concern around payroll and financial control.

		<ul style="list-style-type: none"> • Business continuity planning in place at the corporate level, lacks consistency in practice across departments • HMIC Crime Data Integrity inspection 2016 rated Devon & Cornwall Police as 'Inadequate' (Significant Governance Issue)
<p>Principle G Implementing good practices in transparency, reporting and audit to deliver effective accountability. Consists of:</p> <ul style="list-style-type: none"> • Implementing good practices in transparency • Implementing good practices in reporting • Assurance and effective accountability <p>Assurance rating: 'REASONABLE'</p>	<ul style="list-style-type: none"> • OPCC recognised for excellence in openness and transparency, awarded the '2016/17 Openness and Transparency Mark' • Maintaining an effective joint internal audit function overseen by Joint Audit Committee • Accountability to the public and regular scrutiny through the Police & Crime Panel • PCC communication and engagement strategy • Quarterly performance reporting on OPCC website • Standards monitoring by Monitoring Officer • Transparency statement published on website • Decisions & documents published online, including Annual Report, OPCC Communications plan, PCC Commissioning Plan 2016-20 and quarterly updates towards the Police & Crime Plan • Undertaking internal reviews and inspections • Annual governance process and evidence-building exercise with department heads and corporate leads across broad range of themes • Operating within the agreed parameters of the Scheme of Consent 	<ul style="list-style-type: none"> • Maintaining an effective joint internal audit function, overseen by Joint Audit Committee • Undertaking internal reviews and inspections • Operating within the agreed parameters of the Scheme of Consent • HMIC assessments and responses • Annual governance process and evidence-building exercise with department heads and corporate leads across broad range of themes • Openness & transparency encouraged at corporate level, though the culture shift towards with all documentation under new GSC guidance will take time (i.e. moving from a 'Restricted' mind-set to 'Official, FOI Open' marking).

GLOSSARY OF FINANCIAL TERMS

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

Accounting period	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.
Accrual	Amounts included in the final accounts to cover income and expenditure relating to the accounting period but neither paid nor received by 31 March. (For example, goods delivered in March but not invoiced by suppliers until April.)
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.
Actuarial valuation	An independent report on the financial status of a Pension Fund, which shows the estimated cost today of providing benefits in the future.
Agency services	Services provided by one body (the agent) on behalf of, and generally with payment from, the responsible body.
Amortised Cost	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.
Appropriation	Charges to the revenue account that build up funds and reserves in the balance sheet.
Asset	Physical assets such as equipment and financial assets such as cash and amounts owed by debtors.
Bid price	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:

Budget	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.
Capital expenditure	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>
Capital grants	Grants received by the Office of the Police and Crime Commissioner that can only be used to pay for capital projects.
Capital receipts	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.
Carrying amount	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.
Cash flow Statement	This statement summarises the inflows and outflows of cash.
CIPFA	The Chartered Institute of Public Finance and Accountancy, the professional body that sets accounting standards for the public sector.
Collection fund	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.
Commutation of Pension	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.
Contingency	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:

Contingent liability	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.)
Corporate & democratic core	The costs of actually running the Police and Crime Commissioner.
Council tax	A tax based on the value of property, which is administered by District and Unitary authorities.
Creditors	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.
Current Assets & Liabilities	Current assets are items that can be readily converted into cash. Current liabilities are items that are due immediately or in the short-term.
Current Service Cost	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.
Curtailments	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.
Debtors	Amounts due to the Police and Crime Commissioner but unpaid by the end of the accounting period.
Deferred charges	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.
Defined Benefit Scheme	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.
Depreciation	The accounting principle that spreads the cost of a fixed asset over its useful working life.
Discretionary Benefits	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:

Earmarked Reserves	These reserves represent monies set aside to be used for a specific purpose.
Exit costs	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.
Expected return on assets	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.
Experience gains & losses (IAS 19 Pensions disclosure)	This shows the impact of actual experience differing from the accounting assumptions, such as pension increases differing from those assumed and unexpected membership movements.
Fair value	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.
Fixed assets	Something of practical use that can be measured in cash terms, e.g. land and buildings, or computer and radio equipment..
International Financial Reporting Standards (IFRS)	Accounting standards issued by the International Accounting Standards Board and from which the CIPFA code of Practice on Local Authority Accounting is derived.
Home Office grant	A central government grant paid by the Home Office to Police Authorities in support of their day to day expenditure.
Impairment	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:

Intangible asset	An identifiable asset that has no physical substance can be measured reliably and is used for a period of more than one year.
Interest cost	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.
LAAP	Local Authority Accounting Panel – which sets accounting rules for the public sector.
Loans and Receivables	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.
Medium Term Financial Strategy	Often referred to as MTFs, it is the financial plan and management of funding, spending and savings over a four year period.
Mid price	A valuation of financial assets based on the mid point between bid and offered prices
Minimum Revenue Provision	The minimum amount of the Police and Crime Commissioner's outstanding financing commitments that must be charged to the General Fund each year.
National non-domestic rates (NNDR)	Rates set nationally and paid by local businesses to the Government, then shared by local and police authorities in proportion to their resident population.
Non distributed costs (NDC)	For the Police and Crime Commissioner these are principally past service costs relating to pensions benefits earned in prior periods.
Non-operational assets	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.
Past Service Cost	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.
Pension scheme (defined benefit)	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:

Pension scheme (funded)	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.
Pension scheme (unfunded)	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.
Precept	A levy collected by District and Unitary Councils from council taxpayers on behalf of the Police and Crime Commissioner.
Present value (or Net Present Value)	The amount of money that must be put aside today to pay for a cost in the future, allowing for inflation and interest rates.
Principal	The amount of a loan that was actually borrowed, before interest is added.
Provisions	Amounts set aside to meet costs that are likely to be incurred, but where the actual amount and timing are uncertain.
Related parties	Individuals or other bodies who have significant control and influence over the financial and operating policies of an entity.
Reserves	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.
Revaluation Reserve	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.
Revenue support grant (RSG)	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.
Running costs	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:

Specific grants	Grants (usually from the Home Office) that can only be spent on named services and projects.
Statement of Standard Accounting Practice	Guidance issued by the FRC on how to use and apply accounting standards.
Termination benefits	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.
Third party payments	Payments made to outside contractors and other bodies who provide specialist or support services for the Police and Crime Commissioner.