

**POLICE
& CRIME**
COMMISSIONER
THAMES VALLEY

Statement of Accounts

for PCC and group
for year ended 31 March 2016

CONTENTS

Preface	
Preface by the Police and Crime Commissioner for Thames Valley	2
Narrative report and financial review by the Chief Finance Officer	3
Statement to the Accounts	
Audit report and opinion	17
Statement of responsibilities for the Statement of Accounts	20
Annual Governance Statement	21
Core Financial Statement and Explanatory notes	
Movement in reserves statement	34
Comprehensive income and expenditure statement	35
Balance sheet	36
Cash flow statement	37
Notes to the accounts	38
Supplementary Financial Statements and explanatory notes	
Pension fund accounts	78
Group accounts	79
Glossary of terms	113

PREFACE

Introduction to the 2015/16 Statement of Accounts by Anthony Stansfeld, the elected Police and Crime Commissioner for Thames Valley



Thames Valley Police (TVP) has had 5 years of successive budget cuts. Last year (2015/16) another £12.8 million was taken out, bringing the total budget reduction since 2011/12 to £70 million. Owing to changes in taxation and pensions another £15.6 million will come out in 2016/17 to give a cumulative budget cut of over £85 million. These cuts have been well managed and the last financial year saw all the savings achieved and a small underspend of £1.259 million.

Despite these budget cuts performance has continued to be excellent with further reductions in household burglary, rural crime and robbery. Increases in sexual crimes and violence would seem to have been caused by far better reporting owing to greater public confidence in the police, and also a change in the way violence is recorded.

Victims of crime are now benefiting from a number of service contracts let by this office last year to voluntary and charitable organisations. We carefully monitor how this money is spent to ensure it is used effectively for the care of victims.

Her Majesty's Inspectorate of Constabulary's (HMIC) Police Effectiveness, Efficiency and Legitimacy (PEEL) inspection report into Police performance was excellent and showed TVP to be one of the top performing police forces in the country. In addition, the Tax Payers Alliance rated my office to be the lowest costing 'Office of the PCC' per head of population in the country.

Despite the overall excellent performance of TVP I am concerned that with a fast expanding population in the Thames Valley and increased immigration, especially from Eastern Europe, we will see the police becoming overstretched as police numbers fall relative to the population they have to police.

THE NARRATIVE REPORT

Message from the Chief Finance Officer – Ian Thompson



This is the first time that we have produced a Narrative Report which pulls together in a single document information on the budget preparation process, final accounts, performance information, medium term financial plans and other contextual information such as workforce numbers and strategic risks. I hope you find it helpful. I would welcome feedback so that we can improve and enhance next year's narrative report on the 2016/17 accounts.

As the PCC has mentioned in his preface, the financial climate remains extremely challenging but the Chief Constable (Francis Habgood) and the Director of Finance (Linda Waters) and their respective staff have done an excellent job in preparing and managing the Force budget in a professional and robust manner, and I am pleased that

HMIC has recognised their efforts in their annual PEEL inspection. In particular, I have been particularly impressed by the thoroughness of the Force's new Priority Based Budgeting process which has not only identified significant financial savings, but also led to innovation and improvements in the way that both back office and operational services are being delivered.

Within the PCC's office we have, this year, let a number of service contracts for victims and witnesses of crime and these are now starting to deliver real benefits to some of the most vulnerable members of society.

In line with his pre 2012 manifesto pledge the PCC provided community safety grants worth over £3 million to local authorities in the Thames Valley area for them to spend on local community safety initiatives which support the PCC's strategic aims and objectives. A brief summary of the benefits delivered to local communities is provided later in this narrative report. Although this process has worked well in the past, over the course of the next few months we will consider alternative procurement and delivery options to ensure the PCC continues to obtain best value and maximum recognition from this specific area of spend.

The PCC has recently let a joint contract with Surrey and Sussex to implement a new Enterprise Resource Planning (ERP) system which will streamline and improve the way that back-office services are delivered to support operational policing. Implementation is currently planned for early 2018 but will consume a large amount of finance and other staff time over the next two years.

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It therefore aims to provide information to help the reader:

- Understand the overarching financial position of the PCC (and Thames Valley Police)
- Have confidence that the PCC has spent public money wisely and has been accounted for in an appropriate manner
- Be assured that the financial position of the PCC (and Group) is sound and secure

The style and format of the accounts complies with CIPFA standards and is similar to that of previous years. The structure of this Narrative Report is set out below.

1. Explanation of the PCC and Group
2. Introduction to Thames Valley
3. Financial performance
4. Non financial performance
5. People
6. Corporate risks and uncertainties
7. Summary and conclusion

1. EXPLANATION OF THE PCC AND GROUP

The Police & Crime Commissioner (PCC) and the Chief Constable are established as separate legal entities.

The PCC is elected by the public every four years to secure the maintenance of an efficient and effective police force and to hold the chief constable to account for the exercise of his functions and those of persons under his direction and control.

The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing services in the Thames Valley Police area.

This set of accounts focuses on those discrete activities which the PCC is directly responsible for, such as community safety and commissioning services for victims and witnesses of crime, as well as the “PCC Group” which includes all aspects of operational policing under the direction and control of the Chief Constable.

The Chief Constable has produced a separate set of accounts which explains how the resources provided by the PCC have been used to deliver operational policing services.

The Net Revenue Budget for 2015/16 was £382.7 million, of which £6.9 million was under the PCC’s direct control.

2. AN INTRODUCTION TO THAMES VALLEY

Thames Valley Police (TVP) is the largest non-metropolitan police force in England and Wales with a Force area of 2,216 square miles covering the three counties of Berkshire, Buckinghamshire and Oxfordshire. It covers a population of over 2.3 million people from diverse social, economic, cultural and religious backgrounds across both urban and rural geographical areas as well as 6 million annual visitors to the area. It also encompasses 196 miles of motorway – more than any other British police force.

The partnership landscape is mixed with 2 county councils, 7 unitary authorities and eight district councils.

The Force is divided into 13 Local Policing Areas (LPAs) - 12 since 1st April 2016. The LPAs are responsible for local policing services across 108 neighbourhoods that address local priorities. Specialist departments deliver the full range of other force-wide policing functions.

Many of our services are delivered in collaboration with other forces. We lead the South East Counter Terrorism Unit (SECTU) and the South East Regional Organised Crime Unit (SEROUC). We share a single ICT department with Hampshire and also have a shared information management unit and joint operations unit (JOU). We also lead the Chiltern Transport Consortium which provides a fleet management service to Bedfordshire, Hertfordshire, TVP and the Civil Nuclear Constabulary.

The workload in Thames Valley is changing with fewer traditional crimes such as burglary, robbery and vehicle theft, but a significant increase in the more complex and resource intensive crimes such as rape, child sexual abuse, domestic violence and cyber crime.

A good indication of Police workload is the number of external calls we receive in to our control rooms and enquiry department. During 2015/16 we received **1,277,436 calls** (average of 34,184 per day) of which 258,729 were 999 calls and 1,018,707 were 101 calls. This resulted in **562,618 incidents** recorded on our Command and Control system, of which 287,240 were attended by officers and staff.

3. FINANCIAL PERFORMANCE

a. Economic climate

Since 2010 Thames Valley has faced significant financial challenges due to reductions in funding from central government along with cost pressures and continual changes in the demand for policing. This process is ongoing and is expected to last until at least 2020.

The recognition in the Government's 2015 Spending Review of the importance to the country of the police service was a welcome acknowledgement of what we have known for some time, that the Police cannot continue to cut overall resources whilst addressing the threat, harm and risk levels that we currently face. The Chancellor's statement "*now is not the time for further police cuts, now is the time to back our police and give them the tools to do the job*" reflects the Government's desire to respond to the rapidly changing world of crime and the current threat level. Our focus is now to build and expand our capabilities to counter new and complex threats.

b. Financial Management

The financial standing of TVP is very robust with sound financial management practices.

TVP is the one of only five forces in England and Wales to have gained a "good" or "outstanding" rating from HMIC in all 10 individual categories in their 2015/16 Police Effectiveness Efficiency & Legitimacy (PEEL) inspection, including an outstanding assessment for 'How sustainable is the force's financial position for the short and long term?'.

c. Revenue

Budget 2015/16

This was the fifth consecutive year of cuts to police funding. Home Office police grant was reduced by 6.1% and formula grant was cut by an average of 3.6%. Funding for legacy council tax freeze grants was maintained at the same cash level as in previous years so the overall reduction in Home Office grant support was 4.8%.

In contrast, the amount top-sliced by the Home Office to fund national initiatives and projects increased by £86 million.

In preparing the annual revenue budget full provision was included for pay and other inflationary increases and significant savings were identified through the Force's Productivity Strategy in order to balance the budget.

The 2015/16 net budget requirement of £382.673m required cash 'productivity' savings of £12.8 million and represented a reduction in comparable revenue expenditure of £4.571 million or 1.2%, despite increasing the police element of council tax by 2%.

The budget resulted in a reduction of 186 police officer posts, 16 police staff posts and 15 PCSOs. However, of the 186 police officer posts 94 related to student police officers; we are taking more experienced students so they spend less time in training and hence there is no adverse impact on operational policing

Revenue Outturn 2015/16

a) PCC Controlled expenditure

A high level analysis of the PCC's budget and expenditure is provided below. The underspend in the Office of the PCC relates to appropriate salary costs being funded by the MoJ grant for victims and witnesses. In addition, some of the community safety fund expenditure has also been charged against the Victims and Witnesses budget to ensure that the MoJ grant terms and conditions have been complied with in full.

	Annual Budget £000	Annual Outturn £000	Variance £000
Office of the PCC	898	736	- 162
Democratic Representation	192	193	1
Other Costs	340	417	77
Grant income	- 133	-133	0
Commissioning Services			
- Community safety fund	3,121	2,732	- 389
- Victims & witnesses	2,562	2,856	294
	5,683	5,588	- 95
PCC Controlled Budgets	6,980	6,801	- 180

b) Group level

The following table provides a high level comparison between the approved budget for 2015/16 and actual expenditure at the Group level (i.e. PCC and Chief Constable). The annual revenue surplus of £1.259 million has been transferred to general balances. This level of surplus represents just 0.3% of the Net Cost of Services which demonstrates strong and effective financial management of the annual budget.

NARRATIVE REPORT AND FINANCIAL REVIEW

	Annual Budget £000	Annual Outturn £000	Variance £000
PCC controlled budgets	6,980	6,801	- 180
TVP Operational budgets – direction and control of the Chief Constable			
<i>Pay and Employment Costs</i>			
Police officer pay and allowances	245,494	245,416	- 79
Police officer overtime	7,270	7,432	162
PCSO pay and allowances	13,897	13,886	- 11
Police staff pay and allowances	85,433	85,571	138
Temporary or agency staff	3,908	3,908	0
Police officer injury / ill health / death benefits	3,924	3,751	- 173
Other employee expenses	2,542	2,509	-34
Restructure, training & conference costs	2,189	2,328	140
	364,657	364,800	143
<i>Overheads</i>			
Premises	17,987	17,788	- 199
Transport	8,315	8,351	36
Supplies & services	52,923	52,964	41
Third party payments	10,046	9,974	- 72
Force income	- 36,629	- 36,729	- 100
	52,641	52,348	- 294
<i>Other</i>			
Capital financing	3,671	2,861	- 810
Interest on balances	- 650	- 847	- 197
Statutory accounting adjustments	155	119	-36
Appropriation from balances	- 2,931	- 2,814	117
	245	- 681	- 926
<i>Regional collaboration services</i>			
SE Regional Organised Crime Unit	13,135	13,135	0
SE Counter Terrorist Unit	15,098	15,098	0
Chiltern Transport Consortium	14,107	14,107	0
Government grants and partnership income	- 42,340	- 42,340	0
	0	0	0
Cost of Services	424,524	423,268	- 1,259
Funded by:			
General grant income	-231,624	-231,624	0
Council tax	-140,287	-140,287	0
Specific grants	-52,612	-52,613	0
Net Revenue position	0	-1,259	- 1,259

Note: The budget for the Cost of Services (424.524m) is higher than the approved Net Revenue budget of £382.673m since it includes the running costs for SECTU, SEROCU and CTC which are all fully funded by Government grant and partner contributions.

Outlook – Medium Term Financial Plan

The Financial Strategy was approved by the PCC in November 2015, and is available on the PCC's website.

The PCC's medium term financial plan (MTFP) reflects government pronouncements in the Autumn Statement that funding for police will be protected in cash terms over the next four years, provided the PCC increases the police precept by the maximum permissible level each year - we actually assumed a 1% increase in combined government grants and council tax income. It requires cash savings of at least £35 million over the four year period 2016/17 to 2019/20 and is fully balanced at this stage.

A high level summary of the MTFP is provided below.

	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000
Annual base budget	382,673	386,641	389,906	393,406
In-year virements	282	0	0	0
Inflation	4,592	4,747	4,975	4,995
Productivity savings	- 15,612	- 10,556	- 7,008	- 2,844
Committed expenditure	8,395	3,028	993	1,185
Current service	- 1,316	95	109	- 42
Improved service	5,804	8,412	2,140	- 60
In-year appropriations	1,822	-2,461	2,290	365
Net budget requirement	386,641	389,906	393,406	397,005
Total external funding	- 386,641	- 389,906	- 393,406	- 397,005
Shortfall	0	0	0	0

There are a number of significant risks to the MTFP and these are clearly explained in the 2016/17 budget book which can be downloaded from the PCC's website at <https://www.thamesvalley-pcc.gov.uk/>

All the assumptions underpinning the current MTFP will be revisited and updated in coming months as we continue work on the next budget cycle.

The annual revenue budget for 2016/17 of £386.641 million, which required a 2% increase in council tax, was approved by the Police and Crime Panel on 29th January 2016. Although it represents an annual cash increase of £4.0 million or 1.0% it still requires cash savings, identified through the Productivity Strategy, of £15.6 million.

The next few years will undoubtedly be extremely challenging and difficult, but work is in hand to make sure that our key priority services are maintained to the highest standards possible with the available funding. We will continue to be robust in driving out all possible savings from non staff budgets and ensure that, as far as practicably possible, our staff are delivering the right service at the right time.

d. Capital

In addition to spending on day to day activities, the PCC incurs expenditure on land and buildings, information technology and other items of plant and equipment which have a longer term life.

Capital outturn 2015/16

The following table shows the net capital position compared to the approved capital programme.

	Annual Budget £m	Actual Spend £m
Property schemes	3.203	3.333
Vehicles and equipment	4.846	4.403
ICT core schemes	1.273	0.845
Business change programmes	7.429	7.860
Schemes in preparation	0.107	0.427
Old schemes	0.018	0.104
Total	16.876	16.972

Medium Term Capital Plan

The PCC has approved a Medium Term Capital Plan (MTCP) costing £69 million over the next four years, which will provide the Force with appropriate infrastructure and assets to deliver innovative policing strategies with fewer resources.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Property	7.342	9.527	9.695	2.517	29.081
Vehicles and equipment	4.473	7.051	6.647	3.390	21.562
ICT core schemes	2.258	1.237	1.214	1.077	5.786
Business change programmes	14.332	1.200	0.173	0.000	15.705
Totals	28.405	19.015	17.729	6.984	69.133

The MTCP will be funded through a combination of capital grants, revenue contributions and capital receipts.

Some of the major operational benefits from this level of continued investment are:

- Providing a fit for purpose efficient police estate with a reduced overall cost
- Improved communications with the public through the Contact Management Programme
- Information provided to officers and staff where they need it through the Digital Policing project via smart phones, in car wifi, and body worn video.
- The Emergency Services Mobile Communications Programme is a nationally led project to replace all critical voice channels with a digital solution and broadband coverage for all 3 emergency services
- Improved efficiency and effectiveness in the delivery of back-office services through the new Enterprise Resource Planning (ERP) system being procured with Surrey and Sussex Police.

e. Group Balance Sheet

The Balance Sheet is a snapshot of the PCC's assets, liabilities, cash balances and reserves at the balance sheet date. A high level summary is provided below.

At 31st March 2016 we had negative net assets of £3.145 billion which implies that we are technically bankrupt. Fortunately this is not the case. The sole reason we have negative assets is because of the pension liabilities associated with the unfunded police officer pension scheme (£3.176 billion) coupled with the deficit of £0.236 billion in the funded Local Government Pension Scheme (LGPS) for police staff.

The police officer pension scheme is underwritten by the Home Office who provide an annual top-up grant to fund the difference between pension payments and income from employee and employer contributions. The current deficit in the LGPS will be managed through future employee and employer contributions. Further information on pension liabilities is provided below.

Excluding these pension liabilities the PCC's Group Balance Sheet has net assets of £267 million, including £58 million in usable cash reserves.

Group Balance Sheet	At 31.3.15	At 31.3.16
	£m	£m
Non-current assets	245	260
Net current assets	44	33
Pension liabilities	- 3,730	- 3,412
Other long-term liabilities and provisions	-27	- 26
Net Assets	- 3,468	- 3,145
Usable reserves	63	58
Unusable reserves	197	209
Pensions reserve	- 3,730	- 3 412
Total Equity	- 3 468	- 3,145

Pension Liabilities

The value of net pension liabilities in the Group Balance Sheet is £3.41 billion, comprising £3.176 billion for police officers and £236 million for police staff

The Police Officer pension scheme is an unfunded scheme administered by the Chief Constable, meaning there are no assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Both police officers and the employer (i.e. the Chief Constable) make annual contributions which are paid into the Police Pension Fund. Pensions are paid from the Fund. The Home Office funds the difference between actual pension payments and pensions income through an annual top-up grant.

Police staff are eligible to join the Local Government Pension Scheme (LGPS) administered by Buckinghamshire County Council. This is a funded scheme whereby assets are invested to help fund future liabilities. In 2015/16 the Group paid an employer's contribution representing 13.8% of pensionable pay. The last valuation was in 2013 which reported a funding level of 94%. The PCC Group has a deficit recovery plan in place to make additional contributions to the Pension Fund over a 9 year period.

Reserves, Balances and Provisions

The PCC receives regular update reports on the level of general balances, earmarked reserves and provisions, particularly during the budget cycle.

Our policy is to maintain general reserves at close to 3% of the annual net revenue budget, with an absolute minimum of 2.5%. General balances at 31st March 2016 amounted to £18.4 million, or 4.8% of the 2015/16 net budget requirement.

We also maintain a number of earmarked revenue reserves which are held for specific purposes or activities. In total, these amounted to £38.3 million at 31 March 2016.

Capital grants have reduced during the year and at 31st March 2016 they amounted to £7.2 million. These will be used in future years to help finance capital expenditure.

A provision exists for meeting claims under a self-insurance scheme. At 31 March 2016 this amounted to £6.427 million. The next valuation will be undertaken in the autumn to inform the 2017/18 budget setting process.

Treasury Management

The PCC approves a Treasury Management and Investment Strategy Statement before the start of each financial year and receives regular updates on treasury performance during the year.

Cashflow

	31.3.15	31.3.16
	£m	£m
Cash and other cash equivalents	9.268	12.034
Short term investments	48.271	35.345
Total	57.539	47.379

Total cash and cash equivalents at 31 March 2016 is £12.034million. The main three main factors that will affect cash in the future are:

- Acquisition and disposal relating to the capital programme
- The value of reserve balances
- Grants and contributions unapplied

External debt

The PCC has historically financed part of his capital programme by borrowing. At 31st March 2016 the PCC had total external borrowings of £14.853 million and a finance lease liability of £5.912 million. The combined 'debt' figure of £20.765 million is well within the Authorised Limit for external debt of £47.280 million as approved by the PCC on 29 October 2015.

The PCC's Capital Financing Requirement at 31st March 2016 was £39.655 million which, when compared against the combined debt for capital purposes figure of £20.765 million, means that we have borrowed £18.890 million from internal reserves or cashflow to help fund capital expenditure.

Investments

At 31st March 2016 we had £56.92 million invested in 4 different institutions, namely Santander UK (95 day notice account), Lloyds Bank (Certificates of Deposit), Toronto Dominion Bank (Certificate of Deposit) and the Federated Money Market Fund.

4. NON-FINANCIAL PERFORMANCE

PCC Controlled budgets

In accordance with his 2012 election manifesto commitment the PCC provided **community safety fund grants** totalling **£3.1 million** to county and unitary councils in the Thames Valley area which has been used to deliver the following benefits:

- Drugs and alcohol treatment **£720,740 – 4862** clients received treatment
- Youth Offending and Intervention **£509,969 – 1379** persons received support
- Domestic Abuse **£315,447 – 1486** victims support; **1238** staff or champions trained
- Hate Crime & Prevent Awareness - **£92,147 – 5013** persons trained
- Anti Social Behaviour (ASB) Night-safe / ASB orders / CCTV + Body Worn Video - **£109,962 – 115** Orders / **20** Cameras
- Child Sexual Exploitation (CSE) Intervention and Training - **£80,742 – 1844** training or intervention
- Contribution toward specific staff posts - **£235,345**

- Specialist Analysis (Female Genital Mutilation (FGM) / Honour Based Violence (HBV) / CSE / Youth Crime / Slavery) - **£41,367**
- PR & Communications anti-crime campaigns - **£37,000** – **various radio, press and website**

The remainder (£958,475) has been spent on generic projects including; support for vulnerable adults, intervention services for troubled families, child on parent violence, supporting staff costs for the Community Safety Programmes, custody intervention scheme, restorative justice and mediation programmes.

The PCC receives an annual grant from the Ministry of Justice to commission services for victims and witnesses of crime. During 2015/16 the PCC spent his full grant allocation of £2.562m which includes the following services and benefits:

- Victim Support received £787,070. They made 1,469 face-to-face visits to victims of crime.
- Thames Valley Partnership received £272,824 for Restorative Justice, which has led to 55 potential case conferences between victims and perpetrators.
- Refuge received £266,554 to provide an Independent Sexual Violence Advisory (ISVA) service and have received 465 referrals between 1 Jul 2015 and 31 Mar 2016.
- MK Equality Council received £48,010 to set up a network of 3rd Party Reporting Centres for hate crime since 1st June 2015. They have trained 325 professionals and received 20 referrals into the service between 1 Jun 2015 and 31 Mar 2016.
- SAFE received £249,658 to provide a service to support young victims of crime since 1 Jul 2015 and received 166 referrals into the service from 1 Jul to 31 Mar 2016.
- From 1 Oct 2015 funding was provided for 3 county-based pilots to support domestic violence victims with complex needs. £48,813 was awarded to Berkshire Woman's Aid leading to support for 49 individuals in quarter 4 (2015-16); Smart CJS received £46,028 and have supported 29 individuals across Buckinghamshire and Milton Keynes, and Reducing the Risk received £46,666 to run the Oxfordshire pilot.

The balance (£0.797m) has been spent on counselling services for victims; capacity and capability building within the voluntary, community and social enterprise sector; and commissioning costs.

Thames Valley Police

In 2015/16, Thames Valley Police (TVP) was rated as 'good' or 'outstanding' in all 10 areas¹ of HM Inspectorate of Constabulary's (HMIC) annual PEEL assessments of the Force's performance. This is a significant achievement as Thames Valley Police was one of only five forces in the country to be rated as good across the board.

Overall crime levels increased – for the first time in 10 years. There were 129,611 reported crimes across Oxfordshire, Berkshire and Buckinghamshire from April 2015 until the end of March 2016. Overall, crime levels in Thames Valley remain low in contrast to those released five and ten years ago. We do not believe that the rise over the past year reflects a longer term trend but rather an improved picture of the level of crime experienced by the public achieved through improving how we record crime. This view is supported by a reduction of over 10,500 (-8.9%) in 'calls for service' in respect of crimes.

Of particular note this year:

- Against the backdrop of a significant increase in reported rapes (increased by 37.3%) more of our domestic abuse investigations have resulted in a charge or caution
- Reports of domestic violence have increased by 19.5%, which we believe is due to victims of Domestic Violence and Sexual offences being encouraged to report this crime.
- While we have seen an increase in the number of hate crimes in our region, we believe that this crime remains underreported and expect to see further rises as our officers are better equipped to deal with this type of crime.

¹ In total there are 3 themes and 11 questions in the 2015 PEEL inspection but only 10 were graded. "To what extent are forces recording crimes in accordance with the Home Office accounting rules" was not graded or assessed

- Dwelling burglary continues to fall and is at 42 year low with just 4,379 in 2015/16 a drop of 1.5% on the previous year. The impact of these crimes can sometimes be forgotten and tackling this type of crime will remain a priority across the Force.
- Anti-social behaviour across Thames Valley continued to decrease with just 34,404 recorded cases in 2015/16 – less than half the number recorded five years ago.
- Our victim satisfaction remains high at 88.4%.

The Force has also continued to work hard alongside community partners to encourage reporting of rape and sexual offences and domestic abuse crimes and increase victim confidence. Consequently, recording of these crimes has increased 37.3%, 21.4% and 19.5% respectively. The BBC1 documentary *Behind Closed Doors* which followed three victims of domestic violence through the criminal justice system was filmed with the support of our Major Crime Unit. The production company involved is now working with us to produce a further four documentaries. Our *Consent is Everything* campaign focused on consensual sexual activity and has reached over 30 million people worldwide.

Community engagement continued to be a Force priority across the past year and this was recognised by HMIC in their report. There are now over 380,000 people in the Force's online community, with 100,000 members of the public signed up to receive local community messages about crime and crime prevention in their area.

We have continued to work with our community partners to protect the vulnerable and multi-agency safeguarding hubs are now established in Milton Keynes, Buckinghamshire, Oxfordshire, Reading, Royal Borough of Windsor and Maidenhead, and Wokingham. We have increased the resources that we are dedicating to the investigation of child abuse and we have adopted the national safeguarding action plan.

The Chief Constable has defined a clear direction of travel in delivering the Force's key priorities in 2015/16. As a force we are committed to working together to make our communities safer: to keep people safe and bring offenders to justice; to build stronger and more resilient communities; to be a modern police force meeting the needs of our communities; and, to be a skilled and trusted workforce.

For further information about the performance of Thames Valley Police please visit the Force website at www.thamesvalley.police.uk/. Quarterly updates against our delivery plan can be found under 'About us/Our Performance'

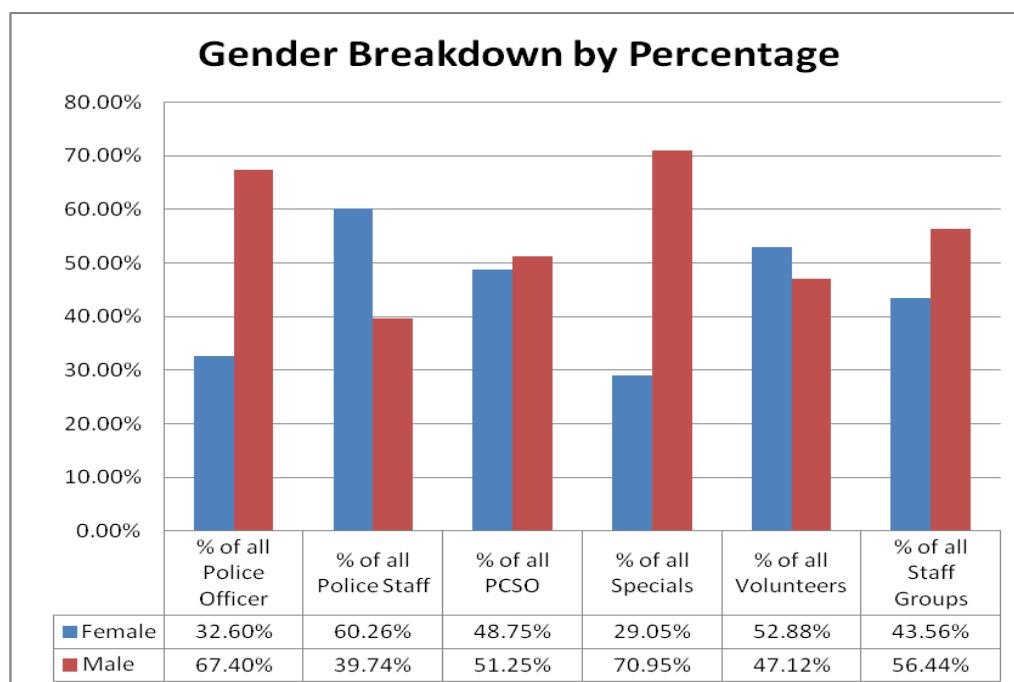
5. PEOPLE

At 31st March 2016 Thames Valley Police employed 7,748 people in full and part time contracts. We also had 506 unpaid members of the special constabulary and 486 volunteers giving a total workforce of 8,740.

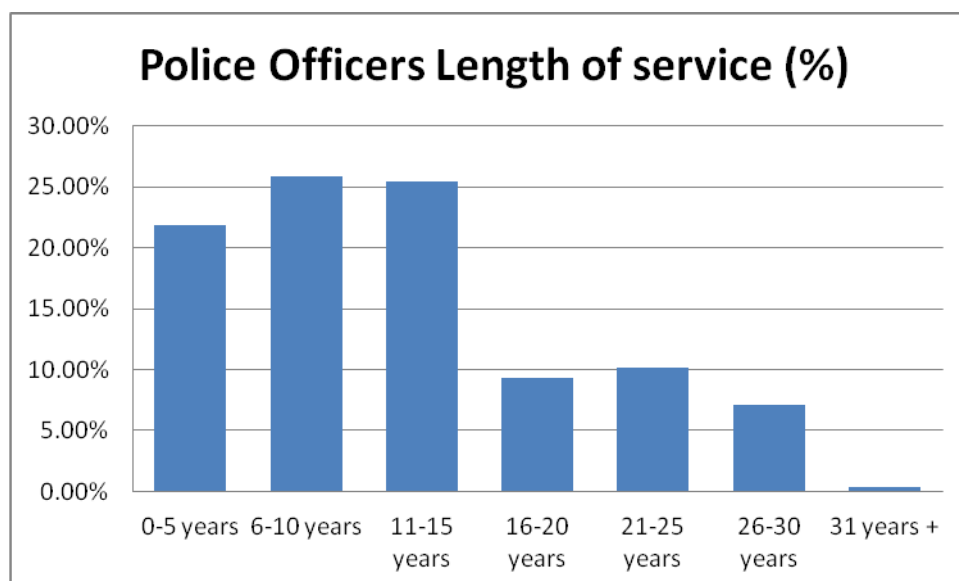
Below is the make-up of the Police workforce. This includes nearly 500 police officers and staff who work in regional collaborated units such as the SE Counter Terrorist Unit (SECTU), SE Regional Organised Crime Unit (SEROUC) and the Chiltern Transport Consortium (CTC).

	Workforce	Full Time Equivalent
Police Officers	4,377	4,225
Police Staff	2,891	2,612
PCSO	480	469
Paid employees	7,748	7,306
Special Constabulary	506	
Volunteers	486	
Total workforce	8,740	

The following graph shows the gender breakdown for each type of employee and volunteer.



In terms of police officers Thames Valley has a relatively “young” workforce in terms of experience with 74% of officers having less than 15 years service, as shown below.



6. PRINCIPAL RISKS AND UNCERTAINTIES

A risk management strategy is in place to identify and evaluate risk. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact.

Below are the main corporate risks from the Force Strategic Risk Register

1. Lack of supplier support for Live Link database (replacement planned under the Contact Management Programme)
2. The out of date Gazetteers and Mapping used could impact on deployment efficiency (being addressed as part of the Contact Management Programme)

3. The level of funding forecast for 2016/17 to 2019/20 will result in reductions in the size of the force to a level that is insufficient to maintain the current level of service, meet public expectations and respond effectively.
4. Due to increased demand and dependency on digital communication current out of date systems could lead to non-availability of the website

These are being actively managed by the Chief Constable's Management Team and quarterly updates are provided to the Joint Independent Audit Committee.

7. SUMMARY AND CONCLUSION

The PCC and Chief Constable have a strong track record of effective financial management. The budgeting process is very thorough with rigorous challenge from both the Chief Constable's Management Team and the PCC.

In January 2016 HMIC published their State of Policing report which summarised the results of their Police Effectiveness, Efficiency and Legitimacy (PEEL) inspection. Thames Valley was one of only five forces in England and Wales to have been graded good or outstanding in all 10 categories, including an 'outstanding' assessment for 'How sustainable is the force's position for the short and long-term?'

Since 2010/11 cash savings of over £70 million have been identified and delivered, whilst police performance has improved.

The latest medium term financial plan, which covers the four year period 2016/17 to 2019/20, identifies further cash savings of at least £36 million, including £15.6 million in 2016/17 and provides for some reinvestment in priority areas including 168 police officers.

The PCC has approved an ambitious four year capital plan which will provide Thames Valley Police Constable with the appropriate infrastructure and assets to help deliver innovative policing strategies with fewer resources.

Despite the financial challenges the PCC continues to maintain a healthy level of cash balances which will be used in a judicious manner in future years to help manage the budget and deliver the PCC's police and crime plan priorities.

The financial outlook remains challenging but I am confident that the PCC, Chief Constable and their respective leadership teams will continue to deliver strong and effective financial management in order to maintain an appropriate level of funding for essential operational services.

Receipt of further information

If you would like to receive further information about these accounts please do not hesitate to contact me by email ian.thompson@thamesvalley.pnn.police.uk or phone (01865 846786)

You can also find information about the PCC's finances by looking at the PCC's website at: www.thamesvalley-pcc.gov.uk

Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptionally hard work and dedication of staff in my office, most notably Judi Banks, and colleagues in the Force Finance Department. I would like to express my gratitude to all colleagues who have assisted in the preparation of this document. I would also like to thank them for all their support during the year.



Ian Thompson
Chief Finance Officer and Deputy Chief Executive

EXPLANATION OF ACCOUNTING STATEMENTS

The Accounts and Audit Regulations 2015 require the PCC and Chief Constable to produce a Statement of Accounts each financial year. These statements contain a number of different elements which are explained below.

Statement of Accounts

The **Auditor's Report** gives the auditor's opinion on whether the accounts provide a true and fair view of the financial position and operations for the year.

Statement of Responsibilities sets out the respective responsibilities of the PCC and his chief finance officer

The **Core Financial Statements** are:

The Movement in Reserves Statement is a summary of the changes to the PCC's (and Group's) reserves over the course of the year. Reserves are divided into "usable" cash reserves which can be invested in capital projects or service improvements and "unusable" accounting reserves which must be set aside for specific purposes. Total usable reserves have reduced from £63.315 million on 1st April 2015 to £57.873 million on 31st March 2016.

The **Comprehensive Income and Expenditure Statement (CIES)** record all of the PCC's (and Group's) income and expenditure for the year. The PCC CIES shows a deficit of £322.582 million however this statement should not be viewed in isolation. To gain a true understanding of the Group's financial performance for the year, it is necessary to view the Movement in Reserves Statement which shows how this deficit is managed in the balance sheet. Following the police officer pension fund liabilities and accounting adjustments and transfers to revenue reserves, there is an increase of £0.782 million in the general reserve

The **Balance Sheet** is a snapshot of the PCC's assets, liabilities, cash balances and reserves at the year-end date.

The **Cash Flow Statement** shows the reasons for changes in the PCC's cash (and cash equivalents) balances during the year, and whether that change is due to operating activities, new investment or financing activities (such as repayment of borrowing and other long term liabilities).

The **Group Accounts** provide the overall financial position of the PCC Group for the year ending 31 March 2016. The Group position (PCC Group) reflects the consolidated accounts of the PCC and its subsidiary, the Chief Constable.

The **Supplementary Financial Statements** are:

The **Annual Governance Statement** explains the governance processes and procedures in place to enable the PCC and Group to carry out their functions effectively. The AGS highlights the Group's internal control environment, comments on its effectiveness and identifies issues for future work.

The **Notes** to these financial statements provide more detail about the PCC's accounting policies and individual transactions

The **Police Pension Fund Accounts** sets out the financial position of the Police Pension Fund as at 31st March 2016

A **glossary of key terms** can be found at the end of this publication.

Opinion on the Police and Crime Commissioner for Thames Valley Police financial statements

We have audited the financial statements of the Police and Crime Commissioner for Thames Valley Police for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- *Police and Crime Commissioner for Thames Valley Police and Group Movement in Reserves Statement;*
- *Police and Crime Commissioner for Thames Valley Police and Group Comprehensive Income and Expenditure Statement;*
- *Police and Crime Commissioner for Thames Valley Police and Group Balance Sheet;*
- *Police and Crime Commissioner for Thames Valley Police and Group Cash Flow Statement;*
- *Police and Crime Commissioner for Thames Valley Police Pension Fund Account Statements;* and
- related notes 1 to 33 and G1 to G22.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the Police and Crime Commissioner for Thames Valley Police in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for Thames Valley Police, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 20, the Chief Finance 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner for Thames Valley Police and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Thames Valley Police and Group as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

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

Police and Crime Commissioner's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Police and Crime Commissioner (PCC) 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 PCC put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, PCC put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Police and Crime Commissioner's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



*Maria Grindley (Executive Director)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
9th August 2016*

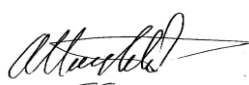
Statement of Responsibilities for the Accounts

PCC's Responsibilities

The PCC 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. In this Organisation, that officer is the Chief Finance Officer and Deputy Chief Executive;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts.

I approve this Statement of Accounts on behalf of the PCC for Thames Valley



Anthony Stansfeld
PCC for Thames Valley
9th August 2016

Chief Finance Officer

The PCC's Chief Finance Officer is responsible for the preparation of the Group Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code').

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

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

In my opinion, the Statement of Accounts gives a true and fair view of the financial position of the PCC and the Group accounts for Thames Valley Police at the accounting date and its income and expenditure for the year ended 31 March 2016



Ian Thompson, CPFA,
Chief Finance Officer and Deputy Chief Executive
9th August 2016

Annual Governance Statement 2015/16

This annual governance statement explains how the Police and Crime Commissioner (PCC) and Chief Constable for Thames Valley have complied with their published corporate governance framework for the year ended 31 March 2016, including plans for the financial year 2016/17.

SCOPE OF RESPONSIBILITY

The PCC and Chief Constable were established on 22 November 2012 as separate legal entities ('corporations' sole) which means they are both entitled to own assets and employ staff. Both the PCC and Chief Constable are required to and have appointed chief financial officers who each have a fiduciary duty to the local taxpayer for securing the efficient use of public funds.

The PCC is responsible for ensuring his business is conducted in accordance with the law and proper standards and, consequently, that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Under the Local Government Act 1999 the PCC makes arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the PCC is responsible for putting in place proper arrangements for the governance of his affairs and facilitating the exercise of his functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, the PCC places reliance on the Chief Constable to support the governance and risk management processes.

The Chief Constable is accountable to the law for the exercise of police powers and to the PCC for the delivery of efficient and effective policing, management of resources and expenditure by the police force. At all times the Chief Constable, his constables and staff remain operationally independent in the service of the public. In discharging his overall responsibilities the Chief Constable is responsible for establishing and maintaining appropriate risk management processes, governance arrangements and ensuring that there is a sound system of internal control which facilitates the effective exercise of these functions.

The PCC has approved and adopted a Code of Corporate Governance (the Code) which is consistent with the principles of the CIPFA guidance 'Delivering Good Governance in Local Government' (<http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>)

This Annual Governance Statement explains how the PCC and Chief Constable have complied with the Code and the requirements of Regulations 6(1) and 6(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a Statement on Internal Control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The fundamental function of good governance in the public sector is to ensure that entities (i.e. the PCC and Chief Constable) achieve their intended outcomes whilst acting in the public interest at all times.

The governance framework comprises the systems and processes, and culture and values by which the PCC and Chief Constable discharge their responsibilities and through which the police service accounts to and engages with the community. It enables the PCC to monitor the achievement of his strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services including achieving value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims

and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the governance arrangements that have been put in place for the PCC and Thames Valley Police (TVP) include:

A. Focussing on the purpose of the PCC and the Force, and on outcomes for local people and creating a vision for the local area

The PCC has made his commitments for policing clear in his manifesto. His four year Police and Crime Plan (2013-2017) explains how this will be taken forward, which is supported by the Force Annual Delivery Plan, the Office of the PCC's (OPCC) Strategic Delivery Plan and the Financial Strategy.

Policing service delivery is managed by the Force through performance group meetings, crime meetings and Chief Constable's Management Team Meetings. Delivery and performance is overseen by the PCC through regular meetings with the Chief Constable in accordance with an agreed business model.

The Police and Crime Panel meets regularly to consider the PCC's annual budget and precept increase and to scrutinise the decisions and actions of the PCC.

B. Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles

The PCC has approved a framework for corporate governance which clarifies the working relationship between the PCC, Chief Constable and their respective staff. This includes the code of corporate governance, the scheme of delegation and financial regulations.

The Police and Crime Plan, which has due regard to the Strategic Policing Requirement as issued by the Home Secretary, has been developed in consultation with the Chief Constable, the local community and other key stakeholders. The annual targets and measures have been clearly articulated and disseminated.

Major partnerships and consortia involving the Force and the PCC are governed by formal collaboration agreements under Section 22A of the Police Act 1996, or by Memoranda of Understanding, as appropriate. Joint collaboration oversight boards provide strategic oversight and an approval process for governance arrangements for collaboration activity. These collaboration boards comprise Chief Officers and the PCC from each force.

C. Promoting the values for the PCC and Force and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The PCC and Chief Constable jointly approve a 'Framework for Corporate Governance' which is consistent with the seven Nolan principles of standards in public life. This was last updated in April 2014 to reflect the 'Stage 2' transfer of staff, assets and liabilities from the PCC to the Chief Constable.

Measures are in place to ensure that the PCC, Deputy PCC and employees of TVP are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. This includes the Anti-Fraud and Corruption Policy and guidance on the acceptance of gifts, loans and hospitality. The Force has a Professional Standards Department (PSD) whose role is to uphold the ethical and professional standards of TVP by managing the application of police misconduct

regulations, and the administration of complaints by members of the public against police officers and police staff below the rank of Chief Constable.

Complaints against the Chief Constable are dealt with by the PCC.

The independent Police and Crime Panel handle formal complaints against the PCC.

The national Code of Ethics sets and defines the exemplary standards of behaviour for everyone who works in policing placing an absolute duty on staff. The Code applies to everyone in policing; officers, staff, volunteers and contractors. It applies both on and off duty. It guides behaviour within the organisation as much as it informs how to deal with those outside.

A Complaints, Integrity and Ethics Panel has been established by the PCC and CC to facilitate the discharge of their respective statutory obligations around handling and monitoring of police complaints, and also to ensure that integrity and ethics issues are considered in order to maintain public confidence in policing.

D. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Arrangements have been agreed and implemented for the PCC to hold the Chief Constable to account for Force performance and compliance with other requirements, including a schedule of formal public and private meetings, i.e. regular private liaison meetings between the PCC and Chief Constable (minutes are taken but not published) and regular public meetings with the reports and agendas published on the PCC's website. The Framework of Corporate Governance defines the parameters for decision making, including delegations, financial regulations and standing orders relating to contracts. The PCC has published his policy statement on decision making. All formal PCC decisions taken in accordance with this policy are published on the website.

The Force Risk Management Group oversees risk management within the Force and is chaired by the Chief Constable. The Group focuses on strategic risks but also monitors risk management processes across the Force. The Office of the PCC maintains its own risk register.

A joint independent audit committee (the Committee) has been established in accordance with CIPFA guidance and the Financial Management Code of Practice. The Committee's main role is to provide assurance to the PCC and Chief Constable that the internal control and governance framework, including risk management, is operating effectively. The Committee meets in public and reports and minutes are placed on the PCC website.

Both the PCC and Force are subject to external independent review through the external audit of their financial statements. The decisions or other actions taken by the PCC are subject to review or scrutiny by the Police and Crime Panel. In addition Her Majesty's Inspectorate of Constabulary (HMIC) is charged with promoting the effectiveness and efficiency of policing, improving performance and sharing best practice nationally. The PCC is required to publish a response to formal reports issued by HMIC.

The PCC has complied with the Elected Local Policing Bodies (Specified Information) Order 2011 and publishes all prescribed information on his website.

E. Developing the capacity and capability of the PCC, Officers of the PCC and the Force to be effective in their roles

The PCC has appointed a Deputy to assist him discharge his statutory functions. He has also implemented a staffing structure within the OPCC to ensure it has the necessary capability and capacity to support him deliver his statutory functions, such as commissioning services for victims and witnesses.

The PCC and Deputy PCC have received appropriate induction training. Ongoing training will include attendance at appropriate national conferences and seminars.

The PCC and Chief Constable ensure that their statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation. Specialist advice, in areas such as taxation, legal and treasury management, is sourced externally, as this is more practical and cost-effective.

The PCC and Chief Constable use the annual appraisal process to focus individual employee contributions towards corporate objectives and measures, and to facilitate self development.

The PCC is a member of the national Association of Police and Crime Commissioners (APCC). The Chief Constable and his fellow chief officers are members of the National Police Chiefs Council (NPCC).

F. Engaging with local people and other stakeholders to ensure robust public accountability

Force engagement with the public takes place on many levels, from daily street contact and phone calls through to attendance at public meetings and formal surveys in relation to service priorities, levels and quality. Neighbourhood Action Groups have been established across the force area and are active partnerships between the public, statutory and voluntary agency partners and local policing teams. "Have your say" is a consultation and priority setting process which aims to increase public consultation and ensure that the Force tackles issues which most concern communities.

The PCC has a statutory responsibility to obtain the views of the community and victims of crime about the policing of the Force area and he must have regard to the views of responsible authorities. The communication and engagement strategies explain how local people can interact with the PCC and the Chief Constable to ensure that their views inform decision making, accountability and future direction. This is achieved through being part of the yearly planning arrangements and becoming involved in issues of interest to local people as they emerge. The Chief Constable also has a statutory duty to make arrangements for obtaining the views of persons within each neighbourhood about crime and disorder in that neighbourhood.

The PCC developed his Police and Crime Plan in consultation with the Chief Constable, and after having obtained the views of the public and having regard for the priorities of partners. A system has also been developed to review the Police and Crime Plan on an annual basis. This Plan sets out the PCC's strategic policing and crime objectives and priorities, and how these will be delivered.

In so doing, the PCC is helping to ensure that local policing services address the priorities of local communities and that the Force is being held to account for the way services are delivered to the public and at what cost. The PCC and Chief Constable have effective, transparent and accessible arrangements for dealing with complaints received from the public. Furthermore, the decisions and actions of the PCC are subject to review and scrutiny by the independent Police and Crime Panel.

The PCC published his 2014/15 annual report last September (2015). This explained his main achievements during that financial year and also provided information on operational and financial performance during 2014/15. His 2015/16 Annual Report will be published in July.

This overall combined process will facilitate his personal accountability to the public.

Financial Management Arrangements

The PCC and Chief Constable's joint system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

The Chief Constable produces a medium term financial plan (MTFP) which is refreshed throughout the financial year to provide an effective framework for decision making. This MTFP covers both revenue and capital and is closely aligned to the PCC's Police and Crime Plan. The Police and Crime Panel must review the PCC's proposed council tax precept and, if necessary, make recommendations to the PCC before he formally sets the annual budget in February. Formal budget monitoring is undertaken on a regular basis throughout the year, i.e. it is presented to the PCC's regular public 'Policy, Planning and Performance' meetings between the PCC and Chief Constable (with agendas and minutes published on the PCC's website).

Value for money is achieved through the Chief Constable's Productivity Strategy, which ensured that £12.8m of cash savings were identified and removed from the revenue budget during 2015/16, whilst frontline police officer numbers were maintained and operational performance targets were largely achieved.

During 2015/16 internal audit was provided through a managed service contract with Oxfordshire County Council, although one senior internal auditor was employed by the PCC. It has since been brought in-house. The Chief Internal Auditor reports jointly to the PCC's Chief Finance Officer and the Chief Constable's Director of Finance. The Chief Internal Auditor provides a regular update to the Joint Independent Audit Committee and also provides an independent opinion on the adequacy and effectiveness of the system of internal financial control.

The financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) of the PCC and the CFO of the Chief Constable (March 2014).

REVIEW OF EFFECTIVENESS

The PCC and Chief Constable are responsible for reviewing the effectiveness of the governance framework on at least an annual basis. This includes:

a) Internal audit

The effectiveness of internal audit has been assessed against how well it measures up to the Public Sector Internal Audit Standards. A review was undertaken by four staff from the OPCC and Force for 2015/16, which assessed the evidence produced by the Chief Internal Auditor.

The outcome of the review was reported to both the Governance Advisory Group in early June 2016 and the Joint Independent Audit Committee on 20th June 2016. The review concluded that *the internal audit system in Thames Valley is effective and that the annual report and opinion from the Chief Internal Auditor is reliable evidence to support this Annual Governance Statement.*

b) The system of internal control

The PCC and Chief Constable are jointly responsible for conducting, at least annually, a review of the effectiveness of the system of internal control. The review has been informed by the work of the internal audit service and the executive managers within TVP, responsible for the development and maintenance of the internal control environment. Comments from the independent external auditors, other review agencies and inspectorates have also been taken into account.

The overall review of the system of internal control has been undertaken as part of the wider review of corporate governance. The processes used in maintaining and reviewing the effectiveness of the system of corporate governance are described below.

Governance Advisory Group

A joint OPCC/TVP officer group has been set up with the following terms of reference:

- To ensure compliance with the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government', including police specific guidance notes;

- To provide advice to the PCC and Chief Constable on the application of statutory requirements and guidance relating to issues of corporate governance;
- To review and provide feedback on the effectiveness of the corporate governance systems determined by the PCC and Chief Constable;
- To oversee the production of a draft joint annual governance statement.

Minor changes to the Framework of Corporate Governance were approved by the PCC and Chief Constable at the PCC's 'Policy, Planning & Performance' meeting on 30 July 2015.

The Governance Advisory Group also developed this joint Annual Governance Statement for 2015/16.

PCC

The PCC has the following key statutory duties and powers to:

- produce and publish a five-year Police and Crime Plan that sets out the PCC's policing and crime objectives;
- set the annual policing precept;
- secure the maintenance of an efficient and effective police force;
- hold the Chief Constable to account for the exercise of their functions and of those personnel under their direction and control;
- have regard to the relevant priorities of, and act in co-operation with, responsible authorities in exercising their crime and disorder reduction responsibilities, including the making of related grants to any person;
- make arrangements with criminal justice bodies to provide an efficient and effective criminal justice system for the area;
- commissioning victims and restorative justice services ;
- produce and publish an annual report.

The following key governance activities took place during 2015/16 and demonstrate how the PCC has discharged these powers and duties during that year:

- The updated framework for corporate governance was approved on 30 July 2015;
- At its meeting on 30th January 2015 the Police and Crime Panel endorsed the PCC's proposed 1.99% increase in council tax precept for 2015/16. The PCC subsequently approved his annual revenue budget for 2015/16 on 9 February 2015;
- The PCC allocated £3.1m from his Community Safety Fund (CSF) in 2015/16 to help improve community safety and crime prevention across the Thames Valley;
- The PCC published his 2014/15 Annual Report in September 2015 to highlight major achievements during his second full financial year in office and to report on operational and financial performance during 2014/15;
- In July the OPCC published its Strategic Delivery Plan for 2015/16. This is an internal OPCC management action plan that supports the PCC to monitor the delivery of both policing and non-policing activities, targets and measures within the Police and Crime Plan. Progress reports were presented to the PCC in public meetings on a regular basis throughout the year and the Plan is to be reviewed and updated each year;
- During the autumn the PCC worked closely with the Chief Constable to update the medium term financial plan (2016/17 to 2019/20);
- On 29 January 2016 the Police and Crime Panel endorsed, and confirmed in writing, the PCC's proposed council tax police precept for 2016/17;
- On 16 February the PCC published his annual revenue budget for 2016/17 and the annual treasury management strategy statement for 2016/17;
- The PCC is actively engaged in the oversight and scrutiny of key collaboration activities (e.g. South East region; Bilateral with Hampshire, Chiltern Transport Consortium and the National Police Air Service);
- The PCC was a member of the Executive Board of the Association of Police and Crime Commissioners (APCC) during 2015 and represents South East region and Eastern region PCC colleagues on the National Police Air Service Board;

- Having developed an effective and robust commissioning framework for victim services the PCC awarded a number of contracts during 2015/16 and also implemented robust monitoring arrangements;
- Victims Support has been appointed to provide 'non-specialist' victims' services across the Thames Valley. This joint call-off service contract arranged with Surrey and Sussex PCCs, commenced on 1 April 2015;
- The victims-led restorative justice contract was awarded to Thames Valley Partnership. This contract also commenced on 1 April 2015;
- Refuge has been awarded the contract to provide an Independent Sexual Violence Advocacy (ISVA) service across the Thames Valley. This contract commenced on 1 July 2015;
- Our 'Third Party Reporting Mechanism for Hate Crime' was commissioned by the PCC in early 2015 and began in June 2015. The contract was awarded to Milton Keynes Equality Council who are now providing a service across Berkshire, Buckinghamshire and Oxfordshire through the Thames Valley Hate Crime Network;
- After significant consultation a specification for the Young Victims service was created which included support for young people affected by emerging issues such as Child Sexual Exploitation, Domestic Abuse (in their own relationship) and those affected by Domestic Abuse in their home. Following the tendering process a three-year contract was awarded to SAFE! and the service was up and running in July 2015;
- The PCC is grant funding three county-based Domestic Abuse pilot projects for 18 months to support Domestic Abuse victims (both male and female) with complex and/or specialist needs. These services, which started on 1 October 2015, are being delivered by Reducing the Risk in Oxfordshire, by Smart in Buckinghamshire and by Berkshire Women's Aid in Berkshire;
- The PCC submitted a successful bid to the Home Office for Innovation Fund Grant for a 2 year pilot to develop an Independent Trauma Advisory Service for victims of exploitation and modern slavery in Oxford and Reading. These services are being delivered by Elmore Community Service in Oxfordshire and Rahab (through The Mustard Tree) in Reading;
- A counselling hub is being developed by the OPCC. The Hub will aim to coordinate and improve access to psychotherapeutic counselling for victims of crime, to increase the pool of appropriate counsellors and to reduce barriers for those requiring counselling;
- The PCC took on responsibility in 2015/16 for recruiting and maintaining a list of 'independent members' and 'legally qualified chairs' to police officer misconduct panels. In 2015 additional appointments were made to the Independent Members list and a joint recruitment exercise was undertaken with Kent, Hampshire, Surrey and Sussex in respect of selecting suitable legally qualified chairs;
- Three public meetings of the PCC's 'Policy, Planning & Performance' meetings were held in 2015/16, supplemented by monthly private liaison and Performance Development Review (PDR) meetings between the PCC and Chief Constable, to enable the PCC hold the Chief Constable to account.

The Force

The Chief Constable's Chief Officer Management Team met formally on 11 occasions during 2015/16 to determine and monitor force strategy, policies and performance.

During the period under review there were a number of changes to the membership of the Chief Constable's Management Team. Amanda Cooper returned to Thames Valley Police from secondment in 2015 to her position as Director of Information. Acting Assistant Chief Constable (ACC) Nicola Ross then assumed the Neighbourhood Policing and Partnership Portfolio. Vacancies in the positions of ACC Crime and ACC Joint Operations were filled by Acting ACCs Richard List and Scott Chilton.

Among the key discussions during the year was a review of the Medium Term Financial Plan (MTFP) as part of the annual budget cycle. The updated MTFP was considered several times leading up to formal approval of the Revenue Estimates 2016/17 by the PCC at his 'Policy, Planning and Performance' meeting on 18 January 2016.

Chief Officers also reviewed the Productivity Strategy which continues to play an important role in identifying options to address the budget shortfall arising from significant reductions in Government

grant levels and restrictions on the amount the PCC can raise from council tax. A key element of this is the 'Priority Based Budgeting' process which seeks to prioritise service levels and expenditure. This will help the Force identify areas of relatively lower service impact in order to address the identified budget shortfall in 2016/17 and later years.

During 2015/16, the contract of the interim temporary Head of ICT for Thames Valley and Hampshire was terminated whilst he was under investigation by another police force. There is an ongoing review, overseen by the Deputy Chief Constable, to consider issues relating to recruitment and vetting, procurement processes and the management of supplier performance under contracts.

Risk Management & Business Continuity

The Force Risk Management Group (FRMG) met four times during 2015/16. High level strategic risk management and business continuity issues were reported to the Joint Independent Audit Committee on a timely basis. As at 31 March 2016 there were eight risks on the Strategic Risk Register with mitigating actions. An Annual Report was submitted to the June meeting of the Joint Independent Audit Committee (JIAC) in 2015.

A number of business continuity incidents, categorised as to impact, were detailed in quarterly reports to the JIAC including measures taken to minimise their impact. The majority were related to information, Communications and technology (ICT). The Committee also received details of exercises to test business continuity plans.

Health & Safety and Environmental Management

The Force Health Safety & Environment (HS&E) Committee met four times. An annual report on H&S and Environmental Management was presented to the June meeting of the Joint Independent Audit Committee, following the year in question, for scrutiny.

Ethics and Integrity

A protocol between the PCC and Chief Constable has been agreed which provides the PCC with overview and scrutiny of complaints handling by the Force. The Complaints, Integrity and Ethics Panel reports directly to the PCC and Chief Constable – see Section C (external scrutiny) for more detail. The Force has also established an internal Integrity Sub-Group chaired by the Head of Professional Standards. This body meets quarterly and is attended by the Deputy PCC.

The Chief Constable continues to enforce the fundamental importance of integrity issues which are highlighted in the Force Values and to highlight the importance of the Code to all staff. All staff have been required to complete an on-line training package prior to attendance at a dedicated Code of Ethics training session. Further mandatory training was arranged for middle managers during 2015. All new staff receive training on the Code of Ethics as part of their induction.

In the 2015 PEEL Legitimacy Inspection Report published in February 2016, the Force was judged "Good" in respect of the question: **"To what extent does practice and behaviour reinforce the wellbeing of staff and an ethical culture?"**

Collaboration and Partnership Working

The joint TVP & Hampshire Bi-lateral Collaboration Governance Board formally met twice during 2015/16, supplemented by specific informal meetings of the PCCs and senior policing officers to review the emerging new ICT Strategy and related issues. This Board oversees and scrutinises the work of the existing collaborative functions (i.e. Operations, ICT and Information Management) as well as development of the Contact Management and Digital Policing programmes. Updates are provided on new collaborative opportunities being explored.

In addition to the Bilateral Collaboration Governance Board, the joint Chief Officer Group met 3 times during 2015/16.

Governance of collaboration between forces across the South East region is undertaken at the Regional Governance Board. Four meetings were held during 2015/16.

The South East Regional Organised Crime Unit (SEROUCU), hosted by Thames Valley Police, brings together the current regional organised crime units under one structure. It is operationally aligned with the South East Counter Terrorism Unit (SECTU). There is a joint ACC who works directly to the Chief Constable of Thames Valley Police to exercise overall command of the regional crime and counter terrorism functions. The joint ACC also represents serious organised crime at the Regional Governance Board and nationally with the National Crime Agency and other key stakeholders.

A new governance structure for the Chiltern Transport Consortium was implemented during 2014/15. The Governance Board is currently chaired by the PCC but will be reviewed annually. The Board met once during 2015/16. The Senior Operational User Group, which is chaired by the Deputy Chief Constable of TVP did not meet during 2015/16 due to a number of factors including uncertainty as to whether Hampshire would join the Consortium and the new vehicle procurement contract. The Force Transport Manager had a number of meetings with senior users regarding the Telematics project.

A number of formal collaboration meetings were cancelled at not rearranged during 2015/16. In future, greater emphasis will be placed on ensuring that governance meetings are held in accordance with the requirements of the formal section 22A agreements.

During the year the PCC and the Force agreed a memorandum of understanding with the three Fire and Rescue Services in Thames Valley, regarding exploring possible collaborative opportunities in the sharing of premises.

Internal audit

The annual report of the Chief Internal Auditor for 2015/16 was presented to the Joint Independent Audit Committee on 20 June 2016. It contained the following assurance statement on the overall adequacy and effectiveness of the internal control environment:

*"Based on the reviews completed during the year, the opinion on the organisation's System of Internal Control is that the key controls in place are adequate and effective such that **majority assurance** can be placed on the operation of the organisation's functions. The opinion demonstrates a good awareness and application of effective internal controls necessary to facilitate the achievement of objectives and outcomes. There is an effective system of risk management, control and governance to address the risk that objectives are not fully achieved".*

c) External scrutiny

Joint Independent Audit Committee (JIAC)

In response to a request from the Committee, two new members were appointed in January 2016, increasing the membership from three to five, following an open and transparent recruitment process. All five members attended the induction training day.

During 2015/16 the Committee met five times to consider the external audit and internal audit plans for 2015/16, as well as receiving timely updates in terms of risk management and business continuity. The committee also receives regular briefings, including appropriate written reports, during the year from the PCC, Chief Constable and relevant senior officers. This included a specific update on ICT. They also attend Force working groups (including the TVP/Hants Bilateral Governance Board) and other panel meetings (including the Complaints, Integrity and Ethics Panel) as observers to gain a greater understanding of current governance, operational and risk activities and to assist their judgment of the adequacy of the overall Corporate Governance Framework.

The Committee's Annual Assurance Report for 2015 was presented to the PCC and Chief Constable at their JIAC meeting 16 December 2015. At that time the Committee was able, based on the information that they had considered collectively or knew about individually, to give assurance to the PCC and Chief Constable that the risk management and internal control environment in Thames Valley was operating efficiently and effectively.

ANNUAL GOVERNANCE STATEMENT

External Audit

On 19 August 2015 Ernst & Young issued unqualified audit opinions in respect of the 2014/15 accounts to both the PCC and Chief Constable, as well as giving an unqualified value for money conclusion. The Auditor was satisfied that the system of internal control put in place by the PCC and Chief Constable was adequate and effective in practice.

HMIC

During 2015/16 HMIC published a number of reports which were considered by the Force and PCC. All reports are available on the HMIC website:

HMIC Report Published	Title	CC reported to PCC	PCC response to HMIC
24.3.15	Stop and search powers 2: are the police using them effectively and fairly?	30 July 2015	✓
10.4.15	The welfare of vulnerable people in police custody	29 Oct 2015	✓
2.7.15	Reports on Child Protection: <ul style="list-style-type: none"> In harm's way; the role of police in keeping children safe Online and on the edge; real risks in a virtual world Building the picture; an inspection of police information management 	29 Oct 2015	✓
10.9.15	Targeting the Risk - An inspection of the efficiency and effectiveness of firearms licensing in police forces across England and Wales	18 Jan 2016	✓
20.10.15	PEEL: Police efficiency 2015 - An inspection of Thames Valley Police	18 Jan 2016	✓
22.10.15	Working in step? A joint inspection of local criminal justice partnerships by HMIC, HMCPSI and HMI Probation	18 Jan 2016	N/A
12.11.15	Witness for the Prosecution: Identifying victim and witness vulnerability in criminal case files	12 May 2016	✓
19.11.15	Value for money profiles	6 April 2016	N/A
8.12.15	The depths of dishonour: Hidden voices and shameful crimes	6 April 2016	✓
14.12.15	Increasingly everyone's business: A progress report on the police response to domestic abuse	6 April 2016	✓
15.12.15	PEEL - Police effectiveness 2015 (vulnerability)	15 Mar 2016	✓

All reports are available on the HMIC website.

Where appropriate, the PCC (or OPCC) is invited to attend a debriefing provided by HMIC following each inspection. Alternatively, the Chief Constable may provide the PCC with a briefing following an HMIC inspection.

Depending on the nature of the report, HMIC may also require the PCC to publish a response on his website - within 30 working days - to each relevant HMIC inspection report. Responses to all relevant HMIC inspection reports have been published (please see table above).

Police and Crime Panel (PCP)

During 2015/16 the independent PCP met on six occasions. As well as reviewing the budget and precept proposed by the PCC, the Panel also received regular reports on the delivery of the Police and Crime Plan objectives, including the contribution made by other partner agencies. In July 2015 the Panel held an induction training session for new members. The Panel also published its 2014/15 Annual Report in July. The Panel operates a permanent Complaints sub-committee and ad-hoc task and finish working groups.

Complaints, Integrity & Ethics Panel

Due to national concerns over police integrity there is an accepted need to develop a robust and transparent system of oversight of the way complaints and misconduct allegations made against the police are handled and investigated by the forces themselves. To this end the PCC, in close liaison with the Chief Constable, established in 2014 a Complaints, Integrity and Ethics Panel to provide enhanced, independent, oversight and scrutiny of the Force's handling of police complaints and misconduct investigations, as well as broader consideration of integrity and ethics issues facing the police in general and Thames Valley in particular.

This Panel is intended to satisfy the statutory requirements around monitoring of police complaints by the PCC and also ensure that integrity and ethics issues are considered in order to maintain public confidence in policing. The Panel reports directly and jointly to the PCC and the Chief Constable.

Eight independent members of the public sit on the Panel. Meetings of the Panel are held bi-monthly. The Panel presented its first Annual Assurance report to the PCC and Chief Constable in January 2016.

d) Conclusion

The work carried out by the Governance Advisory Group to review and update the corporate governance framework in light of the new CIPFA/SOLACE guidance and a detailed review of how that framework has been applied in practice over the last 12 months, has informed the latest review of the corporate governance framework which is due to be formally approved and adopted in July 2016. Consequently the PCC and the Chief Constable have been able to satisfy themselves that key significant governance issues affecting the discharge of their responsibilities have and continue to receive effective scrutiny.

SIGNIFICANT GOVERNANCE ISSUES

It should be noted that governance issues facing the organisation are not necessarily a result of weaknesses within the internal control framework.

There were no governance issues identified in respect of 2014/15. However progress against the three issues identified which might have potentially impacted on 2015/16 and beyond was as follows:

- **That the identified funding gap in 2016/17 and later years cannot be addressed without impacting adversely on the effective governance and internal control arrangements currently in place**

The November 2015 Spending Review was better than initially feared and the Government has announced that police funding will be protected, in cash terms at a national level, over the next four years (i.e. 2016/17 to 2019/20) provided that all PCCs increase their council tax precept each year by the maximum permissible level.

On 18 January 2016 the PCC approved a balanced revenue budget for 2016/17. Although the budget included £15.6m of cash savings this has enabled additional investment in ICT, child protection and multi-agency safeguarding hubs, as well releasing 87 police officer posts which will be redeployed to priority services areas.

The four year medium term financial plan and four year capital plan are also balanced although some of the underlying financial assumptions will need to be revisited when the budgets are next reviewed

The Priority Based Budgeting (PBB) process and other strands of the Productivity Strategy will continue apace in order to identify the necessary level of financial savings to balance the budget and reinvest in priority service areas over the next few years.

- **The timely delivery of key ICT infrastructure and business systems may impact on the ability of the Force to meet aspects of its Delivery Plan including the delivery of significant efficiency savings.**

The PCCs approved the new five year ICT plan in July/August 2015 and the impact has been reflected in the appropriate Capital Programmes and Revenues Budgets agreed during January 2016.

The new ICT Vision 2020 Board met for the first time on 13 November 2015 and now meets regularly. This Board also monitors implementation of the five year ICT strategy

An overview of progress in the delivery of the key elements of that Plan and the governance around it was submitted for information to the JIAC meeting on 23 March 2016 and then subsequently to the PCC. That report highlighted delays in a number of areas together with the steps being taken to address them

- **Proposed changes to the statutory police complaints system may see significant responsibility move from the Chief Constable to the PCC. This will require changes to the governance, delegations and internal control arrangements currently in place.**

The Policing and Crime Bill 2016 was published on 10 February 2016.

Part 2 of the Bill contain provisions to strengthen the PCC's oversight role of the local police complaints system, giving them an explicit responsibility for ensuring the effective and efficient delivery of the local system and making PCCs the appellate body for those appeals currently heard by Chief Constables. It is intended that these reforms will make the complaints system more independent than it currently is.

The Bill also enables PCCs to take on other functions within the complaints system, giving them the option of taking on responsibility for the front-end of the complaints system and responsibility for all duties regarding contact with the complainant.

Depending upon progress of the Bill through Parliament, it is unlikely that these reforms will take effect prior to April 2017. However, the proposals and options contained in the Bill will need to be reviewed during the interim period but may involve significant responsibilities moving from the Chief Constable to the PCC. This would require changes to the governance, delegations and internal control arrangements currently in place and a review of implications for functional responsibilities and staffing across the OPCC and TVP PSD to address resultant OPCC capacity and capability issues. This would be necessary to ensure that these new proposed duties and powers, when implemented, can be effectively discharged by the PCC, and any implications for TVP (e.g. on current PSD functions) can be assessed and addressed.

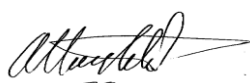
There are currently NO significant governance issues for 2015/16. However, the following **four** issues have been identified which may, potentially, impact on the internal control environment during 2016/17 and beyond. These issues will be closely monitored by the Governance Advisory Group and regular updates will be reported to the Joint Independent Audit Committee:

No.	Issue	Action
1.	That the reviews being conducted following the departure of the interim Head of ICT may identify governance issues or weaknesses requiring further action.	<ul style="list-style-type: none"> • Work being overseen by the Deputy Chief Constable • A report on the issues identified, actions taken and any further recommendations will be submitted to CCMT and, as appropriate, to the PCC and JIAC. • Progress against any actions and agreed recommendations will be regularly monitored throughout 2016/17

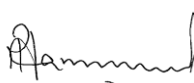
ANNUAL GOVERNANCE STATEMENT

No.	Issue	Action
2.	That the identified funding gap in 2017/18 and later years cannot be addressed without impacting adversely on the effective governance and internal control arrangements currently in place	A Priority Based Budgeting programme of work is in place to help identify areas of business where budget savings can be made in the near and medium term that will have a relatively lower impact on service delivery (including an effective governance and internal control environment)
3.	The timely delivery of key ICT infrastructure and business systems may impact on the ability of the Force to fully deliver on its 'Commitment' including the delivery of significant business benefits and efficiency savings.	The PCCs for Hampshire and Thames Valley have agreed a five year ICT plan which is fully funded in the medium term financial and capital plans. This Plan will support the delivery of future technology and service improvements for both forces in accordance with the revised strategy. Appropriate governance structures have been implemented to monitor business as usual activity as well as service improvements.
4.	Proposed changes to the statutory police complaints system may see significant responsibility move from the Chief Constable to the PCC. This will require changes to the governance, delegations and internal control arrangements currently in place	<ul style="list-style-type: none"> Options to be drafted with appropriate input from the PCC, the Chief Constable, the OPCC, PSD and other relevant stakeholders. An options report with recommendations to be prepared and presented to the PCC and Chief Constable for appropriate decisions. Updates to the Governance Framework and delegations to be made as required to reflect any legislative changes and decisions taken by the PCC and/or the Chief Constable. As a result of any new governance arrangements the capacity of the OPCC to discharge any additional requirements will also need to be reviewed.

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



Anthony Stansfeld
Police & Crime Commissioner



Paul Hammond
Chief Executive
(Monitoring Officer)



Ian Thompson
Chief Finance Officer and
Deputy Chief Executive

MOVEMENT IN RESERVES STATEMENT

PCC Movement in Reserves Statement for the years ended 31st March 2015 and 2016

	Note	General Fund £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital grant unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Note		18			18	18	19	
Balance at 31st March 2014		16,477	32,657	0	9,260	58,394	177,697	236,091
Movement in reserves during 2014/15								
Surplus or (deficit) on provision of services		-13,570				-13,570	0	-13,570
Other comprehensive Expenditure and Income						0	21,026	21,026
Total comprehensive Expenditure and Income		-13,570	0	0	0	-13,570	21,026	7,456
Adjustments between accounting basis & funding basis under regulations	7	15,854		0	2,634	18,488	-18,488	0
Net increase/Decrease before transfers to Earmarked Reserves		2,284	0	0	2,634	4,918	2,538	7,456
Transfers to/from earmarked reserves		-1,151	1,151			0	0	0
Increase/Decrease in Year		1,133	1,151	0	2,634	4,918	2,538	7,456
Balance at 31st March 2015 carried forward		17,610	33,808	0	11,894	63,312	180,235	243,547
Movement in reserves during 2015/16								
Correction of cumulative rounding error		11				11	-2	9
Surplus or (deficit) on provision of services		4,446				4,446	0	4,446
Other comprehensive Expenditure and Income			0		0	0	14,410	14,410
Total comprehensive Expenditure and Income		4,446	0	0	0	4,446	14,410	18,856
Adjustments between accounting basis & funding basis under regulations	7	-5,194		0	-4,697	-9,891	9,891	0
Net increase/Decrease before transfers to Earmarked Reserves		-736	0	0	-4,697	-5,433	24,299	18,865
Transfers to/from earmarked reserves	8	1,553	-1,553			-0	0	-0
Transfer between general balances and earmarked reserve		-26	26					
Increase/Decrease in Year		791	-1,527	0	-4,697	-5,434	24,299	18,865
Balance at 31st March 2016 carried forward		18,400	32,281	0	7,197	57,878	204,534	262,412

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

PCC Comprehensive Income and Expenditure Statement 2015/16

	Note	31 March 2015			31 March 2016		
		Expenditure	Income	Net	Expenditure	Income	Net
		£000	£000	£000	£000	£000	£000
Local Policing		5,145	-1,778	3,367	5,587	-2,562	3,025
Dealing with the public		0	0	0	0	0	0
Criminal justice arrangements		615	-212	403	0	0	0
Roads policing		0	0	0	0	0	0
Operational support		0	0	0	0	0	0
Intelligence		0	0	0	0	0	0
Investigations		0	0	0	0	0	0
Investigative support		0	0	0	0	0	0
National policing		0	0	0	0	0	0
Police and Crime Commissioner		908	0	908	2,535	-134	2,401
Non distributed costs		21	0	21	237	0	237
Net cost of Services before funding		6,689	-1,990	4,699	8,359	-2,696	5,663
Intra group funding	5			399,169			407,919
Net cost of services			-1,990	403,868			413,582
Other operating expenditure	9a			25,018			-347
Financing and investment income and expenditure	9b	1,561	-802	759	1,420	-847	573
Surplus/deficit on discontinued operations							
Taxation and non specific grant income	9c			-416,075			-418,254
(Surplus)/Deficit on Provision of Services				13,570			-4,446
Surplus (-) / deficit on revaluation of fixed assets				-22,807			-11,769
Remeasurements of the net defined benefit liability (asset)				542			-326
Any other gains (-) / losses				1,239			-2,315
(Transfer of pension deficit between PCC & CC)							
Other Comprehensive Income and Expenditure				-21,026			-14,410
Total Comprehensive Income and Expenditure				-7,456			-18,856

Notes: Actuarial gains and losses apply to both assets and liabilities and are either due to changes in assumptions (on liabilities) and “experience items” – actual outcome different to expected – for both assets and liabilities.

BALANCE SHEET

The Balance Sheet for the PCC

This shows the value at 31st March of the assets and liabilities recognised by the PCC. Net assets are matched by the reserves held by the PCC. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the PCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the PCC is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (e.g. the revaluation reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'

31.3.15		Note	31.3.16
£000			£000
Long Term Assets			
207,934	Property, Plant and Equipment	10	217,192
0	Investment Property		0
0	Intangible assets	11	0
3,000	Long term investments	12	10,000
1,173	Long term debtors	13	1,095
212,107	Total Long Term Assets		228,287
Current Assets			
48,271	Short term investments	12	35,345
0	Inventories		0
12,941	Short term debtors	13	12,707
4,870	Cash and cash equivalents	15	12,034
-0	Assets held for sale	16	2,005
13,563	Intra group balance	5	3,381
79,646	Total Current Assets		65,473
Current Liabilities			
-17,140	Short term borrowing	12	-416
-8,030	Short term creditors	17	-8,259
0	Provisions		0
-12	Accumulated absences	19	-18
-25,182	Total Current Liabilities		-8,693
Long Term Liabilities			
0	Long term creditors		0
0	Provisions		0
-20,755	Long term borrowing	12	-20,503
-1,925	Liability related to defined benefit pension schemes	31	-1,822
0	Donated assets account	26	0
-339	Capital grants received in advance	25	-330
-23,019	Total Long Term Liabilities		-22,654
243,552	Net Assets		262,412
Reserves			
63,318	Usable reserves	18	57,878
180,234	Unusable reserves	19	204,534
243,552	Total Reserves		262,412

These financial statements replace the unaudited financial statements certified by the Chief Finance Officer on 31st May 2016.

I. Thompson
 Ian Thompson
 Chief Finance Officer

L. Lee
 Dr Louis Lee
 Chairman, Joint Independent Audit Committee

CASH FLOW STATEMENT

The Cash Flow Statement for the PCC

This statement shows the change in the PCC's cash and cash equivalents during the reporting period. The statement shows how the PCC generated and used 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 extent to which the operations of the PCC are funded by taxation and grant income or from the recipients of services provided by the PCC. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCC's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the PCC.

	Note	31.3.15	31.3.16
		£000	£000
Net (surplus)/deficit on the provision of services		13,570	-4,446
Adjust net surplus/deficit for non cash movements	20	-6,110	-10,635
Adjust for items included in surplus/deficit that are investing and financing activities		6,555	5,433
Net cash flows from Operating Activities	20	14,015	-9,648
Investing Activities	20	-11,488	8,255
Financing Activities	20	-6,380	-5,767
Net increase (-) or decrease in cash and cash equivalents		-3,853	-7,160
Cash and cash equivalents at the beginning of the reporting period	15	1,018	4,870
Cash and cash equivalents at the end of the reporting period	15	4,870	12,034

GENERAL ACCOUNTING POLICIES

a. General principles

These financial statements have been prepared in accordance with the Code of Practice (the code) on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2015 and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP). The Accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS).

The accounts have been prepared on a going concern basis principally using an historic cost convention, modified to account for the revaluation of certain categories of tangible fixed assets and financial liabilities.

Following the passing of the Police Reform and Social Responsibility (PRSR) Act 2011, Thames Valley Police Authority was replaced on 22nd November 2012 with two corporation sole bodies, the Police and Crime Commissioner (PCC) for Thames Valley and the Chief Constable. Both bodies are required to prepare separate Statement of Accounts. The PCC is also required to produce Group accounts. The term 'Group' is used to indicate individual transactions and policies of the PCC and Chief Constable for the year ended 31 March 2016. The identification of the PCC as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities of the PCC under the PRSR Act 2011.

The Financial Statements included here represent the accounts for the PCC and Group (Group accounts on pages 79 to 112). The financial statements cover the 12 months to the 31 March 2016.

The notes relating to specific financial statement lines now include the corresponding accounting policy. As a result there is not a separate principal accounting policies note but the section below details general accounting policies where there are not accompanying notes.

b. 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:

- Fees, charges and rents due are accounted for as income at the date the PCC provides the relevant goods or services;
- Where income and expenditure has been recognised (using estimates when appropriate) but cash has not been received or paid, a debtor or creditor for the relevant year is recorded in the Balance Sheet.
- Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to Comprehensive Income and Expenditure Statement for the income that might not be collected.

c. Charges to Revenue for Non-Current Assets

The PCC's and Group's CIES is charged with the following amounts, to record the real cost of holding fixed assets during the year.

- Depreciation attribute to the assets used by the relevant service;
- Revaluation gains or losses on land and buildings
- Amortisation of intangible assets

The PCC is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. The Minimum Revenue Provision (MRP) is set on a prudent basis as determined by the PCC in accordance with statutory guidance.

d. Government grants and other contributions

Whether paid on account, by instalments or in arrears, revenue government grants and third party contributions are recognised as income at the date that the PCC satisfies the conditions of entitlement to the grant / contribution.

The grant / contribution is recognised within the CIES as income when the conditions of entitlement are known to be satisfied. If the grant / contribution has been received in advance of need then the amount is transferred to a Grant in Advance account.

Grants to cover general expenditure (e.g. Police Grant) are credited to the CIES within the provision of services.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account (CAA). Amounts in the Capital Grants Unapplied reserve are transferred to the CAA once they have been applied to fund capital expenditure.

e. Heritage assets

A heritage asset is one with "historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture". The PCC will recognise any heritage asset that is valued in excess of £500,000. As at 31st March 2016, the PCC does not recognise any heritage assets on its balance sheet. Whilst the PCC does display various items of historical interest in the force museum, the cost and effort of obtaining a valuation for these objects would be more than the perceived worth of the assets.

f. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Group in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Group recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Group and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Group accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

g. Overheads and support services

In line with the Service Reporting Code of Practice (SeRCOP) and Police Objective Analysis, the costs of support services are fully allocated to the PCC's services. Support service costs identified as Corporate and Democratic Core costs and Non Distributed Costs are not charged to services but are shown separately in the CIES

- Corporate and Democratic Core: Costs relating to the PCC's status as a democratic organisation
- Non Distributed Costs – the costs of discretionary benefits awarded to employees retiring early

h. Reserves

The PCC maintains reserves that are either earmarked for specific purposes or held for accounting adjustments. Earmarked reserves will be established from time to time to meet specific expected revenue or capital costs as determined by the PCC.

Reserves are created by appropriating amounts in the CIES. When expenditure to be financed from a reserve is incurred, it is charged to the CIES against the Net Cost of Services. The reserve is

appropriated back in the Movement of Reserves Statement so that there is no net charge for the expenditure.

Details of movements on usable revenue reserves during the year appear as note 18 on page 58

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and they do not represent usable resources for the PCC – see note 20 on page 62.

i. VAT

Income and expenditure excludes any amounts related to VAT, as VAT collected is payable to HM Revenue and Customs and the vast majority of VAT paid is recoverable from it.

1. IMPACT ON THE ACCOUNTS OF STAGE 2 OF THE POLICE REFORM AND SOCIAL RESPONSIBILITY ACT

Introduction

Following the Police Reform and Social Responsibility Act 2011 (The Act), Thames Valley Police Authority was replaced on 22nd November 2012 with two corporation sole bodies, the PCC for Thames Valley and the Chief Constable. At this point, all police staff and other rights, assets and liabilities transferred from the Police Authority to the PCC. This was only intended to be a temporary measure and is referred to as the “Stage 1 transfer”

The Act sets out a second transfer (the “stage 2” transfer) which envisages that at least some staff, property, rights and liabilities will move from the PCC to the Chief Constable. During 2013, the PCC and the Chief Constable agreed that all persons employed by the PCC, other than those working in his own office (15.1 FTE staff) should transfer to and become employed by the Chief Constable of Thames Valley Police. This was approved by the Home Secretary on 28th March 2014.

Furthermore, the PCC has also given consent for the Chief Constable to enter into contracts and to own “short life” assets (e.g. vehicles, plant and equipment). The PCC will retain ownership of land and buildings.

Impact on Statement of Accounts

Short life fixed assets (vehicles, plant and equipment) have been transferred to the Chief Constable’s balance sheet. In order to achieve this, the PCC has donated the assets at the existing value to the Chief Constable. This is recognised in the PCC’s accounts as a disposal with nil proceeds and an associated loss through the CIES. The Chief Constable has recognised the donated asset with an associated credit gain through the CIES. The impacts of these transactions are offset against each other in the Group accounts.

Debtors, creditors and provisions are allocated to the appropriate balance sheet according to the nature of the asset or liability.

All usable reserves remain with the PCC. The Chief Constable has unusable accounting reserves to enable the appropriate accounting treatment for fixed assets, pensions and employee benefits.

The Group continues to operate an intra group account and the PCC continues to pay for all financial resources consumed at the request of the Chief Constable. Details of any intra group adjustments are shown in note 5 on page 42.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee contributions)
- Annual improvements to IFRS 2010-2012 cycle
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interest in Joint Operations)
- Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012-14 Cycle
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Fund Account and the Net Assets Statement

It is not expected that any of these amendments will have a material impact on the information provided in the financial statements

3. SIGNIFICANT ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires the PCC to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors, the results of which form the basis of making judgements about the values and liabilities that are not readily apparent from other sources. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. Material estimates and assumptions are made in the following cases:

- Establishing the valuations of operational and residential properties (see Notes 10 and 16 for details of amounts and the valuation process involved). Depreciation is a calculation by the fixed asset register system, based on asset value and expected useful life of the asset. If the useful life of an asset is reduced then the depreciation charge to CIES will increase. The PCC monitors the useful life of assets to identify where any changes to the depreciation charge are required during the year
- We have reviewed all property leases to determine which ones, if any, need to be treated as a finance lease. The outcome of that review is that only the Abingdon PFI scheme needs to be treated as a finance lease; all other leases are operating leases.
- The costs of a pension arrangement require estimates regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS 19 reporting are the responsibility of the PCC as advised by their actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population.
- A judgement has been made of the expenditure allocated between the PCC and Chief Constable to reflect the financial resources of the PCC consumed at the request of the Chief Constable. The basis adopted for this allocation was determined by the PCC in accordance with the standard set of activities for each corporate body identified in CIPFA's SeRCOP. In arriving at this approach various interested parties were consulted including senior management in both corporate bodies and careful consideration given to the PRSR Act and Home Office guidance.
- All surplus properties owned by the PCC have been reviewed and have been judged to meet the criteria of surplus properties rather than investment properties

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year involves the pension liability police staff - the discount rates used to calculate the pension liabilities are estimates, any changes in which could impact on the total liability of the relevant pension funds, see Note 31 for more details of the impact of discount rate changes.

5. INTRA GROUP ADJUSTMENTS

The Group statement of accounts (PCC Group) reflects the consolidated accounts of the PCC and its subsidiary the Chief Constable.

The table below shows the movement through an intra group account within the respective accounts during 2014/15 and 2015/16. There are no outstanding intra group balances at year end, as the PCC paid all financial resources consumed at the request of the Chief Constable and an intra group adjustment was made to offset the Chief Constable's consumption of resources

Intra group balances for 2014/15	PCC £000	CC £000	Group £000
Opening balance as at 1 st April 2014	0	0	0
Balance sheet intra group adjustment	- 13,563	13,563	
PCC resources consumed at the request of the Chief Constable	- 399,169	399,169	0
PCC Intra group adjustment	412,732	- 412,732	0
Closing balance as at 31st March 2015	0	0	0

Intra group balances for 2015/16	PCC £000	CC £000	Group £000
Opening balance as at 1 st April 2015	0	0	0
Balance sheet intra group adjustment	- 3,381	3,381	
PCC resources consumed at the request of the Chief Constable	- 407,919	407,919	0
PCC Intra group adjustment	411,300	- 411,300	0
Closing balance as at 31st March 2016	0	0	0

6. EVENTS AFTER THE BALANCE SHEET DATE

Accounting Policy

When an event occurs after the balance sheet date which provides evidence of conditions that existed at the balance sheet date an adjusting event occurs and the amounts recognised in the Statement of Accounts will be adjusted to take into account any values that reflect the adjusting event. Where an event occurs after the Balance sheet date that is indicative of conditions that arose after the balance sheet date, the amounts recognised in the statement of accounts are not adjusted but disclosed as a separate note to the accounts. Events after the balance sheet date are reflected up to the date when the statement of accounts is authorised for issue and published.

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31 May 2016. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect this information. There are no material non-adjusting events to report.

7. 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 and Group in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the PCC and Group to meet future capital and revenue expenditure. All items are adjustments between the general fund balance and the unusable reserves shown below.

2015/16 Adjustments

	General Fund Balance £000	Capital Receipts Reserve £000	Capital grant unapplied £000	Unusable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the CIES are difference from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to or from the pensions reserve)	223			-223
Financial instruments (transferred to the financial instruments adjustment account)	2			-2
Council tax (transfers to or from the collection fund adjustment account)	303			-303
Holiday Pay (transferred to the accumulated absences account)	6			-6
Non current assets written off on disposal (charged to capital adjustment account)	5,085			-5,085
reversal of entries in relation to capital expenditure (charged to the capital adjustment account)	-4,437			4,437
Total Adjustments to the Revenue Resources	1,182	0	0	-1,182
Adjustments between revenue and capital Resources				
Transfer of non current asset sale proceeds from revenue to capital receipts reserve	-5,433	5,433		
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	-943			943
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	0			0
Total Adjustments between revenue and Capital Resources	-6,376	5,433	0	943
Adjustments to capital resources				
Use of capital receipts reserve to finance capital expenditure		-5,433		5,433
Application of capital grants to finance capital expenditure	0		-4,697	4,697
Total Adjustments to capital resources	0	-5,433	-4,697	10,130
Total Adjustments	-5,194	0	-4,697	9,891

2014/15 Adjustments

	General Fund Balance £000	Capital Receipts Reserve £000	Capital grant unapplied £000	Unusable Reserves £000
Adjustments primarily involving the capital adjustment account				
<u>Reversal of items debited or credited to the CI&E</u>				
Depreciation & impairment	-305			305
Capital grants credited to CI&E	-2,831			2,831
Non current assets written out on disposal	31,573			-31,573
<u>Insertion of items not debited or credited to CI&E</u>				
Statutory provision for the repayment of debt	-1,172			1,172
Voluntary provision for the repayment of debt	0			0
Capital expenditure charged to general fund balance	-1,938			1,938
Adjustments primarily involving the capital grants unapplied account				
Capital grants credited to CI&E	-2,634		2,634	0
Application of grants to capital financing transferred to the capital adjustment account			0	0
Adjustments primarily involving the capital receipts reserve				
Sale proceeds credited as part of gain/loss on disposal	-6,555	6,555		0
Use of capital receipts to finance new capital expenditure		-6,555		6,555
Adjustments primarily involving the financial instruments adjustment account				
Amount by which finance costs calculated in accordance with code are different from the amount of finance costs calculated in accordance with statutory regs	5			-5
Adjustments primarily involving the pensions reserve				
Reversal of items relating to retirement benefits debited or credited to CI&E	228			-228
Employers contributions and direct payments to pensioners payable in the year	-84			84
Adjustments primarily involving the collection fund adjustment account				
Amount by which council tax income included in the CI&E is different from the amount taken to the general fund	-445			445
Adjustments primarily involving the accumulated absences account				
Amount by which officer remuneration charged to the CI&E on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	12			-12
Total adjustments between accounting basis and funding basis under regulations	15,854	0	2,634	-18,488

8. TRANSFERS TO / FROM EARMARKED RESERVES

This note explains the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16

	Balance at 1.4.14	Balance at 1.4.15	Appropriation to/from CIES	Movement between reserves	Balance at 31.3.16	Purpose of Reserve
Reserve	£000	£000	£000	£000	£000	
Risk management reserve	511	461	0	0	461	To help 'pump prime' future risk and carbon management initiatives
Conditional funding reserve	5,832	5,214	-218	0	4,996	Income received can only be spent on the specified project or activity
Transport reserve	273	273	486	26	785	TVP share of the Chiltern transport Consortium reserves
Merge TSU bases reserve	289	0	0		0	To fund the merger of TSU bases
Insurance reserve	1,541	1,832	-286		1,546	Funds held in case insurance provision proves inadequate to meet known liabilities
SEROUCU reserve	280	273	285	0	557	To fund ICT set up costs of SE Regional Organised Crime Unit
Community Safety Reserve	0	0	79		79	To fund victims related services that could not be delivered before 31st March
Improvement and Performance (I&P) reserve	23,931	25,755	-1,899	0	23,856	To help fund future policing initiatives, including property adaptations
Total	32,657	33,808	-1,553	26	32,280	

9. ANALYSIS OF ITEMS IN COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

a) Other operating Expenditure

	2014/15 £000	2015/16 £000
Gain (-)/loss on disposal of fixed asset	25,018	-347
Levies to national police service	0	0
Total Operating Expenditure	25,018	-347

This accounting loss on disposal during 2014/15 represents the value of short life assets (e.g. vehicles, plant and equipment) transferred to the Chief Constable on 1st April 2014.

b) Financing and Investment income and expenditure

	2014/15 £000	2015/16 £000
Interest payable	1,505	1,354
Pensions interest cost on net defined benefit liability	56	66
Subtotal Financing and Investment expenditure	1,561	1,420
Interest and investment income	-802	-847
Total Operating Expenditure	759	573

c) Taxation and non specific grant income

	2014/15 £000	2015/16 £000
Police grant	-151,291	-142,032
Formula Grant	-76,705	-74,314
Council tax	-135,166	-140,287
Pensions top up grant	-32,170	-40,651
Capital grants and contributions	-5,465	-5,691
Council tax legacy grant	-15,278	-15,278
Total taxation and non specific grant income	-416,075	-418,254

d) Specific grant income

	2014/15 £000	2015/16 £000
MoJ Victims & Witnesses grant	- 1,990	- 2,563
Innovation fund grant	0	- 133
Total specific grant income	- 1,990	- 2,696

10. PROPERTY PLANT AND EQUIPMENT (PPE)**Accounting Policy**

Property, Plant and Equipment are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. The de-minimis level policy is to capitalise all expenditure over £50,000 on an individual asset basis.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that they yield benefits to the PCC and the services they provide are for more than one financial year. Expenditure that secures, but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. Assets under construction are recorded in the balance sheet at cost.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are carried in the balance sheet using the following measurement bases:

- assets surplus to requirements – measured at fair value, estimated at highest and best use from a market participant's perspective
- dwellings and other land and buildings – lower of net current replacement cost or net realisable value in existing use.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value and as a minimum revaluations are carried out every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognised unrealised gains.

Component assets

Where an item of PPE asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The PCC has set a policy that it will separately account for components of buildings that have a value in excess of £500,000.

The components that will be identified and separately depreciated are as follows:

- Land
- Building fabric
- Mechanical and Engineering services
- Roof
- Structures and Elevations
- Internal fabric
- External areas

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 write down is estimated to be material, the recoverable amount of the asset is determined and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where the loss is determined for a previously revalued asset, it is written off against any revaluation gains held for the relevant asset in the Revaluation Reserve, with any excess charged to the Comprehensive Income and Expenditure Statement (CIES). Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the CIES, up to the amount of

NOTES TO THE ACCOUNTS

the original loss, adjustment for depreciation that would have been charged if the loss had not been recognised.

Disposals

When an asset is disposed of, sale proceeds are transferred to the usable capital receipts reserve and the gain or loss on disposal is shown in the CIES

Depreciation

This is provided for all assets with a useful finite life, by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use, on a straight line basis over the useful life of the property as estimated by the valuer

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Grants and contributions

Grants and contributions relating to capital expenditure shall be recognised in the CIES as income except to the extent that the grant or contribution has a condition that the PCC has not satisfied. In that event the amount subject to condition is transferred to the capital grants receipts in advance account. Where the conditions of the grant / contribution are satisfied, but expenditure for which grant is given has not yet been incurred, then such sums will continue to be transferred to the capital grants unapplied reserve.

On 1st April 2014, the PCC transferred the ownership of vehicles, plant and equipment to the Chief Constable. See note 1 for more information.

NOTES TO THE ACCOUNTS

Movement on Fixed Assets

2015/16 movements

	Other Land and Buildings £000	Police Houses £000	Equity Share £000	Non Operational Assets £000	Assets under construction £000	Total £000
Cost or Valuation						
At 1st April 2015	179,046	22,513	3,716	2,875	640	208,789
Adjustment to opening balance	2,315	0	0	0	0	2,315
Additions	545	0	0	0	2,974	3,520
Donations						0
Assets under construction - brought into use	0	0	0	0	-0	-0
Revaluation increases /(decreases) to RR	10,244	433	142	950	0	11,769
Revaluation increases /(decreases) to SDPS	6,168	90	0	-99	0	6,158
Disposals	-338	-2,738	-696	-1,315	0	-5,086
Reclassifications						0
Assets reclassified to/from Held for sale	-1,605	-400	0	0	0	-2,005
Write out expenditure not adding value	0					0
Depreciation written out on revaluation	-6,847	0	0	1	0	-6,847
At 31st March 2016	189,527	19,898	3,162	2,412	3,613	218,613
Depreciation and Impairment						
At 1st April 2015	856	0	0	0	-1	855
Depreciation charge	7,412	0	0	-1	0	7,411
Depreciation written out on revaluation	-6,847	0	0	1	0	-6,847
Impairment losses / (reversals) to RR						0
Impairment losses / (reversals) to SDPS						0
Disposal	0	0	0	0	0	0
Reclassifications						0
At 31st March 2016	1,421	0	0	0	-1	1,419
Net Book Value						
At 31st March 2015	188,107	19,898	3,162	2,412	3,615	217,194

RR = Revaluation Reserve
SDPS = Surplus or Deficit in Provision of Services
GBV = Gross Book Value

NOTES TO THE ACCOUNTS

2014/15 movements

	Other Land and Buildings £000	Police Houses £000	Equity Share £000	Vehicles Plant and Equipment £000	Non Operational Assets £000	Assets under construction £000	Total £000
Cost or Valuation							
At 1st April 2014	159,919	22,577	4,097	58,360	2,134	137	247,224
Transfer of assets to Chief Constable	0	0	0	-58,360	0	0	-58,360
Additions	301	0	0		0	739	1,040
Donations							0
Assets under construction - brought into use	237	0	0	0	0	-237	0
Revaluation increases /(decreases) to RR	19,865	1,873	389		680		22,806
Revaluation increases /(decreases) to SDPS	6,080	232	22		-196		6,138
Disposals	-563	-2,170	-792	0	0		-3,525
Reclassifications							0
Assets reclassified to/from Held for sale	0	0			354		354
Write out expenditure not adding value	0						0
Depreciation written out on revaluation	-6,793	0	0		-95		-6,888
At 31st March 2015	179,046	22,513	3,716	0	2,875	640	208,789
Depreciation and Impairment							
At 1st April 2014	1,848	0	0	32,463	91	0	34,403
Transfer of assets to Chief Constable	0	0	0	-32,463	0	0	-32,463
Depreciation charge	5,830	0	0		3		5,833
Depreciation written out on revaluation	-6,793	0	0		-95		-6,888
Impairment losses / (reversals) to RR							0
Impairment losses / (reversals) to SDPS							0
Disposal	-29	0	0				-29
Reclassifications							0
At 31st March 2015	856	0	0	0	-1	0	855
Net Book Value							
At 31st March 2015	178,190	22,513	3,716	0	2,877	640	207,934

RR = Revaluation Reserve

SDPS = Surplus or Deficit in Provision of Services

GBV = Gross Book Value

Revaluations

Thames Valley Police's property valuers are Carter Jonas and Lambert Smith Hampton - Commercial Surveyors and Property Consultants. These companies has been commissioned to undertake a rolling programme of valuation of one fifth of the property portfolio each year with the remainder being subject to a desktop valuation to ensure that an appropriate value for all properties is maintained within the accounts.

Properties were valued at 1st March 2016 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

The significant assumptions applied in estimating the fair values are:

- The condition of the properties at the date of valuation is identical to that found at the date of the valuer's inspection
- There is no significant risk of contamination to the properties
- No deleterious material has been used in the construction of the properties
- The ground conditions are satisfactory for a traditional method of construction and that there are no contaminating or deleterious materials present which may prevent the development of the sites.
- The uses being carried out in each of the properties is an authorised planning use and that the buildings have been erected with full planning permission
- The properties and their value are unaffected by any matters which will be revealed by a local search or by any statutory notice.
- The properties comply with current fire regulations, building regulation controls, employment regulations, defective premises and health and safety legislation.

Fair Value disclosures for surplus assets

Details of the PCC's surplus assets and information about the fair value hierarchy as at 31 March 2016 are as follows:

<i>Recurring fair value measurements using:</i>	Quoted prices in active markets for identical assets (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair value as at 31 March 2016
	£000	£000	£000	£000
Surplus operational properties	0	610	0	610
Surplus land	0	1,800	0	1,800
Telecommunications sharing sites	0	3,135	0	3,135
Total	0	5,545	0	5,545

Transfer between levels of fair value hierarchy

There were no transfers between levels 1 and 2 during the year

Valuation techniques used to determine level 2 and level 3 fair values for surplus assets

Significant observable inputs – level 2

The fair value for all the surplus assets shown in the table above are based on quoted prices for similar properties in active markets. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at level 2 in the fair value hierarchy

Significant unobservable inputs – level 3

There are no properties categorised at level 3 in the fair value hierarchy.

NOTES TO THE ACCOUNTS

Valuation process for surplus assets

The fair value of surplus assets is measured annually at 1st March by external valuation experts Carter Jonas. All 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 and in conjunction with the Chief Constables' finance team. There have been no changes in valuation techniques used during the year

Capital commitments

The following significant amounts are outstanding on capital contracts which have been entered into by the PCC as at 31 March 2016.

	£000
Renovation and improvements at Sulhamstead Training Centre	638

11. INTANGIBLE ASSETS

Accounting Policy

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Group (e.g. software licences) are capitalised where it will bring benefits to the Group for more than one financial year. The balance is amortised to the CIES over the economic life of the investment to reflect the pattern of consumption of benefits.

Expenditure on licences to use third party computer software gives rise to an intangible asset which has a finite useful life of 5 years. They are amortised on a straight line basis over the life of the asset.

On 1st April 2014, all intangible assets were transferred from the PCC to the Chief Constable. See note 1 for details

	2014/15 £000	2015/16 £000
Gross Book Value		
Opening balance	4,953	0
Purchase of computer software licences	0	0
Write out capital expenditure not adding value	0	0
Intangible assets donated to the Chief Constable	-4,953	0
Write out fully depreciated items	0	0
Closing balance	0	0
Depreciation		
Opening balance	-3,481	0
Amortisation charged to income and expenditure	0	0
Write out fully depreciated items	0	0
Intangible assets donated to the Chief Constable	3,481	0
Closing balance	0	0
Net Book Value	0	0

12. FINANCIAL INSTRUMENTS

Accounting Policy

Financial liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings, this means that the amount presented in the balance sheet is the outstanding principal repayable plus accrued interest. Interest charges to the CIES is the amount payable for the year according to the loan agreement.

Financial assets

Financial assets held by the PCC comprise loans and receivables, which are assets that have fixed or determinable payments but are quoted in an active market. Loans and receivables are initially measurable at fair value and carried at their amortised cost. Interest and other income received is based on the capital value of their investment multiplied by the rate of interest. For most of the loans that the PCC has made, the amount presented in the balance sheet is the outstanding principal in the loan agreement plus accrued interest. The loans made by the PCC are short term investments consisting of fixed term deposits.

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

	Long-Term		Current	
	31.3.15 £000	31.3.16 £000	31.3.15 £000	31.3.16 £000
Loans and receivables – principal ⁽¹⁾	3,000	10,000	48,000	35,000
Accrued interest	0		271	345
Accounting adjustments	0			
Loans and receivables at amortised cost	3,000	10,000	48,271	35,345
Available for sale financial assets				
Financial assets at fair value through profit and loss				
Total investments	3,000	10,000	48,271	35,345
Loans and receivables				
Financial assets carried at contract amounts				
Total debtors				
Financial liabilities	14,843	14,843	16,725	0
Accrued interest			182	164
Financial liabilities at amortised cost	14,843	14,843	16,907	164
Financial liabilities at fair value through profit and loss				
Total borrowings	14,843	14,843	16,907	164
PFI and finance lease liabilities	5,912	5,660	233	252
Total other long term liabilities	5,912	5,660	233	252
Loans and receivables	0		0	
Financial liabilities carried at contract amount	0		0	
Total creditors	0		0	

⁽¹⁾ At 31 March 2016 the PCC had £45m invested in 3 different financial institutions. Accrued interest amounted to £0.345m.

NOTES TO THE ACCOUNTS

Financial Instruments Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement (CIES) in relation to financial instruments are made up as follows:

2014/15

	Financial Liabilities measured at amortised cost £000	Financial assets: Loans and receivables £000	Total £000
Interest expenses	- 1,505		- 1,505
Losses on de-recognition			
Reductions in fair value			
Impairment losses (-) / gains			
Fee expense			
Total expense in surplus or deficit on the provision of services	- 1,505		- 1,505
Interest income		802	802
Interest income accrued on impaired financial assets			
Increases in fair value			
Gains on de-recognition			
Fee income			
Total income in surplus or deficit on the provision of services		802	802
Gains on revaluation			
Losses on revaluation			
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure			
Net gain / (loss) for the year	- 1,505	802	- 703

2015/16

	Financial Liabilities measured at amortised cost £000	Financial assets: Loans and receivables £000	Total £000
Interest expenses	-1,354		- 1,354
Losses on de-recognition			
Reductions in fair value			
Impairment losses			
Fee expense			
Total expense in surplus or deficit on the provision of services	- 1,354		- 1,354
Interest income		847	847
Interest income accrued on impaired financial assets			
Increases in fair value			
Gains on de-recognition			
Fee income			
Total income in surplus or deficit on the provision of services		847	847
Gains on revaluation			
Losses on revaluation			
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure			
Net gain / (loss) for the year	-1,354	847	-507

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). No financial asset or liability is held on the balance sheet at fair value. However, the fair value is shown below for information purposes.

Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 2015		31 March 2016	
	Carrying amount	Fair Value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB debt	16,068	20,782	11,343	15,759
Market loans	3,500	4,735	3,500	5,518
PFI and finance lease liability	6,145	6,145	5,912	5,912
Trade creditors	30,137	30,137	39,700	39,700
Financial liabilities	55,850	61,799	60,455	66,889

The fair value is higher than the carrying amount because the PCC's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

	31 March 2015		31 March 2016	
	Carrying amount	Fair Value	Carrying amount	Fair value
	£000	£000	£000	£000
Investments	51,000	51,000	45,000	45,233
Trade debtors	45,276	45,276	30,261	30,261
Cash and cash equivalents	4,870	4,870	12,034	12,034
Total	101,146	101,146	87,295	87,528

All investments are placed for periods of less than 12 months. As such the carrying amount is considered to approximate to the fair value.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

13. DEBTORS

	31.3.15 £000	31.3.16 £000
<i>Amounts falling due after more than one year</i>		
Loans to employees	0	0
Housing initiatives	0	0
Payments in advance – Abingdon PFI	1,173	1,095
NPAS Helicopter sales receipt	0	0
Total long term debtors	1,173	1,095
<i>Amounts falling due within one year</i>		
Government departments and agencies	1,971	1,328
Other public bodies	7,270	7,507
South East Regional Organised Crime Unit	0	
NHS	0	0
Payments in advance	0	0
Public Corporations	0	0
Study loans	0	0
Cycle to Work loans	0	0
Housing initiatives	0	0
Other	3,700	3,872
	12,941	12,707
Less provision for doubtful debts (see below)	0	0
Total current debtors	12,941	12,707
Total debtors	14,114	13,802

In 2014/15, the majority of debtors were transferred to the Chief Constable post stage 2 of the Police Reform and Social Responsibility act. See note 1 for further details

14. PROVISION FOR DOUBTFUL DEBT

The provision for doubtful debts represents those debts that the PCC believes may not be paid by the debtor. The debts have not, at this stage, been written off.

	31.3.15 £000	31.3.16 £000
Opening balance	31	0
Transfer of provision to Chief Constable (see note 1)	- 31	0
Debts written off in period	0	0
Debts paid in period	0	0
Debts added to provision	0	0
Closing balance	0	0

15. CASH AND CASH EQUIVALENTS**Accounting policy**

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 shall include investments placed in instant access call accounts and money market funds which are readily convertible to known amounts of cash 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 PCC's cash management.

NOTES TO THE ACCOUNTS

For the purposes of this note:

'Cash' includes money held at the bank and/or bank overdraft

'Cash equivalents' includes investments placed in instant access call accounts or Money Market Funds

The balance of cash and cash equivalents as at 31st March is made up of the following elements:

	2014/15 £000	2015/16 £000
Cash	- 4,398	114
Cash equivalents	9,268	11,920
Total Cash and Cash equivalents	4,870	12,034

16. ASSETS HELD FOR SALE

Between the 31st March 2016 and 24th May 2016, no further assets have been classified as "held for sale"

	2014/15 £000	2015/16 £000
Balance outstanding at the start of the year	1,064	0
Assets newly classified as held for sale		2,005
Revaluation losses	0	0
Revaluation gains	0	0
Impairment losses	0	0
Assets declassified as held for sale	-354	0
Assets sold	-710	0
Balance outstanding at year end	0	2,006

17. CREDITORS

	31.3.15 £000	31.3.16 £000
Government departments and agencies	26	23
Other public bodies	7,686	7,993
NHS	0	0
Public corporations	0	0
Employee payments	3	0
Other sundry creditors	315	243
	8,030	8,259

In 2014/15, the majority of creditors were transferred to the Chief Constable post stage 2 of the Police Reform and Social Responsibility act. See note 1 for further details

18. USABLE RESERVES

The PCC maintains a number of cash reserves in the Balance Sheet which are available to help fund future spending plans.

	31.3.15	31.3.16
	£000	£000
Usable capital receipts	0	0
Capital grant unapplied account	11,894	7,198
Earmarked reserves	33,808	32,280
General balances	17,615	18,400
Total	63,317	57,878

Usable Capital Receipts Reserve

This reserve holds the proceeds from the sale of fixed assets, pending their use to finance capital expenditure.

	2014/15	2015/16
	£000	£000
Opening balance at 1 April	0	0
Add receipts in year	7,038	6,008
Less applied to finance capital expenditure	- 7,038	- 6,008
Closing balance at 31 March	0	0

Capital grants unapplied account

This reserve holds capital grant and contributions that do not have any outstanding conditions attached to them, but have not yet been used to finance capital expenditure.

	31.3.15	31.3.16
	£000	£000
Opening balance	9,260	11,894
Amounts received in year	2,634	1
Amounts applied to finance capital expenditure (transferred to capital adjustment account)	0	-4,697
Closing balance	11,894	7,198

Earmarked Reserves

Please see Note 8 on page 45

General Balances

The PCC must retain adequate reserves so that unexpected demand pressures on budgets can be met without adverse impact on achievement of the PCC's key priorities. The following table shows the movement in general balances during the year.

	2014/15	2015/16
	£000	£000
Opening balance as at 1 April	16,482	17,615
Planned use of balances to fund revenue expenditure	0	- 450
Planned use of balances to help fund the capital programme	- 1,938	0
Transfer from / to (-) other reserves	0	- 26
Add revenue account surplus	3,071	1,259
Balance as at 31 March	17,615	18,400

19. UNUSABLE RESERVES

The Group keeps a number of reserves that are required to be held for statutory reasons. They cannot be used to provide services. This category of reserves includes those which hold unrealised gains and losses (revaluation reserve) where amounts would only become available to provide services if the assets were sold, and those which hold timing differences shown in the Movement in Reserves Statement line “adjustments between accounting basis and funding basis under regulations”

	31.3.15 £000	31.3.16 £000
Revaluation Reserve	66,000	74,961
Capital Adjustment Account	112,854	128,402
IAS 19 negative Pensions Reserve	- 1,925	- 1,822
Financial Instruments Adjustment Account	2	0
Collection Fund Adjustment Account	3,313	3,010
Accumulated Absences Account	- 12	- 18
Total	180,234	204,533

Revaluation Reserve

The revaluation reserve records the accumulated gains on the Property, Plant and Equipment held by the Group arising from increases in value, as a result of inflation or other factors. 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 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.

	31.3.15 £000	31.3.16 £000
Balance brought forward	45,787	66,000
Technical adjustment to opening balances	0	2,315
Revaluation of fixed assets	22,806	11,769
Amounts written out relating to sold assets	- 647	- 1,827
Historical cost depreciation adjustment	- 1,946	- 3,296
Balance carried forward	66,000	74,961

Capital Adjustment Account (CAA)

The CAA absorbs the timing differences 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 PCC as finance for the costs of acquisition, construction 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.

	2014/15 £000	2015/16 £000
Opening Balance	129,033	112,854
Transfer of short life assets to Chief Constable	- 27,367	0
Direct Revenue Financing	0	0
Minimum Revenue Provision	1,172	942
Voluntary Revenue Provision	0	0
Revaluation reserve write down	2,594	5,124
Receipts on disposal of fixed assets	6,555	5,433
Carrying value of disposed assets	- 4,206	- 5,086
Less:		
PFI appropriation to revenue account	0	0
Annual depreciation and impairment	305	- 1,254
Application of Government grant and capital contributions to finance capital expenditure	2,830	10,389
Application of reserves to finance capital expenditure	1,938	0
Closing balance	112,854	128,402

IAS 19 Pension Reserve

See Note 31 on pages 69-72.

Financial Instruments Adjustment Account

This Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The PCC uses this account to manage premiums paid on the early redemption of loans. Premiums are debited to the CIES when they are incurred, but reversed out of the General Fund Balance to the account in the Movement of reserves Statement. Over time, the expense is posted back to the General fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the PCC's case, the period is the unexpired term that was outstanding on the loans when they were redeemed. 2015/16 is the final year that the loans would have been outstanding and therefore, the final year that the premium is posted to the general fund.

	2014/15 £000	2015/16 £000
Opening balance at 1 April	7	2
Proportion of premiums incurred in previous years to be charged against the General Fund Balance in accordance with statutory requirements	- 5	- 2
Closing balance at 31 March	2	0

Collection Fund Adjustment Account

This 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 local authority Collection Funds.

	31.3.15 £000	31.3.16 £000
Balance at 1 April	2,868	3,313
Amount by which council tax income credited to the Comprehensive Income and Expenditure account is different from council tax income calculated for the year in accordance with statutory requirements	445	- 303
Balance at 31 March	3,313	3,010

Accumulated Absences Account

Accounting Policy

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, TOIL (time off in lieu) paid sick leave, bonuses and non monetary benefits for current employees and these benefits are recognised as an expense in the year in which the employee renders service to the PCC.

IAS 19 (Employee Benefits) requires the PCC to account for short term compensating absences which include time owing and annual leave accrued by accruing for the benefits which have accumulated but are not taken by the balance sheet date. The accrual for untaken leave is charged to the provision of services, and reversed out through the Movement in Reserves Statement so that the leave is charged to the CIES in the financial year in which the holiday absence is taken.

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.

	31.3.15 £000	31.3.16 £000
Opening balance	0	-12
Reversal of prior year accrual	0	12
Accrual for accumulated absences at year end	- 12	-18
Closing balance	- 12	- 18

20. NOTES TO THE CASHFLOW STATEMENT

Analysis of operating, investing and financing activities:

	2014/15 £000	2015/16 £000
<u>Operating activities</u>		
Taxation	-135,166	-140,590
Grants	-304,710	-302,708
Sales of goods and rendering of services	-50,440	-54,566
Interest received	-801	-773
Cash inflows generated from operating activities	-491,117	-498,638
Cash paid to and on behalf of employees	388,638	385,588
Cash paid to suppliers of goods and services	101,197	92,716
Interest paid	1,524	1,371
Other payments for operating activities	0	0
Cash outflows generated from operating activities	491,358	479,676
Net cash flows from operating activities	241	-18,962
<u>Investing activities</u>		
Purchase of property, plant and equipment and intangible assets	3,195	3,345
Purchase of short and long term investments	0	0
Proceeds from the sale of property, plant and equipment	-6,555	-5,433
Proceeds from short and long term investments	-4,000	16,725
Other receipts from investing activities	-4,128	-6,382
Net cash flows from investing activities	-11,488	8,255
<u>Financing activities</u>		
Cash receipts of short and long term borrowing	-12,000	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI	215	233
Repayments of short and long term borrowing	5,405	-6,000
Net cash flows from financing activities	-6,380	-5,767

Analysis of non cash adjustments:

	2014/15 £000	2015/16 £000
IAS 19 pension liability	-144	-223
Depreciation and impairment	305	-1,254
Carrying amount of non current assets sold	-4,206	-5,086
Premium/discount on restructuring of debt	-5	-2
Amortisation of intangible assets	0	0
Other non cash items charged to deficit	-21,898	5,955
(Increase)/decrease in provisions	7,600	0
Increase/(decrease) in stock	-961	0
Increase/(decrease) in debtors	-11,795	-10,785
(Increase)/decrease in creditors	24,994	760
Total adjustment for non cash items	-6,110	-10,635

21. SEGMENTAL REPORTING

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure statement is that specified by the *Service Reporting Code of Practice*. However, the PCC monitors expenditure during the year on a subjective basis, as set out below.

	31.3.15 £000	31.3.16 £000
PCC Controlled Expenditure		
Office of the PCC	736	736
Democratic Representation	192	193
Other Costs	194	417
Grant income	0	- 133
Commissioning Services	5,760	5,588
Total	6,882	6,801

Reconciliation to Net cost of Services in Comprehensive Income & Expenditure Statement

This table provides a reconciliation between the Total Cost of Services as shown above and the net cost of service line in the comprehensive income and expenditure statement.

	31.3.15 £000	31.3.16 £000
Total Cost of Services (from previous table)	6,882	6,801
Add amounts not reported to Management		
IAS 19 pension costs	172	237
Non distributed costs	21	2
Depreciation and impairment of tangible assets	- 305	1,254
Holiday pay accrual	0	5
Banking fees charged to individual departments	0	8
Specific grants	- 1,990	- 2,563
Sub Total	- 2,102	- 1,057
Remove amounts reported to Management not included in Operating Cost Statement		
Premium/discount on restructuring debt	- 5	- 2
Employers contributions to pension schemes	84	82
Sub Total	79	80
Net cost of Services in Comprehensive Income and Expenditure Statement	4,701	5,663

22. OFFICERS' REMUNERATION

The following sums have been paid to the PCC's Statutory Officers.

NOTES TO THE ACCOUNTS

	Note	Salary, fees & allowances £	Bonuses £	Expense allowances £	Benefits in Kind £	Total remuneration excluding pension £	pension contribution £	Total £
Office of the Police and Crime Commissioner								
Paul Hammond	15/16	97,347	0	1,763	0	99,110	13,434	112,544
(Chief Executive)	14/15	97,347	0	2,025	0	99,372	13,434	112,806
Ian Thompson	15/16	80,523	0	747	0	81,270	11,112	92,382
(Chief Finance Officer)	14/15	76,475	0	865	0	77,340	10,554	87,893

	Note	Salary, fees & allowances £	Bonuses £	Expense allowances £	Benefits in Kind £	Total remuneration excluding pension £	pension contribution £	Total £
Police and Crime Commissioner								
Anthony Stansfeld	15/16	85,000	0	1,478	0	86,478	11,730	98,208
(PCC)	14/15	85,000	0	2,476	0	87,476	11,730	99,206
David Carroll	15/16	35,000	0	0	0	35,000	4,830	39,830
(Deputy PCC)	14/15	¹ 35,000	0	0	0	35,000	4,830	39,830

Note 1: David Carroll works part time (22.2 hrs per week) and his full time equivalent salary is £58,333

The pension contribution figures shown for police staff in 2014/15 are different to those quoted in the 2014/15 accounts, due to a correction of a presentational error.

The following table shows the number of staff whose total remuneration package exceeded £50,000. In this respect, total remuneration comprises gross pay as recorded on employee's P60 tax returns, together with taxable benefits in kind as disclosed to the HM Revenue and Customs on Form P11D. This table excludes those senior officers whose salaries etc. are disclosed separately above.

Total Remuneration £	2014/15	2015/16
90,000 – 94,999	0	0
85,000 – 89,999	0	0
80,000 – 84,999	0	0
75,000 – 79,999	0	0
70,000 – 74,999	0	0
65,000 – 69,999	0	0
60,000 – 64,999	0	0
55,000 – 59,999	0	0
50,000 – 54,999	1	1

23. FEES PAYABLE TO EXTERNAL AUDITORS

The PCC has incurred the following costs in relation to the audit of the Statement of Accounts by the PCC's external auditors, Ernst and Young:

	2014/15 £000	2015/16 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	0	0
Other services provided by the auditor	0	0
Fees payable in relation to auditing the PCC and Group accounts by the appointed auditor for the year	55	40
Fees payable to/(rebate from) the Audit Commission with regards to fees for external audit services carried out by the appointed auditor for the year (PCC and Group)	-6	0
Total fees	49	40

24. CAPITAL GRANT INCOME

The PCC credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16. All grants were credited to Taxation and Non Specific Grant Income:

	2014/15 £000	2015/16 £000
Counter Terrorism grant	712	663
General capital grant	3,519	2,881
Third party contributions	488	405
Home office specific capital grants (ANPR, mobile data, innovation fund)	744	1,741
Donated assets	0	0
Total capital grant, contributions and donations	5,464	5,690

25. CAPITAL GRANTS RECEIVED IN ADVANCE

This account holds the capital grants and contributions which have been received with conditions attached to them. As at 31st March 2016, the conditions have not been met.

	2014/15 £000	2015/16 £000
Opening balance	549	340
Amounts received in year	5,255	5,682
Amounts recognised in comprehensive income and expenditure account once conditions met	- 5,464	- 5,691
Amounts repaid once it is known that the conditions will not be met	0	0
Adjustment relating to over accrual of grant	0	0
	340	330

26. DONATED ASSETS ACCOUNT

This account holds the value of donated assets which have been received with conditions attached to them. No further assets were received by the PCC during 2015/16. See note 1 regarding changes to the PCC's balance sheet during 2014/15

NOTES TO THE ACCOUNTS

	2014/15 £000	2015/16 £000
Opening balance	16	0
Amounts received in year	0	0
Amounts recognised in comprehensive income and expenditure account once conditions met	0	0
Amounts repaid once it is known that the conditions will not be met	0	0
Amounts transferred to Chief Constable (see note 1)	-16	0
	0	0

27. RELATED PARTY TRANSACTIONS

Central Government has effective control over the general operations of the PCC - it is responsible for providing the statutory framework within which the Group operates and provides the majority of its funding in the form of grants. Details of significant transactions with government departments are disclosed elsewhere in the Statement of Accounts.

Members and Chief Officers are required to declare whether they, or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the PCC Group during the financial year. The Chief Financial Officer has written to the PCC, deputy PCC and chief officers to collect this information. The outcome is that, in his opinion, there are no material related party transactions to disclose in 2015/16.

28. CAPITAL EXPENDITURE AND FINANCING

The PCC spent £3.52m on the acquisition and enhancement of long term assets in 2015/16, as the following table shows

	£000
Land and buildings	3,520
Vehicles, plant and other equipment	0
Information, communications and technology	0
Total tangible fixed asset expenditure	3,520
Intangible assets (i.e. computer software licences)	0
Total Capital Expenditure	3,520

Financing of the total capital programme can be found in the Group accounts on page 106. The capital financing requirement for 2015/16 was £39.655m

29. LEASES

Accounting Policy

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 buildings elements are considered separately for classification.

The PCC as lessee

Finance leases

Property, Plant and Equipment (PPE) held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Group are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

PPE 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 (where ownership of the asset does not transfer to the authority at the end of the lease period).

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 is 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 CAA in the Movement in Reserves Statement for the difference between the two.

Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

The Group leases various land and buildings. The amount paid under these arrangements in 2015/16 was £2.002m (2014/15 £2.232m)

The Group was committed at 31 March 2016 to making payments of £1.433m under operating leases, (2014/15 £1.778m) comprising the following elements (annual rental payments):

	£000
Leases expiring in 2016/17	564
Leases expiring between 2017/18 and 2020/21	817
Leases expiring after 2021/22	52
Total	1,433

Each lease comprises an element for land (approx 30% of the total lease value) and buildings (approx 70%).

Group as lessor

Accounting Policy

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.

NOTES TO THE ACCOUNTS

The gross value of assets held for use in operating leases was £2.695m (2014/15 £0.449m) for radio mast sites (valued at 31st March 2016 and subject to £0.291m depreciation to 31 March 2016). The Group received £0.458m in income from the use of these assets during 2015/16. (2014/15 £0.352m)

The future annual minimum lease payment, under non-cancellable operating leases, is as follows:

	£000
Payments receivable in 2016/17	78
Payments receivable between 2017/18 and 2020/21	225
Payments receivable after 2021/22	74
Total	377

Private Finance Initiatives and similar contracts

Accounting Policy

PFI contracts are agreements to receive services, where the responsibility for making available the PPE needed to provide the services passes to the PFI contractor. As the Group is deemed to control the services that are provided under its PFI Scheme at Abingdon, the Group carries the fixed assets used under this contract on its Balance Sheet.

The initial recognition of these fixed assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as PPE owned by the Group.

The amount payable to the PFI operator is analysed into three elements:

- fair value of the services received during the year – debited to the Income and Expenditure Account
- finance cost – an interest charge of 8.3% on the outstanding Balance Sheet liability, debited to interest payable in the Income and Expenditure Account
- payment towards liability – applied to write down the balance Sheet liability towards the PFI operator

2015/16 was the sixteenth year of a 30 year PFI contract for the construction, maintenance and operation of a new Sector Station for Abingdon, Traffic Base for policing the A34 and surrounding area and a new Headquarters for the Southern Oxfordshire Area. The PCC has rights under the contract to use the building 24/7, 365 days a year. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the building and maintain it in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the building as an operational police HQ and sector station.

In 2002/03 the Police Authority paid a capital lump sum to Abingdon Ltd (the PFI provider) to convert the vacant mezzanine level into a Control Room.

Additional Custody cells and other ancillary facilities were added during 2010/11 and again the Authority paid a capital lump sum for this work. The only increase in the annual unitary charge relates to additional ongoing facilities management services and costs arising from the extension to the building which are provided under the PFI project agreement [e.g. cleaning, cyclical maintenance, etc].

At the end of the 30 year contract period the PCC will have the following options:

- Walking away without further payment
- Purchasing the building and site and operating itself
- Renegotiating terms for continued operation

The PCC only has the rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

Property Plant and Equipment (PPE)

The assets used to provide these policing services at Abingdon are recognised on the PCC's Balance Sheet. Movements in their value are detailed in the analysis of the Movement on the PPE balance in Note 10, page 50.

Payments

The PCC makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standard in any year but is otherwise fixed.

The PCC receives an annual grant from the Government to help finance these payments. This grant was initially calculated on a reducing balance basis over the 30 year contract term but, in 2005, it was converted to an annuity grant and the payment period was reduced from 30 years to 25 years. As such, the PCC will receive grant income of £1.032m in each of the next 9 years, with a small residual payment of £0.043m in year 10. The PCC will not receive any grant income in any of the last 4 years of the PFI contract.

Payments remaining to be made under the PFI contract at 31 March 2016 (excluding any estimation of inflation and availability performance deductions) are as follows.

	Payment for services £000	Finance Lease principal £000	Interest £000	Sub- Total £000	Grant Income £000	Net Cost £000
Payable in 2016/17	958	252	488	1,698	- 1,032	666
Payable within 2 to 5 years	3,832	1,235	1,727	6,794	- 4,128	2,666
Payable within 6 to 10 years	4,790	2,211	1,491	8,492	- 4,171	4,321
Payable within 11 to 14 years	3,832	2,522	440	6,794	0	6,794
Total	13,412	6,220	4,146	23,778	- 9,331	14,447

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The outstanding liability to the contractor for capital expenditure incurred is as follows:

	2014/15 £000	2015/16 £000
Balance outstanding at the start of the year	6,360	6,145
Payments during the year	- 215	- 233
Balance outstanding at year-end	6,145	5,912

30. IMPAIRMENT LOSSES ON PROPERTY, PLANT AND EQUIPMENT

Details of impairment losses on Property, Plant and Equipment are disclosed in note 10. All impairment losses have been experienced due to the general fall in market values.

31. PENSIONS

Accounting Policy

Post employment benefits

Police staff are eligible to join the Local Government Pension Scheme administered by Buckinghamshire County Council. This is a funded scheme. In 2015/16 the PCC paid an employer's

NOTES TO THE ACCOUNTS

contribution representing 13.8% of pensionable pay. The contribution rate is determined by the Fund's actuary based on valuations every three years.

Additional contributions are payable to cover the cost of any early retirements except those due to ill-health. In addition the PCC is responsible for all pension payments relating to any added years' benefits, together with the related increases.

The pension costs relating to those staff working in the Office of the PCC (OPCC) were previously included in the overall staff pension costs shown in the Chief Constable's accounts. However, due to the changes brought about by the stage 2 transfer of the Police Reform and Social Responsibility Act, the pension costs relating to staff working in the OPCC are now accounted for separately. See note 1 for further information. The share of the pension deficit relating to PCC staff was transferred to the PCC's liability as at 1st April 2014. The value of this share was £1.239 million

The values for each scheme are shown separately in the notes. Assets are measured at fair value which is assessed on the basis of bid price. Liabilities are measured using the projected unit method. Liabilities are discounted at 3.8%

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, 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 in the Comprehensive Income & Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2014/15 £000	2015/16 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services</i>		
• current service costs	170	237
• past service costs	0	0
• curtailment and settlements	0	0
• Administration expenses	2	2
<i>Financing and Investment Income and Expenditure</i>	56	66
• Net interest on defined liability		
Total Post Employment Benefit Charged to the Surplus or deficit on the Provision of Services	228	305
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
• actuarial gains and losses and return on plan assets	708	- 358
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	936	-53
Movement in Reserves Statement		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	- 228	- 305
<i>Actual amount charged against council tax for pensions in the year:</i>		
• employers' contribution payable to scheme	74	82
• retirement benefits payable to pensioners		

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2016 is a loss of £0.35 million

NOTES TO THE ACCOUNTS

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of scheme liabilities:

	Funded liabilities: LGPS	
	2014/15 £000	2015/16 £000
Opening balance at 1 April	0	2,269
Transfer of deficit from Chief Constable as at 1/4/2014	1,239	0
Current service cost	170	237
Interest cost	160	159
Contributions by scheme participants	53	68
Actuarial gains (-) and losses	708	- 358
Losses on curtailments	0	0
Liabilities extinguished on settlements	0	0
Benefits paid (net of transfers in)	- 61	- 10
Past service costs	0	0
Unfunded pension payments	0	0
Closing balance at 31 March	2,269	2,365

Reconciliation of fair value of the scheme assets:

	2014/15 £000	2015/16 £000
Opening balance on 1 April	0	344
Interest on assets	104	93
Actuarial gains and losses (-)	176	- 41
Employer contributions, including unfunded benefits	74	91
Contributions by scheme participants	53	68
Benefits paid	- 61	- 10
Administration expenses	- 2	- 2
Closing balance on 31 March	344	543

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £0.052 million (2014/15 was £0.28 million)

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Barnett Waddington, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2013.

The principal assumptions used by the actuary have been:

NOTES TO THE ACCOUNTS

	2014/15	2015/16
Long-term expected rate of return on assets in the scheme:	12%	2%
Mortality assumptions		
• Longevity at 65 for current pensioners (years)		
Men	23.7	23.8
Women	26.1	26.2
• Longevity at 65 for future pensioners (years)		
Men	26.0	26.1
Women	28.4	28.5
Rate of inflation - RPI	3.4%	3.4%
Rate of inflation - CPI	2.6%	2.5%
Rate of increase in salaries	4.4%	4.3%
Rate of increase in pensions	2.6%	2.5%
Rate of discounting scheme liabilities	3.5%	3.8%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on “reasonably possible” changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decrease for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated.

	Impact on the Defined Benefit Obligation	
	LGPS	
	Increase in assumption £ 000	Decrease in assumption £ 000
Longevity (increase or decrease by 1 year)	121	118
Rate of increase in salaries (increase or decrease by 0.1%)	22	22
Rate of increase in pensions (increase or decrease by 0.1%)	83	81
Rate for discounting schemes (increase or decrease by 0.1%)	101	103

The LGPS assets consist of the following categories, by proportion of the total assets held:

	31 March 2015	31 March 2016
	%	%
Equities	55	54
Gilts	12	12
Bonds	13	12
Property	9	9
Cash	2	3
Alternative assets	1	1
Absolute return portfolio	4	4
Hedge funds	4	4
Total	100	100

32. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Accounting Policy

The PCC recognises material contingent assets and liabilities, which arise from past events, whose existence can only be confirmed by the occurrence of one or more uncertain future events, which are not wholly within the PCC's control.

As at 31st March 2016, there are no known contingent assets or liabilities

33. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The PCC's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the PCC
- Liquidity risk – the possibility that the PCC might not have funds available to meet its commitments and make payments
- Re-financing risk – the possibility that the PCC might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the PCC as a result of changes in such measures as interest rate and stock market movements

Overall procedures for managing risk

The PCC's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003* and the associated regulations. These require the PCC to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall these procedures require the PCC to manage risk in the following ways:

- ✓ by formally adopting the requirements of the CIPFA Code of Practice on Treasury Management;
- ✓ by adopting the Treasury Policy Statement and the treasury management clauses within Financial Regulations;
- ✓ by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The PCC's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures for the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- ✓ by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the PCC's annual council tax setting budget meeting or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the PCC's financial instrument exposure. Actual performance is reported to the PCC on a quarterly basis.

The annual treasury management strategy which incorporates the prudential indicators was approved by the PCC on 20 January 2015. The key issues within the strategy were:

- The Authorised Limit for 2015/16 was initially set at £37.280m, but increased to £47.28m on 29th October 2015. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £27.280m. This is the expected level of debt and other long term liabilities during the year.

The PCC's treasury management policies are implemented by staff in the Office of the PCC (OPCC). The OPCC maintains written principles for overall risk management, as well as written policies (Treasury Management Practices - TMPs) covering specific areas such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with banks and/or building societies unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard & Poor's credit rating services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet minimum investment criteria. Additional selection criteria are also considered after this initial criteria is applied.

The PCC uses the creditworthiness service provided by Capita. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard & Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The Investment Strategy for 2015/16 was approved by the PCC on 20th January 2015

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors.

The PCC's maximum exposure to credit risk in relation to its investments in individual banks [or group] and building societies of £40m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the PCC's deposits but there was no evidence at the 31 March 2016 that this was likely to crystallise.

The following analysis summarises the PCC's potential maximum exposure to credit risk on other financial assets, based of experience of default and uncollectability over the last five financial years.

NOTES TO THE ACCOUNTS

	Amount at 31 March 2016 £000	Historical experience of default %	Adjustment for market conditions at 31 March 2016 %	Estimated maximum exposure to default and write-off £000
Customers	2,891	0.43	0.43	12

No breaches of the PCC's counterparty criteria occurred during the reporting period and the PCC does not expect any losses from non-performance by any of its' counterparties in relation to deposits.

Customers

Customers are assessed, taking into account their past trading experience and other factors, with new customers being subject to pre-payments for services to be received, in accordance with procedures set by the PCC.

The PCC does not generally allow credit for customers, such that £2.641m of the £2.891m balance on the Accounts Receivable ledger at 31 March 2016 is past its due date for payment (i.e. 30 day payment terms). The past due amount can be analysed by age as follows:

	31 March 2015 £000s	31 March 2016 £000
Less than three months ¹	3,397	172
Three to six months	1,113	6
Six months to one year	54	30
More than one year	122	42
Total	4,686	250

Liquidity risk

The PCC manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports) as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The PCC has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The PCC is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	31.3.15 £000	31.3.16 £000
Less than one year	57,539	47,264
More than one year	3,000	10,000
	60,539	57,264

All trade and other payables are due to be paid in less than one year and are not shown in the table above.

Refinancing and Maturity Risk

The PCC maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the PCC relates to

NOTES TO THE ACCOUNTS

managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The PCC's approved treasury and investment strategies address the main risks and OPCC staff address the operational risks within the approved parameters. This includes:

- ✓ monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- ✓ monitoring the maturity profile of investments to ensure sufficient liquidity is available for the PCC's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	31.3.15 £000	31.3.16 £000
Analysis of loans by type		
Public Works Loans Board	16,068	11,343
Barclays	3,500	3,500
Other Local Authorities	12,000	0
	31,568	14,843
Analysis of loans by maturity		
Short term - less than 1 year	16,725	0
Between 1 and 2 years	0	0
Between 2 and 5 years	1,393	1,393
Between 5 and 10 years	756	756
More than 10 years	12,694	12,694
	31,568	14,843

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

Market risk

Interest rate risk

The PCC is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the PCC, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Comprehensive Income and Expenditure Account will rise;
- borrowings at fixed rates - the fair value of the borrowing will fall (no impact on revenue balances);
- investments at variable rates - the interest income credited to the Comprehensive Income and Expenditure Account will rise; and
- investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value on the balance sheet, 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 the Comprehensive Income and Expenditure Statement.

NOTES TO THE ACCOUNTS

The PCC has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the PCC's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team in the OPCC will monitor market and forecast interest rates within the year to adjust exposures appropriately.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2016, if all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	-35
Increase in interest receivable on variable rate investments	353
Impact on Surplus or Deficit on the Provision of Services	318
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Provision of Services or Other Comprehensive Income and Expenditure)	-2,722

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The PCC does not invest in equity shares nor does it have shareholdings in joint ventures or local industry. There is therefore, no exposure to price risk.

Foreign currency risk

The PCC has no financial assets or liabilities denominated in foreign currencies, although it does operate a Euro bank account. Income received is banked immediately and converted using the spot exchange rate at the time of banking. All contracts are sought in sterling. In exceptional cases where this is not possible an additional price is sought from the contractor to fix the price in sterling. The PCC is then asked whether it wishes to pay this additional sum, or not.

Other than these exceptional cases, and the relatively small amount of cash held in the Euro bank account, the PCC has no exposure to loss arising from movements in exchange rates.

Police Pension Fund Account Statements

The Chief Constable is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. During the year all payments and receipts are made to and from the PCC Police Fund. This statement shows income and expenditure for the police pension schemes and does not form part of the Chief Constable or the PCC Group's statement of accounts.

Fund Account

	2014/15 £000	2015/16 £000
Contributions Receivable		
From employer		
- normal	- 36,105	-35,770
- early retirements	- 1,419	- 870
From members	- 20,117	- 20,054
Transfers in		
- individual transfers in from other schemes	- 1,120	- 1,681
Benefits Payable		
- pensions	67,786	70,878
- commutations and lump sum retirement benefits	20,899	26,657
- lump sum death benefits	151	84
Payments to and on account of leavers		
- refund of contributions	30	35
- individual transfers out to other schemes	2,065	1,372
Sub-total for the year before transfer from the Group of an amount equal to the deficit	32,170	40,651
Additional funding payable by the Group to fund the deficit for the year¹	- 32,170	- 40,651
Net amount	0	0

¹The annual deficit on the Police Pensions Account is funded in full by the Home Office Pension Top-up grant. This income is shown in the PCC and Group Income and Expenditure Account.

Pension Fund Net Asset Statement

	2014/15 £000	2015/16 £000
Unpaid pension benefits	0	0
Amount owing from the general fund	0	0
Net Current Assets and Liabilities	0	0

Introduction

The group accounts have been prepared under the International Financial Reporting Standards (IFRS) using the IFRS Based Code of Practice on Local Authority Accounting.

The IFRS based Code of Practice on Local Authority Accounting sets out comprehensive requirements for Group Accounts. These require policing bodies to consider all their interests and to prepare a full set of group financial statements when they have material interests in subsidiaries, associates or joint ventures.

The statements are intended to present financial information about the parent (the PCC) and the subsidiary (Chief Constable) by bringing together their results in a unified set of accounts. The accounts have been brought together on a line by line basis incorporating income and expenditure fully in the relevant service revenue account and combining assets and liabilities in the Balance Sheet. Inter group balances and transactions have been eliminated during the consolidation of the Group Accounts. A separate set of accounts have been prepared for the Chief Constable.

Accounting policies

The accounting policies adopted by the PCC have been followed in preparing the group accounts. Where the policy deviates from the PCC policy, the Group accounting policy is shown with the appropriate note.

GROUP ACCOUNTS

Group Movement in Reserves Statement for the years ended 31st March 2015 and 2016

	Note	General Fund	Earmarked Reserves	Capital Receipts Reserve	Capital grant unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000	£000
Note		18			18	18	19	
Balance at 31st March 2014		16,480	32,657	0	9,260	58,397	-2,999,928	-2,941,531
<u>Movement in reserves during 2014/15</u>								
Surplus or (deficit) on provision of services		-162,595				-162,595	0	-162,595
Other comprehensive Expenditure and Income						0	-363,886	-363,886
Total comprehensive Expenditure and Income		-162,595	0	0	0	-162,595	-363,886	-526,481
Adjustments between accounting basis & funding basis under regulations	G2	164,879		0	2,634	167,513	-167,513	0
Net increase/Decrease before transfers to Earmarked Reserves		2,284	0	0	2,634	4,918	-531,399	-526,481
Transfers to/from earmarked reserves		-1,151	1,151			0	0	0
Increase/Decrease in Year		1,133	1,151	0	2,634	4,918	-531,399	-526,481
Balance at 31st March 2015 carried forward		17,613	33,808	0	11,894	63,315	-3,531,327	-3,468,012
<u>Movement in reserves during 2015/16</u>								
Correction of cumulative rounding error		5				5	-4	1
Surplus or (deficit) on provision of services		-157,270				-157,270	0	-157,270
Other comprehensive Expenditure and Income						0	479,852	479,852
Total comprehensive Expenditure and Income		-157,270	0	0	0	-157,270	479,852	322,582
Adjustments between accounting basis & funding basis under regulations	G2	156,525		0	-4,697	151,828	-151,828	0
Net increase/Decrease before transfers to Earmarked Reserves		-740	0	0	-4,697	-5,437	328,020	322,583
Transfers to/from earmarked reserves	8	1,553	-1,553			-0	0	-0
Transfer between general balances and earmarked reserve		-26	26					
Increase/Decrease in Year		787	-1,527	0	-4,697	-5,437	328,020	322,583
Balance at 31st March 2016 carried forward		18,400	32,281	0	7,197	57,878	-3,203,307	-3,145,429

GROUP ACCOUNTS

Group Comprehensive Income and Expenditure Statement 2015/16

				31 March 2015			31 March 2016				
		Chief Constable	PCC	Group Position			Chief Constable	PCC	Group Position		
	Note	net	net	Expenditure	Income	Net	Net	Net	Expenditure	Income	Net
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Local Policing		198,731	3,367	218,618	-16,520	202,098	195,853	3,025	217,366	-18,488	198,878
Dealing with the public		31,111	0	32,885	-1,774	31,111	34,486	0	36,833	-2,347	34,486
Criminal justice arrangements		31,332	403	38,492	-6,757	31,735	32,328	0	39,004	-6,676	32,328
Roads policing		17,643	0	23,689	-6,046	17,643	18,174	0	24,755	-6,581	18,174
Specialist operations		18,928	0	22,968	-4,040	18,928	17,650	0	21,739	-4,089	17,650
Intelligence		25,736	0	35,889	-10,153	25,736	26,765	0	37,009	-10,244	26,765
Specialist investigations		89,136	0	98,774	-9,638	89,136	94,784	0	106,196	-11,412	94,784
Investigative support		11,736	0	12,354	-618	11,736	11,963	0	12,686	-723	11,963
National policing		10,995	0	34,962	-23,967	10,995	11,924	0	35,805	-23,881	11,924
Police and Crime Commissioner		0	908	908	0	908	0	2,401	2,535	-134	2,401
Non distributed costs		457	21	478	0	478	2,466	237	2,703	0	2,703
Net cost of Services		435,805	4,699	520,017	-79,513	440,504	446,393	5,663	536,631	-84,575	452,053
Intra group funding		-399,169	399,169				-407,919	407,919			
Other operating expenditure	G3 &(2)	-27309	25,018			-2,291	158	-347			-189
Financing and investment income and expenditure	G3	139,698	759	141,259	-802	140,457	123,356	573	124,776	-847	123,929
Surplus/deficit on discontinued operations											
Taxation and non specific grant income	G3		-416,075			-416,075	-270	-418,254			-418,524
(Surplus)/Deficit on Provision of Services			162,595			162,595		157,270			157,270
Surplus (-) / deficit on revaluation of fixed assets			-22,807			-22,807		-11,769			-11,769
Surplus (-) / deficit on revaluation of available for sale financial assets						0		0			0
Remeasurements of the net defined benefit liability (asset)	Below (1)		386,693			386,693		-465,768			-465,768
Any other gains (-) / losses			0			0		-2,315			-2,315
Other Comprehensive Income and Expenditure			363,886			363,886		-479,852			-479,852
Total Comprehensive Income and Expenditure			526,481			526,481		-322,582			-322,582

Notes: (1) Actuarial gains and losses apply to both assets and liabilities and are either due to changes in assumptions (on liabilities) and “experience items” – actual outcome different to expected – for both assets and liabilities. (2) In order to comply with the group accounting standard, the Chief Constable’s donated asset income is showing on the “other operating expenditure” line so that the Group net gain or loss on disposal of fixed asset (intra group transaction) is eliminated at group level.

The Balance Sheet for the Group

This shows the value at 31st March of the assets and liabilities recognised by the Group. Net assets are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Group is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (e.g. the revaluation reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'

31.3.15		Note	31.3.16
£000			£000
	Long Term Assets		
236,833	Property, Plant and Equipment	G4	244,947
0	Investment Property		0
3,061	Intangible assets	G5	2,863
3,000	Long term investments	12	10,000
1,934	Long term debtors	G7	1,863
244,829	Total Long Term Assets		259,673
	Current Assets		
48,271	Short term investments	12	35,345
724	Inventories	G6	770
48,670	Short term debtors	G7	37,768
4,870	Cash and cash equivalents	15	12,034
-0	Assets held for sale	16	2,005
102,536	Total Current Assets		87,922
	Current Liabilities		
-17,140	Short term borrowing	12	-416
-35,821	Short term creditors	G9	-47,620
-1,066	Provisions	G10	-1,440
-4,729	Accumulated absences		-5,629
-58,756	Total Current Liabilities		-55,105
	Long Term Liabilities		
0	Long term creditors	G9	0
-5,063	Provisions	G10	-4,988
-20,755	Long term borrowing	12	-20,503
-3,730,449	Liability related to defined benefit pension schemes	G20	-3,412,083
-16	Donated assets account	G21	-16
-339	Capital grants received in advance	25	-330
-3,756,621	Total Long Term Liabilities		-3,437,919
-3,468,012	Net Assets		-3,145,429
	Reserves		
63,318	Usable reserves	18	57,878
-3,531,331	Unusable reserves	G11	-3,203,307
-3,468,012	Total Reserves		-3,145,429

These financial statements replace the unaudited financial statements certified by the Chief Finance Officer on 31st May 2016.

I. Thompson
 Ian Thompson
 Chief Finance Officer

Louise Lee
 Dr Louis Lee
 Chairman, Joint Independent Audit Committee

The Cash Flow Statement for the Group

This statement shows the change in the Group's cash and cash equivalents during the reporting period. The statement shows how the Group generated and used 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 extent to which the operations of the Group are funded by taxation and grant income or 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 are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

	Note	31.3.15	31.3.16
		£000	£000
Net (surplus)/deficit on the provision of services		162,595	157,269
Adjust net surplus/deficit for non cash movements	G12	-169,392	-182,241
Adjust for items included in surplus/deficit that are investing and financing activities		7,038	6,008
Net cash flows from Operating Activities	G12	241	-18,964
Investing Activities	G12	2,286	17,565
Financing Activities	G12	-6,380	-5,767
Net increase (-) or decrease in cash and cash equivalents		-3,853	-7,166
Cash and cash equivalents at the beginning of the reporting period	15	1,018	4,870
Cash and cash equivalents at the end of the reporting period	15	4,870	12,034

G1 SIGNIFICANT ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires the Group to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors, the results of which form the basis of making judgements about the values and liabilities that are not readily apparent from other sources. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. Material estimates and assumptions are made in the following cases:

- a. Establishing the valuations of operational and residential properties (see Notes 10 and 17 for details of amounts and the valuation process involved). Depreciation is a calculation by the system, based on asset value and expected useful life of the asset. If the useful life of an asset is reduced then the depreciation charge to CIES will increase. The Group monitors the useful life of assets to identify where any changes to the depreciation charge are required during the year
- b. We have reviewed all property leases to determine which ones, if any, need to be treated as a finance lease. The outcome of that review is that only the Abingdon PFI scheme needs to be treated as a finance lease; all other leases are operating leases.
- c. The costs of a pension arrangement require estimates regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS 19 reporting are the responsibility of the Group as advised by their actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population.
- d. A judgement has been made of the expenditure allocated between the PCC and Chief Constable to reflect the financial resources of the PCC consumed at the request of the Chief Constable. The basis adopted for this allocation was determined by the Group in accordance with the standard set of activities for each corporate body identified in CIPFA's SeRCOP. In arriving at this approach various interested parties were consulted including senior management in both corporate bodies and careful consideration given to the PRSR Act and Home Office guidance.
- e. Changes to IFRS 11 (Joint Arrangements) required the Group to classify their collaborative arrangements. Senior Management within Thames Valley Police and their collaboration partners have considered the nature of the arrangements and most importantly, whether joint control exists within each arrangement, and in each case, a judgement has been made that the arrangement is outside the scope of the new collaboration standard. The Group will continue to account for its own share of income and expenditure of each arrangement. Details of these values are shown in note G17 (related party transactions)
- f. All surplus properties owned by the PCC have been reviewed and have been judged to meet the criteria of surplus properties rather than investment properties

G2 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Group in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure. All items are adjustments between the general fund balance and the unusable reserves shown below.

2015/16 Adjustments for Group

	General Fund Balance £000	Capital Receipts Reserve £000	Capital grant unapplied £000	Unusable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the CIES are difference from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to or from the pensions reserve)	147,402			-147,402
Financial instruments (transferred to the financial instruments adjustment account)	2			-2
Council tax (transfers to or from the collection fund adjustment account)	303			-303
Holiday Pay (transferred to the accumulated absences account)	900			-900
Non current assets written off on disposal (charged to capital adjustment account)	5,819			-5,819
reversal of entries in relation to capital expenditure (charged to the capital adjustment account)	9,625			-9,625
				0
Total Adjustments to the Revenue Resources	164,051	0	0	-164,051
Adjustments between revenue and Capital Resources				
Transfer of non current asset sale proceeds from revenue to capital receipts reserve	-6,008	6,008		
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	-943			943
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	-575			575
Total Adjustments between revenue and Capital Resources	-7,526	6,008	0	1,518
Adjustments to capital resources				
Use of capital receipts reserve to finance capital expenditure		-6,008		6,008
Application of capital grants to finance capital expenditure			-4,697	4,697
Total Adjustments to capital resources	0	-6,008	-4,697	10,705
Total Adjustments	156,525	0	-4,697	-151,828

2014/15 Adjustments for Group

	General Fund Balance £000	Capital Receipts Reserve £000	Capital grant unapplied £000	Unusable Reserves £000
Adjustments primarily involving the capital adjustment account				
<u>Reversal of items debited or credited to the CI&E</u>				
Depreciation & impairment	7,997			-7,997
Capital grants credited to CI&E	-2,831			2,831
Non current assets written out on disposal	4,748			-4,748
<u>Insertion of items not debited or credited to CI&E</u>				
Statutory provision for the repayment of debt	-1,172			1,172
Voluntary provision for the repayment of debt	0			0
Capital expenditure charged to general fund balance	-4,607			4,607
Adjustments primarily involving the capital grants unapplied account				
Capital grants credited to CI&E	-2,634		2,634	0
Application of grants to capital financing transferred to the capital adjustment account			0	0
Adjustments primarily involving the capital receipts reserve				
Sale proceeds credited as part of gain/loss on disposal	-7,039	7,039		
Use of capital receipts to finance new capital expenditure		-7,039		7,039
Adjustments primarily involving the financial instruments adjustment account				
Amount by which finance costs calculated in accordance with code are different from the amount of finance costs calculated in accordance with statutory regs	5			-5
Adjustments primarily involving the pensions reserve				
Reversal of items relating to retirement benefits debited or credited to CI&E	256,050			-256,050
Employers contributions and direct payments to pensioners payable in the year	-84,481			84,481
Adjustments primarily involving the collection fund adjustment account				
Amount by which council tax income included in the CI&E is different from the amount taken to the general fund	-445			445
Adjustments primarily involving the accumulated absences account				
Amount by which officer remuneration charged to the CI&E on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-712			712
Total adjustments between accounting basis and funding basis under regulations	164,879	0	2,634	-167,513

G3 ANALYSIS OF ITEMS IN COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

a) Other operating Expenditure

	2014/15 £000	2015/16 £000
Gain (-)/loss on disposal of fixed asset	-2,291	-189
Levies to national police service	0	0
Total Operating Expenditure	-2,291	-189

b) Financing and Investment income and expenditure (Group)

	2014/15 £000	2015/16 £000
Interest payable	1,505	1,354
Pensions interest cost on net defined benefit liability	139,754	123,422
Subtotal Financing and Investment expenditure	141,259	124,776
Interest and investment income	-802	-847
Total Operating Expenditure	140,457	123,929

c) Taxation and non specific grant income

	2014/15 £000	2015/16 £000
Police Grant	-151,291	-142,032
Formula Grant	-76,705	-74,314
Council tax	-135,166	-140,287
Pensions top up grant	-32,170	-40,651
Capital grants and contributions	-5,465	-5,961
Council tax legacy grant	-15,278	-15,278
Total taxation and non specific grant income	-416,075	-418,524

d) Specific grant income

	2014/15 £000	2015/16 £000
PFI grant	- 1,032	- 1,032
Counter terrorism grant (including dedicated security posts)	- 20,061	- 20,187
Bellwin scheme grant	- 290	0
SEROCU grant	- 3,956	- 2,954
Criminal records bureau grant	- 909	- 953
Loan charges grant	- 252	- 244
MoJ victims and witnesses grant	- 1,990	- 2,563
Innovation fund grant	- 200	- 1,178
Total specific grant income	28,690	29,111

G4 PROPERTY PLANT AND EQUIPMENT (PPE)

Accounting Policy

Property, Plant and Equipment are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. The de-minimus level policy is to capitalise all expenditure over £50,000 on an individual asset basis; Schemes with strategic importance (e.g. vehicles, force wide ICT projects, desktop PCs etc) are also capitalised.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that they yield benefits to the Group and the services they provide are for more than one financial year. Expenditure that secures, but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. Assets under construction are recorded in the balance sheet at cost.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are carried in the balance sheet using the following measurement bases:

- assets surplus to requirements – measured at fair value, estimated at highest and best use from a market participant's perspective.
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use.
- infrastructure assets and community assets – depreciated historical costs.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value and as a minimum revaluations are carried out every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognised unrealised gains.

Component assets

Where an item of PPE asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Group has set a policy that it will separately account for components of buildings that have a value in excess of £500,000.

The components that will be identified and separately depreciated are as follows:

- Land
- Building fabric
- Mechanical and Engineering services
- Roof
- Structures and Elevations
- Internal fabric
- External areas

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 write down is estimated to be material, the recoverable amount of the asset is determined and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where the loss is determined for a previously revalued asset, it is written off against any revaluation gains held for the relevant asset in the Revaluation Reserve, with any excess charged to the Comprehensive Income and Expenditure Statement (CIES). Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the CIES, up to the amount of the original loss, adjustment for depreciation that would have been charged if the loss had not been recognised.

Disposals

When an asset is disposed of, sale proceeds are transferred to the usable capital receipts reserve and the gain or loss on disposal is shown in the CIES

Depreciation

This is provided for all assets with a useful finite life, by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use, on a straight line basis.

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Grants and contributions

Grants and contributions relating to capital expenditure shall be recognised in the CIES as income except to the extent that the grant or contribution has a condition that the Group has not satisfied. In that event the amount subject to condition is transferred to the capital grants receipts in advance account. Where the conditions of the grant / contribution are satisfied, but expenditure for which grant is given has not yet been incurred, then such sums will continue to be transferred to the capital grants unapplied reserve.

Changes during 2014/15

On 1st April 2014, all short life assets (vehicles, plant and equipment) were transferred from the PCC to the ownership of the Chief Constable of Thames Valley. This was in accordance with Stage 2 of the Police Reform and Social Responsibility Act (see note 1 on page 40) This has no impact on the total value of assets held by the Group.

Movement on Fixed Assets

2015/16 movements

	Other Land and Buildings £000	Police Houses £000	Equity Share £000	Vehicles Plant and Equipment £000	Non Operational Assets £000	Assets under construction £000	Total £000
Cost or Valuation							
At 1st April 2015	179,046	22,513	3,716	67,048	2,875	640	275,837
Additions	545	0	0	12,954	0	2,974	16,474
Adjustment to opening balance	2,315						2,315
Donations				270			270
Assets under construction - brought into use	0	0	0	0	0	-0	0
Revaluation increases /(decreases) to RR	10,244	433	142		950		11,769
Revaluation increases /(decreases) to SDPS	6,168	90	0		-99		6,158
Disposals	-338	-2,738	-696	-2,728	-1,315		-7,814
Reclassifications							0
Assets reclassified to/from Held for sale	-1,605	-400	0		0		-2,005
Write out expenditure not adding value	0			-5,581			-5,581
Depreciation written out on revaluation	-6,847	0	0		1		-6,847
At 31st March 2016	189,527	19,898	3,162	71,963	2,412	3,613	290,576
Depreciation and Impairment							
At 1st April 2015	856	0	0	38,157	-1	0	39,012
Depreciation charge	7,412	0	0	8,053	-1		15,464
Depreciation written out on revaluation	-6,847	0	0		1		-6,847
Impairment losses / (reversals) to RR							0
Impairment losses / (reversals) to SDPS							0
Disposal	0	0	0	-1,994			-1,994
Reclassifications							0
At 31st March 2016	1,421	0	0	44,216	-1	0	45,635
Net Book Value							
At 31st March 2016	188,107	19,898	3,162	27,747	2,413	3,613	244,941

RR = Revaluation Reserve

SDPS = Surplus or Deficit in Provision of Services

GBV = Gross Book Value

GROUP ACCOUNTS

2014/15 movements

	Other Land and Buildings £000	Police Houses £000	Equity Share £000	Vehicles Plant and Equipment £000	Non Operational Assets £000	Assets under construction £000	Total £000
Cost or Valuation							
At 1st April 2014	159,919	22,577	4,097	58,360	2,134	137	247,224
Additions	301	0	0	11,183	0	739	12,223
Donations							0
Assets under construction - brought into use	237	0	0	0	0	-237	0
Revaluation increases /(decreases) to RR	19,865	1,873	389		680		22,806
Revaluation increases /(decreases) to SDPS	6,080	232	22		-196		6,138
Disposals	-563	-2,170	-792	-2,445	0		-5,970
Reclassifications							0
Assets reclassified to/from Held for sale	0	0			354		354
Write out expenditure not adding value	0			-50			-50
Depreciation written out on revaluation	-6,793	0	0		-95		-6,888
At 31st March 2015	179,046	22,513	3,716	67,048	2,875	640	275,837
Depreciation and Impairment							
At 1st April 2014	1,848	0	0	32,463	91	0	34,403
Depreciation charge	5,830	0	0	7,587	3		13,419
Depreciation written out on revaluation	-6,793	0	0		-95		-6,888
Impairment losses / (reversals) to RR							0
Impairment losses / (reversals) to SDPS							0
Disposal	-29	0	0	-1,903			-1,932
Reclassifications							0
At 31st March 2015	856	0	0	38,147	-1	0	39,002
Net Book Value							
At 31st March 2015	178,190	22,513	3,716	28,901	2,877	640	236,835

RR = Revaluation Reserve

SDPS = Surplus or Deficit in Provision of Services

GBV = Gross Book Value

Revaluations

Thames Valley Police's property valuers are Carter Jonas and Lambert Smith Hampton - Commercial Surveyors and Property Consultants. These companies have been commissioned to undertake a rolling programme of valuation of one fifth of the property portfolio each year with the remainder being subject to a desktop valuation to ensure that an appropriate value for all properties is maintained within the accounts.

Properties were valued at 1st March 2016 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

The significant assumptions applied in estimating the fair values are:

- The condition of the properties at the date of valuation is identical to that found at the date of the valuer's inspection
- There is no significant risk of contamination to the properties
- No deleterious material has been used in the construction of the properties
- The ground conditions are satisfactory for a traditional method of construction and that there are no contaminating or deleterious materials present which may prevent the development of the sites.
- The uses being carried out in each of the properties is an authorised planning use and that the buildings have been erected with full planning permission
- The properties and their value are unaffected by any matters which will be revealed by a local search or by any statutory notice.
- The properties comply with current fire regulations, building regulation controls, employment regulations, defective premises and health and safety legislation.

Fair Value disclosures for surplus assets

Details of the PCC's surplus assets and information about the fair value hierarchy as at 31 March 2016 are as follows:

<i>Recurring fair value measurements using:</i>	Quoted prices in active markets for identical assets (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair value as at 31 March 2016
	£000	£000	£000	£000
Surplus operational properties	0	610	0	610
Surplus land	0	1,800	0	1,800
Telecommunications sharing sites	0	3,135	0	3,135
Total	0	5,545	0	5,545

Transfer between levels of fair value hierarchy

There were no transfers between levels 1 and 2 during the year

Valuation techniques used to determine level 2 and level 3 fair values for surplus assets

Significant observable inputs – level 2

The fair value for all the surplus assets shown in the table above are based on quoted prices for similar properties in active markets. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at level 2 in the fair value hierarchy

Significant unobservable inputs – level 3

There are no properties categorised at level 3 in the fair value hierarchy.

Valuation process for surplus assets

The fair value of surplus assets is measured annually at 1st March by external valuation experts Carter Jonas. All 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 and in conjunction with the Chief Constables' finance team. There have been no changes in valuation techniques used during the year

Capital commitments

The following significant amounts are outstanding on capital contracts which have been entered into by the Group as at 31 March 2016. The amounts shown are the Thames Valley Police share of the Commitment. Where there is a total joint commitment to the contract by multiple forces, this value is shown in brackets.

	£000
Telematics for Vehicles (Total commitment £0.285m)	104
Upgrade to Windows 8.1 (Total commitment £0.179m)	98
Replacement mobile handsets	974
SEPSNA (Total commitment £0.562m)	418
Renovation and improvements at Sulhamstead training centre	638

G5 INTANGIBLE ASSETS**Accounting Policy**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Group (e.g. software licences) are capitalised where it will bring benefits to the Group for more than one financial year. The balance is amortised to the CIES over the economic life of the investment to reflect the pattern of consumption of benefits.

Expenditure on licences to use third party computer software gives rise to an intangible asset which has a finite useful life of 5 years. They are amortised on a straight line basis over the life of the asset.

	2014/15 £000	2015/16 £000
Gross Book Value		
Opening balance	4,953	5,582
Purchase of computer software licences	2,254	499
Write out capital expenditure not adding value	0	-6
Donated intangible assets	0	0
Write out fully depreciated items	-1,626	-2,108
Closing balance	5,582	3,966
Depreciation		
Opening balance	-3,481	-2,520
Amortisation charged to income and expenditure	-666	-690
Write out fully depreciated items	1,626	2,108
Closing balance	-2,520	-1,103
Net Book Value	3,061	2,863

As at 31 March 2016 the Group did not have any commitments to pay in relation to intangible assets

G6 INVENTORIES**Accounting Policy**

The Group holds stocks of uniforms, vehicle equipment and other operational equipment. All stocks are valued at purchase price. This is not consistent with IAS2 which requires stocks to be valued at the lower of cost or net realisable value. However, net realisable value for many stock items such as uniforms would be negligible, therefore to comply with IAS2 would significantly understate the value to the Group of the assets held.

The value of inventories held by the Group as at 31st March 2016 is £0.770m. This is categorised as follows:

	31.3.15	31.3.16
	£000	£000
Uniforms	406	379
Transport – parts and equipment	144	124
Other operational equipment	174	267
Total	724	770

The amount of inventories recognised as an expense during each year is as follows:

	2014-15	2015-16
	£000	£000
Uniforms	1,092	931
Transport – parts, livery and equipment	2,153	1889
Other operational equipment	1,172	502
Total	4,418	3,322

There have been NO inventory write down's during 2015-16.

As detailed in the accounting policy above, the Group departs from IAS2 by valuing stock at purchase price rather than net realisable value. The financial effect of complying with the code would be to reduce the value of stock on the balance sheet as at 31st March 2016 from £0.770m to £0.391m, as per the table below.

	31.3.15	31.3.16
	£000	£000
Uniforms	0	
Transport – parts and equipment	144	124
Other operational equipment	174	267
Total	318	391

G7 DEBTORS

	31.3.15 £000	31.3.16 £000
<i>Amounts falling due after more than one year</i>		
Loans to employees	13	22
Housing initiatives	4	4
Payments in advance – Abingdon PFI	1,173	1,095
NPAS Helicopter sales receipt	743	743
Total long term debtors	1,933	1,864
<i>Amounts falling due within one year</i>		
Government departments and agencies	20,737	14,637
Other public bodies	21,485	17,830
South East Regional Organised Crime Unit	0	0
NHS	24	0
Payments in advance	387	75
Public Corporations	0	0
Study loans	11	13
Cycle to Work loans	90	89
Housing initiatives	6	1
Other	5,939	5,130
	48,679	37,775
Less provision for doubtful debts (see below)	- 9	-8
Total current debtors	48,670	37,767
Total debtors	50,603	39,631

G8 PROVISION FOR DOUBTFUL DEBT

The provision for doubtful debts represents those debts that the Group believes may not be paid by the debtor. The debts have not, at this stage, been written off.

	31.3.15 £000	31.3.16 £000
Opening balance	31	9
Debts written off in period	- 25	0
Debts paid in period	- 1	- 2
Debts added to provision	3	1
Closing balance	9	8

G9 CREDITORS

	31.3.15 £000	31.3.16 £000
Government departments and agencies	6,490	6,693
Other public bodies	12,751	15,286
NHS	8	181
Public corporations	16	0
Employee payments	2,674	3,393
Other sundry creditors	13,884	22,067
	35,823	47,620

G10 INSURANCE PROVISION**Accounting Policy**

Provisions are made where an event has taken place that gives the Group an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Group becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made they are charged to the provision set up in the Balance Sheet.

The Group maintains a provision to meet insurance claims under a self-insurance scheme. There are cumulative limits to these, above which claims would be met by the Group's insurers. This provision covers two main areas of insurance, namely motor and employees/public liability. The adequacy of the insurance provision is assessed annually by a firm of actuaries. Payments for employees and public liability insurance are notoriously long tail, which means that it could be as long as 7 years before all current claims are finally paid and settled.

Comparative figures for provisions are not required.

	2015/16 £000
Opening balance at 1 April 2015	6,129
Transactions during the year:	
Additional provisions made in the period	1,843
Amounts used (incurred and charged against the provision) in the period	- 1,831
Amounts transferred from earmarked insurance reserve	286
Unused amounts reversed during the period	0
Unwinding of discounting	0
Closing balance at 31 March 2016	6,427

G11 UNUSABLE RESERVES

The Group keeps a number of reserves that are required to be held for statutory reasons. They cannot be used to provide services. This category of reserves includes those which hold unrealised gains and losses (revaluation reserve) where amounts would only become available to provide services if the assets were sold, and those which hold timing differences shown in the Movement in Reserves Statement line "adjustments between accounting basis and funding basis under regulations"

	31.3.15 £000	31.3.16 £000
Revaluation Reserve	66,000	74,961
Capital Adjustment Account	134,530	136,434
IAS 19 negative Pensions Reserve	- 3,730,449	- 3,412,083
Financial Instruments Adjustment Account	2	0
Collection Fund Adjustment Account	3,313	3,010
Accumulated Absences Account	- 4,728	- 5,629
Total	- 3,531,332	- 3,203,307

Revaluation Reserve

The revaluation reserve records the accumulated gains on the Property, Plant and Equipment held by the Group arising from increases in value, as a result of inflation or other factors. The balance is reduced when assets with accumulated gains are:

GROUP ACCOUNTS

- 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 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.

	31.3.15 £000	31.3.16 £000
Balance brought forward	45,787	66,000
Technical adjustment to opening balances	0	2,315
Revaluation of fixed assets	22,806	11,769
Amounts written out relating to sold assets	- 647	- 1,827
Historical cost depreciation adjustment	- 1,946	- 3,296
Balance carried forward	66,000	74,961

Capital Adjustment Account (CAA)

The CAA absorbs the timing differences 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 Group as finance for the costs of acquisition, construction 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.

	2014/15 £000	2015/16 £000
Opening Balance	129,033	134,530
Direct Revenue Financing	2,669	575
Credit for donated asset	0	270
Minimum Revenue Provision	1,172	942
Voluntary Revenue Provision	0	0
Revaluation reserve write down	2,594	5,124
Receipts on disposal of fixed assets	7,039	6,008
Carrying value of disposed assets	- 4,748	- 5,820
Less:		
PFI appropriation to revenue account	0	0
Annual depreciation and impairment	- 7,997	- 15,585
Application of Government grant and capital contributions to finance capital expenditure	2,830	10,389
Application of reserves to finance capital expenditure	1,938	0
Closing balance	134,530	136,433

IAS 19 Pension Reserve

See Note G20 on pages 107 to 111.

Financial Instruments Adjustment Account

This Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The PCC uses this account to manage premiums paid on the early redemption of loans. Premiums are debited to the CIES when they are incurred, but reversed out of the General Fund Balance to the account in the Movement of reserves Statement. Over time, the expense is posted back to the General fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the PCC's case, the period is the unexpired term that was outstanding on the loans when they were redeemed. 2015/16 is the final year that the loans would have been outstanding and therefore, the final year that the premium is posted to the general fund.

	2014/15 £000	2015/16 £000
Opening balance at 1 April	7	2
Proportion of premiums incurred in previous years to be charged against the General Fund Balance in accordance with statutory requirements	- 5	- 2
Closing balance at 31 March	2	0

Collection Fund Adjustment Account

This 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 local authority Collection Funds.

	31.3.15 £000	31.3.16 £000
Balance at 1 April	2,868	3,313
Amount by which council tax income credited to the Comprehensive Income and Expenditure account is different from council tax income calculated for the year in accordance with statutory requirements	445	- 303
Balance at 31 March	3,313	3,010

Accumulated Absences Account

Accounting Policy

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, TOIL (time off in lieu) paid sick leave, bonuses and non monetary benefits for current employees and these benefits are recognised as an expense in the year in which the employee renders service to the Group.

IAS 19 (Employee Benefits) requires the Group to account for short term compensating absences which include time owing and annual leave accrued by accruing for the benefits which have accumulated but are not taken by the balance sheet date. The accrual for untaken leave is charged to the provision of services, and reversed out through the Movement in Reserves Statement so that the leave is charged to the CIES in the financial year in which the holiday absence is taken.

GROUP ACCOUNTS

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.

	31.3.15 £000	31.3.16 £000
Opening balance	5,441	4,728
Reversal of prior year accrual	- 5,441	- 4,728
Accrual for accumulated absences at year end	4,728	5,629
Closing balance	4,728	5,629

G12 NOTES TO THE GROUP CASHFLOW STATEMENT

Analysis of operating, investing and financing activities:

	2014/15 £000	2015/16 £000
<u>Operating activities</u>		
Taxation	-135,166	-140,590
Grants	-304,710	-302,708
Sales of goods and rendering of services	-50,440	-54,566
Interest received	-801	-773
Cash inflows generated from operating activities	-491,117	-498,638
Cash paid to and on behalf of employees	388,638	385,588
Cash paid to suppliers of goods and services	101,197	92,716
Interest paid	1,524	1,371
Other payments for operating activities	0	0
Cash outflows generated from operating activities	491,358	479,676
Net cash flows from operating activities	241	-18,962
<u>Investing activities</u>		
Purchase of property, plant and equipment and intangible assets	17,452	13,230
Purchase of short and long term investments	0	0
Proceeds from the sale of property, plant and equipment	-7,038	-6,008
Proceeds from short and long term investments	-4,000	16,725
Other receipts from investing activities	-4,128	-6,382
Net cash flows from investing activities	2,286	17,565
<u>Financing activities</u>		
Cash receipts of short and long term borrowing	-12,000	
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI	215	233
Repayments of short and long term borrowing	5,405	-6,000
Net cash flows from financing activities	-6,380	-5,767

GROUP ACCOUNTS

	2014/15	2015/16
	£000	£000
IAS 19 pension liability	-171,569	-147,402
Depreciation and impairment	-7,332	-15,586
Carrying amount of non current assets sold	-4,748	-5,819
Premium/discount on restructuring of debt	-5	-2
Amortisation of intangible assets	-666	0
Other non cash items charged to deficit	6,177	5,061
 (Increase)/decrease in provisions	 1,472	 -298
Increase/(decrease) in stock	-237	46
Increase/(decrease) in debtors	8,892	-9,889
(Increase)/decrease in creditors	-1,376	-8,351
Total adjustment for non cash items	-169,392	-182,241

G13 SEGMENTAL REPORTING

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure statement is that specified by the *Service Reporting Code of Practice*. However, the Group monitors expenditure during the year on a subjective basis, as set out below.

	31.3.15	31.3.16
	£000	£000
PCC Controlled budgets	6,882	6,801
Direction and Control of the Chief Constable		
- Pay and Employment costs:		
Police officer pay and allowances	239,638	245,416
Police officer overtime	6,923	7,432
PCSO pay and allowances	13,624	13,886
Police staff pay and allowances	84,214	85,571
Temporary or agency staff	3,267	3,908
Police officer injury / Ill health / death pensions	4,553	3,751
Other employee costs	2,028	4,837
Total Pay and Employment costs	354,246	364,800
- Overheads		
Premises related expenditure	20,118	17,788
Transport related expenditure	9,534	8,351
Supplies and services	45,463	52,964
Third party payments	9,336	9,974
Force income	- 33,527	- 36,729
Total Overheads	50,924	52,348
Net Capital Financing Costs		
Capital financing	6,929	2,861
Interest on balances	- 802	- 847
Total Capital Financing Costs	6,127	2,014
Statutory Accounting Adjustment	923	119
Appropriations	- 517	- 2,814
Collaborative Services		
SEROCU expenditure	13,035	12,980
SEROCU income	- 13,035	-12,980
SECTU expenditure	15,135	14,467
SECTU income	- 15,135	- 14,467
Chiltern Transport Consortium expenditure	13,633	14,974
Chiltern Transport Consortium income	- 13,633	- 14,974
Total Cost of Services	418,585	423,268
Funded by:		
General Grant Income	- 240,347	- 231,624
Council Tax Precept Income	- 134,721	- 140,287
Specific Grants	- 46,589	- 52,613
Total Funding	421,657	424,524
Surplus transferred to General Balances	3,072	1,256

Reconciliation to Net cost of Services in Comprehensive Income & Expenditure Statement

This table provides a reconciliation between the Total Cost of Services as shown above and the net cost of service line in the comprehensive income and expenditure statement.

	31.3.15	31.3.16
	£000	£000
Total Cost of Services (from previous table)	418,585	423,268
Less:		
Interest Payable	1,504	1,354
Interest & Investment Income	- 802	- 847
Home Office Pensions top up grant	- 32,170	- 40,651
Appropriation to reserves	- 786	- 2,003
Council tax adjustment	445	0
Add:		
Specific grants	- 43,217	- 52,613
Segmental reporting "net cost of services"	407,178	412,499
Add amounts not reported to Management		
IAS 19 pension costs	115,818	113,625
Non distributed costs	478	2,468
Depreciation and impairment of tangible and intangible assets	7,997	15,585
Holiday pay accrual	- 712	901
Sub Total	123,581	132,579
Remove amounts reported to Management not included in Operating Cost Statement		
Minimum Revenue Provision	1,172	943
Direct Revenue Financing	4,607	575
Cost of asset sales	0	11
Premium/discount on restructuring debt	- 5	- 2
Employers contributions to pension schemes	84,481	92,113
Chiltern transport consortium surplus	0	- 615
Sub Total	90 255	93,025
Net cost of Services in Comprehensive Income and Expenditure Statement	440,504	452,053

G14 AGENCY INCOME AND EXPENDITURE

In 2015/16 the Group made a statutory contribution of £1.510m towards the running costs of the Police National Computer / Police National Database (2014/15, £1.634m).

G15 OFFICERS' REMUNERATION

The following sums have been paid to members of the Chief Constable's Management Team as well as the PCC's Statutory Officers.

GROUP ACCOUNTS

		Note	Salary, fees & allowances £	Bonuses £	Expense allowances £	Benefits in Kind £	Total remuneration excluding pension £	pension contribution £	Total £
Police Force									
Sara Thornton (Chief Constable)	14/15	1	183,873	0	0	2,816	186,689	39,407	226,096
Francis Habgood (Chief Constable)	15/16 14/15	2	169,896 139,769	0 0	44 0	2,880 4,090	172,820 143,859	39,801 32,510	212,621 176,369
John Campbell (Deputy Chief Constable)	15/16 14/15	3	137,270 106,053	0 0	2,372 0	6,156 4,567	145,798 110,620	31,866 24,351	177,664 134,971
Richard Bennett (Assistant Chief Constable)	15/16 14/15	4	7,308 108,342	0 0	0 0		7,308 112,864	684 24,152	7,992 137,015
Laura Nicholson (Assistant Chief Constable)	15/16 14/15	5	114,036 75,515	0 0	86 129	5,705 3,866	119,827 79,510	26,283 17,399	146,110 96,909
Nicola Ross (Acting Assistant Chief Constable)	15/16 14/15	6	100,864 84,247	0 0	346 3,368		101,210 87,615	23,079 18,983	124,289 106,598
Chris Shead (Assistant Chief Constable)	15/16 14/15	7	106,939 99,911	0 0	2,959 239	2,511 3637	112,409 103,787	24,532 23,049	136,941 126,836
Brendan O'Dowda (Acting Assistant Chief Constable)	14/15	8	69,213	0	0	883	70,096	13,406	83,502
Richard List (Temporary Assistant Chief Constable)	15/16		98,941		1,967	0	100,908	19,822	120,730
Alan Baldwin (Assistant Chief Constable)	15/16 14/15	9	95,809 102,858	58 212	97 1,453	3,140 2,540	99,104 107,063	18,311 22,710	117,415 129,773
Amanda Cooper (Director of Information)	15/16 14/15	10	111,754 100,645	0 0	932 22	290 1,304	112,976 101,971	15,422 13,889	128,398 115,860
Steven Chase (Director of People)	15/16 14/15		104,387 102,076	0 0	1,335 1,609	0 0	105,722 103,685	14,405 14,086	120,127 117,772
Linda Waters (Director of Finance)	15/16 14/15		104,483 99,231	0 0	525 67	0 0	105,008 99,298	14,419 13,694	119,427 112,992

Note 1: Sara Thornton was Chief Constable until 31.3.15

Note 2: Francis Habgood was Deputy Chief Constable until 31.3.15 and then Chief Constable from 1.4.15

Note 3: John Campbell was Assistant Chief Constable until 31.3.2015, Acting Deputy Chief Constable from 1.4.15 and then Deputy Chief Constable from 15.5.15

Note 4: Richard Bennett was ACC until 12.5.14 when he was seconded to the College of Policing. He retired on 10th April 2015

Note 5: Laura Nicholson became ACC from 1.8.14

Note 6: Nicola Ross was Acting ACC from 23.2.15

Note 7: Chris Shead is a joint ACC with Hampshire Constabulary and part of his remuneration is re charged to Hampshire Police

Note 8: Brenda O'Dowda was Acting ACC until 1.11.14

Note 9: Alan Baldwin's bonus payments relate to the period before he was an ACC

Note 10: Amanda Cooper was seconded to the Home Office between 10th March 2015 and 20th December 2015

GROUP ACCOUNTS

	Note	Salary, fees & allowances £	Bonuses £	Expense allowances £	Benefits in Kind £	Total remuneration excluding pension £	pension contribution £	Total £
Office of the Police and Crime Commissioner								
Paul Hammond	15/16	97,347	0	1,763	0	99,110	13,434	112,544
(Chief Executive)	14/15	97,347	0	2,025	0	99,372	13,434	112,806
Ian Thompson	15/16	80,523	0	747	0	81,270	11,112	92,382
(Chief Finance Officer)	14/15	76,475	0	865	0	77,340	10,554	87,893

	Note	Salary, fees & allowances £	Bonuses £	Expense allowances £	Benefits in Kind £	Total remuneration excluding pension £	pension contribution £	Total £
Police and Crime Commissioner								
Anthony Stansfeld	15/16	85,000	0	1,478	0	86,478	11,730	98,208
(PCC)	14/15	85,000	0	2,476	0	87,476	11,730	99,206
David Carroll	15/16	35,000	0	0	0	35,000	4,830	39,830
(Deputy PCC)	14/15	35,000	0	0	0	35,000	4,830	39,830

Note 2: David Carroll works part time (22.2 hrs per week) and his full time equivalent salary is £58,333

The pension contribution figures shown for police staff in 2014/15 are different to those quoted in the 2014/15 accounts, due to a correction of a presentational error.

The following table shows the number of police officers and staff whose total remuneration package exceeded £50,000. In this respect, total remuneration comprises gross pay as recorded on employee's P60 tax returns, together with taxable benefits in kind as disclosed to the HM Revenue and Customs on Form P11D. This table excludes those senior officers whose salaries etc. are disclosed separately above, as well police officers and staff who, as at 31st March 2016, are seconded to national bodies such as the College of Policing.

Total Remuneration £	2014/15	2015/16
95,000 – 99,999	1	0
90,000 – 94,999	1	3
85,000 – 89,999	6	4
80,000 – 84,999	9	6
75,000 – 79,999	9	6
70,000 – 74,999	11	17
65,000 – 69,999	19	24
60,000 – 64,999	70	65
55,000 – 59,999	137	154
50,000 – 54,999	272	275

G16 FEES PAYABLE TO EXTERNAL AUDITORS

The Group has incurred the following costs in relation to the audit of the Statement of Accounts by the Groups external auditors, Ernst and Young:

	2014/15 £000	2015/16 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	0	0
Other services provided by the auditor	0	0
Fees payable in relation to auditing the PCC and Group accounts by the appointed auditor for the year	55	40
Fees payable in relation to auditing the Chief Constable accounts by the appointed auditor for the year	24	19
Fees payable to/(rebate from) the Audit Commission with regards to fees for external audit services carried out by the appointed auditor for the year (PCC and Group)	- 6	0
Fees payable to/(rebate from) the Audit Commission with regards to fees for external audit services carried out by the appointed auditor for the year (Chief Constable)	- 3	0
Total fees	70	59

G17 RELATED PARTY TRANSACTIONS

Central Government has effective control over the general operations of the Group - it is responsible for providing the statutory framework within which the Group operates and provides the majority of its funding in the form of grants. Details of significant transactions with government departments are disclosed elsewhere in the Statement of Accounts.

The Chiltern Transport Consortium provides a vehicle fleet management service to TVP, Bedfordshire Police, Hertfordshire Police and the Civil Nuclear Constabulary. The following table provides a high level split of gross costs.

	£000
TVP	6,385
Bedfordshire Police	2,468
Civil Nuclear Constabulary	760
Hertfordshire Police	3,522
External Income	972
Total Gross Cost	14,107

The South East Regional Organised Crime Unit (SEROCU) comprises several different capabilities as recommended by the National ROCU board. The following table provides a high level split of gross costs.

	£000
TVP	3,120
Hampshire Police	2,643
Kent Police	585
Surrey Police	1,469
Sussex Police	2,169
External Income	3,150
Total Gross Cost	13,136

We collaborate with Hampshire Police in terms of ICT, Information management and Operations. Two of these (ICT and Information Management) are led by TVP whilst Hampshire Police leads on operations. The following table provides a high level split of gross costs for 2015/16.

	£000
TVP	43,455
Hampshire Police	36,722
Total Gross Cost	80,177

Members and Chief Officers are required to declare whether they, or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the PCC Group during the financial year. The Chief Finance Officer has written to the PCC, deputy PCC and chief officers to collect this information. The outcome is that, in his opinion, there are no material related party transactions to disclose in 2015/16.

G18 CAPITAL EXPENDITURE AND FINANCING

The Group spent £16.972m on the acquisition and enhancement of long term assets in 2015/16, as the following table shows

	£000
Land and buildings	3,520
Vehicles, plant and other equipment	4,268
Information, communications and technology	8,685
Total tangible fixed asset expenditure	16,473
Intangible assets (i.e. computer software licences)	499
Total Capital Expenditure	16,972

Financing of the capital programme is set out below.

	£000
Capital grant	9,983
Capital receipts	6,008
Borrowing	0
Third party contributions	405
Reserves contributions	41
Revenue contributions	535
Total financing 2015/16	16,972

The capital financing requirement for 2015/16 was £39.655m.

G19 TERMINATION BENEFITS

Accounting Policy

Termination benefits are amounts payable as a result of a decision by the Group to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These are charged as an expense in the "cost of services" in the Comprehensive Income and Expenditure at the point in which the Group can no longer withdraw the offer of termination benefits.

During 2015/16, the Chief Constable terminated the contracts of 55 police staff (with service in excess of 2 years and thus entitled to redundancy payment) incurring total liabilities of £0.692m of redundancy payments and £0.406m of pension strain costs.

Termination benefits are accounted for in the year in which the decision is made, not when the individual leaves TVP.

The number of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below:

2015/16

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total cost of exit packages in each band £000
£0 - £20,000	17	18	35	312
£20,001 - £40,000	3	11	14	388
£40,001 - £60,000	2	1	3	150
£60,001 - £80,000	0	2	2	155
£80,001 - £100,000	0	1	1	92
£100,000 - £150,000	0	0	0	0
Total	22	33	55	1,097

2014/15

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total cost of exit packages in each band £000
£0 - £20,000	5	0	5	52
£20,001 - £40,000	3	0	3	92
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,000 - £150,000	0	0	0	0
Total	8	0	8	144

The figures shown above include, where appropriate, the cost to the Group of paying the pension strain on those employees who accepted early retirement. Pension strain is a payment made to the pension fund to reflect the additional cost to the fund of the employee retiring early. It is not a payment made to the individual employee.

Voluntary redundancies are only agreed in situations where, by accepting a volunteer, the Group avoids or reduces the requirement to select and implement compulsory redundancies.

G20 PENSIONS**Accounting Policy**Post employment benefits

The Group operates three pension schemes for police officers and a single scheme for police staff.

Police Officers

The Police Pension Scheme (PPS) is a contributory occupational pension scheme (contracted out from the State Earnings Related Pension Scheme), governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The 2006 Police Pension Scheme (NPPS) which started on 1 April 2006, is a contributory occupational pension scheme (contracted out from the State Earnings Related Pension Scheme) governed by the Police Pension Act 1976 (as amended by the Police Pension Regulations 2007). The Police Pension Scheme 2015 (PPS 2015) which started on 1st April 2015 is also a contributory occupational pension scheme (contracted out from the State Earnings Related Pension Scheme) governed by the Police Pension Act 1976 (as amended by the Police Pension Regulations 2015). Officers make a contribution from their pensionable pay, based on salary bandings. The employee's

contribution is set nationally by the Home Office and is subject to triennial revaluation. A Pension Fund was set up on 1 April 2006 to administer all three schemes.

This is an unfunded scheme administered by the Chief Constable, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts payable, the Group must annually transfer an amount required to meet the deficit to the pensions fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. In the unlikely event that, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Group which must then repay the amount to central government

The NPPS and PPS are defined benefit schemes paid from revenue (without managed pension assets). Accrued net pension liabilities have been assessed on an actuarial basis in accordance with IAS 19 Employee Benefits, the net liability and a pensions reserve for both Pension schemes has been recognised on the balance sheet, as have entries in the CIES for movements in the asset / liability relating to the defined benefit scheme. Transfers into and out of the scheme representing joining and leaving police officers, are recorded on a cash basis in the pension fund, because of the length of time taken to finalise the sums involved.

Following the Code's requirements, IAS 19 has been fully recognised in the Group accounts. Scheme liabilities as shown on the balance sheet are calculated by determining future liabilities for pension payments and applying a discount rate equal to the yield on an index of long dated AA rated corporate bonds as at 31 March 2016. The pension liabilities in these accounts have been calculated accordingly at a discount rate of 3.55%

Police Staff

Police staff are eligible to join the Local Government Pension Scheme administered by Buckinghamshire County Council. This is a funded scheme. In 2015/16 the Group paid an employer's contribution representing 13.8% of pensionable pay. The contribution rate is determined by the Fund's actuary based on valuations every three years.

Additional contributions are payable to cover the cost of any early retirements except those due to ill-health. In addition the Group is responsible for all pension payments relating to any added years' benefits, together with the related increases.

The values for each scheme are shown separately in the notes. Assets are measured at fair value which is assessed on the basis of bid price. Liabilities are measured using the projected unit method. Liabilities are discounted at 3.8%

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, 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 in the Comprehensive Income & Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

GROUP ACCOUNTS

	LGPS		Police Pension Scheme	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
• current service costs	18,986	25,045	96,830	88,580
• past service costs	0	486	200	1,840
• curtailment and settlements	21	- 136	0	0
• Administration expenses	259	278		0
<i>Financing and Investment Income and Expenditure</i>				
• Net interest on defined liability	7,514	8,912	132,240	114,510
Total Post Employment Benefit Charged to the Surplus or deficit on the Provision of Services	26,780	34,585	229,270	204,930
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
• actuarial gains and losses and return on plan assets	100,861	- 52,762	329,560	- 401,073
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	127,641	- 18,177	558,830	- 196,143
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	26,780	34,585	229,270	204,930
<i>Actual amount charged against council tax for pensions in the year:</i>				
• employers' contribution payable to scheme	11,869	11,879	72,885	80,233
• retirement benefits payable to pensioners				

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2016 is a loss of £0.944 billion

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of scheme liabilities:

	Funded liabilities: LGPS		Unfunded liabilities: Police Pension Scheme	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Opening balance at 1 April	480,100	617,146	3,003,010	3,469,890
Current service cost	18,986	25,045	76,720	68,520
Interest cost	21,977	21,512	132,240	114,510
Contributions by scheme participants	5,694	5,876	20,110	20,060
Actuarial gains (-) and losses	100,861	- 52,762	329,560	- 401,073
Losses on curtailments	0	- 136	0	0
Liabilities extinguished on settlements	0	0	0	0
Benefits paid (net of transfers in)	- 10,194	- 10,858	- 91,950	- 97,347
Past service costs	21	486	200	1,840
Unfunded pension payments	- 299	- 291	0	0
Closing balance at 31 March	617,146	606,018	3,469,890	3,176,400

Reconciliation of fair value of the scheme assets:

	LGPS	
	2014/15 £000	2015/16 £000
Opening balance on 1 April	310,923	356,587
Interest on assets	14,463	12,600
Actuarial gains and losses (-)	24,390	- 5,644
Employer contributions, including unfunded benefits	11,869	12,343
Contributions by scheme participants	5,694	5,876
Benefits paid	- 10,493	- 11,149
Administration expenses	- 259	- 278
Closing balance on 31 March	356,587	370,335

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £6.956m (2014/15 was £38.853m)

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Scheme has been assessed by the Government Actuaries Department. The County Council Fund liabilities have been assessed by Barnett Waddington, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2013.

The principal assumptions used by the actuary have been:

	LGPS		Police Pension Scheme	
	2014/15	2015/16	2014/15	2015/16
Long-term expected rate of return on assets in the scheme:	12%	2%	N/A	N/A
Mortality assumptions				
• Longevity at 65 for current pensioners (years)				
Men	23.7	23.8	23.3	23.1
Women	26.1	26.2	25.7	25.1
• Longevity at 65 for future pensioners (years)				
Men	26.0	26.1	25.4	25.1
Women	28.4	28.5	27.9	27.2
Rate of inflation - RPI	3.4%	3.4%	3.35%	3.35%
Rate of inflation - CPI	2.6%	2.5%	2.2%	2.2%
Rate of increase in salaries	4.4%	4.3%	4.2%	4.2%
Rate of increase in pensions	2.6%	2.5%	2.2%	2.2%
Rate of discounting scheme liabilities	3.5%	3.8%	3.3%	3.55%
Take-up of option to convert annual pension into retirement lump sum	50%	50%		

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on "reasonably possible" changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decrease for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated.

GROUP ACCOUNTS

	Impact on the Defined Benefit Obligation			
	LGPS		Police Pension Scheme	
	Increase in assumption £ million	Decrease in assumption £ million	Increase in assumption £ million	Decrease in assumption £ million
Longevity (increase or decrease by 1 year)	17,267	16,775	69.700	69.700
Rate of increase in salaries				
• LGPS (increase or decrease by 0.1%)	2,102	2,086		
• Police Pension (increase or decrease by 0.5%)			43.300	43.300
Rate of increase in pensions				
• LGPS (increase or decrease by 0.1%)	11,743	11,462		
• Police Pension (increase or decrease by 0.5%)			274.300	274.300
Rate for discounting schemes				
• LGPS (increase or decrease by 0.1%)	13,367	13,682		
• Police Pension (increase or decrease by 0.5%)			357.700	357.700

The Police Pension Scheme has no assets to cover its liabilities. The LGPS assets consist of the following categories, by proportion of the total assets held:

	31 March 2015	31 March 2016
	%	%
Equities	55	54
Gilts	12	12
Bonds	13	12
Property	9	9
Cash	2	3
Alternative assets	1	1
Absolute return portfolio	4	4
Hedge funds	4	4
Total	100	100

G21 DONATED ASSETS

This account holds the value of donated assets which have been received by the Group with conditions attached to them. The National Police Air Service donated some ground based equipment during 2015/16. This was a donation without conditions attached which was immediately credited to the CIES.

	31.3.14	31.3.15	31.3.16
	£000	£000	£000
Opening balance	16	16	16
Amounts received in year	0	0	270
Amounts recognised in comprehensive income and expenditure account once conditions met	0	0	-270
Amounts repaid once it is known that the conditions will not be met	0	0	0
Closing balance	16	16	16

G22 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Accounting Policy

The Group recognises material contingent assets and liabilities, which arise from past events, whose existence can only be confirmed by the occurrence of one or more uncertain future events, which are not wholly within the Group's control.

The Chief Constable of Thames Valley Police, along with other Chief Constables and the Home Office, currently has 33 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

G23 NATURE AND AMOUNT OF TRUST FUNDS

Staff working for Thames Valley Police administer the following trust funds.

	2014/15 capital value of fund £	2015/16 capital value of fund £
TVP Benevolent fund – Provides financial relief to necessitous members of the fund, their widows and dependents	807,806	778,710
TVP Civilian Staff Welfare Fund – The relief of need, hardship and distress to current and former civilian employees of TVP and their dependents [Financial year end 31 December]	22,708	22,725
Thames Valley Special Constabulary Welfare Fund – To provide relief to serving or former members of the TV Special Constabulary and their dependents who are in conditions of need, hardship or distress	32,971	32,452
TVP Welfare Fund – To relief serving and retired TVP officers, including cadets, in conditions of need, hardship and distress [Financial year end 31 August]	33,365	21,965
Sulhamstead Police College Trust Fund – To provide welfare and recreational facilities for those attending events at or working at the police training college	139,985	139,716

All of these funds are outside the scope of the audit of the main financial statements. The Benevolent Fund is audited by an external accountancy and audit practice. The Welfare Funds are internally reviewed by a qualified accountant within the finance department. The Sulhamstead Police College Trust Fund is audited by an external qualified accountant

Absolute return portfolio

This refers to investment strategies which target a return that is above zero, and are often linked to other financial benchmarks such as LIBOR (London Inter Bank Offered Rate)

Accruals

The concept that income and expenditure are recognised as they are earned or incurred not as money is paid or received.

Actuarial gains and losses

Actuarial gains and losses arise where actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or the actuarial assumptions have been changed.

AGS

Annual governance statement

Alternative assets

These are less traditional investments where risks can be greater but potential returns higher over the long term, e.g. investments in private equity partnerships, hedge funds, commodities, foreign currency and futures.

Amortisation

The gradual elimination of a liability, such as a loan, in regular payments over a specified period of time

Appropriations

Transfer of monies between the revenue account and the balance sheet.

Bonds

Bonds are debt obligations issued by private corporations to finance a variety of purposes, e.g. business expansion. When a bond is issued, the corporation promises to return the money on a specified date, paying a stated rate of interest. Bonds do not provide ownership interest in the corporation

Budget

A statement of the PCC's plans in financial terms. A budget is prepared and approved by the PCC before the start of each financial year and is used to monitor actual expenditure throughout the year.

Capital Charge

A charge to the revenue account to reflect the cost of using fixed assets.

Capital Expenditure

As defined in the Local Government and Housing Act 1989, but broadly expenditure on the acquisition of a fixed asset or expenditure which extends the life or value of an existing fixed asset.

Capital Financing Requirement

The capital financing requirement (CFR) measures the Group's underlying need to borrow or finance by other long-term liabilities for a capital purpose.

Capital Receipts

Proceeds from the sale of capital assets. They may be used to finance new capital expenditure or repay existing loan debt. Receipts available to finance capital expenditure in future years are held in the usable capital receipts reserve.

Carrying value

An accounting measure of value, where the value of an asset or a company is based on the figures in the company's balance sheet. For assets, the value is based on the original cost of the asset less any depreciation, amortization or impairment costs made against the asset. For a company, carrying value is a company's total assets minus intangible assets and liabilities such as debt. Also known as "book value".

Chief Constable

The most senior police officer in charge of a police force

CIES

Comprehensive Income and Expenditure Statement

CIPFA

Chartered Institute of Public Finance and Accountancy, the main professional body for accountants working in the public services

Collaboration

Where two or more police forces work jointly, governed by a legal agreement, in order to realise operational efficiency, resilience and cost effectiveness.

Contingency

An event that may occur but that is not likely or intended

Creditors

Amounts owed by the group at the Balance Sheet date for goods received or work done.

Current service (pensions) cost

An estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to the receipt of a lump sum and pension when they retire. It measures the full liability estimated to have been generated in the year and is thus unaffected by whether any fund established to meet liabilities is in surplus or deficit.

Curtailment & settlements

Curtailment arises as a result of the early payment of accrued pensions on retirement on the grounds of efficiency, 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 Group but unpaid at the Balance Sheet date.

De minimus

An amount so small that it will not have a significant impact on the accounts

Depreciation

A charge calculated either on a straight line or reducing balance basis, to reflect the diminishing value of an asset over its useful economic life.

Direct Revenue Financing

The amount of capital expenditure to be financed by a contribution from the revenue account in a single year.

Emoluments

Money or other compensation for work that has been done

Equities

Shares in UK and overseas companies.

Expected return on assets

The expected return on assets is a measure of the return (income from dividends, interest etc, and gains on invested sums) on the investment assets held by the pension scheme for the year. It is not intended to reflect the actual realised rate by the scheme, but a longer-term measure, based on the value of assets at the start of the year (taking into account movements in assets during the year) and an expected return factor.

Fair Value

Fair value is the value of an asset or liability in an arms length transaction between unrelated willing and knowledgeable parties.

Fixed Assets

Tangible assets which yield benefits to the Group for periods of more than one year

Gilts

The familiar name given to sterling, marketable, fixed interest securities (or bonds) issued by the British Government.

Hedge Funds

A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.

ICT

Information, Communications & Technology

IFRS

International Financial Reporting Standards

Impairment

This only relates to fixed assets, including cash investments. Impairment is caused either by a consumption of economic benefits or by a general fall in prices.

Intangible Fixed Assets

Assets that do not have a physical substance, but provide a benefit over a period of time, e.g. computer software.

Leasing

A method of financing expenditure over a period of time. There are two main types of lease:

- a) Finance lease - where the risks of ownership are transferred to the lessee and where the assets are recorded in the Group's balance sheet at a current valuation.
- b) Operating Lease - where the risks of ownership stay with the leasing company and the annual rental charges are made via the Revenue Account.

LGPS

Local Government Pension Scheme

Liability

An obligation that legally binds an individual or company to settle a debt

Loans Outstanding

Loans raised to finance capital spending which have still to be paid.

Minimum Revenue Provision (MRP)

The minimum amount of the Group's outstanding debt which must be repaid by the revenue account in the year

MiRS

Movement in reserves statement

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Present Value (NPV)

The difference between the present value of cash inflows and the present value of cash outflows.

NPAS

National Police Air Service

Outturn

The actual level of spending and income in a particular year

Past service (pension) costs

These are non-periodic costs – they arise from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years.

PCC

Police and Crime Commissioner

PFI

Private Finance Initiative

Police Grant

Police grant is allocated by the Home Office using a highly complex needs based formula. This grant finances around 40% of police revenue expenditure.

PPE

Property, Plant and Equipment

Provision

An amount set aside to provide for a liability which is likely to be incurred, although the amount and date of that liability are uncertain.

Public Works Loans Board (PWLB)

A Government body from which local authorities may raise long term loans

Remuneration

All amounts paid to or receivable by a person. It includes taxable expenses and the estimated money value of any other benefits received by an employee other than in cash (e.g. benefits in kind).

Reserves

An amount set aside for a specific purpose and carried forward to meet expenditure in future years. General reserves represent accumulated balances which may be used to support future spending.

Revenue Expenditure

Spending on day to day running expenses of the PCC and Force.

RPI

Retail Price Index, a measure of inflation which includes housing costs.

SECTU

South East Counter-terrorism unit

SEROCU

South East Regional Organised Crime Unit

Specific Grants

Government grants to aid certain services, usually paid at a fixed proportion of spending actually incurred.

Usable Capital Receipts

Capital receipts available to finance capital expenditure in future years.

VFM

Value for Money



Statement of Accounts
for the year ended
31 March 2016