

Police and Crime Commissioner for Devon and Cornwall

Statement of Accounts for the year ended 31 March 2020

Audited



PCC
Office of the Police and
Crime Commissioner
Devon and Cornwall

Police and Crime Commissioner for Devon and Cornwall

Officers of the Police and Crime Commissioner

The statutory officers of the Police and Crime Commissioner and contact details are as follows:

Alison Hernandez	Police and Crime Commissioner
Frances Hughes	Chief Executive to the Police and Crime Commissioner
Nicola Allen	Chief Financial Officer to the Police and Crime Commissioner
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The statutory officers of the Office of the Chief Constable and contact details are as follows:

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Sandy Goscomb	Chief Financial Officer to the Chief Constable
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Police and Crime Commissioner for Devon and Cornwall

Statement of Accounts 2019/20

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Accompanying Reports



Police and Crime Commissioner for Devon and Cornwall

Narrative Report by Nicola Allen, Chief Financial Officer

1. INTRODUCTION

- 1.1. Welcome to the Police and Crime Commissioner's Statement of Accounts for 2019/20. The Statement 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 within the accounts.
- 1.3. The aim of this narrative report is to provide an easily understandable explanation of the Police and Crime Commissioner Group's financial and non-financial performance in 2019/20 and its position at the end of the financial year.
- 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 the Comprehensive Income and Expenditure Statement for the Police and Crime Commissioner 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 STATEMENT 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 and for the Police and Crime Commissioner as a single entity, shows the changes in the Police and Crime Commissioner's financial resources over the year
 - **Comprehensive Income and Expenditure Statement** - for the Group and for the Police and Crime Commissioner as a single entity, these show the gains and losses that contributed to the changes in resources
 - **Balance Sheet as at 31 March 2020**, 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**, shows how the movement in resources has been reflected in cash flows
- 2.2. The notes to the accounts include the accounting policies and gives further information on the entries within the main statements as well as supplementary information. All notes relate to the Group Statements unless it is otherwise specified. These are further supplemented by a glossary of terms.

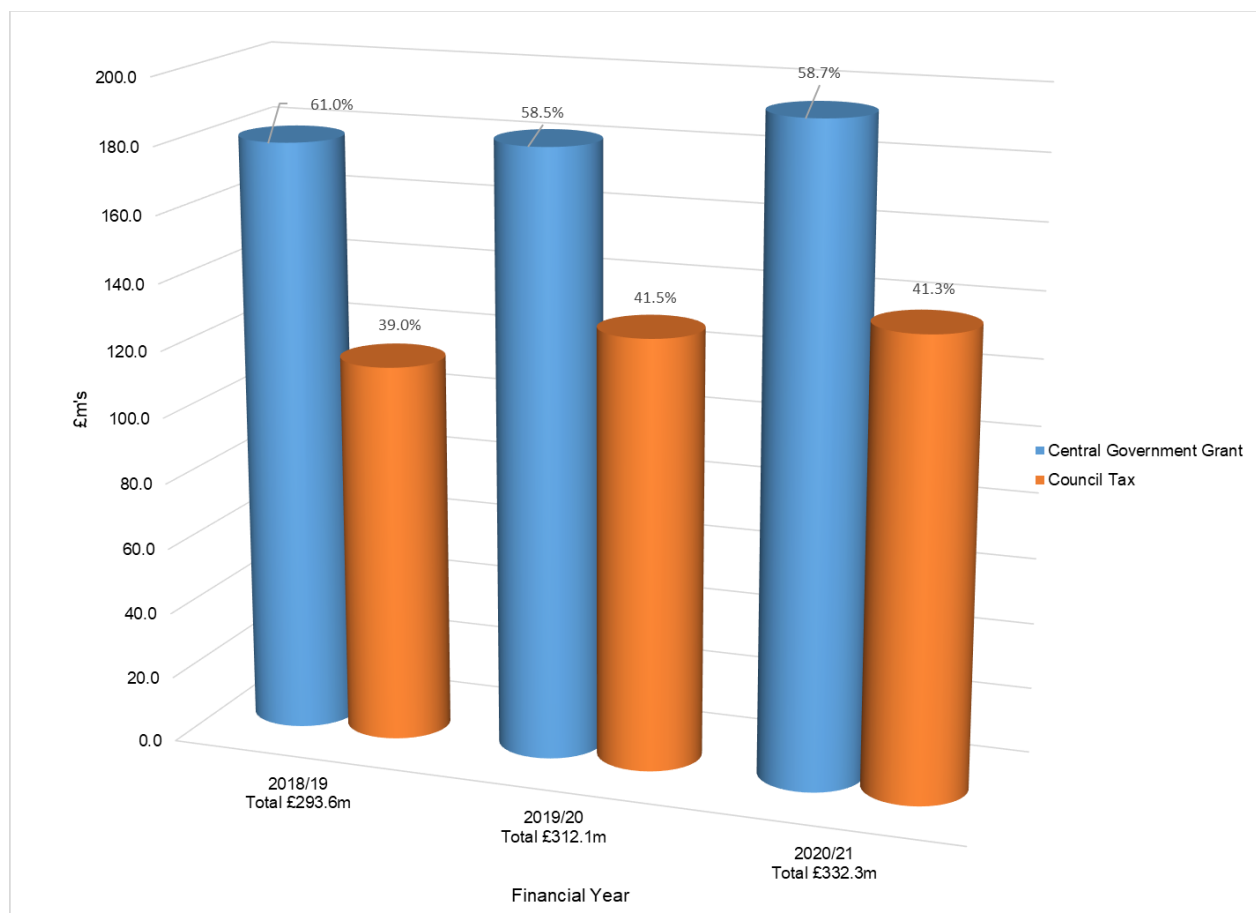
3. RESOURCES AVAILABLE IN 2019/20

- 3.1. The budget for 2019/20 was set in the context of a 1.9% increase in central Government funding, the first increase in a number of years, and a similar modest increase was assumed into future years. Although this represented a cash increase in funding, this below inflation increase continued to represent a decrease in central funding in real terms and was coupled with significant additional pressures, such as the increase in the employer cost of the Police Officer pension scheme. No account of any potential future formula funding review was taken in the projections.

Narrative Report by Nicola Allen, Chief Financial Officer Continued

- 3.2. As part of the 2019/20 overall central government funding settlement the council tax flexibility provided to Police and Crime Commissioners was set at a maximum of £24 per Band D equivalent property before a referendum was required. The Commissioner, in consultation with the Police and Crime Panel, increased the council tax element for policing by the £24 (12.75%) so that services to the public could not only be maintained but enhanced. Council tax was set at £212.28 for a band D property. The overall impact of increases to the Home Office core grant and special grant, and Council Tax increases relating to the precept, taxbase and surplus was an increase in funding in 2019/20 of £22m more than received in 2018/19.
- 3.3. However, significant additional pressures were predicted in relation to police officer pensions (£7.7m), nationally agreed pay awards (£7.5m), developments outlined in section 3.6.4 below (£3.8m), and general inflation (£2.2m). In order to achieve these pressures savings of £4m were still planned and required.
- 3.4. The graph below shows the revenue budget funding sources in 2019/20 as well as the funding in the previous and following year for comparative purposes. In 2018/19 central government grant was 61.0% of revenue funding, in 2019/20 it fell to 58.5% and in 2020/21 it increased slightly to 58.7% following the provision of additional funding in that year to increase officer numbers nationally.

Revenue Budget funding 2018/19 – 2020/21



3.5 Setting the Financial Strategy for 2019/20 and beyond

- 3.5.1 The Police and Crime Commissioner takes a multi-year approach to financial planning, considering the budget year and the subsequent three years.
- 3.5.2 The Police and Crime Plan for 2017-2020 set out the strategies for 'Safe, resilient and connected communities' and focussed on the following 5 key objectives:

Narrative Report by Nicola Allen, Chief Financial Officer Continued

- **Connecting our communities and the police** – through a new Local Policing Promise to ensure policing in the local area is 'Accessible, Responsive, Informative and Supportive'
- **Preventing and deterring crime** – so we can stop people becoming victims of crime and help them move on with their lives
- **Protecting people at risk of abuse and those who are vulnerable** – safeguarding the vulnerable and keeping them safe from harm
- **Providing high quality and timely support to victims of crime** - to help them recover and to get justice by improving the criminal justice system
- **Getting the best out of the police** – making best use of our resources, supporting and developing our workforce and working well in partnership with others

3.5.3 A significant consideration in setting the 2019/20 budget was the expectation of continuing real terms reductions in central government funding over the period of the Medium Term Financial Strategy (MTFS), in the form of future grant increases below the level of potential pay awards and inflation, and the increasing cost of pension schemes. The budget was therefore designed to drive out continued efficiencies, largely delivered by the Chief Constable through existing saving plans and further service area reviews. The Police and Crime Commissioner increased the Council Tax by 12.75% which, together with the programme of efficiencies, enabled the following key areas to be addressed:

- Increased officer numbers by 54. This provides an additional connectivity neighbourhood police officer in each of our 27 sectors, and increases detectives numbers to address most serious offending and areas where demand has exceeded current resources.
- Increased the investment in collaborative posts such as an increase of 17 bi-service and tri-service officers.
- Continued with the previously piloted police staff team who ensure accuracy of crime data and take statements, removing work from the front line, providing a better service for the front line and witnesses.
- Rolled out Integrated Service Delivery (ISD), taking significant workload from the local policing teams. ISD fundamentally changes the way the police deal with non-emergency demands, resolving calls earlier and allocating tasks, where appropriate, across the whole force, rather than to specialist teams, providing a better service to the public.
- Investment in modernised training and in improving mental health and supporting good mental wellbeing in the workforce.
- Technological investment in call handling, command & control and improved management information.

3.5.4 We delivered the national Modern Slavery project for a further year, which continues to deliver results, and has since been extended into 2020/21. The Pathfinder project continued throughout 2019/20 and has now been established as 'business as usual' within the Force.

Additional Officers

3.5.5 The main focus of the precept increase allowed a further rise in police officers. The overall increase in officer numbers was 54. During the course of the year the government announced plans to increase police officer numbers nationally by 20,000 by 31 March 2023. The first tranche of these was agreed and funded in 2019/20, with 47 additional officers taken on in Devon and Cornwall – a total increase of 101 officers in the year.

Police and Crime Commissioner for Devon and Cornwall

Narrative Report by Nicola Allen, Chief Financial Officer Continued

Police Pensions

- 3.5.6 The most significant financial pressure that affected the Force in 2019/20 was the increased cost of the Police Officer pension scheme, following changes to the way in which these pensions are calculated. For Devon and Cornwall Police, the Treasury provided an additional £3.3m specific pensions grant in addition to a £3.5m increase in core grant funding from the Home Office towards this additional cost. The increased cost for Devon and Cornwall was £7.7m, meaning the precept increase was required to meet the shortfall of £0.9m, along with other pressures such as inflation and pay awards, before funding the above developments.
- 3.5.7 The 2019/20 MTFS projected a bleak financial outlook, with the years beyond 2019/20 showing continued pressure, and further savings being required:

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Funding Available	312.1	322.0	331.8	341.9
Budget Requirement before Savings	313.7	324.9	335.8	346.1
Savings	(2.1)	(3.7)	(4.5)	(4.8)
Total Budget Requirement before use of Reserves	311.6	321.2	331.3	341.3
Transfer to / (from) Reserves	0.5	0.8	0.5	0.6
Total Budget Requirement	312.1	322.0	331.8	341.9

- 3.5.8 The 2020/21 budget settlement, and the Police and Crime Commissioner's decision to increase the precept by 4.41% has subsequently mitigated the forecast to some degree, but the position remains one of financial challenges, uncertainty, and anticipated future year budget pressures.

3.6 Actual Expenditure 2019/20

- 3.6.1 The final position for the Police and Crime Commissioner Group showed expenditure of £311,035k against a budget of £312,102k resulting in an overall underspend of £1,067k, 0.34% of the budget. This underspend was transferred to general reserves.
- 3.6.2 The approved net revenue budget for 2019/20 was £312,102k, of which £306,943k was under the direct control of the Chief Constable and £5,159k was under the direct control of the Police and Crime Commissioner.
- 3.6.3 The Chief Constable underspent against his budget allocation by £1,067k with the Police and Crime Commissioner showing a breakeven position.

Summary of final outturn	Revised Budget £000's	Outturn £000's	(Under) / Over £000's
Chief Constable	306,943	305,876	(1,067)
OPCC	5,159	5,159	0
Grand Total	312,102	311,035	(1,067)

Narrative Report by Nicola Allen, Chief Financial Officer Continued

3.6.4 The outturn presents a net position, which includes a number of compensating over and under spends. The key pressures were:

- The police officer overtime budget which remained under pressure and ended the financial year with a £985k overspend. A significant amount of work was carried out during the year to address spend on overtime and ensure that it was appropriately managed and properly used as a necessary resourcing tool.
- The number of officers who retired on the grounds of ill health exceeded the original forecast, resulting in an overspend of £293k.
- Additional costs charged against the supplies and services budget which resulted in an overspend of £373k. This included an increase in the costs of the custody healthcare contract, and higher than anticipated legal costs.
- A transport budget overspend of £407k, in particular travel costs and vehicle maintenance.

The above overspending areas were offset by the variances below:

- Police officer pay underspent by £1,427k, partly due to changes in timing of recruitment, and partly due to additional abstractions which included regional and national programmes. There is a correlation between this underspend and the overspend in the use of overtime.
- Police staff pay budgets were underspent by £627k. This was the result of staff turnover during the year, with posts vacancies taking longer to fill than anticipated.
- The level of income and specific grants exceeded the budget by £3,126k. Of this, £1,492k related to income from other public bodies, including police forces, for provision of services, including seconded officers and staff. A further £1,266k related to additional grant funding received during the year, such as £676k from the Home Office towards the cost of recruiting additional police officers under the national uplift initiative.

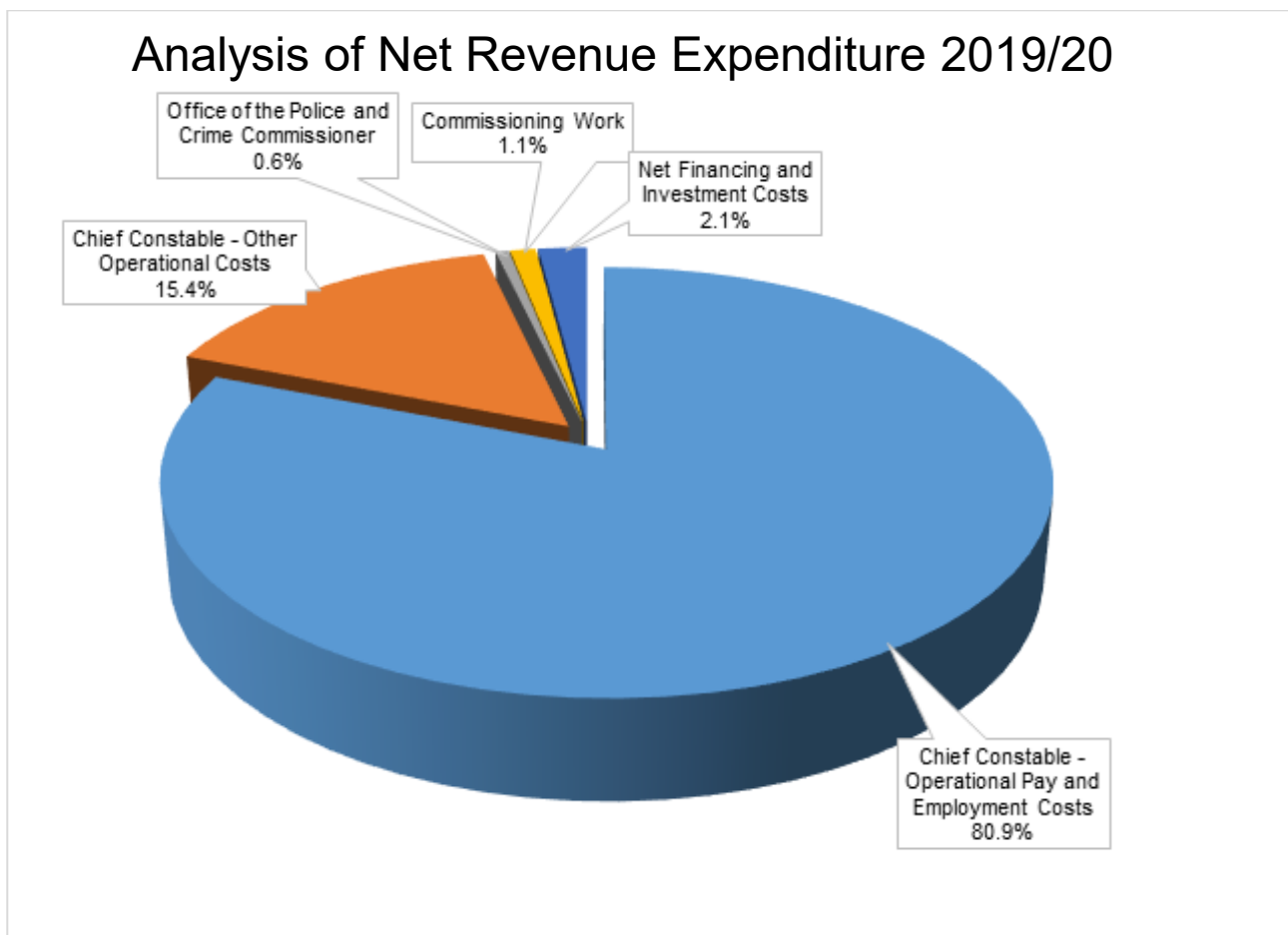
3.6.5 The effect of the coronavirus pandemic on the 2019/20 outturn was marginal and is reflected in the figures within these accounts. The financial effect of the pandemic, including the eventual impact on valuations, is expected to be more significant on the 2020/21 year.

3.6.6 We were able to support carry forward requests of £1,189k. These requests related to the slippage of projects from 2019/20 to 2020/21 and will fund specific expenditure during 2020/21, primarily around investigative capability, training and ICT project costs.

3.6.7 The residual underspend of £1,067k has been transferred to General Balances. The potential to invest this sum in the Local Government Pension Scheme as a contribution to reduce the scheme deficit will be considered, and a decision made in this respect during the first half of 2020/21.

Narrative Report by Nicola Allen, Chief Financial Officer Continued

3.6.8 The chart below shows a breakdown of actual net revenue expenditure for 2019/20 by category of spend.



3.7 Reserves

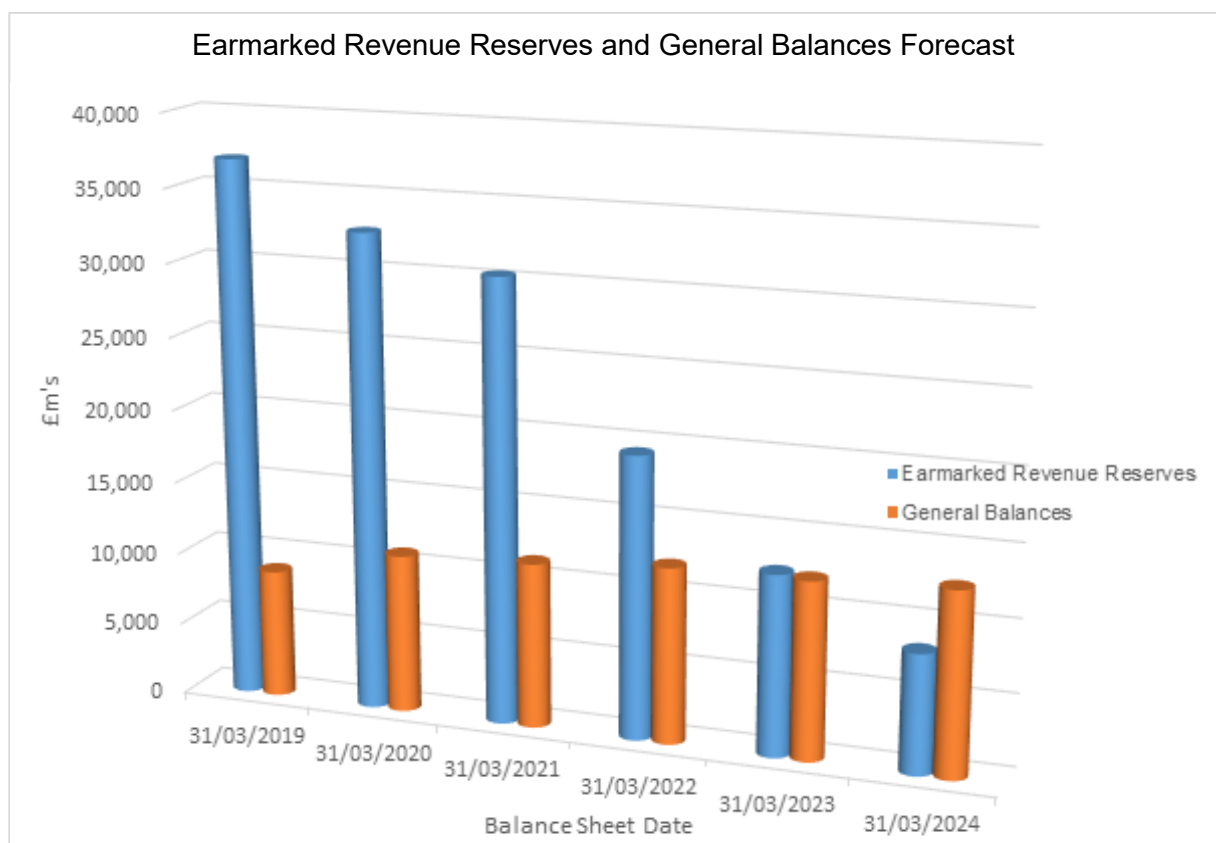
3.7.1 Reserves are held to support both Capital and Revenue spending. A Reserves Strategy is produced annually which looks at the resilience of the reserves of the organisation. The strategy takes a risk based approach to assess the adequacy of the general balances. This strategy is reviewed by the Independent Audit Committee each year with recommendations for improvement referred back to the Police and Crime Commissioner. There has been a Home Office requirement to ensure that reserves held are not excessive and are used to support policing within the area. The following table outlines the details of such reserves over the MTFS period.

Police and Crime Commissioner for Devon and Cornwall

Narrative Report by Nicola Allen, Chief Financial Officer Continued

	Balance 31/3/2019 £000's	Forecast Balance 31/3/2020 £000's	Forecast Balance 31/3/2021 £000's	Forecast Balance 31/3/2022 £000's	Forecast Balance 31/3/2023 £000's	Forecast Balance 31/3/2024 £000's
Revenue Reserves						
Programme and Projects Reserve	203	0	0	0	0	0
Estates Development Reserve	955	794	312	70	70	70
Capital Financing Reserve	23,978	23,119	21,088	16,387	11,012	6,821
ESN Capital Reserve	2,520	2,520	2,520	0	0	0
Capital Programme Reserve	8,013	2,748	1,748	186	0	0
Budget Management Fund	221	2,114	420	420	420	420
Police and Crime Plan Reserve	1,027	991	826	826	826	826
PEQF Reserve	0	265	68	0	0	0
Uplift Reserve	0	0	3,290	1,410	0	0
Total Revenue Reserves	36,917	32,551	30,272	19,299	12,328	8,137
Capital Reserves						
Capital Grant	252	0	0	0	0	0
Capital Receipts	0	0	0	0	0	0
Total Capital Reserves	0	0	0	0	0	0
General Balances	8,808	10,893	11,329	12,072	12,201	12,637
Total Reserves and Balances	45,977	43,444	41,601	31,371	24,529	20,774
<i>NB: General Balances as % of 2019/20 Revenue Budget</i>	2.82%	3.49%	3.63%	3.87%	3.91%	4.05%

- 3.7.2 In line with the Police and Crime Commissioners Strategy to reduce the level of reserves, which was then supported by the Home Office direction, it has been the chosen strategy of the Treasurer to maximise use of earmarked reserves in this MTFS period, reducing to a minimum level by the end 31 March 2024.



Police and Crime Commissioner for Devon and Cornwall

Narrative Report by Nicola Allen, Chief Financial Officer Continued

3.8 Capital programme

- 3.8.1 The table below shows the Police and Crime Commissioners Groups capital expenditure, and funding, during 2019/20. This consists of an ongoing programme of rationalisation, replacement and enhancement of property and other assets, all with an expected life of more than one year, and with a value in excess of £10,000. The most significant capital spend during 2019/20 was incurred on a new Exeter Police Station at Middlemoor where £15m of the £31m scheme was spent.

	£000's
Capital Investment	
Vehicles	1,749
Land and Buildings	19,827
Equipment & ICT	6,495
Total	28,071
Funded by	
Grants	1,332
Capital Financing Reserve	833
Capital Receipts & Asset Disposal	0
Revenue Funding	3,658
Reserves	5,265
Borrowing	16,983
Total	28,071

- 3.8.2 Vehicle expenditure related to the continual acquisition of replacement vehicles, to ensure that the vehicle fleet remains fit for purpose. The vehicle replacement scheme was met in full this year.
- 3.8.3 As previously mentioned the most significant building spend related to the new Exeter Police Station at Middlemoor, other spending was on the new Liskeard Police Station, and more general refurbishment.
- 3.8.4 It is important for officers and staff to have access to the most suitable IT and equipment in order to deliver their service. This year has seen increased investment particularly in a replacement records management system, computer equipment replacement, and solutions to allow officers to carry out more tasks away from a police station.

3.9 Workforce Resources

- 3.9.1 Workforce costs made up 80.9% of the annual expenditure of Devon and Cornwall Police. The full time equivalents (FTE) of officers and staff employed by Devon and Cornwall Police at the beginning and end of the period were:

31/03/19 (FTE)		31/03/20 (FTE)
2,982	Police Officers	3,083
1,940	Police Staff (inc PCSOs)	1,967
27	Office of the Police and Crime Commissioner	26
4,949		5,076

Narrative Report by Nicola Allen, Chief Financial Officer Continued

- 3.9.2 There was growth of 112 officers during the year. Of these officers, 65 were funded by the local precept. The remaining 47 officers were funded by the Government under the new, national, Police Officer Uplift Programme.

4 PERFORMANCE INDICATORS

4.1 External Indicators

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

- 4.1.2 HMICFRS PEEL Report – Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) review each Force to examine their Efficiency, Effectiveness and Legitimacy. The most recent report (2018/19) indicated that Devon and Cornwall Police was 'good' in each of the three areas reviewed:

- The extent to which the force is effective at reducing crime and keeping people safe is **good**.
- The extent to which the force operates efficiently and sustainably is **good**.
- The extent to which the force treats the public and its workforce legitimately is **good**.

- 4.1.3 Auditors Value for Money Opinion – External auditors provided a Value for Money conclusion for both the Police and Crime Commissioner and the Chief Constable for the year ending 31 March 2019. This audit concluded that the Police and Crime Commissioner and Chief Constable have each put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

- 4.1.4 HMICFRS Value for Money Profile 2019 – this report does not provide an opinion, but states key financial and performance information of Devon and Cornwall Police in comparison to other forces. The report did not indicate any significant outliers within Devon and Cornwall Police's information.

4.2 Office of Police and Crime Commissioner Performance Measures

- 4.2.1 As stated in the introduction, 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.

- 4.2.2 In addition, the Police and Crime Panel receive a report on a regular basis of the OPCC's assessment of current performance against the strategic indicators for the Police and Crime Plan 2017-2020 'Safe, resilient and connected communities'. Of the eleven indicators, performance is measured against eight of them:

Public Confidence – 'Police do a good/excellent job' GREEN

Repeat Victimisation: GREEN

Public Confidence – Overall confidence GREEN

Priority Victim Satisfaction GREEN

Emergency Call (999) GREEN

Attendance time for Immediate calls for service: GREEN

Non Priority Calls (101) AMBER

Emails (101) GREEN

Value for Money – Officer Cost 2017 (ungraded *)

Value for Money – Police Staff Cost 2017 (ungraded *)

Value for Money – OPCC Staff Cost 2017 (ungraded *)

* These measures are not indicators of performance but provide important information regarding the relative funding position and resource levels of our area compared to other areas in England and Wales

- 4.2.3 As at 7 February which was the date of the last Police and Crime panel meeting one of these indicators was amber, and the remaining were green. Full detail of the review of each indicator can be found in the PCC Performance Report February 2020 at the following link. [Police and Crime Panel – PCC Performance Report 7th February 2020](#)

Narrative Report by Nicola Allen, Chief Financial Officer Continued

4.3 Operational performance of the force

- 4.3.1 The force monitors performance against aims on a monthly basis, with key performance indicators shown below.



5 FUTURE FINANCIAL OUTLOOK

- 5.1 Devon and Cornwall Police formally updates its Medium Term Financial Strategy (MTFS) annually during the budget setting process. The 2020/21 MTFS reflected an overall improved outlook when compared with the 2019/20 forecasts. However, the impact of the coronavirus pandemic is yet to be fully assessed.
- 5.2 The 2020/21 MTFS includes the resources to:
- Increase officer numbers to 3,241 by 31 March 2021, and is expected to increase further by the end of the following year with additional Government funding.
 - Create a violent crime prevention approach, with a year one investment £1m as a joint venture between the Police and Crime Commissioner and the Chief Constable, which will seek to secure further financial and organisational support through partnerships across public health and local government organisations to get to the root cause of violence crime with the aim of building safer and more resilient communities.

Police and Crime Commissioner for Devon and Cornwall

Narrative Report by Nicola Allen, Chief Financial Officer Continued

- Invest in Summer Policing – To maintain and build on current approaches.
- Expand Blue Light collaboration - Further development of partnership schemes e.g. Tri Service and Bi-service officers with a particular focus in North Devon and on maritime schemes to better protect our coastline.
- Improve Customer Service - Invest in resilience for front desk opening hours for all eight mainland front desks.
- Formally assess whether or not two call centres are sufficient to keep pace with the level of contacts from both 999 and 101 across Devon and Cornwall.
- Invest in maintenance of estates to start to reverse the decline in planned maintenance and improve sustainability work across the estate.

5.3 For 2021/22 and beyond there is a great deal of uncertainty around funding levels which will impact on our planning process. The uncertainty is exacerbated by the economic impact of the current coronavirus pandemic, and the effect that this will have on future funding and costs. In addition to this fundamental issue, key areas of uncertainty are:-

- The next Comprehensive Spending Review (CSR), which the Government had planned to undertake during 2020, has been delayed. It is now expected that a one year settlement will be agreed for 2021/22, with a multi year CSR carried out in 2021 which will come into effect for the financial year 2022/23 and beyond.
- The anticipated changes to the formula by which Home Office funding is allocated to forces. The timescale for this review is not confirmed, although it seems unlikely to be implemented in the 2021/22 financial year as previously planned.
- Future cost of pension schemes. These schemes have seen increased pressure in recent years, with significant additional costs in 2019/20.
- The impact of the anticipated future recession, including the potential local implications on precept, Collection Funds and taxbase.

6 Governance Arrangements

6.1 The Annual Governance Statement is published alongside this document. The joint Annual Governance Statement describes the internal control environment for the Police and Crime Commissioner and the Chief Constable. It also sets out the joint arrangements for managing risk for the Police and Crime Commissioner and the Chief Constable.

Signed by Nicola Allen
Chief Financial Officer to the Police and Crime Commissioner
27 January 2021

Further Information

This publication provides a review of the financial performance of the Police and Crime Commissioner for 2019/20. It may be read in conjunction with the single entity accounts of the Chief Constable, and the [Police and Crime Plan](#). These documents can be found at <https://www.devonandcornwall-pcc.gov.uk/information-hub/what-we-spend/>

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Devon and Cornwall (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2020 which comprise the Group Movement in Reserves Statement, the PCC Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the PCC Comprehensive Income and Expenditure Statement, the Group and PCC Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the Police Officers' Pension Fund Statement. 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2020 and of the group's expenditure and income and the Police and Crime Commissioner'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 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Police and Crime Commissioner in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Financial Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Police and Crime Commissioner and group's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Police and Crime Commissioner and group's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Police and Crime

Commissioner's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Police and Crime Commissioner's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Police and Crime Commissioner's and group's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Police and Crime Commissioner's and group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Police and Crime Commissioner or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Notes 6.1 and 6.3 of the financial statements, which describe the effects of the Covid-19 pandemic on the valuation of the group's land and buildings and the group's share of the pension fund's pooled property investments as at 31 March 2020. As disclosed in Notes 6.1 and 6.3 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in both the Group's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the Police and Crime Commissioner and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and the Police and Crime Commissioner obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police and Crime Commissioner gained through our work in relation to the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report 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
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Police and Crime Commissioner and the Chief Financial Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer. The Chief Financial Officer 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and the Police and Crime Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the group or the Police and Crime Commissioner will no longer be provided.

The Police and Crime Commissioner is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that 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 2020.

Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing 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 for the review of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police and Crime Commissioner has made 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects 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 Comptroller and Auditor General 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 2020.

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 be satisfied that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

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

Use of our report

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 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner 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.

Alex Walling, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

27 January 2021

Police and Crime Commissioner for Devon and Cornwall

Statement of Responsibilities

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 Chief Financial Officer to the Police and Crime Commissioner;
- Manage the affairs of the Office of the Police and Crime Commissioner to secure economic, efficient and effective use of resources and to safeguard its assets;
- Approve the Statement of Accounts.

Approval of the Accounts

I approve the Statement of Accounts.

Alison Hernandez
Police and Crime Commissioner
27 January 2021

The Chief Financial Officer's Responsibilities

The Chief Financial Officer 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 2019/20" (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chief Financial Officer's Certificate

I certify that this Statement of Accounts for the year ended 31 March 2020 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 2020.

Signed by Nicola Allen
Chief Financial Officer to the Police and Crime Commissioner
27 January 2021

Financial Statements



Police and Crime Commissioner for Devon and Cornwall

Group Movement in Reserves Statement

This statement shows the movement from the start of the year to the end of the year for 2018/19 and 2019/20 on the different reserves held by the Police and Crime Commissioner Group, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Group's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/decrease shows the statutory General Fund Balance movements in the year following those adjustments.

Current Year	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019		8,808	36,917	0	252	45,977	(3,400,726)	(3,354,749)
Movement in Reserves								
Total Comprehensive Income and Expenditure		(75,317)	0	0	0	(75,317)	286,924	211,607
Adjustments between accounting basis and funding basis under regulations	9	72,990	0	0	272	73,262	(73,262)	0
Transfers (to)/from Earmarked Reserves	10	4,366	(4,366)	0	0	0	0	0
Increase/(Decrease)		2,039	(4,366)	0	272	(2,055)	213,662	211,607
Balance at 31 March 2020		10,847	32,551	0	524	43,922	(3,187,064)	(3,143,142)

Comparative Year	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018		11,653	38,372	2,980	778	53,783	(3,193,272)	(3,139,489)
Movement in Reserves								
Total Comprehensive Income and Expenditure		(187,499)	0	0	0	(187,499)	(27,761)	(215,260)
Adjustments between accounting basis and funding basis under regulations	9	183,199	0	(2,980)	(526)	179,693	(179,693)	0
Transfers (to)/from Earmarked Reserves	10	1,455	(1,455)	0	0	0	0	0
Increase/(Decrease)		(2,845)	(1,455)	(2,980)	(526)	(7,806)	(207,454)	(215,260)
Balance at 31 March 2019		8,808	36,917	0	252	45,977	(3,400,726)	(3,354,749)

Police and Crime Commissioner for Devon and Cornwall

PCC Movement in Reserves Statement

This statement shows the movement from the start of the year to the end of the year for 2018/19 and 2019/20 on the different reserves held by the Police and Crime Commissioner, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Police and Crime Commissioner's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/decrease shows the statutory General Fund Balance movements in the year following those adjustments.

Current Year	Notes	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2019		8,808	36,917	0	252	45,977	(3,400,726)	(3,354,749)
Movement in Reserves								
Total Comprehensive Income and Expenditure		206,248	0	0	0	206,248	5,359	211,607
Adjustments between accounting basis and funding basis under regulations	9	(208,575)	0	0	272	(208,303)	208,303	0
Transfers (to)/from Earmarked Reserves	10	4,366	(4,366)	0	0	0	0	0
Increase/(Decrease)		2,039	(4,366)	0	272	(2,055)	213,662	211,607
Balance at 31 March 2020		10,847	32,551	0	524	43,922	(3,187,064)	(3,143,142)
Comparative Year	Notes	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2018		11,653	38,372	2,980	778	53,783	(3,193,272)	(3,139,489)
Movement in Reserves								
Total Comprehensive Income and Expenditure		(227,411)	0	0	0	(227,411)	12,151	(215,260)
Adjustments between accounting basis and funding basis under regulations	9	223,111	0	(2,980)	(526)	219,605	(219,605)	0
Transfers (to)/from Earmarked Reserves	10	1,455	(1,455)	0	0	0	0	0
Increase/(Decrease)		(2,845)	(1,455)	(2,980)	(526)	(7,806)	(207,454)	(215,260)
Balance at 31 March 2019		8,808	36,917	0	252	45,977	(3,400,726)	(3,354,749)

Police and Crime Commissioner for Devon and Cornwall

PCC Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the years 2018/19 and 2019/20 of providing services for the Police and Crime Commissioner in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Police and Crime Commissioners raise taxation (Precepts) to cover expenditure in accordance with statutory requirements, 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 Note.

2018/19				2019/20			Notes
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
468,228	(73,339)	394,889	Chief Constable - Intra-group transaction	368,095	(70,030)	298,065	4
1,628	(2)	1,626	Office of the Police and Crime Commissioner	1,666	(10)	1,656	30
5,585	(2,342)	3,243	Commissioning	6,122	(2,720)	3,402	27
475,441	(75,683)	399,758	Net Cost of Services*	375,883	(72,760)	303,123	
			Other Operating Income and Expenditure				
138	0	138	Net (Surplus)/Deficit from the Sale of Non-Current Assets	160	0	160	
991	(1,698)	(707)	(Gain)/Loss on Revaluation of Non-Current Assets	1,581	(669)	912	
			Financing and Investment Income and Expenditure				
1,460	(107)	1,353	Interest Payable	1,477	(115)	1,362	
0	(435)	(435)	Interest and Investment Income	0	(248)	(248)	
15	(40)	(25)	(Gain)/Loss on the Revaluation of Investment Property	0	0	0	
16	(162)	(146)	(Gain)/Loss on Financial Instruments	204	(34)	170	
91,002	(7,590)	83,412	Pensions interest cost - Intra-Group Transaction	90,883	(7,439)	83,444	4
			Taxation and Non-Specific Grant Income				
0	(163,529)	(163,529)	Police Grant	0	(166,963)	(166,963)	26
0	(15,461)	(15,461)	Council Tax Support Grants	0	(15,461)	(15,461)	26
0	(113,579)	(113,579)	Council Tax Precept	0	(129,414)	(129,414)	
0	(3,280)	(3,280)	Capital Grants and Contributions	0	(1,768)	(1,768)	26
39,912	0	39,912	Actuarial (Gains)/Losses on Pension Funds - Intra-Group Transaction	(281,565)	0	(281,565)	4
608,975	(381,564)	227,411	(Surplus)/Deficit on Provision of Services	188,623	(394,871)	(206,248)	
		(11,347)	(Surplus)/Deficit on Revaluation of Non-Current Assets			(4,926)	11
		(804)	Remeasurement of the Net Defined Benefit Liability (Asset)			(433)	32
		(12,151)	Other Comprehensive Income and Expenditure			(5,359)	
		215,260	Total Comprehensive Income and Expenditure			(211,607)	

*The 2018/19 net cost of services includes an allowance for the impact of the McCloud/Sargeant ruling. In 2019/20, the publishing of the proposed remedy has allowed this allowance to be refined, resulting in a reduced contribution to the cost of services. Changes in assumptions have been reflected within the Remeasurement of the Net Defined Benefit Liability/(Asset) in 2019/20.

Police and Crime Commissioner for Devon and Cornwall

Group and PCC Balance Sheet

The Balance Sheet shows the value as at 31 March 2019 and 31 March 2020 of the assets and liabilities recognised by the Group and the Police and Crime Commissioner. The net assets of the Group/Police and Crime Commissioner (assets and liabilities) are matched by the reserves held by the Group/Police and Crime Commissioner.

As at PCC £'000	31 March 2019 PCC Group £'000		As at PCC £'000	31 March 2020 PCC Group £'000	Notes
		Long Term Assets			
157,365	157,365	Land & Buildings	177,685	177,685	11
930	930	Intangible Assets	2,961	2,961	12
7,926	7,926	Surplus Assets	4,000	4,000	11
17,582	20,772	Vehicle, Plant & Equipment	17,477	21,544	11
385	385	Investment Property	385	385	34
1,033	1,033	Long Term Debtor	762	762	
3,190	0	Long Term Debtor - Intra-Group Debtor	4,067	0	
188,411	188,411	Total Long Term Assets	207,337	207,337	
		Current Assets			
10,203	10,203	Short Term Investments	12,063	12,063	18
0	0	Assets Held for Sale	0	0	16
880	880	Inventories	724	724	
31,723	31,723	Short Term Debtors	28,894	28,894	14
13,943	13,943	Cash and Cash Equivalents	3,168	3,168	15
56,749	56,749	Total Current Assets	44,849	44,849	
		Current Liabilities			
0	0	Short Term Borrowing	(6,000)	(6,000)	
(25,054)	(34,636)	Short Term Creditors	(25,193)	(34,612)	17
(510)	(1,341)	Provisions	(257)	(1,021)	19
(9,582)	0	Short Term Accumulated Absences - Intra-Group Creditor	(9,419)	0	
(831)	0	Short Term Provisions - Intra-Group Creditor	(764)	0	
(35,977)	(35,977)	Total Current Liabilities	(41,633)	(41,633)	
		Long Term Liabilities			
(776)	(776)	Provisions	(806)	(806)	19
(30,277)	(30,277)	Borrowing	(30,277)	(30,277)	33
(207)	(207)	Finance Lease	(108)	(108)	
(1,033)	(1,033)	Deferred Capital Receipts	(762)	(762)	
(3,358)	(242,389)	Pensions Liability - Staff	(3,085)	(208,994)	32
0	(3,289,250)	Pensions Liability - Officers	0	(3,112,748)	32
(3,528,281)	0	Pension Liabilities - Intra-Group Creditor	(3,318,657)	0	
(3,563,932)	(3,563,932)	Total Long Term Liabilities	(3,353,695)	(3,353,695)	
(3,354,749)	(3,354,749)	Net Liabilities	(3,143,142)	(3,143,142)	
		Represented by			
(3,400,726)	(3,400,726)	Unusable Reserves	(3,187,064)	(3,187,064)	20
45,977	45,977	Usable Reserves	43,922	43,922	
(3,354,749)	(3,354,749)	Total Reserves	(3,143,142)	(3,143,142)	

Signed by Nicola Allen
Chief Financial Officer to the Police and Crime Commissioner
27 January 2021

Police and Crime Commissioner for Devon and Cornwall

Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group and the Police and Crime Commissioner during the reporting period. As there is no distinction between the Group and the Police and Crime Commissioner, 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.

2018/19 £'000		2019/20 £'000	Notes
187,499	Net (Surplus) or Deficit on the Provision of Services	75,317	
	Adjustments to net Surplus or Deficit on the Provision of Services for non-cash movements		
(178,815)	(Increase)/Decrease in pensions liability	(72,101)	
(11,942)	Depreciation and amortisation	(12,670)	
(484)	(Increase)/Decrease in provisions	290	
(138)	Surplus/(Loss) on sales of non-current assets	(160)	
732	Surplus/(Loss) on revaluation of non-current assets	(912)	
(2,352)	Movement in relevant assets/liabilities	4,724	
(5,500)	Net Cash (Inflows)/Outflows from Operating Activities	(5,512)	21
3,428	Investing Activities	22,174	22
(52)	Financing Activities	(5,887)	23
(2,124)	Net (Increase)/Decrease in Cash and Cash Equivalents	10,775	
(11,819)	Cash and Cash Equivalents at the beginning of the reporting period	(13,943)	
(13,943)	Cash and Cash Equivalents at the end of the reporting period	(3,168)	15

Notes to the Accounts



Note 1 Accounting Policies

1. GENERAL PRINCIPLES

The statement of accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20; and the Accounts and Audit Regulations 2015 and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the statement of accounts is principally historical cost modified by the revaluation for certain categories of non-current assets and financial instruments. The financial statements have been prepared with due regard to the pervasive accounting concepts of accruals, going concern and primacy of legislative requirements.

2. ACCRUALS OF INCOME AND EXPENDITURE

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue 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 debtors is written down and a charge made to revenue for the income that might not be collected.

3. ACCOUNTING POLICY DEVELOPMENTS AND CHANGES

Changes in accounting policies are only made when required by proper accounting practices or if the change provides more reliable or 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 (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

5. EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are those 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. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

Note 1 Accounting Policies Continued

6. 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 circumstances 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.

7. COUNCIL TAX

The council tax income included in the comprehensive income and expenditure statement (CIES) is the accrued income for the year. The difference between the income included in the CIES 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 the 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.

8. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUE

Local Authority accounting regulations allow some items of expenditure, which do not result in the creation of a non-current asset for the PCC Group, to be funded as capital expenditure. Such expenditure is charged to the relevant service in the CIES in the year. Where the Group has determined to meet the cost of this expenditure from capital resources, a matching transfer is made in the movement in reserves statement from the capital adjustment account to the general fund balance so that there is no impact in the level of council tax.

9. FOREIGN CURRENCY TRANSLATION

Where the Group has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

10. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, 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 to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Group are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of 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 contribution is credited to the CIES.

Where capital grants are credited to the CIES, 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 grants unapplied reserve. Amounts in the capital grants unapplied reserve are transferred to the capital adjustments account once they have been applied to fund capital expenditure.

Note 1 Accounting Policies Continued

11. FINANCIAL INSTRUMENTS

11.1 Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument and are 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 CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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 interest charged to the CIES is the amount payable for the year according to the loan agreement.

11.2 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. The Group holds financial assets measured at:

- amortised cost, and
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Group's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

11.3 Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Group, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable in the year.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the financing and investment income and expenditure line in the CIES.

11.4 Expected Credit Loss Model

The Group recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets, however where appropriate the simplified approach model is used to recognise expected credit losses for lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Group.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

11.5 Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Note 1 Accounting Policies Continued

11.6 Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the surplus or deficit on the provision of services.

11.7 Fair Value Measurements of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The fair value measurements of the financial assets are provided by the Group Treasury advisors.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the CIES.

12. 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.

13. 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.

13.1 The Group as Lessee

13.1.1 Finance Leases

Property, plant and equipment held under finance leases are 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 CIES.

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.

Note 1 Accounting Policies Continued

13.1.2 Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payment (e.g. there is a rent-free period at the commencement of the lease).

13.2 The Group as Lessor

13.2.1 Operating Leases

Where the Group grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the CIES. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments.

14. JOINT OPERATIONS

The Group participates in a number of partnership activities. These arrangements involve the Group carrying out activities relevant to their own functions jointly with others. The Group accounts for only its share of the jointly controlled assets; and for the liabilities expenses and income that the Group incurs in respect to their interest in the partnerships.

15. OVERHEADS

The cost of overheads and support services are charged to service segments in accordance with the Group's arrangements for accountability and financial performance.

16. EMPLOYEE BENEFITS

16.1 Benefits Payable during Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Group. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end that 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 holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

16.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Police and Crime Commissioner or Chief Constable to terminate an employee's employment before the normal retirement date. The amount is charged on an accruals basis to the CIES when the Police and Crime Commissioner or Chief Constable 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.

16.3 Post-Employment Benefits

Employees of the Chief Constable are members of four separate pension schemes:

- The Police Officer 1987 Scheme (PPS)
- The Police Officer 2006 Scheme (NPPS)
- The Police Officer 2015 Scheme (CARE)

Note 1 Accounting Policies Continued

- The Local Government Pensions Scheme (CARE)

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

16.3.1 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.

An estimate of the employer's future cashflows is made using notional cashflows based on the estimated duration of all Police Schemes. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date which has been chosen to meet the requirements of IAS19.

16.3.2 The Local Government Pension Scheme

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

An estimate of the Employer's future cashflows is made using notional cashflows based on the estimated duration of the past service liability. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date which has been chosen to meet the requirements of IAS19.

The assets of the Peninsula pension fund attributable to the Group are included in the balance sheet at their fair value:

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

16.3.3 Net Pensions Liability Analysed

The change in the net pension's liability for the Pension Schemes is analysed into the following components:

Service cost comprising:

- current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for 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 CIES.
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Group - 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 CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period and taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Note 1 Accounting Policies Continued

Remeasurements comprising:

The return on plan assets excludes the amounts included in net interest on the net defined benefit liability (asset) which is charged to the pensions reserve as other comprehensive income and expenditure. This is only applicable to the Local Government Pension Scheme.

Actuarial gains and losses are 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. These changes are charged to the pensions reserve as other comprehensive income and expenditure.

Benefits paid (only applicable to the Police Officer Pension Schemes):

- cash paid to pensioners including injury pension payments.

Contributions paid (only applicable to the Local Government Pension Scheme):

- cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

16.3.4 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 the injury benefits may be financially significant with volatile actuarial gains and losses. These have been estimated by the independent actuary.

16.3.5 Impact on Reserves

For all of the Pension Schemes, 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 transfers 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 such 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.

16.4 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.

17. 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 amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES when the Group has an obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation taking into account the relevant risks 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 it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed (or reduced) and credited back to the CIES.

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 settles the 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

Note 1 Accounting Policies Continued

restructuring plan or announcing its main features to those affected by it. Each element of any 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.

18. RESERVES

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the general fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the CIES. The reserve is then transferred back to the general fund balance so that there is no net charge against council tax for the expenditure.

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

19. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the supply of services or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

19.1 Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Group for more than one year and the cost of the item 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.

19.2 Measurement

Assets are initially measured at cost, comprising: purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 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 and expenditure line of the CIES, 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 CIES, they are reversed out of the general fund balance to the capital adjustment account in the movement in reserves statement.

Assets are then carried in the balance sheet using the following measurement bases:

- | | | |
|-----------------------|---|---|
| • specialised assets | - | depreciated replacement cost (DRC) |
| • non-property assets | - | depreciated historical cost |
| • surplus assets | - | fair value, estimated at highest and best use from a market participant's perspective |

Property assets included in the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end but as a minimum every three years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains.

(Exceptionally, gains might be credited to the surplus or deficit on the provision of services where they arise from the reversal of a loss previously charged to a service.)

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)

Note 1 Accounting Policies Continued

- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

19.3 Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses 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 in the CIES.

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

19.4 Depreciation

Depreciation is provided for on all property, plant and equipment assets by spreading the cost 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).

Depreciation is calculated on the following bases:

- 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.
- Land and Buildings – the useful life of each building is assessed by the value and 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/Adaptions to leasehold buildings – are depreciated monthly over the life of the lease.
- 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.
- Plant and Equipment – These assets are given specific asset lives and are depreciated monthly.

Revaluation gains are also depreciated, with an amount equal to the difference between 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.

19.5 Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet is written off to the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the CIES also 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 for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal 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.

Note 1 Accounting Policies Continued

The written off value of disposals is not charged against council tax as the cost of non-current 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.

19.6 Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the CIES. 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 assets held for sale and their recoverable amount at the date of the decision not to sell.

19.7 Surplus Assets

Non-current assets which are surplus to service needs, but which do not meet the criteria required to be classified as investment property, or assets held for sale are classified as surplus assets within property, plant and equipment. Surplus assets can be categorised as either non-current assets or current assets, depending on their nature. These assets are depreciated.

20. INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Group as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Group. Software that is integral to the operating of hardware is capitalised as part of the relevant item of property, plant and equipment.

20.1 Measurement

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Group can be determined by reference to an active market. No intangible asset held by the Group meets this criterion, and they are therefore carried at amortised cost.

20.2 Amortisation

The depreciable amount of an intangible asset is amortised over its useful life and charged to the CIES.

20.3 Impairment

Where there is an indication that the asset might be impaired – any losses recognised are posted to the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to other operating expenditure in the CIES.

21. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

22. INVENTORIES

Inventories are included in the balance sheet at the lower of cost and net realisable value. The cost of inventories is assigned using an average cost formula.

23. LONG TERM CONTRACTS

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.

Note 1 Accounting Policies Continued

24. 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 CIES if they are material and a separate disclosure would be made to aid the understanding of the Group's financial performance.

25. CHARGES TO REVENUE NON-CURRENT ASSETS

The CIES is debited with the following amounts to record the real cost of holding non-current 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 the losses can be written off
- amortisation of intangible assets attributable to the service.

The Group is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution 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). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the 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.

26. INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

Note 2 Accounting Standards Issued, Not Adopted

Appendix C of the CIPFA 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:

- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

All of these standards will be incorporated in the Code from 2020/21 and will be complied with. However, none have material impact for the Group and none warrant disclosure in these accounts.

IFRS 16 Leases is an accounting standard that was due to be implemented on the 1 April 2020. However it has been delayed nationally to 1 April 2021 in response to the COVID-19 pandemic. The new IFRS introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. The

Police and Crime Commissioner for Devon and Cornwall

Note 2 Accounting Standards Issued, Not Adopted Continued

impact of IFRS 16 is not yet known; work is in progress to assess the impact in readiness for the 2020/21 Statement of Accounts.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 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 in the Statement of Accounts are:

- The PCC Group has had to make judgements about the allocation of expenditure between the Police and Crime Commissioner and the Chief Constable. The basis adopted was arrived at after considering the CIPFA SeRCOP and the Police Reform and Social Responsibility Act.
- As required, 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. It is reasonable to expect that should the PCC Group be required to settle future pension liabilities, 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.
- The contingent liability note 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.
- There is a high degree of uncertainty about future levels of funding for the Police. The Police and Crime Commissioner has made a judgement on the level of general balances which is reviewed on an annual basis as part of the Medium Term Financial Strategy process.
- In light of market conditions arising from COVID-19, a judgement has been made to use the actual conditions as at 31 March 2020 to value the Police Staff pensions rather than the usual practice of using a forecast from the end of February. This step has been taken to mitigate some of the uncertainty arising from the current volatility in the market.
- Judgements are made by professional advisors in valuing assets, pensions and financial instruments. Management have accepted these judgements.
- A judgement has been made to include the impact of the McCloud/Sargeant ruling. Whilst the regulations underpinning the Local Government Pension Scheme (LGPS) and police pension schemes have not yet been amended, the outcome of the McCloud and Sargeant tribunals have been deemed to provide evidence that a legal obligation has been created, resulting in a potential liability.

Note 4 The Police and Crime Commissioner as an Accounting Entity

The Police and Crime Commissioner is part of an accounting group along with the Chief Constable (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 Revised Home Office Financial Management Code of Practice for the Police Service, England and Wales 2018. This accounting treatment is also underpinned by the relationships as defined by local regulations, local agreement and practice.

Note 4 The Police and Crime Commissioner as an Accounting Entity Continued

The Police and Crime Commissioner receives all government funding and income and the Chief Constable does not hold any cash or reserves. When Police and Crime Commissioner's resources are consumed at the request of the Chief Constable all payments are made by the Police and Crime Commissioner from the Police Fund and no cash movements occur between the two bodies.

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 2019/20.

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 Constable's CIES 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. The intra-group transactions are summarised in the table below.

All of the assets and liabilities and reserves of the PCC Group with the following 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.
- Certain categories of operational non-current assets are shown on the Chief Constable's Balance Sheet. These assets are offset in the Balance Sheet by a longer term creditor.
- Certain categories of provisions and accumulated absences are shown on the Chief Constable Balance Sheet. These liabilities are offset in the Balance Sheet by a debtor.

Police and Crime Commissioner for Devon and Cornwall

Note 4 The Police and Crime Commissioner as an Accounting Entity Continued

Intra-Group Transactions	2018/19		2019/20	
	Chief Constable	Police and Crime Commissioner	Chief Constable	Police and Crime Commissioner
Comprehensive Income and Expenditure Statements	£'000	£'000	£'000	£'000
Net Cost of Policing	(394,889)	394,889	(298,065)	298,065
Pensions Interest Cost and Pensions Top Up Grant	(83,412)	83,412	(83,444)	83,444
Actuarial gains/(losses) on pensions funds	(39,912)	39,912	281,565	(281,565)
Balance Sheet	Chief Constable	Police and Crime Commissioner	Chief Constable	Police and Crime Commissioner
	£'000	£'000	£'000	£'000
Non-Current Assets/Liabilities				
Pensions Long Term Intra-Group Debtor	3,528,281	0	3,318,657	0
Pensions Long Term Liabilities	(3,528,281)	0	(3,318,657)	0
Pensions Long Term Intra-Group Creditor	0	(3,528,281)	0	(3,318,657)
ICT and Equipment Assets	3,190	0	4,067	0
ICT and Equipment Intra-Group Creditor	(3,190)	0	(4,067)	0
ICT and Equipment Intra-Group Debtor	0	3,190	0	4,067
Current Assets/Liabilities				
Intra-Group Debtors	10,413	0	10,183	0
Current Liabilities	(10,413)	0	(10,183)	0
Intra-Group Creditors	0	(10,413)	0	(10,183)
Unusable Reserves				
Intra-Group Transactions	0	(3,535,504)	0	(3,324,773)

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

Note 5 Events After the Balance Sheet Date

The Financial Statements were authorised for issue on 27 January 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The valuers have highlighted that asset valuations are reported on the basis of "material valuation uncertainty" as a result of the ongoing COVID-19 pandemic. However, they have advised that there is currently no basis for altering valuations.

A defect has been identified on one of the properties which will mean that it will be vacated during the year, but the valuation as at 31 March 2020 remains unchanged as it was operational and occupied at that date.

Note 6 Assumptions Made about the Future and Other Major Sources of Estimation and 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Note 6 Assumptions Made about the Future and Other Major Sources of Estimation and Uncertainty Continued

6.1 Property, Plant and Equipment

Valuation Uncertainty

COVID-19 has had an impact on market activity. A valuation was provided by our valuers as at 1 January 2020 with a further review conducted at 31 March 2020. The valuation has been reported on the basis of “material valuation uncertainty” as it has been prepared under extraordinary circumstances; therefore comparison to historical market data is less reliable.

Uncertainties

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, affecting the useful lives assigned to assets. The estimated value of property, plant and equipment as at 31 March 2020 is £203m.

Effect if Actual Results Differ from Assumptions

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for buildings would increase by approximately £0.878m for every year that useful lives had to be reduced.

6.2 Provisions

Uncertainties

The Police and Crime Commissioner has made a provision of £1.063m 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.

Effect if Actual Results Differ from Assumptions

A 10 percent increase in the cost of the outstanding claims would increase the charge to the Comprehensive Income and Expenditure Statement by £0.106m.

6.3 Pensions Liability

Uncertainties

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. Pension fund assets are measured at fair value which requires reference to the market conditions held at the measurement date. As a result of the COVID-19 pandemic, the market has been subject to volatility, however markets have continued trading and information was available to measure the fund assets at the measurement date. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.

Valuation Assumption

A remedy process to resolve the age discrimination of the pension changes resulting from the reform of public service pension schemes has been proposed. Although the LGPS and Police Pension Scheme regulations have not yet been amended, the valuation includes the impact of the proposed remedy for the McCloud/Sargeant ruling. The proposed remedy, which is out for consultation, suggests that members who were active on or prior to 31 March 2012 and on or after 1 April 2015, will be given the choice of which scheme they would like to receive benefits from. The 2019/20 valuation assumes that members will choose the scheme that has the highest benefits. From 1 April 2022, it is assumed, based on the proposal, that all members will accrue benefits in the CARE scheme.

Note 6 Assumptions Made about the Future and Other Major Sources of Estimation and Uncertainty Continued

Valuation Uncertainty

The Devon Pension Fund, of which Devon and Cornwall PCC Group is an admitted body, holds investments in pooled property investments and level 3 private infrastructure and debt funds. As a result of Covid-19, a material uncertainty has been identified by the valuers in respect of their 31 March 2020 valuations of these investments. The Local Government Pension Scheme property and infrastructure assets attributable to Devon and Cornwall PCC Group are £39.867m.

Effect if Actual Results Differ from Assumptions

The effects on the net pension's liability of changes in individual assumptions are shown in the Defined Benefit Pension Schemes Note.

6.4 Financial Instruments

Uncertainties

Estimating a loss allowance for expected credit losses on investments has been impacted by the volatility in the market as a result of COVID-19. The valuation of the investments held as at 31 March 2020 have been prepared using the 2020 average forecast rates provided by Arlingclose and the impact shown in the Financial Instrument Note.

6.5 Trade Receivables

Assumption

COVID-19 may have an impact on the ability of organisations to make payments in lieu of services provided. An assumption has been made that income due from Central Government, Local Authorities and the NHS will not be affected. A 2% loss allowance has been made for income due from other entities and individuals.

Police and Crime Commissioner for Devon and Cornwall

Note 7 Expenditure and Funding Analysis

The table shows how annual expenditure is used and funded from resources (government grants, rents and council tax) 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.

2019/20								
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Outturn	Adjustments	Net Expenditure in the CIES	Adjustments between the Funding and Accounting Basis				
				Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Intra-Group Funding	Total Adjustments
				(Note 7.1)	(Note 7.2)	(Note 7.3)		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Constable	305,867	37,777	343,644	7,304	34,077	(3,604)	(37,777)	0
Office for Police and Crime Commissioner	1,746	(90)	1,656	2	58	(150)	37,777	37,687
Commissioning	3,413	(11)	3,402	0	18	(29)	0	(11)
Net Cost of Services	311,026	37,676	348,702	7,306	34,153	(3,783)	0	37,676
Other Operating Income and Expenditure	0	(44,507)	(44,507)	1,072	(45,579)	0	0	(44,507)
Financing and Investment Income and Expenditure	1,072	83,655	84,727	164	83,525	(34)	0	83,655
Taxation and Non-Specific Grant Income	(312,098)	(1,507)	(313,605)	(1,768)	0	261	0	(1,507)
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services	0	75,317	75,317	8,542	72,099	(5,324)	0	75,317
Opening Revenue Reserve Balance as at 31 March 2019	8,808							
Less/Plus Surplus or (Deficit) on the General Fund in Year	2,039							
Transfer (to)/from Other Reserves	0							
Closing Revenue Reserve Balance as at 31 March 2020	10,847							

Police and Crime Commissioner for Devon and Cornwall

Note 7 Expenditure and Funding Analysis Continued

2018/19								
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Outturn	Adjustments	Net Expenditure in the CIES	Adjustments between the Funding and Accounting Basis				
				Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Intra-Group Funding	Total Adjustments
				(Note 7.1)	(Note 7.2)	(Note 7.3)		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Constable	287,594	159,622	447,216	7,640	147,430	4,552	(159,622)	0
Office for Police and Crime Commissioner	1,498	128	1,626	0	197	(69)	159,622	159,750
Commissioning	3,653	(410)	3,243	0	25	(435)	0	(410)
Net Cost of Services	292,745	159,340	452,086	7,640	147,652	4,048	0	159,340
Other Operating Income and Expenditure	0	(52,895)	(52,895)	(568)	(52,327)	0	0	(52,895)
Financing and Investment Income and Expenditure	854	83,304	84,158	(25)	83,491	(162)	0	83,304
Taxation and Non-Specific Grant Income	(293,599)	(2,250)	(295,849)	0	0	(2,250)	0	(2,250)
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services	0	187,499	187,499	7,047	178,816	1,636	0	187,499
Opening Revenue Reserve Balance as at 31 March 2018	11,653							
Less/Plus Surplus or (Deficit) on the General Fund in Year	(2,845)							
Transfer (to)/from Other Reserves	0							
Closing Revenue Reserve Balance as at 31 March 2019	8,808							

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Note 7 Expenditure and Funding Analysis Continued

7.1 Adjustment for Capital Purposes

This column adds in the depreciation and impairment and revaluation gains and losses in the services 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.

7.2 Net Change for Pensions' Adjustments

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

- For Services this represents the removal of the employer pension contributions made by the Group 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 Comprehensive Income and Expenditure Statement.

7.3 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.

7.4 Chief Constable Outturn

The Chief Constable reported outturn is the sum of the amount disclosed against the Chief Constable line and the amount shown against the Financing and Investment Income and Expenditure line. In the Statement of Accounts, the Financing and Investment Income and Expenditure line is under the control of the PCC and is excluded from the Chief Constable's CIES and Expenditure and Funding Analysis Statement but shown in the equivalent PCC statements.

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Note 8 Expenditure and Income Analysed by Nature

2018/19 £'000	Expenditure/Income	2019/20 £'000
	Expenditure	
395,229	Employee benefit expenses	392,018
159,477	Other service expense	62,277
11,940	Depreciation, amortisation, impairment	12,670
1,273	Interest payments	1,278
15	Loss on financial instruments	204
991	Loss on revaluation of fixed assets	1,581
138	Loss on the disposal of assets	160
569,063	Total Expenditure	470,188
	Income	
(14,320)	Fees charges and other service income	(18,892)
(1,738)	Gain on revaluation of fixed assets	(669)
(162)	Gain on financial instruments	(34)
0	Gain on the disposal of assets	0
(8,132)	Interest and investment income	(7,802)
(113,579)	Income from council tax	(129,414)
(243,633)	Government grants and contributions	(238,060)
(381,564)	Total Income	(394,871)
187,499	Deficit on the Provision of Services	75,317

Note 9 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 PCC Group in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the PCC Group to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

9.1 General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Group are required to be paid and out of which all liabilities of the Group are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Group is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Group is required to recover) at the end of the financial year.

9.2 Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

9.3 Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the group has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

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Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations Continued

Current Year	2019/20			Unusable Reserves
	Usable Reserves			
	General Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'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)	72,102	0	0	(72,102)
Financial instruments (transferred to the Pooled Fund Adjustments Account)	128	0	0	(128)
Council Tax and NDR (transfers to or from Collection Fund)	260	0	0	(260)
Holiday pay (transferred to the Accumulated Absences Reserve)	(177)	0	0	177
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)):	13,907	0	(164)	(13,743)
Total Adjustments to Revenue Resources	86,220	0	(164)	(86,056)
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	(1,768)	0	1,768	0
Statutory provision for the repayment of debt (transfer from the CAA)	(1,706)	0	0	1,706
Capital expenditure financed from revenue balances (transfer to the CAA)	(9,756)	0	0	9,756
Total Adjustments between Revenue and Capital Resources	(13,230)	0	1,768	11,462
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0
Application of capital grants to finance capital expenditure	0	0	(1,332)	1,332
Total Adjustments to Capital Resources	0	0	(1,332)	1,332
Total Adjustments excluding Earmarked Adjustments	72,990	0	272	(73,262)
Earmarked Adjustments from Income and Expenditure charged under the Accounting Basis to the Funding Basis				
				0
Total Adjustments including Earmarked Adjustments				
				(73,262)

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Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations Continued

Comparative Year	2018/19			Unusable Reserves
	Usable Reserves			
	General Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'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)	178,813	0	0	(178,814)
Financial instruments (transferred to the Pooled Fund Adjustments Account)	(162)	0	0	162
Council Tax and NDR (transfers to or from Collection Fund)	1,030	0	0	(1,030)
Holiday pay (transferred to the Accumulated Absences Reserve)	552	0	0	(552)
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)):	11,348	0	0	(11,348)
Total Adjustments to Revenue Resources	191,583	0	0	(191,583)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	902	0	(902)
Transfer of Grants from Revenue to the Capital Grant Reserve	(3,280)	0	3,280	0
Statutory provision for the repayment of debt (transfer from the CAA)	(1,770)	0	0	1,770
Capital expenditure financed from revenue balances (transfer to the CAA)	(3,334)	0	0	3,334
Total Adjustments between Revenue and Capital Resources	(8,384)	902	3,280	4,202
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	(3,882)	0	3,882
Application of capital grants to finance capital expenditure	0	0	(3,806)	3,806
Total Adjustments to Capital Resources	0	(3,882)	(3,806)	7,688
Total Adjustments excluding Earmarked Adjustments	183,199	(2,980)	(526)	(179,693)
Earmarked Adjustments from Income and Expenditure charged under the Accounting Basis to the Funding Basis				
Total Adjustments including Earmarked Adjustments				0
				(179,693)

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Note 10 Movement in 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.

	Balance at 1 April 2018	Transfer Out 2018/19	Transfer In 2018/19	Balance at 31 March 2019	Transfer Out 2019/20	Transfer In 2019/20	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget Management Fund	502	(282)	0	220	(161)	2,055	2,114
Programmes & Projects	1,584	(1,381)	0	203	(203)	0	0
Workforce Modernisation	0	0	0	0	0	265	265
Capital Financing Reserve	23,802	(574)	750	23,978	(1,609)	750	23,119
Estates Development	1,205	(249)	0	956	(162)	0	794
Police and Crime Plan	545	(29)	511	1,027	(200)	164	991
Capital Programme Reserve	8,027	(201)	187	8,013	(5,265)	0	2,748
ESN Capital Reserve	2,520	0	0	2,520	0	0	2,520
Merger Related Capital Reserve	187	(187)	0	0	0	0	0
Total	38,372	(2,903)	1,448	36,917	(7,600)	3,234	32,551

The purpose of the Funds and Reserves held at 31 March 2020 are set out below:

Budget Management Fund	To hold year end under-spends for carry-forward to the following year.
Programme and Projects Reserve	To fund investment in the Force Change Programme including major ICT developments.
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.
Police and Crime Plan Reserve	To fund planned Police and Crime Plan Developments.
Capital Programme Reserve	To fund one off capital programme costs.
ESN Capital Reserve	To fund enabling work and acquisition of new national communication systems and hardware.
Workforce Modernisation Reserve	To meet one off costs of any workforce modernisation scheme.

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Note 11 Property, Plant and Equipment

This table sets out the 2019/20 property, plant and equipment for the PCC Group.

Movements for 2019/20						
	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
Balance at 1 April 2019	146,680	47,174	16,678	4,783	8,006	223,321
Additions	3,606	1,518	16,220	6,568	0	27,912
Revaluation recognised in the Revaluation Reserve	814	0	0	0	(3,570)	(2,756)
Revaluation recognised in the Surplus/Deficit on the Provision of Services	(744)	0	0	0	(436)	(1,180)
Derecognition-Disposals	0	(10,588)	0	0	0	(10,588)
Reclassification	32,898	3,647	(32,898)	(5,860)	0	(2,213)
Balance at 31 March 2020	183,254	41,751	0	5,491	4,000	234,496
Accumulated Depreciation and Impairments						
Balance at 1 April 2019	(5,993)	(31,185)	0	0	(80)	(37,258)
Depreciation Charge	(7,445)	(4,943)	0	0	0	(12,388)
Depreciation written out to the Revaluation Reserve	7,680	0	0	0	0	7,680
Depreciation written out to the Surplus/Deficit on the Provision of Services	189	0	0	0	80	269
Derecognition-Disposals	0	10,430	0	0	0	10,430
Reclassification	0	0	0	0	0	0
Balance at 31 March 2020	(5,569)	(25,698)	0	0	0	(31,267)
Net Book Value						
Balance at 31 March 2019	140,687	15,989	16,678	4,783	7,926	186,063
Balance at 31 March 2020	177,685	16,053	0	5,491	4,000	203,229

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Note 11 Property, Plant and Equipment Continued

This table sets out the 2018/19 property, plant and equipment for the PCC Group.

Movements for 2018/19						
	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
Balance at 1 April 2018	136,873	43,005	4,670	3,087	8,360	195,995
Additions	1,287	3,299	13,672	4,067	335	22,660
Revaluation recognised in the Revaluation Reserve	5,732	0	0	0	(329)	5,403
Revaluation recognised in the Surplus/Deficit on the Provision of Services	1,583	0	0	0	0	1,583
Derecognition-Disposals	(460)	(1,501)	0	0	0	(1,961)
Reclassification	1,664	2,371	(1,664)	(2,371)	(360)	(360)
Balance at 31 March 2019	146,680	47,174	16,678	4,783	8,006	223,321
Accumulated Depreciation and Impairments						
Balance at 1 April 2018	(4,446)	(27,496)	0	0	0	(31,942)
Depreciation Charge	(6,380)	(5,035)	0	0	(320)	(11,735)
Depreciation written out to the Revaluation Reserve	5,705	0	0	0	240	5,945
Depreciation written out to the Surplus/Deficit on the Provision of Services	(876)	0	0	0	0	(876)
Derecognition-Disposals	4	1,346	0	0	0	1,350
Reclassification	0	0	0	0	0	0
Balance at 31 March 2019	(5,993)	(31,185)	0	0	(80)	(37,258)
Net Book Value						
Balance at 31 March 2018	132,427	15,509	4,670	3,087	8,360	164,053
Balance at 31 March 2019	140,687	15,989	16,678	4,783	7,926	186,063

Police and Crime Commissioner for Devon and Cornwall

Note 11 Property, Plant and Equipment Continued

This table sets out the 2019/20 property, plant and equipment for the PCC.

Movements for 2019/20						
	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
Balance at 1 April 2019	146,679	40,176	16,678	4,783	8,006	216,320
Additions	3,606	1,094	16,220	5,116	0	26,036
Revaluation recognised in the Revaluation Reserve	814	0	0	0	(3,570)	(2,754)
Revaluation recognised in the Surplus/Deficit on the Provision of Services	(744)	0	0	0	(436)	(1,180)
Derecognition-Disposals	0	(9,326)	0	0	0	(9,326)
Reclassification	32,898	3,634	(32,898)	(5,922)	0	(2,288)
Balance at 31 March 2020	183,253	35,578	0	3,977	4,000	226,808
Accumulated Depreciation and Impairments						
Balance at 1 April 2019	(5,992)	(27,376)	0	0	(80)	(33,447)
Depreciation Charge	(7,445)	(3,868)	0	0	0	(11,314)
Depreciation written out to the Revaluation Reserve	7,680	0	0	0	0	7,680
Depreciation written out to the Surplus/Deficit on the Provision of Services	189	0	0	0	80	269
Derecognition-Disposals	0	9,166	0	0	0	9,166
Reclassification	0	0	0	0	0	0
Balance at 31 March 2020	(5,568)	(22,078)	0	0	0	(27,646)
Net Book Value						
Balance at 31 March 2019	140,687	12,799	16,678	4,783	7,926	182,873
Balance at 31 March 2020	177,685	13,500	0	3,977	4,000	199,162

Police and Crime Commissioner for Devon and Cornwall

Note 11 Property, Plant and Equipment Continued

This table sets out the 2018/19 property, plant and equipment for the PCC.

Movements for 2018/19						
	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
Balance at 1 April 2018	136,872	37,430	4,670	3,087	8,360	190,419
Additions	1,287	3,184	13,672	4,067	335	22,545
Revaluation recognised in the Revaluation Reserve	5,732	0	0	0	(329)	5,403
Revaluation recognised in the Surplus/Deficit on the Provision of Services	1,583	0	0	0	0	1,583
Derecognition-Disposals	(460)	(1,501)	0	0	0	(1,961)
Reclassification	1,664	1,063	(1,664)	(2,371)	(360)	(1,668)
Balance at 31 March 2019	146,679	40,176	16,678	4,783	8,006	216,320
Accumulated Depreciation and Impairments						
Balance at 1 April 2018	(4,445)	(24,297)	0	0	0	(28,742)
Depreciation Charge	(6,380)	(4,461)	0	0	(320)	(11,160)
Depreciation written out to the Revaluation Reserve	5,705	0	0	0	240	5,945
Depreciation written out to the Surplus/Deficit on the Provision of Services	(876)	0	0	0	0	(876)
Derecognition-Disposals	4	1,346	0	0	0	1,350
Reclassification	0	36	0	0	0	36
Balance at 31 March 2019	(5,992)	(27,376)	0	0	(80)	(33,447)
Net Book Value						
Balance at 31 March 2018	132,427	13,133	4,670	3,087	8,360	161,677
Balance at 31 March 2019	140,687	12,799	16,678	4,783	7,926	182,873

11.1 Recognition

Expenditure on an individual item or a project or programme of work is capitalised when the following de-minimis levels are met:-

- Land and buildings £25k
- All other assets £10k

11.2 Surplus Assets

One property was held as at the 31 March 2020.

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Note 11 Property, Plant and Equipment Continued

11.3 Depreciation

All depreciation is calculated on a straight-line basis. A review of asset lives has taken place in 2019/20 and the useful life for some assets has been amended. The following useful lives and approaches to depreciation have been used to calculate depreciation charges:

11.3.1 Land and Buildings

The asset lives for individual buildings are assessed by the valuer, asset lives are within the range 5–55 years.

11.3.2 Vehicles

Classes of vehicle are given specific asset lives these are within the range 3-10 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.

11.3.3 Information and Communications Technology (ICT)

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

11.3.4 Plant and Equipment

Classes of plant and equipment assets are given specific asset lives these are within the range 3-10 years. These assets are depreciated monthly.

11.4 Significant Capital Commitments

The nature of capital expenditure is such that long lead times and significant programmes of work often result in slippage in incurring expenditure. The unspent capital funding in 2019/20 will be carried forward to meet the cost of future and ongoing schemes that were provided for in that year, and the ongoing work in ensuring that the Force estate is as lean and efficient as possible, while remaining fully fit for purpose to support operational policing. As at 31 March 2020, significant capital commitments amounted to £2.018m.

11.5 Revaluations

Land and buildings are revalued by a qualified external valuer, Vickery Holman (MRICS), 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 full revaluation exercise was undertaken in 2017/18 with valuations and remaining useful lives provided as at 1 January 2018. Between revaluations, Vickery Holman undertakes an annual review to identify any significant impairments or any other significant change in the valuation of assets. Vickery Holman undertook an annual review in 2019/20 and concluded that the valuation of buildings had increased by £4.012m.

11.6 Componentisation

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.

11.7 Derecognition

In 2019/20 a review of assets classed as Vehicles, ICT, Plant and Equipment and Intangibles has been undertaken which has resulted in the derecognition of a number of assets that have reached the end of their useful life or have been disposed of. The net book value amounted to £56k (gross value: £8.869m and accumulated depreciation: £8.813m).

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Note 12 Intangible Assets

All of the intangible assets held are ICT software and 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.

2018/19 Non- Operational Assets £'000		2019/20 Non- Operational Assets £'000
	Balance at start of year	
1,754	Gross carrying amounts	2,284
(1,147)	Accumulated amortisation	(1,354)
607	Net carrying amount at start of year	930
530	Additions	100
0	Derecognition - Gross Value	(269)
0	Reclassification	2,213
0	Derecognition - Gross Amortisation	269
(207)	Amortisation for the period	(282)
930	Net carrying amount at end of year	2,961
	Comprising:	
2,284	Gross carrying amounts	4,597
(1,354)	Accumulated Amortisation	(1,636)
930		2,961

12.1 Amortisation

All intangible assets are given a finite life, based on assessments of the period that the software is expected to be of use to the Group.

12.2 Depreciation

The carrying amount of intangible assets is depreciated on a straight-line basis.

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Note 13 Capital Reserves

A description of these reserves can be found in the Adjustments between Accounting Basis and Funding Basis under Regulations Note.

	Capital Receipts Reserve	Capital Grants Unapplied	Total
	£'000	£'000	£'000
Balance at 1 April 2018	2,980	778	3,758
Proceeds of Disposals	902	0	902
Financing of Fixed Assets	(3,882)	(3,806)	(7,688)
Capital Grants Received	0	3,280	3,280
Balance at 31 March 2019	0	252	252
Proceeds of Disposals	0	0	0
Financing of Fixed Assets	0	(1,128)	(1,128)
Capital Grants Received	0	1,400	1,400
Balance at 31 March 2020	0	524	524
Net Movement for 2018/19	(2,980)	(526)	(3,506)
Net Movement for 2019/20	0	272	272

Note 14 Debtors

31 March 2019			31 March 2020	
PCC	PCC Group		PCC	PCC Group
£'000	£'000		£'000	£'000
16,811	16,811	Central government bodies	14,507	14,507
9,732	9,732	Other local authorities	10,207	10,207
525	525	National Health Service	84	84
4,655	4,655	Other entities and individuals	4,096	4,096
31,723	31,723	Total Debtors	28,894	28,894

Note 15 Cash and Cash Equivalents

31 March 2019			31 March 2020	
PCC	PCC Group		PCC	PCC Group
£'000	£'000		£'000	£'000
31	31	Cash held by the PCC	31	31
6,171	6,171	Bank current accounts	1,543	1,543
7,741	7,741	Short-term deposits	1,594	1,594
13,943	13,943	Total Cash and Cash Equivalents	3,168	3,168

Note 16 Assets Held for Sale

2018/19		2019/20
£'000		£'000
430	Balance outstanding at start of year	0
0	Assets newly classified as held for sale	0
(430)	Assets sold	0
0	Balance Outstanding at Year End	0

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Note 17 Creditors

31 March 2019			31 March 2020	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
(5,582)	(5,582)	Central government bodies	(4,348)	(4,348)
(5,486)	(5,486)	Other local authorities	(4,348)	(4,348)
(25)	(25)	National Health Service	(68)	(68)
(13,961)	(23,543)	Other entities and individuals	(16,429)	(25,848)
(25,054)	(34,636)	Total Creditors	(25,193)	(34,612)

Note 18 Financial Instruments

18.1 Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

18.1.1 Borrowing

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

18.1.2 Financial assets

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

18.1.3 Cash and cash equivalents

Cash and cash equivalents consist of the bank current account, on call accounts and money market funds all of which are repayable at 24 hours' notice without penalty.

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Note 18 Financial Instruments Continued

	Long Term		Current	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000
Investments				
Fair value through profit or loss	0	0	10,203	12,063
Total Investments	0	0	10,203	12,063
Cash and Cash Equivalents				
Amortised Cost	0	0	13,943	3,168
Total Cash and Cash Equivalents	0	0	13,943	3,168
Debtors (Trade Receivables)				
Amortised Cost	0	0	4,655	4,096
Total included in Debtors	0	0	4,655	4,096
Borrowings				
Amortised Cost	(30,277)	(30,277)	0	(6,000)
Total Borrowings	(30,277)	(30,277)	0	(6,000)
Finance Lease				
Amortised Cost	(207)	(108)	(72)	(58)
Total Finance Lease	(207)	(108)	(72)	(58)
Creditors (Trade Payables)				
			(23,543)	(25,848)
Total included in Creditors	0	0	(23,543)	(25,848)

18.2 Income, Expense, Gains and Losses

	2018/19	2019/20
	Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure	
	£'000	£'000
Net (gains)/losses on:		
Financial assets measured at fair value through profit and loss	(162)	(34)
Financial assets measured at amortised	1	1
Financial liabilities	0	0
Total net (gains)/losses	(161)	(33)
Interest revenue		
Financial assets measured at amortised	(435)	(248)
Total Interest revenue	(435)	(248)
Interest expense		
Financial liabilities at amortised cost	1,273	1,278
Total Interest expense	1,273	1,278

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Note 18 Financial Instruments Continued

18.3 Fair Value of Financial Assets and Financial Liabilities

Financial liabilities and financial assets can be assessed by calculating the present value of the cash flow that will take place over the remaining term of the instruments, using the following assumptions:

- The fair value balances for financial assets as at 31 March 2020 have been calculated using interest rates in force as at 31 March 2019 and 2020.
- The long-term borrowing as at 31 March 2019 and 31 March 2020 have been calculated by reference to the premature repayment set of rates in force as at the respective dates.

The fair value of trade or other receivables is taken to be the invoiced or the billed amount.

Financial Assets	31 March 2019 Carrying Amount £'000	31 March 2019 Fair Value £'000	31 March 2020 Carrying Amount £'000	31 March 2020 Fair Value £'000
Short term investments				
Investments held at Amortised Cost	0	0	0	0
Investments held at FVPL	0	10,162	0	12,063
Cash and cash equivalents				
Investments held at Amortised Cost	4,007	4,007	1,574	1,574
Investments held at FVPL	0	7,726	0	1,594
Debtors (Trade Receivables)	4,655	4,655	4,096	4,096
	8,661	26,549	5,670	19,327
Financial Liabilities	31 March 2019 Carrying Amount £'000	31 March 2019 Fair Value £'000	31 March 2020 Carrying Amount £'000	31 March 2020 Fair Value £'000
Short Term Borrowing	0	0	(6,000)	(6,004)
Long Term Borrowing	(30,277)	(36,312)	(30,277)	(35,769)
Creditors (Trade Payables)	(23,543)	(23,543)	(25,848)	(25,848)
Finance Lease	(279)	(279)	(166)	(166)
	(54,099)	(60,134)	(62,291)	(67,787)

Nature and extent of risks arising from financial instruments

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

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

The Police and Crime Commissioner overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Alliance Treasury Team in consultation with Arlingclose (Treasury Advisors), under policies approved by the Police and Crime Commissioner in the Treasury Management Strategy.

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Note 18 Financial Instruments Continued

The Police and Crime Commissioner provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

18.7.1 Credit Risk

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

This risk is minimised through the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management Strategy also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the Police and Crime Commissioner are contained within the Treasury Management Strategy which is published on the Police and Crime Commissioner website.

The Police and Crime Commissioner exposure to credit risk is an average credit rating of A+.

18.7.2 Credit Risk Management Practices

The Police and Crime Commissioner's credit risk management practices are set out in the Treasury Management Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

18.7.3 Amounts Arising from Expected Credit Losses

The changes in the loss allowance during the year are as follows:

		12 month expected credit losses £'000
Amounts Arising from Expected Credit Losses		
Interest revenue		1
Financial assets measured at amortised cost		57
Total loss allowance		58

18.7.4 Liquidity Risk

The Police and Crime Commissioner has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Police and Crime Commissioner has access to funds held with money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Police and Crime Commissioner will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates. The maturity analysis of borrowing held as at 31 March 2020 is shown in the long term borrowing note.

At 31 March 2020 the Police and Crime Commissioner held £15.99m (31 March 2019 £17.73m) in on-call and money market fund accounts to manage short term liquidity requirements.

18.7.5 Market Risk

18.7.5.1 Interest Rate Risk

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

- borrowings at variable rates the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates the fair value of the liabilities borrowings will fall

Police and Crime Commissioner for Devon and Cornwall

Note 18 Financial Instruments Continued

- investments at variable rates the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Police and Crime Commissioner manages interest rate risk by setting an indicator to control the exposure. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The Treasurer assesses interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

All borrowing held at 31 March 2020 is with fixed interest rates. All investments held have variable rates. If interest rates had been 1% higher with all other variables held constant, the financial effect on interest receivable on investments would be £2.5k. This would have an impact on the Surplus or Deficit on the Provision of Services. The impact of 1% fall in interest rates would be as above but with the movements being reversed.

18.7.5.2 Price Risk

The Police and Crime Commissioner is exposed to price risk in terms of movement in the value of pooled investments and financial assets valued at fair value through profit and loss. Controls for this exposure is set out in the Treasury Management Strategy.

Note 19 Provisions

2019/20	Insurance £'000	Remuneration £'000	Other £'000	Total £'000
Current Liabilities				
Balance at 1 April 2019	(510)	(576)	(255)	(1,341)
Additional provisions made	(32)	(57)	(328)	(417)
Amounts used	308	197	255	760
Transfer from long term liabilities	(23)	0	0	(23)
Balance at 31 March 2020	(257)	(436)	(328)	(1,021)
Long Term Liabilities				
Balance at 1 April 2019	(776)	0	0	(776)
Additional provisions made	(63)	0	0	(63)
Amounts used	10	0	0	10
Transfer from long term liabilities	23	0	0	23
Balance at 31 March 2020	(806)	0	0	(806)
Total Provisions Balance	(1,063)	(436)	(328)	(1,827)

Police and Crime Commissioner for Devon and Cornwall

Note 19 Provisions Continued

2018/19	Insurance £'000	Remuneration £'000	Other £'000	Total £'000
Current Liabilities				
Balance at 1 April 2018	(433)	(607)	0	(1,040)
Additional provisions made	(254)	0	(255)	(509)
Amounts used	383	31	0	414
Transfer from long term liabilities	(206)	0	0	(206)
Balance at 31 March 2019	(510)	(576)	(255)	(1,341)
Long Term Liabilities				
Balance at 1 April 2018	(594)	0	0	(594)
Additional provisions made	(463)	0	0	(463)
Amounts used	75	0	0	75
Transfer from long term liabilities	206	0	0	206
Balance at 31 March 2019	(776)	0	0	(776)
Total Provisions Balance	(1,286)	(576)	(255)	(2,117)

19.1 Insurance Provision

The Police and Crime Commissioner is uninsured for the first £0.1m of each public and employers liability claim up to a total stop loss of £0.8m for claims. The insurance provision is to cover any claims from 2019/20 and previous years. The majority of payments from the provision are expected to be made over the next five years. An assessment of liabilities as at 31 March 2020 has been undertaken and the provision has been increased to a level estimated to be sufficient to meet all the forecast obligations.

19.2 Remuneration Provision

19.2.1 Contractual pay claims

The current level of the provision is estimated to be sufficient to meet known claims. These payments are expected to be made in 2020/21.

19.2.2 Employment termination benefits

Critical judgements are applied in determining the level of the redundancy provision.

19.2.3 Other Provisions

A provision has been made for compensation for the originating claimants regarding the public service pension scheme reform.

Police and Crime Commissioner for Devon and Cornwall

Note 20 Unusable Reserves

31 March 2019		31 March 2020
£'000	Note	£'000
85,726	20.1 Capital Adjustment Account	89,352
52,340	20.2 Revaluation Reserve	52,691
162	20.3 Pooled Investment Fund Adjustment Account	34
(3,531,639)	20.4 Pensions Reserve	(3,321,742)
2,293	20.5 Collection Fund Adjustment Account	2,033
(9,608)	20.6 Accumulated Absences Account	(9,431)
(3,400,726)	Total Unusable Reserves	(3,187,064)

20.1 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.

2018/19	Capital Adjustment Account	2019/20
£'000		£'000
82,380	Balance at 1 April	85,726
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(11,736)	• Charges for depreciation and impairment of non-current assets	(12,389)
(1,006)	• Revaluation losses on Property, Plant and Equipment	(912)
0	• Revaluation losses on Assets Held for Sale	0
(205)	• Amortisation of intangible assets	(281)
0	• Revenue expenditure funded from capital under statute	(164)
(1,041)	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(160)
(13,988)		(13,906)
4,542	Adjusting amounts written out of the Revaluation Reserve	4,574
(9,446)	Net written out amount of the cost of non-current assets consumed in the year	(9,332)
	Capital Financing applied in the year:	
3,882	Use of the Capital Receipts Reserve to finance new capital expenditure	0
3,806	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,496
1,770	Statutory provision for the financing of capital investment charged against the General Fund balances	1,706
3,334	Capital expenditure charged against the General Fund balances	9,756
12,792		12,958
85,726	Balance at 31 March	89,352

Police and Crime Commissioner for Devon and Cornwall

Note 20 Unusable Reserves Continued

20.2 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.

2018/19		Revaluation Reserve	2019/20	
£'000	£'000		£'000	£'000
	43,798	Balance at 1 April		52,340
	11,347	Upward/(Downward) revaluation of assets and impairment losses not posted to the Surplus/Deficit on the Provision of Services		4,926
(2,506)		Difference between fair value depreciation and historical cost depreciation	(3,225)	
(299)		Accumulated gains on assets sold or scrapped	(1,350)	
	(2,805)	Amount written off to the Capital Adjustment Account		(4,575)
	52,340	Balance at 31 March		52,691

20.3 Pooled Investment Fund Adjustment Account Reserve

The Pooled Investment Fund Adjustment Account Reserve contains the gains and losses made by the Police and Crime Commissioner arising from changes in the value of investments in pooled funds.

2018/19		Pooled Investment Fund Adjustment Account	2019/20	
£'000	£'000		£'000	£'000
0		Balance at 1 April		162
162		Upward revaluation of investments		34
0		Downward revaluation of investments		0
162				196
0		Gains/Losses on derecognition of investment written out to the Financing and Investment Income and Expenditure Statement		(162)
162		Balance at 31 March		34

20.4 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.

Police and Crime Commissioner for Devon and Cornwall

Note 20 Unusable Reserves Continued

2018/19		Pension Reserve	2019/20	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
(3,313,717)	(3,313,717)	Balance at 1 April	(3,531,639)	(3,531,639)
(218,426)	0	Intra-Group Adjustments	209,624	0
804	(39,108)	Remeasurements of the net defined benefit liability/(asset)	433	281,998
(434)	(269,019)	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	(309)	(164,414)
134	90,205	Employer's pensions contributions and direct payments to pensioners payable in the year	149	92,313
(3,531,639)	(3,531,639)	Balance at 31 March	(3,321,742)	(3,321,742)

20.5 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.

2018/19 £'000	Collection Fund Adjustment Account	2019/20 £'000
3,323	Balance at 1 April	2,293
(1,030)	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	(260)
2,293	Balance at 31 March	2,033

20.6 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2018/19		Accumulated Absences Account	2019/20	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
(19)	(9,056)	Balance at 1 April	(26)	(9,608)
19	9,056	Settlement or cancellation of accrual made at the end of the preceding year	26	9,608
(26)	(9,608)	Amounts accrued at the end of the current year	(12)	(9,431)
(7)	(552)	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	14	177
(26)	(9,608)	Balance at 31 March	(12)	(9,431)

Police and Crime Commissioner for Devon and Cornwall

Note 21 Cash Flow Statement - Operating Activities

2018/19 £'000		2019/20 £'000
(4,661)	Net cash receipts/(payments) from operating activities excluding interest receipts and payments	(4,482)
435	Interest received	248
(1,274)	Interest paid	(1,278)
(5,500)	Net cash flows from operating activities	(5,512)

Note 22 Cash Flow Statement - Investing Activities

2018/19 £'000		2019/20 £'000
20,200	Purchase of property, plant and equipment, investment property and intangible assets	23,914
(15,870)	Net movement in short-term and long term investments	(1,740)
(902)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
3,428	Net cash flows from investing activities	22,174

Note 23 Cash Flow Statement – Financing Activities

2018/19 £'000		2019/20 £'000
0	Cash receipt of short term borrowing	(6,000)
0	Net movement in long term borrowing	0
(52)	Cash payments to reduce finance lease liabilities	113
(52)	Net cash flows from financing activities	(5,887)

Note 24 External Audit Costs

The Police and Crime Commissioner has incurred the following costs in relation to the audit of the Statement of Accounts:

2018/19			2019/20	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
28	42	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	34	52
0	2	Proposed additional fees in respect of assessing the impact of the McCloud ruling on age discrimination on pensions liabilities.	0	0
28	44		34	52

Police and Crime Commissioner for Devon and Cornwall

Note 25 Officers' Remuneration

25.1 Remuneration

This note shows the officer remuneration costs for the Office of the Police and Crime Commissioner and for the Chief Constable. The Police and Crime Commissioner (PCC) is excluded from this note and shown within the Office of the Police and Crime Commissioner Cost note

2019/20	Note	Salary, Fees and Allowances £	Subsistence and Expenses Allowances £	Benefits in Kind £	Total Remuneration excl Pension Contributions £	Employers Pension Contributions £	Total Remuneration incl Pension Contributions £
<u>Office of the Police & Crime Commissioner</u>							
<u>Salary £50,000 to £149,999 per year</u>							
OPCC Chief Executive		107,026	0	0	107,026	14,916	121,942
OPCC Treasurer		95,564	0	0	95,564	13,475	109,039
<u>Chief Constable</u>							
<u>Salary £150,000 plus per year</u>							
Chief Constable – Shaun Sawyer		175,574	0	4,928	180,502	0	180,502
<u>Salary £50,000 to £149,999 per year</u>							
Deputy Chief Constable		145,306	0	393	145,699	42,062	187,761
ACC Senior Responsible Officer - Strategic Alliance from 01/04/2019 to 16/04/2019		2,616	0	235	2,851	782	3,633
ACC Operations Support		125,720	0	0	125,720	35,517	161,237
ACC Operations Support from 13/01/20 to 31/03/20		23,227	0	355	23,582	6,954	30,536
ACC Vulnerability and Crime from 17/04/19 to 28/02/20		106,366	0	4,620	110,986	31,800	142,786
ACC Vulnerability and Crime from 11/10/19 to 31/03/20		55,431	0	511	55,942	16,084	72,026
ACC Innovation and Demand from 10/06/19 to 10/10/19		38,669	0	333	39,002	11,209	50,211
ACC NPCC from 05/08/19 to 31/03/20		76,804	0	89	76,893	21,882	98,775
ACC Local Policing and Partnerships from 03/02/20 to 31/03/20		17,785	0	0	17,785	5,139	22,924
Assistant Chief Officer - People from 03/12/19 to 31/03/20		34,557	1,465	0	36,022	4,526	40,548
Director of Legal Services	2	117,709	4,467	3,085	125,261	15,422	140,683
Director of Finance & Resources		116,875	4,467	0	121,342	15,422	136,764
Ch Supt - Alliance Operations Commander from 01/04/19 to 12/01/20		71,964	0	1,277	73,241	21,424	94,665
Ch Supt - Alliance Operations Commander from 13/01/20 to 31/03/20		18,475	0	583	19,058	5,727	24,785
Ch Supt - Alliance Operations Commander from 25/03/20 to 31/03/20		1,597	0	0	1,597	495	2,092
Ch Supt - Commander from 06/01/20 to 24/03/20		18,475	0	0	18,475	5,727	24,202
Ch Supt - Corporate Development from 01/04/19 to 04/08/19		31,729	0	0	31,729	9,315	41,044
Ch Supt - Crime & Justice		91,286	0	0	91,286	26,940	118,226
Ch Supt - Local Policing from 01/04/19 to 02/02/20		75,237	0	0	75,237	23,001	98,238
Ch Supt - Local Policing from 03/02/20 to 31/03/20		13,654	0	79	13,733	4,233	17,966
Ch Supt - Local Policing from 01/04/19 to 09/06/19		16,975	0	0	16,975	5,189	22,164

Police and Crime Commissioner for Devon and Cornwall

Note 25 Officers' Remuneration Continued

2019/20	Note	Salary, Fees and Allowances £	Subsistence and Expenses Allowances £	Benefits in Kind £	Total Remuneration excl Pension Contributions £	Employers Pension Contributions £	Total Remuneration incl Pension Contributions £
<u>Chief Constable</u>							
<u>Salary £50,000 to £149,999 per year</u>							
Ch Supt - Local Policing		85,833	0	4,790	90,623	26,608	117,231
Ch Supt - Local Policing from 09/12/19 to 31/03/20		26,845	0	0	26,845	8,202	35,047
Ch Supt - Local Policing		93,573	0	0	93,573	27,466	121,039
Ch Supt - Local Policing from 01/04/19 to 12/08/19		33,259	0	0	33,259	10,170	43,429
Ch Supt - Local Policing from 09/12/19 to 31/03/20		28,298	0	0	28,298	8,653	36,951
Ch Supt - Local Policing from 01/04/19 to 14/01/20		70,737	0	0	70,737	21,161	91,898
Ch Supt - Local Policing from 16/12/19 to 31/03/20		25,225	0	0	25,225	7,707	32,932
Ch Supt - Commander – Contact & Resolution Command		85,943	0	0	85,943	26,258	112,201

Police and Crime Commissioner for Devon and Cornwall

Note 25 Officers' Remuneration Continued

2018/19	Note	Salary, Fees and Allowances £	Subsistence and Expenses Allowances £	Benefits in Kind £	Total Remuneration excl Pension Contributions £	Employers Pension Contributions £	Total Remuneration incl Pension Contributions £
Office of the Police & Crime Commissioner							
<u>Salary £50,000 to £149,999 per year</u>							
OPCC Chief Executive		98,540	0	0	98,540	13,719	112,259
OPCC Treasurer		87,778	0	0	87,778	12,377	100,155
Chief Constable							
<u>Salary £150,000 plus per year</u>							
Chief Constable – Shaun Sawyer	1	171,500	60,306	2,517	234,323	0	234,323
<u>Salary £50,000 to £149,999 per year</u>							
Deputy Chief Constable		142,264	0	1,111	143,375	32,099	175,474
ACC Delivery		106,178	0	0	106,178	24,634	130,812
ACC Senior Responsible Officer - Strategic Alliance		116,792	0	4,388	121,180	27,236	148,416
ACC Operations Support from 01/04/2018 to 25/05/2018		16,768	0	0	16,768	3,384	20,152
ACC Operations Support from 02/05/2018 to 31/03/2019		99,876	0	0	99,876	21,825	121,701
Director of Legal Services	2	115,254	4,467	2,778	122,499	15,076	137,575
Director of Finance & Resources		114,421	4,467	0	118,888	15,076	133,964
Ch Supt - Alliance Operations Commander		88,873	0	1,482	90,355	20,541	110,896
Ch Supt - Chief of Staff from 01/01/19 to 31/03/19		20,695	0	0	20,695	5,008	25,703
Ch Supt - Chief of Staff from 01/04/18 to 10/09/18		37,847	0	0	37,847	8,740	46,587
Ch Supt - Corporate Development		99,617	0	0	99,617	20,960	120,577
Ch Supt - Corporate Development from 01/04/18 to 01/05/18		15,225	0	0	15,225	3,453	18,678
Ch Supt - Crime & Justice		87,575	0	0	87,575	20,066	107,641
Ch Supt - Local Policing		88,206	0	0	88,206	20,960	109,166
Ch Supt - Local Policing from 11/09/18 to 31/03/19		48,427	0	0	48,427	11,297	59,724
Ch Supt - Local Policing from 26/05/18 to 31/03/19		73,201	0	0	73,201	17,550	90,751
Ch Supt - Local Policing from 01/04/18 to 03/06/18		14,961	0	0	14,961	3,437	18,398
Ch Supt - Local Policing from 10/12/18 to 31/03/19		25,590	0	0	25,590	6,193	31,783
Ch Supt - Local Policing from 01/04/18 to 13/01/19		68,097	0	0	68,097	16,087	84,184
Ch Supt - Local Policing from 22/01/19 to 31/03/19		16,482	0	0	16,482	3,877	20,359
Ch Supt - Senior User Emergency Services Mobile Communication Project 01/04/18 to 30/05/18		14,979	0	0	14,979	3,397	18,376

Police and Crime Commissioner for Devon and Cornwall

Note 25 Officers' Remuneration Continued

25.1.1 Notes

1. Subsistence and allowances figure includes removal expenses.

2. 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 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.

25.2 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 2018/19 and 2019/20. They relate to staff employed by the Police and Crime Commissioner Group. The costs charged in the Comprehensive Income and Expenditure Statement include adjustments for the sharing of cost with Dorset Police, these adjustments are set out below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £'000	2019/20 £'000
£0 – £20,000	1	1	5	2	6	3	31	30
£20,001 - £40,000	0	2	0	0	0	2	0	46
£40,001 - £60,000	0	1	1	0	1	1	57	42
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	1	0	0	0	1	0	84
£100,001- £150,000	0	0	0	0	0	0	0	0
Total included in bandings and in CIES	1	5	6	2	7	7	88	202
Adjustments to reflect costs charged in Comprehensive Income and Expenditure Statement								
Redundancy cost recharged to Dorset Police as part of Strategic Alliance agreement							(1)	(21)
Redundancy cost recharged from Dorset Police as part of Strategic Alliance agreement*							53	144
Exit Costs charged to the Comprehensive Income and Expenditure Statement							140	325
All of the exit packages in 2019/20 relate to the Force.								

The remuneration includes exit costs as set out in the table above.

*Within the costs recharged from Dorset Police is a contribution towards the redundancy payment for the joint Director of HR.

Police and Crime Commissioner for Devon and Cornwall

Note 25 Officers' Remuneration Continued

25.3 Remuneration Bands

These figures presented below do not include the remuneration of the senior employees and relevant police officers as they have been disclosed separately but do include other police staff and police officers remuneration.

2018/19		2019/20
Number of employees	Remuneration Band	Number of employees
313	£50,000 - £54,999	280
128	£55,000 - £59,999	185
45	£60,000 - £64,999	45
12	£65,000 - £69,999	13
9	£70,000 - £74,999	9
9	£75,000 - £79,999	6
3	£80,000 - £84,999	5
3	£85,000 - £89,999	0
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
522	Total	543

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 any police officers above the rank of Superintendent).

The above table does not include staff paid below £50,000 who make up approximately 91% of the workforce.

Police and Crime Commissioner for Devon and Cornwall

Note 26 Grant Income

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

2018/19 £'000		2019/20 £'000
	Credited to Taxation and Non Specific Grant Income	
(163,529)	Police Grant	(166,963)
(15,461)	Council Tax Support Grants	(15,461)
(3,280)	Recognised Capital Grant and Contributions	(1,768)
(182,270)	Total	(184,192)
	Credited to Services	
(1,881)	Commissioning	(2,453)
(6,142)	Projects	(3,244)
(155)	Other Local Grants	(1,766)
(858)	Armed Response Vehicle Uplift	(826)
(9,036)	Total	(8,289)
	Credited to Other Operating Income and Expenditure	
(52,327)	Pensions Top Up Grant	(45,579)

Note 27 Related Party Transactions, Commissioning, Partnerships and Collaborations

27.1 Related Party Transactions

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.

27.1.1 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 the Grant Income Note. Outstanding balances are set out in the Debtors and Creditors Notes.

27.1.2 Independent Officers

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

27.1.3 Officers

The Chief Executive of the Office of the Police and Crime Commissioner has written to all senior officers explaining the need for disclosure. The Director of Finance represents the Chief Constable as a trustee of the South West Police Heritage Trust (SWPHT). No remuneration is received by the Director and SWPHT is not recognised in the accounts beyond force contributions to support its activities. The Director is also a member of the South West Audit Partnership (SWAP) that supplies Internal Audit services to the Force. In order to receive the services, Forces have to nominate a member. No remuneration is received by the Director of Finance and Resources and SWAP is not recognised in the PCC Group accounts beyond payments for their audit services.

Police and Crime Commissioner for Devon and Cornwall

Note 27 Related Party Transactions, Commissioning, Partnerships and Collaborations Continued

27.2 Commissioning and Partnerships

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.

2018/19			2019/20		
Expenditure £'000	Income £'000	Notes	Expenditure £'000	Income £'000	
					OPCC Commissioning and Partnerships
1,610	0	1	1,615	0	Community Safety Partnership
501	0	2	501	0	Youth Offending Teams and Services
494	(159)	3	469	(212)	Sexual Assault Referral Centres
35	0	4	0	0	Safeguarding Adults and Children
126	0	5	116	0	Small Grants and Other Costs
1,880	(2,015)	6	2,020	(2,020)	Victim Services and Restorative Justice
939	(168)	7	1,401	(488)	Other Local Grants and Expenditure
5,585	(2,342)		6,122	(2,720)	
					Other Partnerships
1,614	(1,482)		1,941	(1,941)	Safety Camera Partnership

Full details of the Police and Crime Commissioner's future plans and intentions with regard to commissioning and partnerships can be found in the Commissioning Intentions Plan and the Police and Crime Plan on the OPCC website.

The funding mechanisms for partnerships are complex, and the table above shows expenditure that has passed through the Police and Crime Commissioners accounts. There are no significant jointly controlled assets or liabilities as at 31 March 2020.

27.2.1 Community Safety Partnership

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

27.2.2 Youth Offending Teams and Services

The Youth Offending Team and Services is funded by a combination of government grants, and contributions from the Police and Crime Commissioner, Local Authorities, Clinical Commissioning Groups and the National Probation Service. The initiative provides programmes for young people with the intention of preventing re-offending.

27.2.3 Sexual Assault Referral Centres

The Sexual Assault Referral Centres (SARCS) are funded by a combination of government grants, partnership grants and contributions from the Police and Crime Commissioner. The centres are set up in safe locations, where victims of sexual assault can receive medical care and counselling. Referral centres bring together all agencies and departments in one place, which helps both the victims and those investigating the crimes.

Police and Crime Commissioner for Devon and Cornwall

Note 27 Related Party Transactions, Commissioning, Partnerships and Collaborations Continued

27.2.4 Safeguarding Adults and Children

The Safeguarding Adults and Children Boards comprise 6 boards with representatives including; the Police and Crime Commissioner, Local Authorities and the National Health Service. The aim of the boards is to improve and modernise the quality of service delivery to vulnerable adults, vulnerable children, their carers and local communities.

27.2.5 Small Grants

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.

27.2.6 Victim Services and Restorative Justice

The Ministry of Justice provide an annual Victim Services Grant to deliver services that help victims of crime. Engagement fees are provided to 60+ organisations who provide practical and emotional support to victims of crime, no matter whether or not they report the crime to police.

27.2.7 Other Local Grants and Expenditure

Other expenditure and grants are provided to a range of services/organisations who support delivery of the Police and Crime Plan.

27.3 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. Only significant partnerships where gross expenditure is greater than £100k are disclosed. The table shows the regional activities.

2018/19			2019/20
Expenditure £'000	Notes	Joint Operation	Expenditure £'000
1,067	1	South West Regional Special Branch	1,154
5,595	2	South West Regional Forensics Services	5,773
464	3	South West Procurement Services	476
3,096	4	Regional Organised Crime Unit (ROCU)	3,146
343	5	Regional Programme	414
10,565			10,963

27.3.1 South West Regional Special Branch

South West Regional Special Branch is a partnership with Avon and Somerset Police, Wiltshire Police and Dorset 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 Force cost for the year was £1,154k. The total cost of £3,993k is split on a percentage basis, with Dorset Police contributing 23.9%, Avon and Somerset contributing 28.4%, Wiltshire Police contributing 18.8% and Devon and Cornwall contributing 28.9%.

27.3.2 South West Regional Forensics Services

South West Regional Forensics Services is a partnership with Avon and Somerset Police, Wiltshire Police and Dorset Police. There are bases in all four Forces, with each Force employing a number of staff. The Force cost for the year was £5,773k. Most of the £18,171k total cost is split on a percentage basis, with Dorset contributing 18.7%, Avon and Somerset contributing 36.6%, Wiltshire contributing 14.2% and Devon and Cornwall contributing 30.5%.

Police and Crime Commissioner for Devon and Cornwall

Note 27 Related Party Transactions, Commissioning, Partnerships and Collaborations Continued

27.3.3 South West Procurement Services

South West Procurement Services is a partnership with Wiltshire Police, Gloucestershire Police and Dorset Police. Staff are based across the region, with them all employed by Devon and Cornwall Police. The Force cost for the year was £476k. The total cost of £1,028k is split on a percentage basis with Dorset contributing 19.5%, Wiltshire Police contributing 17.2%, Gloucestershire Police contributing 17.0% and Devon and Cornwall contributing 46.3%.

27.3.4 Regional Organised Crime Unit (ROCU)

ROCU is a partnership with Dorset Police, Wiltshire Police, Gloucestershire Police and Avon and Somerset Police as the lead Force. Two additional units were added part way through 2018/19 hence the increase in contribution. Staff are employed by each partnering Police Force based within one of two hubs (North and South). The Force cost for the year was £3,146k. The total cost of £9,447k is split on a percentage basis with Dorset Police contributing 11.76%, Devon and Cornwall contributing 33.3%, Wiltshire contributing 11.68%, Gloucestershire contributing 10.83% and Avon and Somerset contributing 32.43%.

27.3.5 Regional Programme

The Regional Programme is a partnership with Dorset Police, Devon and Cornwall Police, Gloucestershire Police, Wiltshire Police with Avon and Somerset Police as 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. The Force cost for the year was £414k. Most of the £1,319k total cost is split on a percentage basis with Dorset Police contributing 11.76%, Devon and Cornwall contributing 33.3%, Wiltshire contributing 11.68%, Gloucestershire contributing 10.83% and Avon and Somerset contributing 32.43%.

27.4 Other Public Bodies

Most of the revenue to pay for the costs of policing comes from government grants 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.

31 March 2019		31 March 2020	
£'000	Billing Authority	£'000	
11,175	East Devon	12,699	
7,051	Exeter	7,973	
5,365	Mid Devon	6,124	
6,366	North Devon	7,288	
13,621	Plymouth	15,745	
7,187	South Hams	8,202	
9,247	Teignbridge	10,551	
8,715	Torbay	9,922	
4,445	Torridge	5,080	
3,848	West Devon	4,337	
37,339	Cornwall	41,473	
250	Isles of Scilly	280	
114,609		129,674	
(1,030)	Adjusted for accruals	(260)	
113,579		129,414	

The Police and Crime Commissioner purchases the pension administration services (Peninsula Pensions) from Devon County Council. Transactions within the pension fund are shown in the Defined Benefit Pension Schemes Note. Outstanding balances with other public bodies are shown in the Debtors and Creditors Notes.

Police and Crime Commissioner for Devon and Cornwall

Note 28 Contingent Liabilities

28.1 Financial Guarantee

The PCC has along with all other PCC's provided a financial guarantees for the Police ICT Company amounting to £124k.

28.2 Pension Guarantee

The PCC has along with all other PCC's provided a pension guarantee of £21k for the APCC pension fund which is currently held by Merseyside LGPS.

Note 29 Capital Expenditure and Financing

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

2018/19			2019/20	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
38,915	38,915	Opening Capital Financing Requirement	49,314	49,314
		Capital Investment:		
15,296	15,296	Land and buildings	19,827	19,827
2,993	2,993	Vehicles and Other Transport	1,749	1,749
4,259	4,374	Equipment and ICT	4,461	6,338
529	529	Intangible Assets	100	100
0	0	Revenue Expenditure Funded from Capital under Statute	164	164
23,077	23,192		26,301	28,178
		Less Sources of Finance:		
(3,806)	(3,806)	Government Grants	(1,496)	(1,496)
(3,884)	(3,884)	Capital Receipts	0	0
(4,988)	(5,103)	Reserves, provisions and MRP	(9,587)	(11,464)
(12,678)	(12,793)		(11,083)	(12,960)
10,399	10,399	Increase/(Decrease) in Capital Financing Requirement	15,218	15,218
49,314	49,314	Closing Capital Financing Requirement	64,532	64,532
		Represented by:		
30,277	30,277	External Borrowing (cumulative) excluding accruals for interest due	30,277	30,277
18,758	18,758	Internal Borrowing	34,089	34,089
279	279	Finance Lease Liabilities	166	166
49,314	49,314		64,532	64,532
		Borrowing During the Year		
0	0	External Borrowing	0	0
10,233	10,233	Internal Borrowing	15,331	15,331
166	166	Finance Lease	(113)	(113)
10,399	10,399		15,218	15,218

Police and Crime Commissioner for Devon and Cornwall

Note 30 Office of the Police and Crime Commissioner Costs

2018/19		2019/20
£'000	Office of the Police and Crime Commissioner	£'000
13	Independent members and advisors costs	10
98	Police and Crime Commissioner including reimbursements	108
1,040	Statutory and other OPCC staff	1,260
273	Other costs	240
1	Support for collection of Council Tax	1
(2)	Income	(10)
1,423	Sub-total	1,609
195	Pension costs	58
6	Accumulated Absence	(12)
2	Depreciation	1
1,626	Total	1,656

Disclosed below are the PCC remuneration costs which are included within the above table.

2018/19		2019/20
£'000	Police and Crime Commissioner	£'000
87	Salary, Fees and Allowances	87
0	Benefits in Kind	0
87	Total excluding pension contributions	87
0	Employer's Pension	0
87	Total	87

Note 31 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:

31 March 2019		31 March 2020
£'000		£'000
986	Not later than one year	1,042
2,512	Later than one year and not later than five years	2,548
1,385	Later than five years	1,073
4,883		4,663

With the exception of dilapidation clauses, there are no significant terms attached to the Police and Crime Commissioner's 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:

31 March 2019		31 March 2020
£'000		£'000
986		1,098
986		1,098

Police and Crime Commissioner for Devon and Cornwall

Note 32 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 four pension schemes, three 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 pension's 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.

The Chief Constable, along with other Chief Constables and the Home Office, currently has claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. A case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. This interim declaration applies to claimants only. However, a Written Ministerial Statement on 25 March 2020 made clear that non-claimants who are in the same position as claimants will also be entitled to remedy. On the 16 July 2020, the Government published a consultation on the proposed remedy to be applied to the unfunded pension scheme benefits. The consultation closes on 11 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. The proposed remedy will apply to those members that were in active service on or prior to 31 March 2012 and on or after 1 April 2015. These members will be able to choose which scheme they are to accrue benefits over the remedy period, 1 April 2015 to 31 March 2022. It is yet to be decided whether the member will have to make this decision a year or two after 31 March 2022 or at retirement. From 1 April 2022, everyone is assumed to accrue benefits in the CARE scheme. Given the uncertainty in how members' benefits will accrue over the remedy period, due to future salary increases, preferences for early/late retirement over more pension, Barnett Waddingham have made an assumption that a member would choose the scheme that gives the highest benefits. As the outcome for the agreed remedy, and where the burden for that remedy lies, has not yet been established, it could give rise to a possible obligation on the PCC Group.

For giving full transitional protection to members would lead to an increase in the Police Pension Scheme liabilities. Last year, scheme actuaries estimated the potential increase in scheme liabilities to be £97.281m. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018/19 accounts. In 2019/20, scheme actuaries have reviewed these assumptions at a force level. The change in assumptions is reported in Other Comprehensive Income and Expenditure in the CIES. The proposed remedy reduces the liability in 2019/20 by £6.495m and is shown as a past service cost.

The impact of an increase in scheme liabilities arising from the McCloud/Sargeant ruling will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change. Funding arrangements are under consideration by the Home Office.

With regard to the LGPS a similar adjustment was made in the 2018/19 accounts to reflect an increase in the present value of the defined benefit obligation. This increase was shown as a past service cost and amounted to £5.689m. In 2019/20, scheme actuaries have reviewed these assumptions at a force level. The change in assumptions is reported in Other Comprehensive Income and Expenditure in the CIES.

32.1 Police Officer Schemes

32.1.1 Participation in Pension 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 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.

Police and Crime Commissioner for Devon and Cornwall

Note 32 Defined Benefit Pension Schemes Continued

Police Pension Fund Regulations require Police and Crime Commissioners to transfer a sum not exceeding the amount that the Police Pensions Fund is in deficit at 31 March from the Police and Crime Commissioner's General Fund into the Police Pensions Fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up-grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the 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.

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

Reconciliation of present value of the scheme liabilities:

2018/19		2019/20
£'000		£'000
(3,080,411)	Opening balance at 1 April	(3,289,250)
(62,706)	Current service cost	(72,495)
(77,662)	Interest cost	(77,958)
(14,758)	Contributions from scheme participants	(15,204)
	Remeasurement gains and (losses):	
84,067	• Actuarial gains/(losses) arising from changes in demographic assumptions	(6,678)
(135,784)	• Actuarial gains/(losses) arising from changes in financial assumptions	244,627
93,927	Benefits paid	96,199
(97,281)	Past service costs, including curtailments	6,495
1,358	Injury pension payments	1,516
(3,289,250)	Closing balance at 31 March	(3,112,748)

32.1.3 Transactions relating to Retirement Benefits

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.

Police and Crime Commissioner for Devon and Cornwall

Note 32 Defined Benefit Pension Schemes Continued

2018/19 £'000	Comprehensive Income and Expenditure Account	2019/20 £'000
	Cost of Services	
62,706	Current service cost	72,495
97,281	Past service cost	(6,495)
	Financing and Investment Income and Expenditure	
77,662	Net interest expense	77,958
237,649	Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services	143,958
	Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(84,067)	• Actuarial (gains)/losses arising on changes in demographic assumptions	6,678
135,784	• Actuarial (gains)/losses arising on changes in financial assumptions	(244,627)
289,366	Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statements	(93,991)
	Movement In Reserves Statement	
(237,649)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(143,958)
	Actual amounts charged against the General Fund Balance for pensions in the year:	
28,201	Employers' contributions payable to scheme	36,931
52,327	Home Office Top Up Grant	45,579

The past service cost of £97.281m in 2018/19 relates to the McCloud/Sargeant ruling. In 2019/20, the changes in the valuation of this cost has been reflected in the actuarial gains/(losses) arising from changes in financial assumptions line. The 2019/20 past service cost reflects the impact of the proposed remedy, which is a reduction to the liability of £6.495m.

32.1.4 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 £3.11bn 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 2021 is £37m.

32.1.5 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 and salary levels.

Police and Crime Commissioner for Devon and Cornwall

Note 32 Defined Benefit Pension Schemes Continued

The Police Officer Pension Scheme liabilities have been estimated for accounting purposes by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2017.

Employer contributions are set every four years as a result of the combined actuarial valuation of the Scheme required by the Home Office on behalf of the Home Secretary. The last combined actuarial valuation was completed at 31 March 2016 which set the contributions for the period from 1 April 2019 to 31 March 2023. The next combined actuarial valuation will be carried out as at 31 March 2020.

The significant assumptions used by the actuary have been:

2018/19	Mortality Assumptions:	2019/20
	Longevity at 65 for current pensioners:	
21.3	Men	21.6
23.7	Women	23.7
	Longevity at 65 for future pensioners:	
23.0	Men	23.3
25.5	Women	25.5
	Financial Assumptions:	
2.40%	Rate of Inflation	1.95%
3.90%	Rate of increase in salaries	3.45%
2.40%	Rate of increase in pensions	1.95%
2.40%	Rate for discounting scheme liabilities	2.35%

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 estimated weighted average duration of the Police Officer schemes is 18 years, and it is this duration that has been used to derive the assumptions. 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. 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)	125,129	(120,060)
Rate of increase in salaries (increase or decrease by 0.1%)	7,328	(7,278)
Rate of increase in pensions (increase or decrease by 0.1%)	52,084	(51,032)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(58,029)	59,236

32.2 Police Staff Scheme

32.2.1 Participation in Pension Schemes

Police Staff are part of the Local Government Pension Scheme administered by Peninsula Pensions. This is a funded defined benefit career average scheme, meaning that the Police and Crime Commissioner and employees pay

Police and Crime Commissioner for Devon and Cornwall

Note 32 Defined Benefit Pension Schemes Continued

contributions into a fund, calculated at a level intended to balance the pension's 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.

32.2.2 Transactions relating to Retirement Benefits

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.

2018/19		Comprehensive Income and Expenditure Account	2019/20	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
		Cost of Services		
		Service cost comprising:		
271	19,548	• Current service cost	304	20,041
80	5,796	• Past service cost	2	109
0	0	• (Gain)/loss from settlements	(83)	(5,495)
3	196	• Administration Expenses	3	232
		Financing and Investment Income and Expenditure		
81	5,830	Net interest expense	84	5,570
435	31,370	Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services	310	20,457
		Other Post-Employment Benefits Charged to Comprehensive Income and Expenditure Statement		
		Remeasurement of the net defined benefit liability comprising:		
(141)	(10,147)	• Return on plan assets (excluding the amount included in the net interest expense)	506	33,386
(449)	(32,375)	• Actuarial (gains)/losses arising on changes in demographic assumptions	(155)	(10,196)
414	29,912	• Actuarial (gains)/losses arising on changes in financial assumptions	(1,039)	(68,499)
(631)	0	Apportionment Adjustment	236	0
0	0	Other actuarial (gains)/losses	2	140
0	0	Experience (gains)/losses on defined benefit obligation	17	1,120
(372)	18,760	Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	(123)	(23,592)

Included within the 2018/19 past service cost is £5.689m which relates to the McCloud/Sargeant ruling. Changes in the valuation of this cost has been reflected in the actuarial gains/(losses) arising from changes in financial assumptions line.

Police and Crime Commissioner for Devon and Cornwall

Note 32 Defined Benefit Pension Schemes Continued

2018/19		Movement in Reserves Statement	2019/20	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
(435)	(31,370)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(310)	(20,457)
Funded Liabilities			Funded Liabilities	
PCC	PCC Group		PCC	PCC Group
£'000	£'000	Actual amount charged against the General Fund Balance for pensions in the year:	£'000	£'000
132	9,515	Employers' contributions payable to scheme	146	9,652
Unfunded Liabilities			Unfunded Liabilities	
PCC	PCC Group		PCC	PCC Group
£'000	£'000	Actual amount charged against the General Fund Balance for pensions in the year:	£'000	£'000
2	162	Retirement benefits payable to pensioners	2	151

32.2.3 Pension Assets and Liabilities recognised in the Balance Sheet

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

31 March 2019			31 March 2020	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
(7,803)	(563,230)	Present value of the defined benefit obligation	(7,374)	(499,381)
4,445	320,841	Fair value of plan assets	4,289	290,387
(3,358)	(242,389)	Net liability arising from defined benefit obligation	(3,085)	(208,994)

Incorporated within the asset and liability figures is an allowance for the settlement of the ongoing Dorset Police and Devon and Cornwall Police bulk transfers of staff pensions that have arisen as a consequence of the Alliance arrangements.

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

31 March 2019			31 March 2020	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
4,975	300,509	Opening fair value of scheme assets	4,445	320,841
107	7,697	Interest income	115	7,554
		Remeasurement gains/(losses):		
141	10,147	• The return on plan assets, excluding the amount included in the net interest expense	(506)	(33,386)
(812)	0	Apportionment Adjustment	304	0
(3)	(196)	Administration expenses	(4)	(232)
134	9,677	Contributions from employer	149	9,803
48	3,477	Contributions from employees into the scheme	53	3,510
(145)	(10,470)	Benefits paid	(148)	(9,766)
0	0	Settlement prices received/(paid)	(118)	(7,797)
0	0	Other actuarial gains/(losses)	(1)	(140)
4,445	320,841	Closing fair value of scheme assets	4,289	290,387

Police and Crime Commissioner for Devon and Cornwall

Note 32 Defined Benefit Pension Schemes Continued

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

31 March 2019			31 March 2020		
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000	
(8,838)	(533,815)	Opening balance at 1 April	(7,803)	(563,230)	
(271)	(19,548)	Current service cost	(304)	(20,041)	
(187)	(13,527)	Interest cost	(199)	(13,124)	
(48)	(3,477)	Contributions from scheme participants	(53)	(3,510)	
		Remeasurement gains/(losses):			
449	32,375	• Actuarial gains/(losses) arising from changes in demographic assumptions	155	10,196	
(414)	(29,912)	• Actuarial gains/(losses) arising from changes in financial assumptions	1,039	68,499	
0	0	• Experience gains/(losses) on defined benefit obligation	(17)	(1,120)	
0	0	Liabilities assumed/(extinguished) on settlements	202	13,292	
1,443	0	Apportionment Adjustment	(540)	0	
(80)	(5,796)	Past service cost including gains/(losses) on curtailments	(2)	(109)	
145	10,470	Benefits paid	148	9,766	
(7,803)	(563,230)	Closing balance at 31 March	(7,374)	(499,381)	

The Police and Crime Commissioner's Group contribution to the Local Government Pension Scheme for the accounting period to 31 March 2021 is estimated to be £9.230m of which £0.140m is for the Police and Crime Commissioner. Expected payments for discretionary benefits for the accounting period to 31 March 2021 are estimated to be £0.215m of which £3k is for the Police and Crime Commissioner.

32.2.6 Local Government Pension Scheme assets comprised

31 March 2019			31 March 2020		
PCC £'000	PCC Group £'000	Fair Value of Scheme assets	PCC £'000	PCC Group £'000	
		Cash and cash equivalents			
731	52,738	UK Equities	586	38,642	
1,897	136,925	Overseas Equities	1,779	124,883	
143	10,350	Gilts	188	12,385	
85	6,162	Other Bonds	231	15,215	
398	28,743	Property	415	27,355	
167	12,067	Infrastructure	190	12,512	
635	45,856	Target Return Portfolio	578	38,130	
76	5,459	Cash	51	3,382	
74	5,363	Private Equity	0	0	
239	17,178	Alternative Assets	271	17,883	
4,445	320,841	Total	4,289	290,387	

32.2.7 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 2019.

Police and Crime Commissioner for Devon and Cornwall

Note 32 Defined Benefit Pension Schemes Continued

The significant assumptions used by the actuary have been:

2018/19		2019/20
	Long-term expected rate of return on assets in the scheme:	
2.40%	Equity investments	2.35%
2.40%	Bonds	2.35%
2.40%	Other	2.35%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.4	Men	22.9
24.4	Women	24.1
	Longevity at 65 for future pensioners:	
24.1	Men	24.3
26.2	Women	25.5
	Financial Assumptions:	
2.40%	Rate of inflation	1.85%
3.90%	Rate of increase in salaries	2.85%
2.40%	Rate of increase in pensions	1.85%
2.40%	Rate for discounting scheme liabilities	2.35%

The past service liability duration has been estimated at 24 years. This duration has been calculated based on the membership data provided for the most recent full valuation of the liabilities at 31 March 2019. The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that all the other assumptions remain constant. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

32.2.8 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)	274	(264)
Rate of increase in salaries (increase or decrease by 0.1%)	20	(20)
Rate of increase in pensions (increase or decrease by 0.1%)	157	(153)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(173)	177
PCC Group		
Mortality age rating assumption (increase or decrease in 1 year)	18,078	(17,401)
Rate of increase in salaries (increase or decrease by 0.1%)	1,337	(1,326)
Rate of increase in pensions (increase or decrease by 0.1%)	10,359	(10,115)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(11,374)	11,650

32.2.9 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.

Police and Crime Commissioner for Devon and Cornwall

Note 32 Defined Benefit Pension Schemes Continued

32.2.10 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. Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026.

Peninsula Pensions publishes annual details of the Fund's performance. They can be contacted at Great Moor House, Bittern Road, Sowton Industrial Estate, Exeter, EX2 7NL and more detail found at <https://www.peninsulapensions.org.uk>

Note 33 Long Term Borrowing

The maturity analysis of long term borrowing is as follows:

31 March 2019			31 March 2020	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
0	0	Contractual Maturity	0	0
(2,000)	(2,000)	Less than one year	(2,000)	(2,000)
(28,277)	(28,277)	Between five and ten years	(28,277)	(28,277)
		More than ten years		
(30,277)	(30,277)	Total Long Term Borrowing	(30,277)	(30,277)

Note 34 Investment Property

Investment Properties are those that are used solely to earn rentals and/or capital appreciation. They are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at the year end. In 2019/20 there were two Investment properties.

2018/19 £'000		2019/20 £'000
0	Balance at 31 March 2019	385
25	Net gains/losses from fair value adjustments	0
360	Transfers to/from property, plant and equipment	0
385	Balance at 31 March 2020	385

2018/19 £'000		2019/20 £'000
(31)	Rental Income from Investment Property	(54)
(31)	Balance outstanding at year end	(54)

Pension Fund Accounting Statements



Police and Crime Commissioner for Devon and Cornwall

Police Officers' Pension Fund Statement

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.

31 March 2019 £'000	FUND ACCOUNT	31 March 2020 £'000
	Contributions Receivable	
(26,360)	Employers (normal)	(34,658)
(14,758)	Employees (normal)	(15,204)
(482)	Ill Health capital charge	(758)
	Transfers In	
(562)	Individual transfers from other schemes	(661)
	Benefits payable	
76,407	Pensions	79,967
18,082	Commutations & lump sum retirement benefits	16,846
	Payment to and on account of leavers	
0	Individual transfers to other schemes	47
52,327	Net amount paid during the year	45,579
(52,327)	Transfer from Police Fund*	(45,579)
0	Net amount payable / receivable for the year	0
*Additional contribution funded from the Police Fund is met by a top up grant from the Home Office as follows:		
40,830	Received in year	38,783
11,497	Debtor	6,796
52,327		45,579

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.

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 Employer paid a contribution equal to 31.0% of police officer pay for 2019/20. 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 where applicable.

Further information can be found in the Defined Benefits Pension Schemes Note.

This Financial Statement does not take account of liabilities to pay pensions and other benefits after the 31 March 2020.

Glossary



Police and Crime Commissioner for Devon and Cornwall

Glossary

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 pension's 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.
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 four 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.
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.
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.)

Police and Crime Commissioner for Devon and Cornwall

Glossary Continued

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 and 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 built up when 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.
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 and 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.
FVOCI	Classification of a financial asset. FVOCI stands for Fair Value through other Comprehensive Income.
FVPL	Classification of a financial asset. FVPL stands for Fair Value through profit or loss.
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.

Police and Crime Commissioner for Devon and Cornwall

Glossary Continued

Home Office Grant	A central government grant paid by the Home Office to Police and Crime Commissioner's 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.
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 sets accounting rules for the public sector.
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.
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 Commutation	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.
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.
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 four year strategy.

Police and Crime Commissioner for Devon and Cornwall

Glossary Continued

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.
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 Financial Reporting Council (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 to the Police and Crime Commissioner.