For PCC and group
for year ended
31 March 2019

POLICE & CRIME COMMISSIONER
THAMES VALLEY

STATEMENT OF ACCOUNTS

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PREFACE

Introduction to the 2018/19 Statement of Accounts by Anthony Stansfeld, the elected Police and Crime Commissioner for Thames Valley

The accounts for 2018/19 reflect another difficult year for policing nationally. Thames Valley Police have had a number of major operations over and above the more normal policing activities. Two Royal weddings, the Commonwealth Prime Ministers meeting, and the visit of the President of the United States, all took place in our area. These not only required considerable organisation to ensure they flowed smoothly, but were also taking place at a time of high security alerts. Considerable expense was incurred by all of these major events, but I am pleased to report that our finance officers were able to keep detailed accounts of the costs which we were able to claim back through the Home Office.

While TVP has shown consistent high performance when compared with other forces we are still facing difficulties owing to the financial pressures that all police forces have to contend with. Our HMICFRS Peel Reports continue to rate us one of the best performing forces in country, in spite of being at a financial disadvantage compared to the majority of other forces. This stark imbalance of funding between police forces has yet to be addressed by central government. Two previous attempts to sort this out have failed. I hope that this can be sorted out over the next year.

During the year TVP has had to retain its high level of performance while making further cash savings of £2m, and do this at a time of ever increasing demand. Nationally we are seeing a significant rise in crime, though in the TVP area the rise is significantly less than the national average. As one of the less well funded police forces this is a great credit to all who work for TVP.

The Thames Valley is an affluent and expensive area to live in, and we do have problems with recruiting and retention of officers. The employment of 95 civilian case investigators is helping to cover the deficit we currently have in police numbers, but this cannot be a long term solution to this problem.

The £3m we invest into victims and witnesses services is now proving its worth. This money is not out of the police funding but is provided by the Ministry of Justice. It is being used efficiently and effectively. On 1st April 2018 we created an in-house Victims First Hub which is located at the Berkshire Fire and Rescue Service HQ in Reading. After a year of operating I can report that it has bedded in well and provides a really impressive service to victims of crime.

The financial settlement for 2018/19 required me to raise more money from the local Council Tax payer. While I have reservations about how this was handled nationally, it allowed most of the concerning cuts that we were having to make to be stopped. I had not expected there would be further cuts in the national budget for policing, and hoped that we would see a substantial rise in police funding as concerns about violent crime come to national attention. However this has not materialised, and Treasury changes to the police pension funding in 2019/20 has required me to again raise further money at a local level, something I did not wish to do. I put this out to consultation in December 2018, and by a majority of 70% the public supported the further raise to Police Council Tax precept. This I have done by the equivalent of £24 on a Band D house. This has raised an extra £24m, of which £8.5m is being spent on increasing capabilities in a number of critical areas. For that I am grateful.

Lastly I would like to thank all those who have worked on the difficult budget over the past year. That we have been able to cope with the rise in demand and the difficult financial settlement of last year while retaining a high level of performance is a great credit to the Chief Constable's Management Team, particularly Linda Waters and her finance team, and my own staff led by Ian Thompson. The Thames Valley Accounts have been well run, and the independent audits have praised the competence of our internal audit team.

THE NARRATIVE REPORT

Message from the Chief Finance Officer – Ian Thompson

This Narrative Report 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 2019/20 accounts.

With the policing landscape becoming increasingly complex and challenging, coupled with ongoing financial pressures, the Chief Constable (Francis Habgood), 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. The net overspend of £0.307 million equates to less than 0.1% of the net revenue budget of £391.471 million which is an excellent achievement.

Within the PCC's office we have let a number of service contracts for victims and witnesses of crime and these are delivering real benefits to some of the most vulnerable members of society. Just under £3 million has been spent on services for victims this year, including the establishment of the new Victims First Counselling hub which opened in April 2018.

The PCC has a community safety budget of £3.0 million. Just over £2.7 million was provided 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. The PCC retained £0.3 million for centrally provided or commissioned services. A brief summary of the benefits delivered to local communities is provided later in this narrative report.

In January 2018 the Police Minister wrote to all Police and Crime Commissioners requiring them to publish their reserve strategies and plans on their website in order to improve transparency and public accountability. We have published this information for many years and will continue to comply with this statutory requirement.

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 2018/19 was £391.5 million, of which £7.4 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 8 district councils.

The Force is divided into 12 Local Policing Areas (LPAs). 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 Counter Terrorism Police South East (CTPSE) and the South East Regional Organised Crime Unit (SEROCU). 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 the police forces in Bedfordshire, Hertfordshire, Cambridgeshire and TVP and the Civil Nuclear Constabulary.

The mix of crime and the associated workload in Thames Valley is changing. Further information is provided in the section on non-financial performance for Thames Valley Police on page 11.

A good indication of Police workload is the number of external calls we receive in to our control rooms and enquiry department. During 2018/19 we received 1,136,598 calls (average of 3,114 per day) of which 344,699 were 999 calls and 791,929 were 101 **calls**. This resulted in 522,009 **incidents** recorded on our Command and Control system, of which 229,486 were attended by officers and staff.

3. FINANCIAL PERFORMANCE

a. Economic climate

Since the Chancellor announced the results of the Coalition Government's Spending review in 2010 Government support for local policing budgets has been reduced, in real-terms, by 34%. Even with annual increases in council tax precept, total funding for local police has been reduced by 21% between 2010/11 and 2018/19.

Since 2010, Thames Valley Police has removed over £100 million of cash savings from its annual revenue budget, which equates to 26% of the net revenue budget in 2018/19.

In November 2017 the Government finally recognised the additional demand pressures on the police service. In his statement of the provisional police grant report for 2018/19 the Minister for Policing and the Fire Service (Nick Hurd) stated:

'*We need to recognise that there have been material changes in the demands on policing since the 2015 Spending Review. Demand on the police from crimes reported to them has grown and shifted to more complex and resource intensive work such as investigating child sexual exploitation and modern slavery. At the same time the terrorist threat has changed. The 24% growth in recorded crime since 2014/15 comes from more victims having the confidence to come forward and report previously hidden crimes, better recording practices by the police – both of which are to be welcomed – but also includes some concerning increases in violent crime*'

The Minister announced an increase in overall police funding of £450 million, of which around £270m would be being raised by PCCs increasing their local Band D Council tax by up to £12 a year. At the time the Home Office indicated that the same council tax precept flexibility would be available in 2019/20 subject to certain conditions on transparency on police reserves, productivity and efficiency being met during 2018.

However, the Government understated the impact of the additional demand on police forces. In his letter to Yvette Cooper MP on 13th December 2018 the Home Secretary stated:

"*We have reviewed the demand on the police again. It is clear that demand pressures on the police have risen this year as a result of changing crime. There has been a major increase in the reporting of high harm, previously hidden crimes such as child sexual exploitation and modern slavery. The challenge from serious and organised crime networks is growing. Through the Serious Violence Strategy, we are bearing down on the worst spike in serious violence and knife crime that we have seen in a decade by combining support for more robust and targeted policing with effective long-term investment in prevention and earlier intervention. And we need to recognise the work done by the police to combat the evolving threat from terrorism. The Government is determined to support the police to meet the demand across counter-terrorism, serious and organised crime and local policing*."

The Home Secretary announced increased funding available to PCCs by up to £813 million if all PCCs use their precept flexibility fully. This is the biggest annual increase since 2010. It includes up to £509 million from additional council tax precept, by enabling PCCs to increase their local precept by up to £24 for a Band D equivalent property.

b. Financial Management

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

During 2017 TVP was one of 22 forces to receive a "good" rating from HMIC in all 3 key categories in their Police Effectiveness Efficiency & Legitimacy (PEEL) inspection and, indeed, was one of only two forces nationally to have been awarded an 'outstanding' grade for the efficiency element.
In 2018, HMICFRS changed the scope and methodology of its PEEL regime to a new Integrated PEEL Assessment. Thames Valley has been subject to a staggered inspection process during 2018

and 2019 - this is scheduled to conclude by mid-July 2019. At the present time, it is unclear when HMICFRS will publish its graded PEEL judgements which inform its annual State of Policing Report.

c. Revenue

Budget 2018/19

The Minister announced a flat rate grant settlement (police grant plus ex-DCLG grant) for 2018/19 which, when combined with the precept flexibility of up to £12 for a Band D property, meant that all PCCs would receive a real terms increase in funding between 2017/18 and 2018/19.

As in previous years the amount of money set aside by the Home Office to fund national initiatives and projects increased from £812 million to £945 million. This included £495 million for police technology programmes and £175 million for the Police Transformation Fund.

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

The 2018/19 net budget requirement of £391.471 million represented a cash increase of £12.214 million or 3.2%. In order to fund this increase in expenditure the PCC increased the police element of council tax by £12, or 7% which was supported by 84.3% of the public in the short public consultation exercise carried out over the Christmas / New Year period. The budget required cashable savings of £2.561 million and an appropriation from reserves of £2.405 million.

The budget resulted in a net reduction of 2 police officers and 2 PCSO posts but a net increase of 71 police staff, mainly due to the temporary recruitment of 95 civilian case investigators.

Revenue Outturn 2018/19

a) PCC Controlled expenditure

A high level analysis of the PCC's budget and expenditure is provided below.

	Annual Budget £000	**Annual Outturn £000**	**Variance £000**
Office of the PCC	1,021	1,065	44
Democratic Representation	226	233	7
Other Costs	194	127	- 67
Commissioning Services			
- Community safety fund	3,150	2,694	- 456
- Victims & witnesses	2,769	2,794	25
PCC Controlled Budgets	**7,360**	**6,913**	**- 447**

b) Group level

The following table provides a high level comparison between the approved budget for 2018/19 and actual expenditure at the Group level (i.e. PCC and Chief Constable). The annual revenue deficit of £0.307 million has been appropriated (or transferred) from general balances. This level of deficit represents less than 0.1% of the Net Cost of Services which demonstrates strong and effective financial management of the annual budget.

	Annual Budget £000	Annual Outturn £000	Variance £000
PCC controlled budgets	**7,360**	**6,913**	**- 447**
TVP Operational budgets – direction and control of the Chief Constable			
Pay and Employment Costs			
Police officer pay and allowances	251,722	250,085	- 1,638
Police officer overtime	8,820	10,307	1,487
PCSO pay and allowances	13,020	12,385	- 635
Police staff pay and allowances	97,447	97,015	- 433
Temporary or agency staff	6,676	6,676	0
Police officer injury / ill health / death benefits	4,058	4,122	65
Other employee expenses	3,237	3,358	121
Restructure, training & conference costs	1,353	1,665	312
	386,333	**385,612**	**- 721**
Overheads			
Premises	16,136	15,376	- 759
Transport	8,513	10,388	1,875
Supplies & services	54,789	54,303	- 486
Third party payments	12,534	12,446	- 88
Specific grants	- 72,978	- 72,435	543
Force income	- 32,916	- 32,850	66
	- 13,922	**- 12,771**	**1,152**
Other			
Capital financing	13,887	13,747	- 140
Interest on balances	- 950	- 1,031	- 81
Statutory accounting adjustments	0	136	136
Appropriation from balances	- 1,237	- 829	408
	11,700	**12,023**	**323**
Regional collaboration services			
South East Regional Organised Crime Unit	16,712	16,712	0
Counter Terrorist Police South East	21,833	21,833	0
Chiltern Transport Consortium	17,702	17,702	0
Regional CT firearms specialist officers	4,625	4,625	0
Government grants and partnership income	- 60,872	- 60,872	0
	0	**0**	**0**
Cost of Services	**391,471**	**391,777**	**307**
Funded by:			
General grant income	- 227,382	- 227,382	0
Council tax	- 164,089	- 164,089	0
Net Revenue position	**0**	**307**	**307**

Outlook – Medium Term Financial Plan

The Financial Strategy for 2019/20 was approved by the PCC in November 2018 and is available on the PCC's website. The new Capital Strategy was produced and published in January 2019

The PCC's medium term financial plan (MTFP) incorporates the Government supported increase in council of £24 for a Band D property in 2019/20 and an assumption of 2% per annum from 2020/21 onwards. In the absence of any guidance on future grant settlements we have assumed flat cash grant settlements between 2020/21 and 2022/23

In order to balance the revenue budget cash savings of at least £15.1 million will be required during the four year period 2019/20 to 2022/23. The MTFP is fully balanced at this stage.

A high level summary of the MTFP is provided below.

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Annual Base Budget	391,471	419,914	426,472	433,260
Inflation	10,659	8,559	8,701	8,926
Productivity Savings	- 4,765	- 3,593	- 4,802	- 1,969
Committed Expenditure	13,347	1,277	619	- 65
Current Service	- 6,125	528	0	0
Improved Service	14,142	155	2,524	- 792
In Year Appropriations	1,185	- 368	- 254	924
Net Budget Requirement	**419,914**	**426,472**	**433,260**	**440,284**
Total External Funding	**- 419,914**	**- 426,472**	**- 433,260**	**- 440,284**

There are a number of significant risks to the MTFP and these are clearly explained in the 2019/20 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 2019/20 of £419.914 million, which required a 13.17% increase in council tax (or £24 for a Band D property), was approved by the Police and Crime Panel on 13th February 2019. Although it represents an annual cash increase of £28.443 million or 7.3% it still requires cash savings, identified through the Force's Productivity Strategy, of £4.765 million.

After funding pay and price rises, inescapable growth commitments and the shortfall in police officer pension costs, the £24 increase in council tax in 2019/20 will enable Thames Valley Police to invest around £8.5 million in the following priority policing areas:

- £2.5 million to recruit additional police officers and staff for local policing to respond to increasing crime demand and complexity;
- £1.3 million to improve services to the public through contact management by investment in 101 (non-emergency) call handling;
- £2.2 million to improve investigative capacity and process for complex crime by recruiting more investigators, and
- £2.5 million to increase our digital development programmes to improve productivity and efficiency.

Due to the ongoing financial pressures coupled with an increase in operational demand, the next few years will continue to be 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 2018/19

The following table shows the net capital position compared to the active capital budget for 2018/19. The variance of £5.816 million comprises scheme underspends of £0.129 million and slippage of expenditure of £5.687 million

	Annual Budget £m	Actual Spend £m
Property schemes	6.081	5.712
Vehicles and equipment	6.415	4.975
ICT core schemes	2.911	2.046
Business change programmes	12.611	9.734
Schemes in preparation	0.543	0.280
Total	28.560	22.746

Medium Term Capital Plan

The PCC has approved a Medium Term Capital Plan (MTCP) costing £71 million over the next four years, which will provide the Force with appropriate infrastructure and assets to deliver innovative policing strategies with fewer resources.

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Property	4.558	10.298	6.766	0.529	22.151
ICT / Business Change	15.428	4.248	2.736	3.574	25.986
Equipment & Radio	3.661	4.405	0.796	0.150	9.012
Vehicles	3.330	3.413	3.498	3.586	13.827
Totals	**26.978**	**22.364**	**13.796**	**7.839**	**70.976**

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

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

- Providing a fit for purpose efficient police estate with a reduced overall cost
- Providing our officers and staff with the equipment and information when and 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 Equip (Enterprise Resource Planning) 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 2019 we had negative net assets of £4.444 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 (£4.354 billion) coupled with the net deficit of 0.368 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 £278 million, including £59 million in usable cash reserves.

Group Balance Sheet	At 31.3.18	At 31.3.19
	£m	£m
Non-current assets	263	266
Net current assets	51	54
Pension liabilities	- 4,294	- 4,722
Other long-term liabilities and provisions	- 33	- 42
Net Assets	**- 4,013**	**- 4,444**
Usable reserves	64	59
Unusable reserves	217	219
Pensions reserve	- 4,294	- 4,722
Total Equity	**- 4,013**	**- 4,444**

Pension Liabilities

The value of net pension liabilities in the Group Balance Sheet is £4.722 billion, comprising £4.354 billion for police officers and £368 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 2018/19 the Group paid an employer's contribution representing 13.8% of pensionable pay. The last valuation was in April 2016 which reported a funding level of 95%. This valuation will inform the employers' contribution rate in 2019/20. The PCC Group has a deficit recovery plan in place to make additional contributions to the Pension Fund over a 14 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 2019 amounted to £18.7 million, or 4.8% of the 2018/19 net budget requirement. Given the level of future financial uncertainty we are happy to be carrying a slightly higher level of general balances than previously planned.

We also maintain a number of earmarked revenue reserves which are held for specific purposes or activities. In total, these amounted to £25.5 million at 31 March 2019.

Capital grants and reserves have increased during the year due to a number of asset sales and at 31st March 2019 they amounted to £15.4 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 2019 this amounted to £8.6 million. The next valuation will be undertaken in the autumn to inform the 2020/21 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

	31.3.18	31.3.19
	£m	£m
Cash and other cash equivalents	7.995	8.583
Short term investments	50.085	55.143
Total	**58.080**	**63.726**

Total cash and cash equivalents at 31 March 2019 is £63.73 million. 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 2019 the PCC had total external borrowings of £27.478 million and a finance lease liability of £5.195 million. The combined 'debt' figure of £32.673 million is well within the Authorised Limit for external debt of £63.226 million as approved by the PCC on 23 January 2018.

The PCC's Capital Financing Requirement at 31st March 2019 was £44.137 million which, when compared against the combined debt for capital purposes figure of £32.673 million, means that we have borrowed £11.464 million from internal reserves or cashflow to help fund capital expenditure.

Investments

At 31st March 2019 we had £63.535 million invested in 5 different institutions, namely Lloyds Bank, Santander UK, Goldman Sachs, Federated Money Market Fund, and Dundee City Council.

4. NON-FINANCIAL PERFORMANCE

PCC Controlled budgets

The PCC has a community safety budget of £3.0 million, of which £2.7 million has been given in grants to county and unitary councils in the Thames Valley area, and £0.3 million was retained by the Office of the PCC (OPCC) to fund force-wide initiatives. The local authorities have used their grant allocations to deliver the following services:

- Youth offending including youth restorative justice, intervention work with young offenders and participation in youth crime prevention projects: £922,222
- Substance misuse including Drug Alcohol Action Team services, treatment for offenders (including rehab), staff training in early intervention, prison link workers: £608,562
- Domestic abuse (DA) including outreach support, Independent Domestic Violence Advocates, DA champions, school productions to inform them about DA at home: £427,394
- Young people, including crime prevention, safeguarding and diversionary activities: £222,300
- Anti-social behaviour, including ASB officers, dealing with complaints and an ASB diversionary programme in schools and community groups: £175,644
- Hidden harm activities including modern slavery, human exploitation and safeguarding intervention: £106,498
- Integrated offender management: £68,670
- Miscellaneous activities covering a raft of different initiatives and activities: £200,821

The £0.3 million retained by the OPCC has been used to:

- Fund a domestic violence perpetrator programme: £112,318
- Grant funding for reducing re-offending projects: £75,584

- Grant funding for youth, gangs and exploitation projects: £34,437
- Grant funding for an elder abuse project: £25,212
- Contribution to GPS tagging project: £25,000
- Fund night vision and ANPR cameras for Thames Valley Police: £33,269
- Other expenditure including contributions to Crimestoppers, evaluation of Judge Sheridan's proposal for DV courts and Modus software (£44,552)

The PCC receives an annual grant from the Ministry of Justice to commission services for victims and witnesses of crime. During 2017/18 the PCC spent his full grant allocation of £2.765 million which includes the following services and benefits:

- Thames Valley Partnership received £145,280 for Restorative Justice, which has led to 111 potential case conferences between victims and perpetrators.
- Refuge received £334,818 to provide an Independent Sexual Violence Advisory (ISVA) service and have received 496 referrals between 1 April 2018 and 31 Mar 2019.
- SAFE received £436,384 to provide a service to support young victims of crime. During the last year they have received 565 referrals into the service and supported 758 young victims.
- Thames Valley Partnership received £275,000 to provide an emotional support and advocacy service to 493 victims of crime.
- Thames Valley Partnership received £199,508 to provide an exploitation and complex needs service to 232 vulnerable and exploited people.
- Our new Victims First hub opened on 1st April 2018 to act as a single point of contact for triage and referral to appropriate services for all victims across Thames valley. This service cost £200,063 and received 5,194 valid referrals where successful contact was made with victims.
- Our new network of specialist counsellors cost £180,859 and resulted in 570 adults and young people receiving counselling
- Our domestic violence medium risk safety planning service was commissioned through local authorities. Oxfordshire county Council received £13,000 and managed 346 referrals, Buckinghamshire received £11,700 and managed 1,756 occurrences, MK Act received £13,700 and managed 1,638, Slough Borough Council received £15,600 and managed 1,363 occurrences and West Berkshire Council received £1,300 and managed 91 occurrences.
- We commissioned a Domestic Violence complex need service from a range of providers across the Thames Valley. Berkshire Womens Aid received £16,271 and received 99 referrals, Reducing the Risk received £16,325 and received 49 referrals, Oxfordshire County Council received £73,828 and received 38 referrals, SMART received £44,655 and received 37 referrals, Slough Council received £36,382 and received 42 referrals and West Berkshire Council received £48,799 and received 13 referrals.
- We funded a modern slavery co-ordinator which cost £42,165.
- £392,000 of local authority community safety spend was included within the MoJ budget. This provided additional domestic violence services across the Thames valley area.

The balance (£0.268 million) has been spent on other services for victims, including commissioning costs.

The PCC and Chief Constable ran two public bidding rounds for grants from the Police Property Act Fund. In October 2018 they awarded £97,950 to 20 charities and community groups across the Thames Valley who each made a significant contribution to reducing reoffending and/or improving the local response to serious organised crime and terrorism. In February 2019 a further £100,700 was awarded to 32 separate charities and/or community groups regarding their work on vulnerability and prevention and early intervention. In addition, the three county High Sheriffs identified a further 9 organisations who have received £75,000, in total, from the Police Property Act Fund. In April 2017 the PCC and Chief Constable gave the four Community Foundations £105,000 and tasked them with obtaining additional matched funding in order to increase the total grant pot to at least £150,000. Not all this money was spend during 2017/18. During the last 12 months the PCC and Chief Constable have approved 12 individual grant awards using £38,462 of PPAF money. The Community Foundations have added £34,120 of partnership funding supporting total project costs of £169,906.

Thames Valley Police

2018/19 has been a particularly notable year for the force as it represented the very best of British policing in the eyes of the world. In addition to a challenging year in terms of business as usual, Thames Valley Police ran the largest operations in its history: the Royal Wedding in Windsor in May 2018 and the visit by the US President to four locations within Thames Valley in July 2018. Throughout these operations the officers and staff of Thames Valley Police were exceptional ambassadors for the force and British policing.

Alongside the ongoing threat of international terrorism there has been an increase in the level of violent crime and knife crime at a national level. Thames Valley has not been immune to this. In 2018/19 the Thames Valley area saw an increase in violence against the person (excluding domestic offences) of 33%. The most significant increases are in offences where there was no injury. Offences involving more serious violence have decreased significantly with 35% fewer grievous bodily harm (GBH) offences than the same time last year (428 to 279). Offences which are classified as knife crimes (which include robbery, violence and sexual offences) increased by 12.1%; however, this may be partly attributed to better flagging of offences on the force's crime recording system.

For violence against the person offences, Thames Valley compared favourably to its Most Similar Group (2nd out of 8). In the sub-category of violence without injury, TVP has the lowest rate of crimes per 1000 residents compared with other forces in its most similar group.
Our major crime unit continues to operate at a highly effective level. Of the 11 murders in Thames Valley from April 2018 to March 2019 all 11 of the murder investigations have been concluded or are going through the court process. So far, eight people have been jailed for a total of 122 years. A further 10 people are remanded in custody awaiting trial with one person having pleaded guilty to murder and awaiting sentencing.

Across the Thames Valley volumes of residential burglary (excluding garages and sheds) have reduced compared with the 2017/18 by 2%. This represents 95 fewer offences and halts the recent trend of rising yearly burglary volumes. The Force continues to compare favourably in terms of burglary rates with other forces in its Most Similar Group (2nd position out of 8 Forces) and nationally the position of Thames Valley has improved to 13th out of 43) for residential burglary (including sheds and garages). There has been a small increase in the number of positive outcomes achieved by the force (positive outcome rate is currently 10.9%). This outcome rate compares healthily with national figures where Thames Valley lies 9th out of the 43 Forces and achieved the highest rate in its most similar group.

Domestic abuse related crime has risen substantially this year, observing a 53% increase against 2017/18. This was an area of concern in the HMICFRS Inspection of Crime Data Integrity, so the increase is believed to reflect an improvement in crime recording. Since January 2018 the force has introduced a daily check of domestic incident occurrences on its crime recording system to ensure crimes have been correctly recorded. Whilst the positive outcome rate has fallen to 12% from 21% last year, this is partly as a result of the improved recording of offences. The satisfaction level for victims of domestic abuse remains high at over 80%.

In collaboration with Her Majesty's Courts and Tribunal Service we ran a pilot programme to fast track Domestic Abuse cases through the court process and help victims remain engaged. The assessment of the pilot, carried out by Huddersfield University demonstrated that the pilot programme resulted in a high number of guilty pleas.

During the national County Drugs Lines week in January 2019 the force arrested 106 people connected to County Lines drugs, 27 warrants were executed, 156 stop and searches were carried out, and officers took over 2,800 wraps of cocaine, heroin and cannabis off the streets of the Thames Valley. £133,000 was seized from criminals along with 147 phones and a number of weapons including machetes and flick knives. As a result of our activity we also safeguarded 43 children and 69 vulnerable adults.

Through our Hidden Harm campaign which ran from October 2017 to March 2019 we worked closely with partners and charities to highlight the issues of modern slavery, child abuse, honour based abuse and hate crime. Through the phases of the campaign we reached over four million people via social media and the force has seen an increase in recorded crimes in a number of the areas covered. The Modern Slavery Helpline, NSPCC and Karma Nirvana, three of the key agencies we partnered with, have also seen an increase in contacts during the campaign months.

Along with Hampshire Constabulary in July 2018 we launched our new website and now share the same platform as the Metropolitan Police. This is to be the single on-line home for all police forces and by May 2019 there were 10 forces sharing the platform. The ambition is to provide the communities we serve with the channels to contact the police for the service they require in the most timely and appropriate way. In the first four months following the new website being launched (July 2018) almost 20,000 on-line forms were received including 7,680 crime reports and 3,863 reports of road traffic incidents. Over 400 people told us that they would not have reported their crime in any other way.

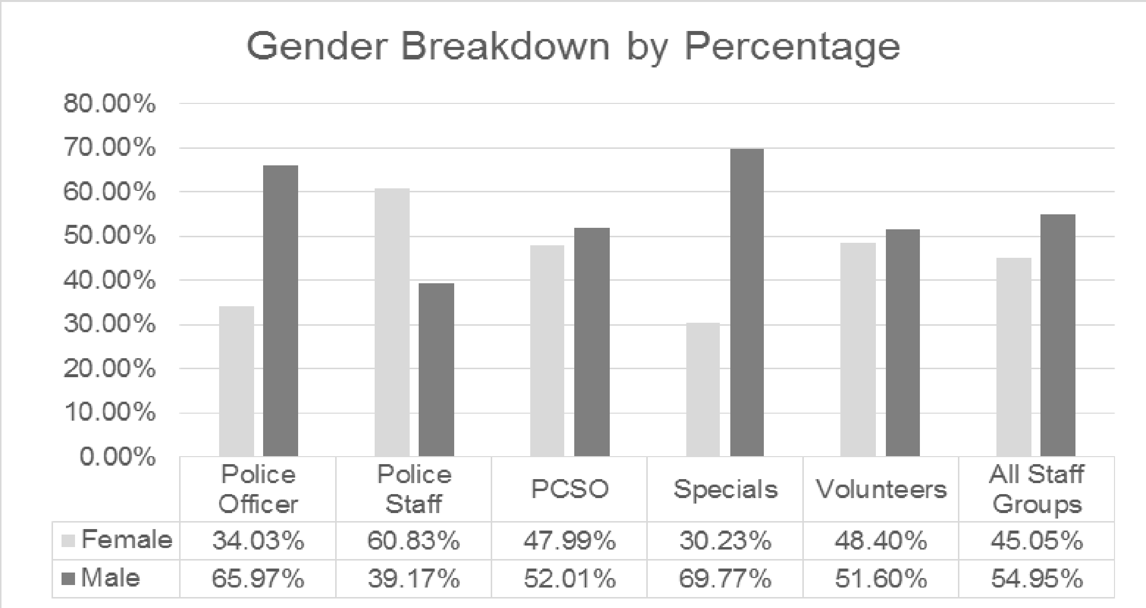
5. PEOPLE

At 31st March 2019 Thames Valley Police employed 7,771 people in full and part time contracts. We also had 397 unpaid members of the special constabulary and 779 volunteers giving a total workforce of 8,947.

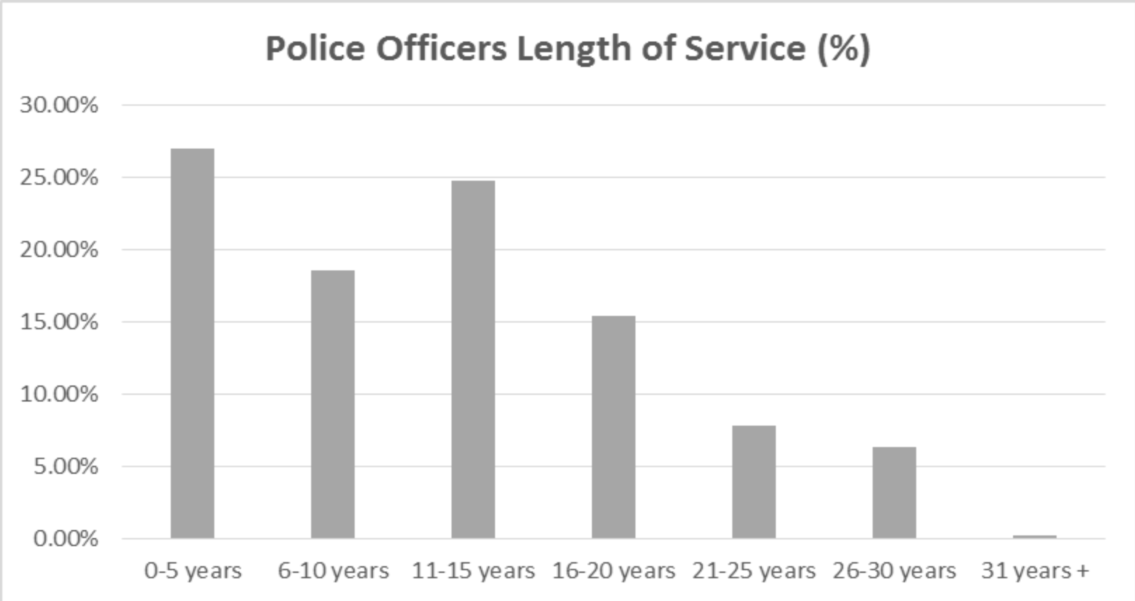
Below is the make-up of the Police workforce. This includes circa 600 police officers and police staff who work in regional collaborated units such as the Counter Terrorist Police South East (CT PSE), SE Regional Organised Crime Unit (SEROCU), regional specialist firearms and the Chiltern Transport Consortium (CTC).

	Workforce	Full Time Equivalent
Police Officers	4,261	3,825
Police Staff	3,112	2,465
PCSO	398	386
Paid employees	**7,771**	**6,676**
Special Constabulary	397	
Volunteers	779	
Total workforce	**8,947**	

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 70% of officers having less than 15 years' service, as shown below.



6. PRINCIPAL RISKS AND UNCERTAINTIES

A risk management strategy is in place which allows the identification and management of risk at all levels of the Force. There is a defined and consistent process which supports better decision-making based on an understanding of the likelihood and impact of opportunities and risks.

The Chief Constable's Management Team (CCMT) currently leads on 8 main strategic risks, which are reviewed and updated quarterly, and the Joint Independent Audit Committee has oversight of these reports.

In current priority, as defined by scoring based on expert stakeholders input and CCMT, the risks are:

- **The Force is below establishment, whilst demand and the complexity of policing has increased.** The main consequences of this risk are around public safety and the Force's ability to meet current targets and its' future strategic goals. The risk is managed by a programme board which is prioritising recruitment and how to improve retention, good progress has been made with reducing the level of vacancies and the risk is expected to be removed from the Strategic Risk register by the end of 2019.

- **Funding for 2020/21 may be inadequate to allow us to continue delivering all existing services to the same level of performance and may not accommodate additional demand whether through increasing numbers, complexity or scope. The savings required to mitigate any funding shortfalls may impact on service level provision.** The risk is currently managed through the ongoing budgeting process and organisational initiatives to ensure maximum effectiveness and efficiency. Our ability to manage the risk in the longer term is impacted by the current Government approach to funding

- **Gazetteers (Compass, Corporate and SIG) - Out of date mapping is being used by the organisation.** This is an ongoing issue, which could impact on public safety but is currently tolerated as a risk as resolution is dependent on the new CMP and reasonable work rounds are in place to mitigate the risk.

- **Investigation drift due to the introduction of Release Under investigation (RUI) resulting in a failure to get cases into court and obtain positive CJ outcomes.** The risk comes with concerns about public confidence and victim and witness wellbeing. As the introduction of RUI is recent it is difficult to assess the full impact at this stage. Management of the risk is being delivered via Criminal Justice.

- **Livelink is required to remain functional until Sept 2019, increasing the likelihood of issues.** This ongoing issue is being managed through the Sharepoint programme board and is expected to be removed from the Strategic Risk Register by the end of 2019.

- **If there is delay to the delivery of the Contact Management Programme (CMP), then there are a number of on-going impacts operationally and financially, and reputational damage to the Force.** This risk is managed by the CMP programme board, and the scale of the risk continues to fall as we near the delivery stage of the programme.

- **The CMP System fails shortly after deployment or is deemed too unstable to be fit for purpose.** This risk is managed by the CMP programme board, and after successful initial testing of the new system, the risk continues to fall.

- **There is a strategic on-going risk related to the size, scale and complexity of implementing the Equip Programme** across the three forces of Surrey, Sussex and Thames Valley Police within the revised timescales and the significant resourcing commitment required to ensure full functionality is achieved. This risk is currently being more thoroughly investigated, and the Strategic Governance Unit are working with the programme board leads to ensure strong risk management is in place.

As 4 of these risks are linked to projects culminating in 2019 (Livelink and CMP) we do not expect these risks to remain on the strategic risk register beyond Q4 of 2019.

Strategic risks are being actively managed by the Chief Constable's Management Team, supported by the Strategic Governance Unit who deliver quarterly updates to CCMT and 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.

Since 2010/11 cash savings of over £101 million have been identified and delivered.

The latest medium term financial plan, which covers the four year period 2019/20 to 2022/23, identifies further cash savings of at least £15 million, including £4.8 million in 2019/20 and provides for some reinvestment in priority areas.

The PCC has approved an ambitious four year capital plan which will provide Thames Valley Police 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 541959)

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.

I. Thompson

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 decreased from £63.675 million on 1st April 2018 to £58.535 million on 31st March 2018.

The **Comprehensive Income and Expenditure Statement (CIES)** record all of the PCC's (and Group's) income and expenditure for the year. This presentation of information is in line with CIPFA guidance and is commensurate with the in-year internal reporting to management of income and expenditure. (See the outturn position table on pages 6 and 7 for more detail of the in-year reporting)

The Group CIES shows an accounting deficit of £430.813 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 accounting 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 decrease of £0.307 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 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 2019. 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 2019

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

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR THAMES VALLEY

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Thames Valley for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner for Thames Valley and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Thames Valley and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Thames Valley and Group Balance Sheet;
- Police and Crime Commissioner for Thames Valley and Group Cash Flow Statement;
- Police and Crime Commissioner for Thames Valley Pension Fund Account Statements; and
- Related notes 1 to 49 and the Expenditure & Funding Analysis

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 2018/19.

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 and Group as at 31 March 2019 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 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Police and Crime Commissioner for Thames Valley and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Thames Valley put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 23, 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Police and Crime Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Police and Crime Commissioner either intends to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements

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

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

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 2017, as to whether the Police and Crime Commissioner for Thames Valley had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner for Thames Valley put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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.

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.

Use of our report

This report is made solely to Police and Crime Commissioner for Thames Valley, 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, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
July 2019

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
29 July 2019

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 2019

I. Thompson

Ian Thompson, CPFA,
Chief Finance Officer and Deputy Chief Executive
29 July 2019

Group Movement in Reserves Statement for the years ended 31st March 2018 and 2019

	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		**27**		**8**	**27**	**27**	**27**	**28**	
Balance at 31st March 2017		**18,091**		**34,721**	**7,022**	**8,768**	**68,602**	**-4,140,154**	**-4,071,552**
Movement in reserves during 2017/18									
Total comprehensive Expenditure and Income		-154,741		0	0	0	-154,741	213,115	58,374
Adjustments between accounting basis & funding basis under regulations	6	146,602			1,735	1,478	149,815	-149,815	0
Net increase/Decrease before transfers to Earmarked Reserves		**-8,139**		**0**	**1,735**	**1,478**	**-4,926**	**63,300**	**58,374**
Prior year adjustment to fixed asset register (additions)								6	6
Transfers to/from (-) earmarked reserves		8,696		-8,696			0	0	0
Increase/Decrease (-) in Year		**557**	#	**-8,696**	**1,735**	**1,478**	**-4,926**	**63,306**	**58,380**
Balance at 31st March 2018 carried forward		**18,648**	#	**26,025**	**8,757**	**10,246**	**63,676**	**-4,076,848**	**-4,013,172**
Movement in reserves during 2018/19									
									0
Total Comprehensive Expenditure and Income		-337,234		0	0	0	-337,234	-93,579	-430,813
Adjustments between accounting basis & funding basis under regulations	6	335,720			-5,104	1,478	332,094	-332,094	0
Net increase/Decrease before transfers to Earmarked Reserves		**-1,514**		**0**	**-5,104**	**1,478**	**-5,140**	**-425,673**	**-430,813**
Transfers to/from (-) earmarked reserves	8	1,568		-1,568			-0	0	-0
Increase/Decrease (-) in Year		**54**	#	**-1,568**	**-5,104**	**1,478**	**-5,140**	**-425,673**	**-430,813**
Balance at 31st March 2019 carried forward		**18,703**		**24,457**	**3,653**	**11,724**	**58,536**	**-4,502,521**	**-4,443,985**

For full details of the movement in general balances, please see note 26 on page 60

Group Expenditure and Funding Analysis Disclosure note

The Expenditure and Funding Analysis is a disclosure note that shows how annual expenditure is used and funded from resources (government grants and council tax) by police bodies in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the PCC and Force. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. See note 5 for more details. Please note that this is not a primary statement

	2017/18			2018/19		
	Net expenditure charged to general fund	**Adjustments between Accounting basis & Funding basis**	**Net expenditure in the CIES**	**Net expenditure charged to general fund**	**Adjustments between Accounting basis & Funding basis**	**Net expenditure in the CIES**
	£000	£000	£000	£000	£000	£000
PCC	15,160	-6,558	8,602	7,964	679	8,643
TVP operational budgets under the direction & control of the Chief Constable						
Employees	285,624	155,865	441,489	309,391	333,620	643,011
Premises	16,676		16,676	17,106		17,106
Transport	19,767		19,767	21,369		21,369
Supplies & Services	53,833		53,833	61,947		61,947
Third Party Payments	8,197		8,197	12,963		12,963
Capital Charges	6,916	2,248	9,163	8,140	4,991	13,131
Non specific Income	-93,287		-93,287	-107,847		-107,847
Cost of Services	**312,886**	**151,555**	**464,440**	**331,033**	**339,291**	**670,324**
Other income & expenditure	-304,747	-4,952	**-309,699**	-329,520	-3,571	-333,091
(Surplus) or Deficit on provision of services	**8,138**	**146,602**	**154,741**	**1,514**	**335,720**	**337,234**
Opening General Fund Balance	18,088			18,646		
Add (surplus) or Deficit	-8,138			-1,514		
Transfers to/from (-) reserves & General Balances	8,696			1,568		
Closing General Fund Balance	18,646			18,700		

Group Comprehensive Income and Expenditure Statement 2018/19

		2017/18			2018/19		
		Gross expenditure	Gross Income	Net Expenditure	Gross expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
PCC		11,367	-2,765	8,602	11,636	-2,992	8,643
TVP operational budgets under the direction & control of the Chief Constable							
Employees		441,489	0	441,489	643,011	0	643,011
Premises		16,676	0	16,676	17,106	0	17,106
Transport		19,767	0	19,767	21,369	0	21,369
Supplies & Services		53,833	0	53,833	61,947	0	61,947
Third Party Payments		8,197	0	8,197	12,963	0	12,963
Capital Charges		9,163	0	9,163	13,131	0	13,131
Specific Income		0	-93,287	-93,287	0	-107,847	-107,847
Group Cost of Services		**560,492**	**-96,052**	**464,440**	**781,164**	**-110,840**	**670,324**
Other operating Expenditure:							
Gain/loss on disposal of fixed assets	9a			-2,777			-636
Levies to national police service				0			0
Financing & investment income & expenditure:							
Interest Payable	9b	1,234		1,234	1,344		1,344
Impairment loss allowance	9b	0		0	6		6
Pensions Interest Cost	9b	115,372		115,372	109,406		109,406
Interest & Investment Income	9b		-789	-789		-1,031	-1,031
Taxation & non specific grant income	9c		**-422,739**	**-422,739**		**-442,180**	**-442,180**
(Surplus) /deficit on provision of service				**154,741**			**337,234**
(Surplus)/deficit on revaluation of fixed assets	14/21			-10,845			-264
Remeasurement of net defined liability				-202,270			93,843
Other gain/loss				0			0
Total other comprehensive Income and Expenditure				**-213,115**			**93,579**
Total comprehensive Income & Expenditure				**-58,374**			**430,813**

Notes: Re-measurement of net defined pension liabilities are either due to changes in assumptions (on liabilities) and “experience items” – actual outcome different to expected – for both assets and liabilities.

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'

31.3.17	**31.3.18**		**Note**	**31.3.19**
£000	£000			£000
		Long Term Assets		
244,690	248,283	Property, Plant and Equipment	14	245,942
0	0	Investment Property		0
3,048	13,394	Intangible assets	16	18,142
0	0	Long term investments	17	0
1,690	1,663	Long term debtors	19	2,075
249,428	**263,340**	**Total Long Term Assets**		**266,159**
		Current Assets		
48,338	50,085	Short term investments	17	55,143
750	1,008	Inventories	18	1,167
38,789	45,986	Short term debtors	19	52,264
5,824	7,995	Cash and cash equivalents	20	8,583
610	3,450	Assets held for sale	21	1,755
94,312	**108,524**	**Total Current Assets**		**118,912**
		Current Liabilities		
-423	-1,890	Short term borrowing	17	-9,525
-39,859	-47,270	Short term creditors	22	-47,872
-598	-2,181	Provisions	23	-2,398
-6,298	-6,048	Accumulated absences	27	-5,846
-47,178	**-57,389**	**Total Current Liabilities**		**-65,641**
		Long Term Liabilities		
0	0	Long term creditors		0
-6,408	-5,897	Provisions	23	-6,228
-20,321	-26,280	Long term borrowing	17	-32,366
-4,339,795	-4,293,926	Liability related to defined benefit pension schemes	33	-4,722,006
-16	-16	Donated assets account	24	0
-1,576	-1,529	Capital grants received in advance	29	-2,814
-4,368,115	**-4,327,648**	**Total Long Term Liabilities**		**-4,763,415**
-4,071,553	**-4,013,173**	**Net Assets / (Liabilities)**		**-4,443,985**
68,602	63,675	Usable reserves	26	58,535
-4,140,155	-4,076,848	Unusable reserves	27	-4,502,520
-4,071,553	**-4,013,173**	**Total Reserves**		**-4,443,985**

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	**31.3.18**	**31.3.19**
		£000	£000
Net (surplus)/deficit on the provision of services		154,741	337,234
Adjust net surplus/deficit for non cash movements	34	-170,966	-348,959
Adjust for items included in surplus/deficit that are investing and financing activities		6,700	5,640
Net cash flows from Operating Activities	34	**-9,525**	**-6,086**
Investing Activities	34	14,728	19,215
Financing Activities	34	-7,374	-13,717
Net increase (-) or decrease in cash and cash equivalents		**-2,171**	**-588**
Cash and cash equivalents at the beginning of the reporting period	20	5,824	7,995
Cash and cash equivalents at the end of the reporting period	20	7,995	8,583

GROUP 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), the Accounts and Audit Regulations 2015. 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 assets and liabilities. Management has concluded that the financial statements present a true and fair view of the financial position, performance and cash flows. The accounts have been compiled in accordance with the code, except that it has departed from the code in respect of the treatment of certain types of inventories in order to achieve a true and fair presentation. (See note 18 for more details)

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 2019. 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 (PCC accounts on pages 79 to 104). The financial statements cover the 12 months to the 31 March 2019.

The notes relating to specific financial statement lines 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 Group provides the relevant goods or services;
- Any income received under contract is recognised in accordance with the performance obligations in the contract.
- 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.

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 Group 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 Group 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 Group will recognise any heritage asset that is valued in excess of £500,000. As at 31st March 2019, the Group does not recognise any heritage assets on its balance sheet. Whilst the Group 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 CIPFA's Police Objective Analysis, the costs of support services are fully allocated to the Group’s services.

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. The PCC also maintains reserves to finance future commitments, unforeseen circumstances, fluctuations in annual grant settlements and council tax precepts and emergency expenditure which cannot be contained within the approved budget. The approved reserves policy sets a target for the level of general reserves of 3% of net budgeted expenditure.

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 26 on page 59

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 27 on page 60.

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

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS9 Financial Instruments: Prepayment Features with negative Compensation

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

2. GROUP 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:

a. Establishing the valuations of operational and residential properties (see Notes 14 and 21 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

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 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.

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 PCC in accordance with the standard set of activities for each corporate body identified in CIPFA's published guidance at the time (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 12 (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

g. The value of the collection fund adjustments shown in the Group accounts has been partially estimated. Although the Chief Finance Officer wrote to each billing authority and requested the appropriate information to enable the collection fund adjustment account to be calculated accurately, only half (8 out of 16) of the authorities returned their figures during the specified time period. The remainder of the values were estimated, based on the average of their previous 5 years returns - many of which were also OPCC estimates. Some billing authorities have not provided an actual data return since 2013/14.

h. On the 1st April 2018, significant changes were made to IFRS 9 (Financial Instruments). This has resulted in new classification categories for financial assets and liabilities. All investments and loans have been assessed at year end and as all investments are made solely for payments of principal and interest, a judgement has been made that they should all be held at amortised cost.

3. GROUP 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 There is a high level of uncertainty surrounding the impact of the exit of Britain from the European Union (Brexit). It is therefore not possible to predict how the financial markets (and therefore the asset values and discount rates) will change as a consequence of the outcome of Brexit. The assumption has therefore been made that this will not significantly impact on the value of the pension schemes in operation. See Note 33 for more details of the impact of discount rate changes.

4. INTRA GROUP ADJUSTMENTS

Both the Police and Crime Commissioner and the Chief Constable are separate legal entities.
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 2017/18 and 2018/19. 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 2017/18	**PCC £000**	**CC £000**	**Group £000**
Opening balance as at 1st April 2017	0	0	0
Balance sheet intra group adjustment	- 39,278	39,278	0
PCC resources consumed at the request of the Chief Constable	- 413,026	413,026	0
PCC Intra group adjustment	452,304	- 452,304	0
Closing balance as at 31st March 2018	**0**	**0**	**0**

Intra group balances for 2018/19	**PCC £000**	**CC £000**	**Group £000**
Opening balance as at 1st April 2018	0	0	0
Balance sheet intra group adjustment	- 52,960	52,960	
PCC resources consumed at the request of the Chief Constable	- 432,417	432,417	0
PCC Intra group adjustment	485,377	- 485,377	0
Closing balance as at 31st March 2019	**0**	**0**	**0**

5. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

	2017/18				2018/19			
Adjustments from General Fund to arrive at the CIES amounts	**Adjustments for capital purposes**	**Net change for the pensions Adustments**	**Other differences**	**Total Adjustments**	**Adjustments for capital purposes**	**Net change for the pensions Adustments**	**Other differences**	**Total Adjustments**
	£000	£000	£000	£000	£000	£000	£000	£000
PCC	-6,844	283	3	-6,558	264	408	7	679
TVP operational budgets under the direction & control of the Chief Constable								
Employees		156,118	-253	155,865		333,829	-209	333,620
Premises				0				0
Transport				0				0
Supplies & Services				0				0
Third Party Payments				0				0
Capital Charges	2,248			2,248	4,991			4,991
Non specific Income				0				0
				0				0
net cost of services	-4,596	156,401	-250	151,555	5,256	334,237	-202	339,291
				0				0
other income & expenditure from the expenditure & funding analysis	-5,667		714	-4,952	-3,238		-333	-3,571
Difference between General Fund & surplus or deficit and CIES statement surplus or deficit on the provision of services	**-10,263**	**156,401**	**464**	**146,602**	2,017	334,237	-535	335,720

6. 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.

2018/19 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)	334,237			-334,237
Financial instruments (transfered to the financial instruments adjustment account)	0			0
Council tax (transfers to or from the collection fund adjustment account)	-333			333
Holiday Pay (transferred to the accumulated absences account)	-202			202
Non current assets written off on disposal (charged to capital adjustment account)	5,004			-5,004
reversal of entries in relation to capital expenditure (charged to the capital adjustment account)	14,696		1,478	-16,174
				0
Total Adjustments to the Revenue Resources	353,402	0	1,478	-354,880
Adjustments between revenue and Capital Resources				
Transfer of non current asset sale proceeds from revenue to capital receipts reserve	-5,640	5,640		0
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	-1,146			1,146
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	-10,896			10,896
Total Adjustments between revenue and Capital Resources	-17,682	5,640	0	12,042
Adjustments to capital resources				
Use of capital receipts reserve to finance capital expenditure		-10,744		10,744
Application of capital grants to finance capital expenditure			0	0
Total Adjustments to capital resources	0	-10,744	0	10,744
Total Adjustments	**335,720**	**-5,104**	**1,478**	**-332,094**

2017/18 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)	156,401			-156,401
Financial instruments (transfered to the financial instruments adjustment account)	0			0
Council tax (transfers to or from the collection fund adjustment account)	714			-714
Holiday Pay (transferred to the accumulated absences account)	-250			250
Non current assets written off on disposal (charged to capital adjustment account)	3,923			-3,923
reversal of entries in relation to capital expenditure (charged to the capital adjustment account)	10,678		1,478	-12,156
				0
Total Adjustments to the Revenue Resources	171,466	0	1,478	-172,944
Adjustments between revenue and Capital Resources				
Transfer of non current asset sale proceeds from revenue to capital receipts reserve	-6,700	6,700		0
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	-1,124			1,124
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	-17,040			17,040
Total Adjustments between revenue and Capital Resources	-24,864	6,700	0	18,164
Adjustments to capital resources				
Use of capital receipts reserve to finance capital expenditure		-4,965		4,965
Application of capital grants to finance capital expenditure			0	0
Total Adjustments to capital resources	0	-4,965	0	4,965
Total Adjustments	**146,602**	**1,735**	**1,478**	**-149,815**

7. 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 12th July 2019. 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 2019, 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.

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 2018/19.

Reserve	Balance at 1.4.17 £000	Balance at 1.4.18 £000	Appropriation to/from (-) CIES £000	Movement between reserves £000	Balance at 31.3.19 £000	Purpose of Reserve
Risk management reserve	461	395	-395	0	0	To help 'pump prime' future risk and carbon management iniatives
Conditional funding reserve	5,706	2,910	885	0	3,795	Income received can only be spent on the specified project or activity
Transport reserve	265	295	153	0	448	TVP share of the Chiltern transport Consortium reserves
Optimisation Bias reserve	0	0	-3,081	12,001	8,920	To fund any cost over-runs on the capital programme
Insurance reserve	1,175	159	340		499	Funds held in case insurance provision proves inadequate to meet known liabilities
SEROCU reserve	665	1,582	-530		1,052	Funding for SE Regional Organised Crime Unit, as defined in S22 agreement
Community Safety Reserve	149	592	333		925	To fund community safety initiatives that could not delivered before 31st March
Improvement and Performance (I&P) reserve	26,300	20,091	726	-12,001	8,817	To help fund future policing initiatives, including property adaptions
Total	**34,720**	**26,024**	**-1,568**	**0**	**24,456**	

9. ANALYSIS OF ITEMS IN COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

a) Other operating Expenditure

	2017/18 £000	2018/19 £000
Gain (-)/loss on disposal of fixed asset	-2,777	-636
Levies to national police service	0	0
Total Operating Expenditure	**-2,777**	**-636**

b) Financing and Investment income and expenditure

	2017/18 £000	2018/19 £000
Interest payable	1,234	1,344
Impairment loss allowance	0	6
Pensions interest cost on net defined benefit liability	115,372	109,406
Subtotal Financing and Investment expenditure	116,606	110,757
Interest and investment income	-789	-1,031
Total Operating Expenditure	**115,817**	**109,725**

c) Taxation and non specific grant income

	2017/18 £000	2018/19 £000
Police Grant	-139,249	-139,249
Formula Grant	-72,855	-72,855
Council tax	-151,161	-164,422
Pensions top up grant	-41,307	-47,774
Capital grants and contributions	-2,890	-2,602
Council tax legacy grant	-15,278	-15,278
Total taxation and non specific grant income	**-422,739**	**-442,180**

d) Specific grant income

	2017/18 £000	2018/19 £000
PFI grant	- 1,032	- 1,032
Counter terrorism grant (including dedicated security posts)	- 34,295	-32,348
SEROCU grant	- 5,241	- 5,074
Disclosure Bureau Services	- 1,147	- 1,255
Loan charges grant	- 175	- 58
MoJ victims and witnesses grant	- 2,765	- 2,992
Use of Apprenticeship levy	- 5	- 288
Home Office Special grants (Ops Maple, Manifold, Luminance and Lyceum)	0	- 11,269
Other small grants	- 476	- 1,536
Total specific grant income	**- 45,136**	**- 55,852**

10. OFFICERS' REMUNERATION

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

Police Force		Note	Salary, fees & allowances £	Bonuses £	Expense allowances £	Benefits in Kind £	Total remuneration excluding pension £	pension contribution £	Total £
Francis Habgood	17/18	1	173,200	0	0	3,828	177,028	0	177,028
(Chief Constable)	18/19		177,900	0	0	4,519	182,419	0	182,419
John Campbell	17/18		143,841	0	0	7,741	151,582	33,495	185,077
(Deputy Chief Constable)	18/19		146,037	0	0	7,027	153,064	34,027	187,090
Tim De Meyer	17/18	2	92,553	0	986	1,532	95,071	21,617	116,688
(Assistant Chief Constable)	18/19		103,725	0	24	7,789	111,538	24,617	136,155
Laura Nicholson	17/18	3	79,523	0	0	3,604	83,127	18,344	101,471
(Assistant Chief Constable)									
Nicola Ross	17/18		115,089	0	0	4,610	119,699	26,722	146,421
(Assistant Chief Constable)	18/19		117,214	0	0	3,777	120,991	27,236	148,227
Chris Shead	17/18	4	129,603	0	0	0	129,603	26,811	156,415
(Assistant Chief Constable)	18/19		139,010	0		0	139,010	16,023	155,033
David Hardcastle	17/18		0	0	0	0	0	0	0
(Assistant Chief Constable)	18/19	5	0	0	0	0	0	0	0
Jason Hogg	17/18		107,270	0	1,247	0	108,518	25,475	133,993
(Assistant Chief Constable)	18/19		114,548	0	419	0	114,966	27,236	142,203
Amanda Cooper	17/18	6	117,682	0	0	0	117,682	16,240	133,922
(Director of Information)	18/19		121,943	0	0		121,943	16,462	138,406
Steven Chase	17/18		109,582	0	0	0	109,582	15,122	124,705
(Director of People)	18/19		111,773	0	0	0	111,773	15,089	126,863
Linda Waters	17/18		109,757	0	0	0	109,757	15,146	124,903
(Director of Finance)	18/19		113,396	0	0	0	113,396	15,308	128,705

Note 1: Francis Habgood withdrew from the Police pension scheme in January 2017

Note 2: Tim De Meyer was promoted to ACC on 08.12.17

Note 3: Laura Nicholson carried out the role of ACC (SEROCU & CTPSE). Her post was funded by the Home Office, TVP and four other police forces (Hampshire, Sussex, Surrey and Kent) She retired on 07.12.17

Note 4: Chris Shead was seconded to the Metropolitan Police on 01.01.16. In November 2018 he withdrew from the pension scheme. Chris left the organisation on 31 March 2019

Note 5: David Hardcastle is employed by Hampshire Police and part of his remuneration is recharged to Thames Valley Police. For full details of his salary and benefits, please see Hampshire Police's statement of accounts for 2018/19.

Note 6: Amanda Cooper is employed by Thames Valley Police, but part of her remuneration is recharged to Hampshire Police

		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	17/18		100,620	0		0	100,620	13,886	114,506
(Chief Executive)	18/19		100,620	0	0	0	100,620	13,584	114,204
Ian Thompson	17/18		85,414	0		0	85,414	11,787	97,201
(Chief Finance Officer)	18/19		87,602	0	0	0	87,602	11,826	99,428

		Note	Salary, fees & allowances £	Bonuses £	Expense allowances £	Benefits in Kind £	Total remuneration excluding pension £	pension contribution £	Total £
Police and Crime Commissioner									
Anthony Stansfeld	17/18		85,000	0	336	456	85,792	11,730	97,522
(PCC)	18/19		86,558	0	354	428	87,341	11,685	99,026
Matthew Barber	17/18		45,000				45,000	6,210	51,210
(Deputy PCC)	18/19	1	62,258	0	0	0	62,258	8,405	70,663

Note 1: Matthew Barber worked part time (22.2 hrs per week) from 03.01.17 to 20.5.18 and his full time equivalent salary was £75,000. On 21.5.18 his post was made full time, with an annual salary of £65,000

The following table shows the number of staff employed and paid directly by TVP 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 £	2017/18	2018/19
100,000 - 104,999	0	1
95,000 – 99,999	0	2
90,000 – 94,999	5	11
85,000 – 89,999	4	18
80,000 – 84,999	18	15
75,000 – 79,999	9	14
70,000 – 74,999	15	18
65,000 – 69,999	34	32
60,000 – 64,999	96	123
55,000 - 59,999	204	277
50,000 – 54,999	345	434

11. 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:

	2017/18 £000	2018/19 £000
Fees payable in relation to auditing the PCC and Group accounts by the appointed auditor for the year	40	31
Refund in relation to prior years (PCC and Group)	- 6	0
Fees payable in relation to auditing the Chief Constable accounts by the appointed auditor for the year	19	15
Refund in relation to prior years (Chief Constable)	- 3	0
Adjustment for prior year over accrual	-3	0
Other services provided by the auditor	0	0
Total fees	**47**	**46**

12. 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, Cambridgeshire Constabulary and the Civil Nuclear Constabulary. The following table provides a high level split of gross costs.

	£000
TVP	6,699
Bedfordshire Police	2,723
Civil Nuclear Constabulary	743
Hertfordshire Police	3,317
Cambridgeshire Constabulary	2,890
External Income	1,330
Total Gross Cost	**17,702**

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	3,629
Hampshire Police	3,007
Kent Police	26
Surrey Police	1,896
Sussex Police	2,501
External Income	5,653
Total Gross Cost	**16,712**

TVP host the regional CTSFO (Counter Terrorism Specialist Firearms Officers) unit for Thames Valley, Hampshire, Surrey, Sussex and Kent but officers remain employed by their home force and hence their costs do not show in the TVP ledger. As host TVP receives the full grant from National Counter Terrorism Police Head Quarters (NCTPHQ) and distributes to the regional partners.

	£000
TVP	2,428
Hampshire Police	- 476
Surrey / Sussex / Kent Police	- 1,057
External Income	3,730

Total Gross Cost	4,625

TVP now collaborates as a region on the provision of Dedicated Source Unit (DSU) and Intelligence Management Function (for Special Branch) which will increase our ability to effectively identify, understand and respond to threats in the regions. TVP collaborates with Hampshire, Surrey, Sussex on all capabilities and Kent only collaborates on DSU however the officers remain employed by their home forces and hence their cost do not show in TVP ledger

	£000
TVP	1,429
Hampshire Police	251
Surrey / Sussex / Kent Police	69
Total Gross Cost	**1,749**

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 2018/19.

	£000
TVP	47,144
Hampshire Police	37,065
Total Gross Cost	**84,209**

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 or Thames Valley Police during the financial year. A letter has been sent to all chief officers to collect this information and the outcome is that there are two material related party transaction to disclose in 2018/19:

From 1st October 2018 to 31st March 2019 the Interim Head of ICT and his wife (Interim Head of service Delivery) were both members of the ICT Senior Leadership Team. They were also both consultants, appointed through a recruitment agency. Invoices for both consultants are scrutinised by the IT Resource Manager and approved by the Director of Information. This business relationship was approved by the Chief Constable's Management Team and was overseen and managed by the Director of Information.

Until 16th May 18 the Deputy Police and Crime Commissioner (Matthew Barber) was also Leader of the Vale of White Horse (VoWH) District Council which received Community Safety Partnership funding from the PCC, although he took no part in that particular decision making process.

13. 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 2018/19, the Group terminated the contracts of 9 police staff (with service in excess of 2 years and thus entitled to redundancy payment) incurring total liabilities of £0.068m of redundancy payments and £0.088m 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:

2018/19

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	6	0	6	44
£20,001 - £40,000	2	0	2	67
£40,001 - £60,000	1	0	1	45
£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	**9**	**0**	**9**	**156**

2017/18

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	12	4	16	106
£20,001 - £40,000	1	1	2	47
£40,001 - £60,000	1	0	1	56
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,000 - £150,000	1	0	1	125
Total	**15**	**5**	**20**	**334**

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

14. 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 to capitalise expenditure is as follows:

Asset Type	**De Minimus £000**
Buildings (including leased and PFI)	100
Vehicles	none
ICT (Total Collaborative project value)	50
Intangible assets (Total Collaborative project value)	50
ESMCP devices	none
Equipment	25
Assets funded by capital grant	none

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.

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

The component must be valued at a minimum of £200,000 or 10% of the value of the parent asset (whichever is greater) in order to be recognised

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

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.

Movement on Fixed Assets

2018/19 movements

	Other Land and Buildings	Police Houses	Equity Share	Vehicles Plant and Equipment	Non Operational Assets	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1st April 2018	204,036	11,075	2,172	59,234	2,002	3,226	281,746
Additions	587	124	0	6,971	0	5,273	12,954
Prior year additions adjustment	0	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0
Assets under construction - brought into use	0	0	0	0	0	0	0
Revaluation increases /(decreases) to RR	-183	290	58	0	0		166
Revaluation increases /(decreases) to SDPS	4,816	-89	0	0	0	-124	4,604
Disposals	0	-460	-355	-3,211	0		-4,026
Reclassifications	0	0	0	0	0	0	0
Assets reclassified to/from Held for sale	-386	-1,295	0	0	0	0	-1,681
Write out expenditure not adding value	0	0	0	0	0	-126	-126
Write out fully depreciated assets	0	0	0	-3,606	0	0	-3,606
Depreciation written out on revaluation	-8,576	0	0	0	0	0	-8,576
At 31st March 2019	**200,294**	**9,645**	**1,875**	**59,388**	**2,002**	**8,249**	**281,454**
Depreciation and Impairment							
At 1st April 2018	1,084	0	0	32,381	0	0	33,464
Depreciation charge	8,634	1	0	8,085	0		16,721
Depreciation written out on revaluation	-8,576	0	0	0	0	0	-8,576
Impairment losses / (reversals) to RR	0	0	0	0	0	0	0
Impairment losses / (reversals) to SDPS	0	0	0	0	0	0	0
Disposal	0	0	0	-2,472	0	0	-2,472
Write out fully depreciated assets	0	0	0	-3,606	0	0	-3,606
Reclassifications	-16	0	0	0	0	0	-16
At 31st March 2019	**1,125**	**1**	**0**	**34,388**	**0**	**0**	**35,514**
Net Book Value							
At 31st March 2019	**199,169**	**9,644**	**1,875**	**25,000**	**2,002**	**8,249**	**245,940**

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

2017/18 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 2017	200,148	13,147	2,647	57,975	2,002	503	276,422
Additions	472	0	0	8,554	0	3,071	12,097
Prior year additions adjustment	0	0	0	7	0	0	7
Donations	0	0	0	0	0	0	0
Assets under construction - brought into use	277	0	0	0	0	-277	0
Revaluation increases /(decreases) to RR	9,760	973	112	0	0		10,845
Revaluation increases /(decreases) to SDPS	3,902	5	0		0	-71	3,836
Disposals	-1,972	0	-587	-3,242	0		-5,801
Reclassifications	0	0	0	0	0	0	0
Assets reclassified to/from Held for sale	-400	-3,050	0	0	0	0	-3,450
Write out expenditure not adding value	0	0	0	0	0	0	0
Write out fully depreciated assets	0	0	0	-4,059	0	0	-4,059
Depreciation written out on revaluation	-8,151	0	0	0	0	0	-8,151
At 31st March 2018	**204,036**	**11,075**	**2,172**	**59,234**	**2,002**	**3,226**	**281,746**
Depreciation and Impairment							
At 1st April 2017	1,040	0	0	30,694	0	0	31,734
Depreciation charge	8,239	0	0	8,189	0		16,428
Depreciation written out on revaluation	-8,151	0	0	0	0	0	-8,151
Impairment losses / (reversals) to RR	0	0	0	0	0	0	0
Impairment losses / (reversals) to SDPS	0	0	0	0	0	0	0
Disposal	-45	0	0	-2,443	0	0	-2,488
Write out fully depreciated assets	0	0	0	-4,059	0	0	-4,059
Reclassifications	0	0	0	0	0	0	0
At 31st March 2018	**1,084**	**0**	**0**	**32,381**	**0**	**0**	**33,464**
Net Book Value							
At 31st March 2018	**202,953**	**11,075**	**2,172**	**26,854**	**2,002**	**3,226**	**248,281**

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

Revaluations

Thames Valley Police's property valuers are Lambert Smith Hampton - Commercial Surveyors and Property Consultants. This company 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 2019 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 2019 are as follows:

Recurring fair value measurements using:	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 2019
	£000	£000	£000	£000
Surplus operational properties	0	1,755	0	1,755
Surplus land	0	2,000	0	2,000
Telecommunications sharing sites	0	3,116	0	3,116
Total	**0**	**6,871**	**0**	**6,871**

Comparable figures for 2017/18 are as follows:

Recurring fair value measurements using:	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 2018
	£000	£000	£000	£000
Surplus operational properties	0	3,450	0	3,450
Surplus land	0	2,000	0	2,000
Telecommunications sharing sites	0	4,075	0	4,075
Total	**0**	**9,525**	**0**	**9,525**

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 Lambert Smith Hampton. 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 conjuction 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 2019. 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
Milton Keynes Police Station - Electrical renovation and improvements	564
Sulhamstead Police Training Centre - refurbishment	1,401
Reading - development of new facility	8,308
Chipping Norton Police Station	190
Contract Management Platform (Total Commitment £0.975m)	534
Managed Mobility Service (Total Commitment £0.220m)	126
Equip (Enterprise Resource Planning) System - (Total Commitment £3.470m)	1,836

15. CAPITAL EXPENDITURE AND FINANCING

The Group spent £22.749m on the acquisition and enhancement of long term assets in 2018/19, as the following table shows

	£000
Land and buildings	5,984
Vehicles, plant and other equipment	4,975
Information, communications and technology	1,995
Total tangible fixed asset expenditure	**12,954**
Intangible assets (i.e. computer software licences)	9,794
Total Capital Expenditure	**22,748**

Financing of the capital programme is set out below.

	£000
Capital grant	817
Capital receipts	10,744
Borrowing requirement	0
Third party contributions	292
Reserves contributions	5,203
Revenue contributions	5,693
Total financing 2018/19	**22,749**

The capital financing requirement for 2018/19 was £44.138m

16. 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. Internally generated assets include complex system costs and IT development costs. These are also capitalised where it will bring benefits to the group for more than one year. The balance is amortised to the CIES on a straight line basis over the economic life of the investment (usually 5 years) to reflect the pattern of consumption of benefits.

	2017/18			**2018/19**		
	Internally Generated Assets	Other Assets	Total	**Internally Generated Assets**	**Other Assets**	**Total**
	£000	£000	£000	**£000**	**£000**	**£000**
Gross Book Value						
Opening balance	0	4,804	4,804	**5,816**	**10,233**	**16,049**
Additions (purchased and internally generated)	5,840	5,480	11,320	**4,490**	**5,305**	**9,794**
Write out capital expenditure not adding value	-24	0	-24	**0**	**0**	**0**
Donated intangible assets	0	0	0	**0**	**0**	**0**
Write out fully depreciated items	0	-51	-51	**0**	**-613**	**-613**
Closing balance	**5,816**	**10,233**	**16,049**	**10,305**	**14,925**	**25,230**
Depreciation						
Opening balance	0	-1,756	-1,756	**0**	**-2,655**	**-2,655**
Amortisation charged to income and expenditure	0	-951	-951	**-2,061**	**-2,985**	**-5,046**
Write out fully depreciated items	0	51	51	**0**	**613**	**613**
Closing balance	**0**	**-2,655**	**-2,655**	**-2,061**	**-5,027**	**-7,088**
Net Book Value	**5,816**	**7,578**	**13,394**	**8,244**	**9,898**	**18,142**

In 2018/19 there was a change in accounting estimates. This resulted in the amortisation method being revised so that amortisation starts in the year of purchase. This resulted in an additional £1.96m amortisation charged to the CIES that would have previously been charged to the subsequent year. This is a prospective change and does not require a prior year restatement of values.

17. 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. Financial assets are categorised based on a classification and measurement approach that reflects the business model for holding the financial asset and their cashflow characteristics. All financial assets held by the PCC are held solely for payment of principal and interest and are therefore measured at 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.

2018/19

Financial Assets	Long-Term Investments £000	Long-Term Debtors £000	Current Investments £000	Current Debtors £000
Fair value through profit and loss	0	0	0	0
Amortised cost	0	1,429	55,143	52,910
Fair value through other comprehensive income - designated equity instruments	0	0	0	0
Fair value through other comprehensive income - other	0	0	0	0
Total financial assets	**0**	**1,429**	**55,143**	**52,910**
Non-financial assets				
Total	**0**	**1,429**	**55,143**	**52,910**
Financial liabilities	**Borrowings £000**	**Creditors £000**	**Borrowings £000**	**Creditors £000**
Fair value through profit and loss	0	0	0	0
Amortised cost	27,478	0	9,218	47,871
Total financial liabilities	**27,478**	**0**	**9,218**	**47,871**
PFI and finance lease liabilities	4,888	0	307	0
Other non-financial liabilities	0	0	0	0
Total	**32,366**	**0**	**9,525**	**47,871**

2017/18

Financial Assets	Long-Term Investments £000	Long-Term Debtors £000	Current Investments £000	Current Debtors £000
Fair value through profit and loss	0	0	0	0
Amortised cost	0	1,663	50,085	45,986
Fair value through other comprehensive income - designated equity instruments	0	0	0	0
Fair value through other comprehensive income - other	0	0	0	0
Total financial assets	**0**	**1,663**	**50,085**	**45,986**
Non-financial assets				
Total	**0**	**1,663**	**50,085**	**45,986**
Financial liabilities	**Borrowings £000**	**Creditors £000**	**Borrowings £000**	**Creditors £000**
Fair value through profit and loss				
Amortised cost	21,085	0	1,607	47,269
Total financial liabilities	**21,085**	**0**	**1,607**	**47,269**
PFI and finance lease liabilities	5,195	0	283	0
Other non-financial liabilities	0	0	0	0
Total	**26,280**	**0**	**1,890**	**47,269**

(1) At 31 March 2019 the PCC had £55.0m invested in 4 different financial institutions. Accrued interest amounted to £0.143m.

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:

2018/19

	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Total £000
Net gains/losses on:			
Financial assets measured at fair value through profit or loss			
Financial assets measured at amortised cost			
Investments in equity instruments designated at fair value through other comprehensive income			
Financial assets measured at fair value through other comprehensive income			
Financial liabilities measured at fair value through profit or loss			
Financial liabilities measured at amortised cost			
Total net gains/losses			
Interest revenue:			
Financial assets measured at amortised cost	1,031		
other financial assets measured at fair value through other comprehensive income			
Total interest revenue	**1,031**		
Interest expense	**-1,334**		
Fee Income:			
Financial assets or financial liabilities that are not at fair value through profit or loss			
Trust and other fiduciary activities			
Total fee income			
Fee expense:			
Financial assets or financial liabilities that are not at fair value through profit or loss	3		
Trust and other fiduciary activities			
Total fee expense	**3**		

2017/18

	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Total £000
Net gains/losses on:			
Financial assets measured at fair value through profit or loss			
Financial assets measured at amortised cost			
Investments in equity instruments designated at fair value through other comprehensive income			
Financial assets measured at fair value through other comprehensive income			
Financial liabilities measured at fair value through profit or loss			
Financial liabilities measured at amortised cost			
Total net gains/losses			
Interest revenue:			
Financial assets measured at amortised cost	789		
other financial assets measured at fair value through other comprehensive income			
Total interest revenue	**789**		
Interest expense	**-1,234**		
Fee Income:			
Financial assets or financial liabilities that are not at fair value through profit or loss			
Trust and other fiduciary activities			
Total fee income			
Fee expense:			
Financial assets or financial liabilities that are not at fair value through profit or loss	3		
Trust and other fiduciary activities			
Total fee expense	**3**		

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 2018 Carrying amount £000	31 March 2018 Fair Value £000	31 March 2019 Carrying amount £000	31 March 2019 Fair value £000
PWLB debt	18,978	22,203	23,978	27,647
Market loans	3,500	5,144	12,500	14,258
PFI and finance lease liability	5,478	5,478	5,195	5,195
Trade creditors *	20,740	20,740	22,633	22,633
Financial liabilities	**48,696**	**53,565**	**64,306**	**69,733**

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 2018 Carrying amount £000	31 March 2018 Fair Value £000	31 March 2019 Carrying amount £000	31 March 2019 Fair value £000
Investments	50,000	50,000	55,000	55,000
Trade debtors *	10,902	10,902	10,431	10,431
Cash and cash equivalents	7,995	7,995	8,583	8,583
Total	**68,897**	**68,897**	**75,965**	**75,965**

*The calculation of trade debtors and trade creditors changed for 2018/19 and therefore 2017/18 figures have been restated for comparative purposes.

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.

18. 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 2019 is £1.167m. This is categorised as follows:

	31.3.18 £000	31.3.19 £000
Uniforms	317	453
Transport – parts and equipment	185	150
Other operational equipment	507	564
Total	**1,009**	**1,167**

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

	2017-18 £000	2018-19 £000
Uniforms	950	1,165
Transport – parts, livery and equipment	2,173	2,206
Other operational equipment	577	520
Total	**3,700**	**3,891**

There were no inventory write downs during 2018-19.

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 2019 from £1.167m to £0.714m, as per the table below.

	31.3.18 £000	31.3.19 £000
Uniforms	0	0
Transport – parts and equipment	185	150
Other operational equipment	507	564
Total	**692**	**714**

19. DEBTORS

	31.3.18 £000	31.3.19 £000
Amounts falling due after more than one year		
Trade receivables	712	550
Prepayments	938	1,506
Other receivable amounts	13	19
Total long term debtors	**1,663**	**2,075**
Amounts falling due within one year		
Trade receivables	10,190	9,881
Prepayments	2,880	1,747
Other receivable amounts	32,922	40,644
	45,992	52,272
Less provision for doubtful debts	- 6	- 9
Total current debtors	**45,986**	**52,263**
Total debtors	**47,649**	**54,339**

The code requirements for the classification of debtors and creditors changed in 2018/19. Prior year comparators have been restated to aid the reader of the accounts.

20. 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 Group's cash management.

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 2019 is made up of the following elements:

	2017/18 £000	2018/19 £000
Cash	- 2,280	48
Cash equivalents	10,275	8,535
Total Cash and Cash equivalents	**7,995**	**8,583**

21. ASSETS HELD FOR SALE

Accounting Policy

Non-current assets are classified as Held for Sale only if they meet all of the following criteria:

• The asset must be available for immediate sale in its present condition;
• The sale must be highly probable. This means the appropriate level of management within the Group must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
• The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
• The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The asset is re-valued immediately before reclassification and then carried at the lower of carrying value and fair value less costs to sell. Fair Value for Assets Held for Sale is the market value.
If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.
Assets Held for Sale are not depreciated.

Between the 31st March 2019 and 30th April 2019, no further assets have been classified as "held for sale"

	2017/18 £000	2018/19 £000
Balance outstanding at the start of the year	611	3,451
Assets newly classified as held for sale	3,450	1,665
Revaluation losses	0	-24
Revaluation gains	0	114
Impairment losses	0	0
Assets declassified as held for sale	0	0
Assets sold	-610	-3,450
Balance outstanding at year end	**3,451**	**1,756**

22. CREDITORS

	31.3.18 £000	31.3.19 £000
Trade payables	20,740	22,633
Other payables	26,530	25,239
	47,270	**47,872**

The code requirements for the classification of debtors and creditors changed in 2018/19. Prior year comparators have been restated to aid the reader of the accounts.

23. 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.

	2018/19 £000
Opening balance at 1 April 2018	8,078
Transactions during the year:	
Additional provisions made in the period	2,438
Amounts used (incurred and charged against the provision) in the period	- 2,303
Amounts transferred from earmarked insurance reserve	414
Closing balance at 31 March 2019	**8,627**

24. DONATED ASSETS ACCOUNT

This account holds the value of donated assets which have been received by the Group with conditions attached to them.

	31.3.18 £000	31.3.19 £000
Opening balance	16	16
Amounts received in year	0	0
Amounts recognised in comprehensive income and expenditure account once conditions met	0	- 16
Closing balance	**16**	**0**

25. CONTINGENT ASSETS AND LIABILITIES

Accounting Policy

The Group recognises material 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.

Following successful claims in the court case Allard v Devon and Cornwall Police for unpaid overtime following recalls to duty, the judge has selected a number of test cases to consider all of the issues arising in these claims against forces across the country. TVP claims are therefore stayed by order of the High court pending the outcome of the test cases. The total cost of the claims will be dependent upon the principles established in the test cases and a number could go back over a six year period but the overall financial impact is not expected to be material in relation to the overall financial position of the force. There is no insurance indemnity for these claims

26. USABLE RESERVES

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

	31.3.18 £000	31.3.19 £000
Usable capital receipts	8,756	3,653
Capital grant unapplied account	10,247	11,725
Earmarked reserves	26,024	24,456
General balances	18,648	18,703
Total	**63,675**	**58,537**

Usable Capital Receipts Reserve

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

	2017/18 £000	2018/19 £000
Opening balance at 1 April	7,022	8,757
Add receipts in year	6,700	5,640
Less applied to finance capital expenditure	- 4,965	- 10,744
Closing balance at 31 March	**8,757**	**3,653**

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.

	31.3.18 £000	31.3.19 £000
Opening balance	8,769	10,247
Amounts received in year	1,478	1,478
Amounts applied to finance capital expenditure (transferred to capital adjustment account)	0	0
Correction relating to prior year	0	0
Closing balance	**10,247**	**11,725**

Earmarked Reserves

Please see Note 8 on page 39

General Balances

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

	2017/18 £000	2018/19
Opening balance as at 1 April	18,091	18,648
Planned use of balances to fund revenue expenditure	- 215	215
Additional income due to late receipt of council tax precept figures when setting the annual budget	0	147
Transfer from / to (-) other reserves	0	0
Add revenue account surplus / (deficit)	772	- 307
Balance as at 31 March	18,648	18,703

27. 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"

	31.3.18 £000	31.3.19 £000
Revaluation Reserve	85,063	78,853
Capital Adjustment Account	136,015	144,098
IAS 19 negative Pensions Reserve	- 4,293,926	- 4,722,006
Collection Fund Adjustment Account	2,048	2,381
Accumulated Absences Account	- 6,049	- 5,846
Total	**- 4,076,849**	**- 4,502,520**

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.

	31.3.18 £000	31.3.19 £000
Balance brought forward	79,393	85,063
Revaluation of fixed assets	10,845	264
Amounts written out relating to sold assets	- 1,025	- 1,734
Historical cost depreciation adjustment	- 4,150	- 4,740
Balance carried forward	**85,063**	**78,853**

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.

	2017/18 £000	2018/19 £000
Opening Balance	123,783	136,015
Direct Revenue Financing	17,040	10,896
Credit for donated asset	0	16
Minimum Revenue Provision	1,124	1,145
Revaluation reserve write down	5,175	6,473
Receipts on disposal of fixed assets used to finance capital expenditure	4,965	10,744
Carrying value of disposed assets	- 3,923	- 5,003
Prior year adjustment to fixed asset register (addition of vehicles)	6	0
Less:		
Annual depreciation and impairment	- 13,567	- 17,297
Application of Government grant and capital contributions to finance capital expenditure	1,412	1,109
Closing balance	**136,015**	**144,098**

IAS 19 Pension Reserve

See Note 33 on page 71.

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.

	31.3.18 £000	31.3.19 £000
Balance at 1 April	2,763	2,048
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	- 715	333
Balance at 31 March	**2,048**	**2,381**

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.

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.

	31.3.18 £000	31.3.19 £000
Opening balance	6,298	6,049
Reversal of prior year accrual	- 6,298	-6,049
Accrual for accumulated absences at year end	6,049	5,846
Closing balance	**6,049**	**5,846**

28. CAPITAL GRANT INCOME

The Group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19. All grants were credited to Taxation and Non Specific Grant Income:

	2017/18 £000	2018/19 £000
Counter Terrorism grant	887	750
General capital grant	1,478	1,478
Third party contributions	212	292
Home office specific capital grants (ANPR, mobile data, innovation fund)	313	67
Donated assets	0	16
Total capital grant, contributions and donations	**2,890**	**2,603**

29. 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 2019, the conditions have not been met.

	2017/18 £000	2018/19 £000

Opening balance	1,573	1,529
Amounts received in year	2,843	3,871
Amounts recognised in comprehensive income and expenditure account once conditions met	- 2,890	- 2,586
Amounts repaid once it is known that the conditions will not be met	0	0
Adjustment relating to prior year error	0	0
	1,529	**2,814**

30. 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 on the balance sheet, 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 Capital Adjustment Account 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 2018/19 was £0.939m (2017/18 £0.976m)

The Group was committed at 31 March 2019 to making payments of £0.657m under operating leases, (2017/18 £0.701m) compromising the following elements (annual rental payments):

	2017/18	2018/19
	£000	£000
Leases expiring within 12 months	154	157
Leases expiring between 1 year and 5 years	333	286
Leases expiring after 5 years	214	214
Total	**701**	**657**

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 "specific income" line in the CIES.

The gross value of assets held for use in operating leases was £4.958m (2017/18 £3.786m) (valued at 31st March 2019 and subject to £0.550m depreciation to 31 March 2019). The Group received £0.55m in income from the use of these assets during 2018/19. (2017/18 £0.59m)

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

	2017/18	2018/19
	£000	£000
Payments receivable within 12 months	250	239
Payments receivable between 1 year and 5 years	176	176
Payments receivable after 5 years	166	165
Total	**592**	**580**

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

2018/19 was the nineteenth 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 14, page 48.

Payments

The PCC makes an agreed payment 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 6 years, with a small residual payment of £0.043m in year 7. 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 2019 (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 2019/20	1,054	307	433	1,794	-1,032	762
Payable within 2 to 5 years	4,216	1,505	1,457	7,178	- 4,128	3,050
Payable within 6 to 10 years	5,270	2,705	997	8,972	-1,075	7,897
Payable within 11 years	1,054	684	57	1,795	0	1,795
Total	11,594	5,201	2,944	19,739	- 6,235	13,504

Comparable figures for 2017/18 are as follows:

	Payment for	Finance Lease		Sub-	Grant	Net

	services £000	principal £000	Interest £000	Total £000	Income £000	Cost £000
Payable in 2018/19	1,014	283	457	1,754	- 1,032	722
Payable within 2 to 5 years	4,056	1,389	1,573	7,018	- 4,128	2,890
Payable within 6 to 10 years	5,070	2,496	1,206	8,772	- 2,064	6,708
Payable within 11 to 12 years	2,027	1,315	166	3,508	0	3,508
Total	12,167	5,483	3,402	21,052	- 7,224	13,828

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:

	2017/18 £000	2018/19 £000
Balance outstanding at the start of the year	5,739	5,478
Payments during the year	- 261	- 283
Balance outstanding at year-end	**5,478**	**5,195**

31. IMPAIRMENT LOSSES ON PROPERTY PLANT AND EQUIPMENT

Details of impairment losses on Property, Plant and Equipment are disclosed in note 14. All impairment losses on fully constructed assets have been experienced due to the general fall in market values. However, the impairment experienced on assets under construction relates to prior year spend on an aborted project.

32. 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 23 January 2018. The key issues within the strategy were:

- The Authorised Limit for 2018/19 was set at £63.226m. This is the maximum limit of external borrowings or other long term liabilities.

- The Operational Boundary was expected to be £43.226m. 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 Link Asset Service. 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 2018/19 was approved by the PCC on 23rd January 2018

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 2019 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.

	Amount at 31 March 2019 £000	Historical experience of default %	Adjustment for market conditions at 31 March 2019 %	Estimated maximum exposure to default and write-off £000
Customers	2,666	0.35	0.25	7

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.

<u>Customers</u>

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 £0.417m of the £2.666m balance on the Accounts Receivable ledger at 31 March 2019 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 2018 £000s	31 March 2019 £000
Less than three months [1]	745	368
Three to six months	19	14
Six months to one year	28	7
More than one year	8	28
Total	**800**	**417**

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:

	31.3.18 £000	31.3.19 £000
Less than one year	60,360	63,678
More than one year	0	
	60,360	**63,678**

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 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:

	31.3.18 £000	31.3.19 £000
Analysis of loans by type		
Public Works Loans Board	18,978	23,978
Barclays	3,500	3.500
Other Local Authorities	0	9,000
	22,478	**36,478**
Analysis of loans by maturity		
Short term - less than 1 year	1,393	9,000
Between 1 and 2 years	0	0
Between 2 and 5 years	0	0
Between 5 and 10 years	756	7,149
More than 10 years	20,329	20,329
	22,478	**36,478**

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

Market risk

<u>Interest rate risk</u>

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.

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 2019, 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	0
Increase in interest receivable on variable rate investments	385
Impact on Surplus or Deficit on the Provision of Services	**385**
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)	**-6,007**

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.

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 the PCC has no exposure to loss arising from movements in exchange rates.

33. PENSIONS

Accounting Policy

<u>Post employment benefits</u>

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, 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 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 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 PPS, NPPS and 2015 scheme 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 2018. The pension liabilities in these accounts have been calculated accordingly at a discount rate of 2.45% (2.55% in 2017/18).

Police Staff

Police staff are eligible to join the Local Government Pension Scheme (LGPS) administered by Buckinghamshire County Council. This is a funded scheme. In 2018/19 the Group paid an employer's contribution representing 13.5% of pensionable pay and a cash lump sum of £1.635 million. 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 2.45% (2.6% in 2017/18)

<u>Transactions relating to retirement benefits</u>

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:

	Police Pension Scheme		LGPS	
	2017/18 £000	2018/19	2017/18 £000	2018/19 £000
Comprehensive Income and Expenditure Statement				
Cost of Services				
• current service costs	95,680	97,620	36,016	35,417
• past service costs	2,450	183,520	220	9,296
• curtailment and settlements			3	0
• Administration expenses			423	397
Financing and Investment Income and Expenditure	105,420	100,680	9,952	8,726
• Net interest on defined liability				
Total Post Employment Benefit Charged to the Surplus or deficit on the Provision of Services	**203,550**	**381,820**	**46,614**	**53,836**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• actuarial gains and losses and return on plan assets	-132,850	124,120	-39,319	-1,794
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	70,700	505,940	7,295	52,042
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	203,550	381,820	46,614	53,836
Actual amount charged against council tax for pensions in the year:				
• employers' contribution payable to scheme	80,048	87,031	13,715	14,388
• 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 2019 is a loss of £1.844 billion.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of scheme liabilities:

	Unfunded liabilities: Police Pension Scheme		Funded liabilities: LGPS	
	2017/18 £000	**2018/19 £000**	**2017/18 £000**	**2018/19 £000**
Opening balance at 1 April	3,977,830	3,951,050	799,115	810,179
Current service cost	76,260	78,130	36,016	35,417
Interest cost	105,420	100,680	22,261	20,968
Contributions by scheme participants	19,420	19,490	6,042	6,305
Actuarial gains (-) and losses	-132,850	124,120	-39,319	-1,794
Losses on curtailments			3	0
Liabilities extinguished on settlements				
Benefits paid (net of transfers in)	-97,480	-102,670	-13,885	-13,409
Past service costs	2,450	183,520	220	9,296
Unfunded pension payments			-274	-262
Closing balance at 31 March	**3,951,050**	**4,354,320**	**810,179**	**866,700**

Reconciliation of fair value of the scheme assets:

	LGPS	
	2017/18 £000	**2018/19 £000**
Opening balance on 1 April	437,150	467,303
Interest on assets	12,309	12,242
Actuarial gains and losses (-)	12,975	12,405
Employer contributions, Including unfunded benefits	13,409	14,827
Contributions by scheme participants	6,042	6,305
Benefits paid	-14,159	-13,671
Administration expenses	-423	-397
Closing balance on 31 March	**467,303**	**499,014**
Net liability on LGPS	**342,876**	**367,686**

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 £24.647m (£25.284m in 2017/18).

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 2016.

The principal assumptions used by the actuary have been:

	Police Pension Scheme		LGPS	
	2017/18	**2018/19**	**2017/18**	**2018/19**
Long-term expected rate of return on assets in the scheme:	N/A	N/A	6%	6%
Mortality assumptions				
• Longevity at 65 for current pensioners (years)				
Men	22.6	22.7	24.0	22.9
Women	24.2	24.3	26.1	24.8
• Longevity at 65 for future pensioners (years)				
Men	24.5	24.6	26.2	24.6
Women	26.1	26.2	28.4	26.6
Rate of inflation - CPI	2.30%	2.35%	2.3%	2.4%
Rate of increase in salaries	4.30%	4.35%	3.8%	3.9%
Rate of increase in pensions	2.30%	2.35%	2.3%	2.4%
Rate of discounting scheme liabilities	2.55%	2.45%	2.6%	2.45%
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			
	Police Pension Scheme		LGPS	
	Increase in assumption £ million	Decrease in assumption £ million	Increase in assumption £ million	Decrease in assumption £ million
Longevity (increase or decrease by 1 year)	106.00	(106.00)	30.569	(29.525)
Rate of increase in salaries				
• LGPS (increase or decrease by 0.1%)			2.545	(2.521)
• Police Pension (increase or decrease by 0.5%)	78.00	(78.00)		
Rate of increase in pensions				
• LGPS (increase or decrease by 0.1%)			18.085	(17.647)
• Police Pension (increase or decrease by 0.5%)	374.00	(374.00)		
Rate for discounting schemes				
• LGPS (increase or decrease by 0.1%)			(20.139)	20.640
• Police Pension (increase or decrease by 0.5%)	(456.00)	456.00		

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 2018	31 March 2019
	%	%
Equities – UK	10	5
Equities - Overseas	41	41
Gilts	9	12
Bonds	13	15
Property	7	8
Cash	4	3
Alternative assets	1	1
Private Equity	5	5
Absolute return portfolio	5	5
Hedge funds	5	5
Total	**100**	**100**

McCloud / Sargeant judgement

The Chief Constable of Thames Valley, along with other Chief Constables and the Home Office, currently has 119 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the ‘transitional protection’ offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would to lead to an increase in Police

Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions and applying these across the Police scheme as a whole have estimated the potential increase in scheme liabilities for Thames Valley Police to be approximately 4.4% or £183.52m of pension scheme liabilities. This increase is reflected in the IAS19 Disclosure as a Past Service Cost. The actuaries have highlighted that this estimate is based on one potential remedy, the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

With regard to the LGPS a similar adjustment to past service costs within the IAS19 Disclosure has been made for the McCloud judgment. This corresponds to a 1.07% or £9.169m increase in liabilities. The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates.

34. NOTES TO THE CASHFLOW STATEMENT

Analysis of operating, investing and financing activities:

	2017/18	2018/19
	£000	£000
Operating activities		
Taxation	-151,875	-164,089
Grants	-314,411	-335,764
Sales of goods and rendering of services	-50,201	-54,988
Interest received	-1,043	-973
Cash inflows generated from operating activities	**-517,530**	**-555,814**
Cash paid to and on behalf of employees	405,741	461,316
Cash paid to suppliers of goods and services	101,083	87,067
Interest paid	1,182	1,346
Other payments for operating activities	0	0
Cash outflows generated from operating activities	**508,006**	**549,729**
Net cash flows from operating activities	**-9,525**	**-6,086**
Investing activities		
Purchase of property, plant and equipment and intangible assets	20,439	25,557
Purchase of short and long term investments	0	0
Proceeds from the sale of property, plant and equipment	-5,079	-7,260
Proceeds from short and long term investments	2,000	5,000
Other receipts from investing activities	-2,632	-4,082
Net cash flows from investing activities	**14,728**	**19,215**
Financing activities		
Cash receipts of short and long term borrowing	-7,635	-15,393
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI	261	283
Repayments of short and long term borrowing	0	1,393
Net cash flows from financing activities	**-7,374**	**-13,717**

Analysis of non cash adjustments:

	2017/18	2018/19
	£000	£000
IAS 19 pension liability	-156,400	-334,237
Depreciation, impairment and amortisation	-13,567	-17,298
Carrying amount of non current assets sold	-3,923	-5,004
Premium/discount on restructuring of debt	0	0
Other non cash items charged to deficit	3,139	2,804
(Increase)/decrease in provisions	-1,072	-549
Increase/(decrease) in stock	259	159
Increase/(decrease) in debtors	6,485	6,926
(Increase)/decrease in creditors	-5,886	-1,760
Total adjustment for non cash items	**-170,966**	**-348,959**

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

	2017/18 £000	2018/19 £000
Contributions Receivable		
From employer		
- normal	- 34,779	- 34,992
- early retirements	- 840	- 1,022
From members	- 19,413	- 19,486
Transfers in		
- individual transfers in from other schemes	- 249	- 189
Benefits Payable		
- pensions	76,783	80,903
- commutations and lump sum retirement benefits	19,454	22,001
- lump sum death benefits	311	398
Payments to and on account of leavers		
- refund of contributions	40	50
- individual transfers out to other schemes	0	112
Sub-total for the year before transfer from the Group of an amount equal to the deficit	**41,307**	**47,775**
Additional funding payable by the Group to fund the deficit for the year[1]	- 41,307	- 47,775
Net amount	**0**	**0**

[1]The 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

	2017/18 £000	2018/19 £000
Unpaid pension benefits	0	0
Amount owing from the general fund	0	0
Net Current Assets and Liabilities	**0**	**0**

Introduction

This section of the Statement of Accounts reports on the Income and Expenditure, Assets and Liabilities attributable to the Police and Crime Commissioner (PCC) for Thames Valley Police. It focuses on those discrete activities that the PCC has direct responsibility for such as community safety and commissioning services for victims and witnesses of crime. This is separate to the PCC Group accounts, which details the total income, expenditure and balance sheet position for the PCC and the Chief Constable in consolidation.

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

Accounting policies

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

PCC Movement in Reserves Statement for the years ended 31st March 2018 and 2019

	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		**27**	**8**	**27**	**27**	**27**	**48**	
Balance at 31st March 2017		**18,092**	**34,721**	**7,022**	**8,768**	**68,603**	**210,654**	**279,257**
Movement in reserves during 2017/18								
Total comprehensive Expenditure and Income		3,675	0	0	0	3,675	11,266	14,941
Adjustments between accounting basis & funding basis under regulations	38	-11,813		1,734	1,478	-8,601	8,601	0
Net increase/Decrease before transfers to Earmarked Reserves		**-8,138**	**0**	**1,734**	**1,478**	**-4,926**	**19,867**	**14,941**
Transfers to (-) /from earmarked reserves		8,696	-8,696			0	0	0
Increase/Decrease in Year		558 #	-8,696	**1,734**	**1,478**	**-4,926**	**19,867**	**14,941**
Balance at 31st March 2018 carried forward		**18,650**	**26,025**	**8,756**	**10,246**	**63,677**	**230,521**	**294,198**
Movement in reserves during 2018/19								
Total comprehensive Expenditure and Income		1,473	0	0	0	1,473	401	1,874
Adjustments between accounting basis & funding basis under regulations	38	-2,986		-5,104	1,478	-6,612	6,612	0
Net increase/Decrease before transfers to Earmarked Reserves		**-1,513**	**0**	**-5,104**	**1,478**	**-5,139**	**7,013**	**1,874**
Transfers to (-) /from earmarked reserves	8	1,568	-1,568			-0	0	-0
Increase/Decrease in Year		**55** #	**-1,568**	**-5,104**	**1,478**	**-5,139**	**7,013**	**1,873**
Balance at 31st March 2019 carried forward		**18,705** #	**24,457**	**3,652**	**11,724**	**58,537**	**237,534**	**296,071**

For full details of the movement in general balances, please see note 26 on page 60

PCC Expenditure and Funding Analysis Disclosure note 2018/19

The Expenditure and Funding Analysis is a disclosure note that shows how annual expenditure is used and funded from resources (government grants and council tax) by police bodies in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the departments Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. See note 36 for more details. Please note that this is not a primary statement.

	2017/18			2018/19		
	Net expenditure charged to general fund	**Adjustments between Accounting basis & Funding basis**	**Net expenditure in the CIES**	**Net expenditure charged to general fund**	**Adjustments between Accounting basis & Funding basis**	**Net expenditure in the CIES**
	£000	£000	£000	£000	£000	£000
PCC						
Office of the PCC	779	286	1,065	797	415	1,212
Democratic representation	197		197	210		210
Other costs	11,433	-6,844	4,589	4,257	264	4,521
Commissioned services	2,751		2,751	2,700		2,700
Cost of Services	**15,160**	**-6,558**	**8,602**	**7,964**	**679**	**8,643**
Other income & expenditure	-7,021	-5,256	**-12,277**	-6,451	-3,665	**-10,116**
(Surplus) or Deficit	8,139	-11,814	-3,675	1,513	-2,986	-1,473
Opening General Fund Balance	18,091			18,648		
Add (surplus) or Deficit	-8,139			-1,513		
Transfers to/from reserves & General Balances	8,696			1,568		
Closing General Fund Balance	**18,648**			**18,703**		

PCC Comprehensive Income and Expenditure Statement 2018/19

		2017/18			2018/19		
		Gross expenditure	**Gross Income**	**Net Expenditure**	**Gross expenditure**	**Gross Income**	**Net Expenditure**
		£000	£000	£000	£000	£000	£000
Office of the PCC		1,065	0	1,065	1,212	0	**1,212**
Democratic representation		197	0	197	210	0	**210**
Other costs		4,589	0	4,589	4,522	-1	**4,521**
Commissioned services		5,516	-2,765	2,751	5,691	-2,991	**2,700**
Cost of Services before funding		**11,367**	**-2,765**	**8,602**	**11,636**	**-2,992**	**8,643**
Intra group funding				**413,026**			**432,417**
Net cost of services				**421,628**			**441,060**
Other operating Expenditure:							
Gain/loss on disposal	38a			-3,081			-746
Levies to national police service				0			0
Financing & investment income & expenditure:							
Interest payable	38b	1,234		1,234	1,344		1,344
Pensions interest cost	38b	72		72	64		64
Interest & investment income	38b		-789	-789		-1,031	-1,031
Taxation & non specific grant income	38c		**-422,739**	**-422,739**		-442,164	-442,164
Surplus/deficit on provision of service				**-3,675**			**-1,473**
Surplus/deficit on revaluation of fixed assets	42/21			-10,845			-264
Remeasurement of net defined liability				-421			-137
Other gain/loss				0			0
Total other comprehensive Income and Expenditure				**-11,266**			**-401**
Total comprehensive Income & Expenditure				**-14,941**			**-1,874**

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'

31.3.17	**31.3.18**		**Note**	**31.3.19**
£000	£000			£000
		Long Term Assets		
217,408	221,429	Property, Plant and Equipment	42	220,940
0	0	Investment Property		0
	0	Intangible assets		0
0	0	Long term investments	17	0
1,016	938	Long term debtors	44	860
218,424	**222,367**	**Total Long Term Assets**		**221,800**
		Current Assets		
48,338	50,085	Short term investments	17	55,143
0	0	Inventories		0
10,797	11,445	Short term debtors	44	12,030
5,824	7,995	Cash and cash equivalents	20	8,583
610	3,450	Assets held for sale	22	1,755
28,416	39,278	Intra group balance	4	52,960
93,985	**112,252**	**Total Current Assets**		**130,471**
		Current Liabilities		
-423	-1,890	Short term borrowing	17	-9,525
-8,181	-8,206	Short term creditors	45	-8,700
0	0	Provisions		0
-16	-19	Accumulated absences	47	-25
-8,620	**-10,114**	**Total Current Liabilities**		**-18,250**
		Long Term Liabilities		
0	0	Long term creditors		0
0	0	Provisions		0
-20,321	-26,280	Long term borrowing	17	-32,366
-2,637	-2,499	Liability related to defined benefit pension schemes	48	-2,770
0	0	Donated assets account		0
-1,576	-1,529	Capital grants received in advance	29	-2,814
-24,534	**-30,308**	**Total Long Term Liabilities**		**-37,950**
279,255	**294,197**	**Net Assets / (liabilities)**		**296,071**
68,602	63,675	Usable reserves	26	58,535
210,654	230,522	Unusable reserves	47	237,535
279,256	**294,197**	**Total Reserves**		**296,071**

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	**31.3.18**	**31.3.19**
		£000	£000
Net (surplus)/deficit on the provision of services		-3,675	-1,473
Adjust net surplus/deficit for non cash movements	49	3,406	9,998
Adjust for items included in surplus/deficit that are investing and financing activities		6,204	5,012
Net cash flows from Operating Activities	49	**5,936**	**13,537**
Investing Activities	49	-733	-408
Financing Activities	49	-7,374	-13,717
Net increase (-) or decrease in cash and cash equivalents		**-2,171**	**-588**
Cash and cash equivalents at the beginning of the reporting period	20	5,824	7,995
Cash and cash equivalents at the end of the reporting period	20	7,995	8,583

35 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:

a. Establishing the valuations of operational and residential properties (see Note 14 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 PCC 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 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.

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 PCC in accordance with the standard set of activities for each corporate body identified in CIPFA's published guidance at the time (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. 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

f. The value of the collection fund adjustments shown in the Group accounts has been partially estimated. Although the Chief Finance Officer wrote to each billing authority and requested the appropriate information to enable the collection fund adjustment account to be calculated accurately, only half (8 out of 16) of the authorities returned their figures during the specified time period. The remainder of the values were estimated, based on the average of their previous 5 years returns - many of which were also OPCC estimates. Some billing authorities have not provided an actual data return since 2013/14.

g. On 1st April 2018, significant changes were made to IFRS 9 (Financial Instruments). This has resulted in new classification categories for financial assets and liabilities. All investments and loans have been assessed at year end and as all investments are made solely for payments of principal and interest, a judgement has been made that they should all be held at amortised cost.

36 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

	2017/18				2018/19			
Adjustments from General Fund to arrive at the CIES amounts	**Adjustments for capital purposes**	**Net change for the pensions Adustments**	**Other differences**	**Total Adjustments**	**Adjustments for capital purposes**	**Net change for the pensions Adustments**	**Other differences**	**Tota Adjustment**
	£000	£000	£000	£000	£000	£000	£000	£00
PCC								
Office of the PCC		283	3	286		408	7	41
Democratic representation				0				
Other costs	-6,844			-6,844	264			26
Commissioned services				0				
net cost of services	-6,844	283	3	-6,558	264	408	7	67
				0				
other income & expenditure from the expenditure & funding analysis	-5,970		714	-5,256	-3,333		-333	-3,66
Difference between General Fund & surplus or deficit and CIES statement surplus or deficit on the provision of services	**-12,814**	**283**	**717**	**-11,814**	**-3,068**	**408**	**-326**	**-2,98**

37 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 PCC to meet future capital and revenue expenditure. All items are adjustments between the general fund balance and the unusable reserves shown below.

2018/19 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)	408			-408
Financial instruments (transfered to the financial instruments adjustment account)	0			0
Council tax (transfers to or from the collection fund adjustment account)	-333			333
Holiday Pay (transferred to the accumulated absences account)	7			-7
Non current assets written off on disposal (charged to capital adjustment account)	4,266			-4,266
reversal of entries in relation to capital expenditure (charged to the capital adjustment account)	1,580		1,478	-3,058
Total Adjustments to the Revenue Resources	5,928	0	1,478	-7,406
Adjustments between revenue and capital Resources				
Transfer of non current asset sale proceeds from revenue to capital receipts reserve	-5,012	5,012		
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	-1,146			1,146
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	-2,756			2,756
Total Adjustments between revenue and Capital Resources	-8,914	5,012	0	3,902
Adjustments to capital resources				
Use of capital receipts reserve to finance capital expenditure		-10,116		10,116
Application of capital grants to finance capital expenditure	0			0
Total Adjustments to capital resources	0	-10,116	0	10,116
Total Adjustments	-2,986	-5,104	1,478	6,612

2017/18 Adjustments

	General Fund Balance	Capital Receipts Reserve	Capital grant unapplied	Unusable Reserves
	£000	£000	£000	£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)	283			-283
Financial instruments (transfered to the financial instruments adjustment account)	0			0
Council tax (transfers to or from the collection fund adjustment account)	714			-714
Holiday Pay (transferred to the accumulated absences account)	3			-3
Non current assets written off on disposal (charged to capital adjustment account)	3,124			-3,124
reversal of entries in relation to capital expenditure (charged to the capital adjustment account)	1,514		1,478	-2,992
Total Adjustments to the Revenue Resources	5,639	0	1,478	-7,117
Adjustments between revenue and capital Resources				
Transfer of non current asset sale proceeds from revenue to capital receipts reserve	-6,204	6,204		
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	-1,124			1,124
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	-10,124			10,124
Total Adjustments between revenue and Capital Resources	-17,452	6,204	0	11,248
Adjustments to capital resources				
Use of capital receipts reserve to finance capital expenditure		-4,470		4,470
Application of capital grants to finance capital expenditure	0			0
Total Adjustments to capital resources	0	-4,470	0	4,470
Total Adjustments	-11,813	1,734	1,478	8,601

38 ANALYSIS OF ITEMS IN COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

a) Other operating Expenditure

	2017/18 £000	2018/19 £000
Gain (-)/loss on disposal of fixed asset	-3,081	-746
Levies to national police service	0	0
Total Operating Expenditure	**-3,081**	**-746**

b) Financing and Investment income and expenditure

	2017/18 £000	2018/19 £000
Interest payable	1,234	1,344
Pensions interest cost on net defined benefit liability	72	64
Subtotal Financing and Investment expenditure	1,306	1,408
Interest and investment income	-789	-1,031
Total Operating Expenditure	**517**	**377**

c) Taxation and non specific grant income

	2017/18 £000	2018/19 £000
Police grant	-139,249	-139,249
Formula Grant	-72,855	-72,855
Council tax	-151,161	-164,422
Pensions top up grant	-41,307	-47,774
Capital grants and contributions	-2,890	-2,586
Council tax legacy grant	-15,278	-15,278
Total taxation and non specific grant income	**-422,739**	**-442,164**

d) Specific grant income

	2017/18 £000	2018/19 £000
MoJ Victims & Witnesses grant	- 2,765	- 2,992
Innovation fund grant	0	0
Total specific grant income	**- 2,765**	**- 2,992**

39 OFFICERS' REMUNERATION

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

		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	17/18		100,620	0		0	100,620	13,886	114,506
(Chief Executive)	18/19		100,620	0	0	0	100,620	13,584	114,204
Ian Thompson	17/18		85,414	0		0	85,414	11,787	97,201
(Chief Finance Officer)	18/19		87,602	0	0	0	87,602	11,826	99,428

		Note	Salary, fees & allowances £	Bonuses £	Expense allowances £	Benefits in Kind £	Total remuneration excluding pension £	pension contribution £	Total £
Police and Crime Commissioner									
Anthony Stansfeld	17/18		85,000	0	336	456	85,792	11,730	97,522
(PCC)	18/19		86,558	0	354	428	87,341	11,685	99,026
Matthew Barber	17/18		45,000				45,000	6,210	51,210
(Deputy PCC)	18/19	1	62,258	0	0	0	62,258	8,405	70,663

Note 1: Matthew Barber worked part time (22.2 hrs per week) from 03.01.17 to 20.5.18 and his full time equivalent salary was £75,000. On 21.5.18 his post was made full time, with an annual salary of £65,000

The following table shows the number of staff employed and paid directly by the PCC 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 HMRC on Form P11D. This table excludes those senior officers whose salaries etc. are disclosed separately above, as well any staff who, as at 31st March 2019, are seconded to national bodies such as the College of Policing.

Total Remuneration £	2017/18	2018/19
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	1
50,000 – 54,999	2	1

40 FEES PAID TO EXTERNAL AUDIT

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:

	2017/18 £000	2018/19 £000
Fees payable in relation to auditing the PCC and Group accounts by the appointed auditor for the year	40	31
Refund relating to prior year	- 6	0
Total fees	**34**	**31**

41 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 is one material related party transactions to disclose in 2018/19.

Until 16th May 18 the Deputy Police and Crime Commissioner (Matthew Barber) was also Leader of the Vale of White Horse (VoWH) District Council which received Community Safety Partnership funding from the PCC, although he took no part in that particular decision making process.

42 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 expenditure as follows:

Asset Type	**De Minimus £000**
Buildings (including leased and PFI)	100
Assets funded by capital grant	none

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

The component must be valued at a minimum of £200,000 or 10% of the value of the parent asset (whichever is greater) in order to be recognised

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 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.

Movement on Fixed Assets
2018/19 movements

	Other Land and Buidlings £000	Police Houses £000	Equity Share £000	Non Operational Assets £000	Assets under construction £000	**Total £000**
Cost or Valuation						
At 1st April 2018	204,036	11,075	2,172	2,002	3,226	**222,511**
Additions	587	124	0	0	5,273	**5,984**
Donations	0	0	0	0	0	**0**
Assets under construction - brought into use	0	0	0	0	0	**0**
Revaluation increases /(decreases) to RR	-183	290	58	0	0	**166**
Revaluation increases /(decreases) to SDPS	4,816	-89	0	0	-124	**4,604**
Disposals	0	-460	-355	0	0	**-815**
Reclassifications	0	0	0	0	0	**0**
Assets reclassified to/from Held for sale	-386	-1,295	0	0	0	**-1,681**
Write out expenditure not adding value	0	0	0	0	-126	**-126**
Depreciation written out on revaluation	-8,576	0	0	0	0	**-8,576**
At 31st March 2019	**200,294**	**9,645**	**1,875**	**2,002**	**8,249**	**222,066**
Depreciation and Impairment						
At 1st April 2018	1,084	0	0	0	0	**1,084**
Transfer of assets to Chief Constable	0	0	0	0	0	**0**
Depreciation charge	8,634	1	0	0	0	**8,635**
Depreciation written out on revaluation	-8,576	0	0	0	0	**-8,576**
Impairment losses / (reversals) to RR	0	0	0	0	0	**0**
Impairment losses / (reversals) to SDPS	0	0	0	0	0	**0**
Disposal	0	0	0	0	0	**0**
Reclassifications	-16	0	0	0	0	**0**
At 31st March 2019	**1,125**	**1**	**0**	**0**	**0**	**1,126**
Net Book Value						
At 31st March 2019	**199,169**	**9,644**	**1,875**	**2,002**	**8,249**	**220,939**

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

2017/18 movements

	Other Land and Buidlings £000	Police Houses £000	Equity Share £000	Non Operational Assets £000	Assets under construction £000	**Total £000**
Cost or Valuation						
At 1st April 2017	200,148	13,148	2,648	2,002	504	**218,449**
Transfer of assets to Chief Constable	0	0	0	0	0	**0**
Additions	472	0	0	0	3,071	**3,543**
Donations	0	0	0	0	0	**0**
Assets under construction - brought into use	277	0	0	0	-277	**0**
Revaluation increases /(decreases) to RR	9,760	973	112	0	0	**10,845**
Revaluation increases /(decreases) to SDPS	3,902	5	0	0	-71	**3,836**
Disposals	-1,972	0	-587	0	0	**-2,559**
Reclassifications	0	0	0	0	0	**0**
Assets reclassified to/from Held for sale	-400	-3,050	0	0	0	**-3,450**
Write out expenditure not adding value	0	0	0	0	0	**0**
Depreciation written out on revaluation	-8,151	0	0	0	0	**-8,151**
At 31st March 2018	**204,037**	**11,076**	**2,173**	**2,002**	**3,227**	**222,513**
Depreciation and Impairment						
At 1st April 2017	1,040	0	0	0	0	**1,040**
Transfer of assets to Chief Constable	0	0	0	0	0	**0**
Depreciation charge	8,239	0	0	0	0	**8,239**
Depreciation written out on revaluation	-8,151	0	0	0	0	**-8,151**
Impairment losses / (reversals) to RR	0	0	0	0	0	**0**
Impairment losses / (reversals) to SDPS	0	0	0	0	0	**0**
Disposal	-45	0	0	0	0	**-45**
Reclassifications						**0**
At 31st March 2018	**1,083**	**0**	**0**	**0**	**0**	**1,083**
Net Book Value At 31st March 2018	**202,954**	**11,076**	**2,173**	**2,002**	**3,227**	**221,430**

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

Revaluations

Thames Valley Police's property valuers is Lambert Smith Hampton - Commercial Surveyors and Property Consultants. This company 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 2019 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 2019 are as follows:

Recurring fair value measurements using:	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 2019
	£000	£000	£000	£000
Surplus operational properties	0	1,755	0	1,755
Surplus land	0	2,000	0	2,000
Telecommunications sharing sites	0	3,116	0	3,116
Total	**0**	**6,871**	**0**	**6,871**

Comparative figures for 2017/18 are:

Recurring fair value measurements using:	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 2018
	£000	£000	£000	£000
Surplus operational properties	0	3,450	0	3,450
Surplus land	0	2,000	0	2,000
Telecommunications sharing sites	0	4,075	0	4,075
Total	**0**	**9,525**	**0**	**9,525**

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 Lambert Smith Hampton. 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 2019.

	£000
Milton Keynes Police Station - Electrical renovation and improvements	564
Sulhamstead Police Training Centre - refurbishment	1,401
Reading - development of new facility	8,308
Chipping Norton Police Station	190

43 CAPITAL EXPENDITURE AND FINANCING

The PCC spent £5.984m on the acquisition and enhancement of long term assets in 2018/19, as the following table shows

	£000
Land and buildings	5,984
Vehicles, plant and other equipment	0
Information, communications and technology	0
Total tangible fixed asset expenditure	**5,984**
Intangible assets (i.e. computer software licences)	0
Total Capital Expenditure	**5,984**

Financing of the total capital programme can be found in the Group accounts, note 15 on page 51
The capital financing requirement for 2018/19 was £44.138m

44 DEBTORS

	31.3.18 £000	31.3.19 £000
Amounts falling due after more than one year		
Trade receivables	0	0
Prepayments	938	860
Other receivable amounts	0	0
Total long term debtors	**938**	**860**
Amounts falling due within one year		
Trade receivables	1	0
Prepayments	0	0
Other receivable amounts	11,444	12,030
	11,445	12,030
Less provision for doubtful debts	0	0
Total current debtors	**11,445**	12,890
Total debtors	**12,383**	12,890

45 CREDITORS

	31.3.18 £000	31.3.19 £000
Trade payables	616	594
Other payables	7,590	8,106
	8,206	**8,700**

46 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 2019, there are no known contingent assets or liabilities

47 UNUSABLE RESERVES

The PCC 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"

	31.3.18 £000	31.3.19 £000
Revaluation Reserve	85,063	78,854
Capital Adjustment Account	145,928	159,096
IAS 19 negative Pensions Reserve	- 2,499	- 2,770
Collection Fund Adjustment Account	2,048	2,381
Accumulated Absences Account	- 19	- 25
Total	**230,521**	**237,536**

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.

	31.3.18 £000	31.3.19 £000
Balance brought forward	79,393	85,063
Revaluation of fixed assets	10,845	264
Amounts written out relating to sold assets	- 1,025	- 1,734
Historical cost depreciation adjustment	- 4,150	- 4,739
Balance carried forward	85,063	78,854

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.

	2017/18 £000	2018/19 £000
Opening Balance	**131,151**	**145,928**
Direct Revenue Financing	10,124	2,756
Minimum Revenue Provision	1,124	1,145
Voluntary Revenue Provision	0	0
Revaluation reserve write down	5,175	6,473
Receipts on disposal of fixed assets	4,470	10,116
Carrying value of disposed assets	-3,124	- 4,265
Less:		
Annual depreciation and impairment	- 4,404	- 4,166
Application of Government grant and capital contributions to finance capital expenditure	1,412	1,109
Application of reserves to finance capital expenditure		
Closing balance	**145,928**	**159,096**

IAS 19 Pension Reserve

See Note 48 on page 100.

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.

	31.3.18 £000	31.3.19 £000
Balance at 1 April	2,763	2,048
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	- 715	333
Balance at 31 March	**2,048**	**2,381**

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.

	31.3.18 £000	31.3.19 £000
Opening balance	- 16	-19
Reversal of prior year accrual	16	19
Accrual for accumulated absences at year end	19	25
Closing balance	**- 19**	**-25**

48 PENSIONS

Accounting Policy

<u>Post employment benefits</u>

Police staff are eligible to join the Local Government Pension Scheme administered by Buckinghamshire County Council. This is a funded scheme. In 2018/19 the PCC paid an employer's contribution representing 13.5% of pensionable pay and a cash lump sum of £13,000. 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 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 2.45% (2.6% in 2017/18).

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:

	2017/18 £000	2018/19 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
• current service costs	316	362
• past service costs	0	94
• curtailment and settlements	0	0
• Administration expenses	3	3
Financing and Investment Income and Expenditure	72	64
• Net interest on defined liability		
Total Post Employment Benefit Charged to the Surplus or deficit on the Provision of Services	**391**	**523**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
• actuarial gains and losses and return on plan assets	-291	-7
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	100	516
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	391	523
Actual amount charged against council tax for pensions in the year:		
• employers' contribution payable to scheme	108	145
• 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 2019 is a loss of £1.177 million.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of scheme liabilities:

	Funded liabilities: LGPS	
	2017/18 £000	**2018/19 £000**
Opening balance at 1 April	3,738	3,960
Current service cost	316	362
Past service cost	0	94
Interest cost	168	162
Contributions by scheme participants	64	67
Actuarial gains (-) and losses	-291	-7
Benefits paid (net of transfers in)	-35	-36
Closing balance at 31 March	**3,960**	**4,602**

Reconciliation of fair value of the scheme assets:

	2017/18 £000	**2018/19 £000**
Opening balance on 1 April	1,101	1,461
Interest on assets	96	98
Actuarial gains and losses (-)	101	100
Employer contributions, including unfunded benefits	137	145
Contributions by scheme participants	64	67
Benefits paid	-35	-36
Administration expenses	-3	-3
Closing balance on 31 March	**1,461**	**1,832**
Net Liability on LGPS	**2,499**	**2,770**

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 £0.198 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 2016.

The principal assumptions used by the actuary have been:

	2017/18	2018/19
Long-term expected rate of return on assets in the scheme:	6%	5%
Mortality assumptions		
• Longevity at 65 for current pensioners (years)		
Men	24.0	22.9
Women	26.1	24.8
• Longevity at 65 for future pensioners (years)		
Men	26.2	24.6
Women	28.4	26.6
Rate of inflation - CPI	2.3%	2.40%
Rate of increase in salaries	3.8%	3.90%
Rate of increase in pensions	2.3%	2.40%
Rate of discounting scheme liabilities	2.6%	2.45%
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)	237	(229)
Rate of increase in salaries (increase or decrease by 0.1%)	23	(23)
Rate of increase in pensions (increase or decrease by 0.1%)	128	(125)
Rate for discounting schemes (increase or decrease by 0.1%)	(148)	151

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

	31 March 2018	31 March 2019
	%	%
Equities – UK	10	5
Equities - Overseas	41	41
Gilts	9	12
Bonds	13	15
Property	7	8
Cash	4	3
Alternative assets	1	1
Private Equity	5	5
Absolute return portfolio	5	5
Hedge funds	5	5
Total	**100**	**100**

49 NOTES TO THE CASHFLOW STATEMENT

Analysis of operating, investing and financing activities:

	2017/18	2018/19
	£000	£000
Operating activities		
Taxation	-151,875	-164,089
Grants	-314,411	-335,764
Sales of goods and rendering of services	-50,201	-54,988
Interest received	-1,043	-973
Cash inflows generated from operating activities	**-517,530**	**-555,814**
Cash paid to and on behalf of employees	405,741	461,316
Cash paid to suppliers of goods and services	101,083	87,067
Interest paid	1,182	1,346
Other payments for operating activities	0	0
Cash outflows generated from operating activities	**508,006**	**549,729**
Net cash flows from operating activities	**-9,525**	**-6,086**
Investing activities		
Purchase of property, plant and equipment and intangible assets	4,483	5,306
Purchase of short and long term investments	0	0
Proceeds from the sale of property, plant and equipment	-4,584	-6,632
Proceeds from short and long term investments	2,000	5,000
Other receipts from investing activities	-2,632	-4,082
Net cash flows from investing activities	**-733**	**-408**
Financing activities		
Cash receipts of short and long term borrowing	-7,635	-15,393
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI	261	283
Repayments of short and long term borrowing	0	1,393
Net cash flows from financing activities	**-7,374**	**-13,717**

	2017/18	2018/19
	£000	£000
IAS 19 pension liability	-283	-408
Depreciation and impairment	-4,404	-4,166
Carrying amount of non current assets sold	-3,124	-4,265
Premium/discount on restructuring of debt	0	0
Amortisation of intangible assets	0	0
Other non cash items charged to deficit	2,887	2,580
(Increase)/decrease in provisions	0	0
Increase/(decrease) in stock	0	0
Increase/(decrease) in debtors	8,080	15,955
(Increase)/decrease in creditors	250	303
Total adjustment for non cash items	**3,406**	**9,998**

Annual Governance Statement 2018/19

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 2019, including plans for the financial year 2019/20.

A glossary of terms is provided at the end of this document.

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.

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. 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. Under the Local Government Act 1999 the PCC makes arrangements to secure continuous improvement in the way his 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 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 police officers 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 and Chief Constable have approved and adopted a Code of Corporate Governance (the Code) which is consistent with the principles of the CIPFA / SOLACE 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 Regulation 6 of the Accounts and Audit Regulations 2015 to conduct a review of the effectiveness of the system of 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. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The PCC and the Chief Constable have developed and approved a 'Joint Corporate Governance Framework' 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 Framework is informed by the requirements of 'The Good Governance Standard for Public Services' and is consistent with the seven Nolan principles of standards in public life.

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.

Measures are in place to ensure that the PCC, Deputy PCC and employees of the Office of the PCC (OPCC) and TVP are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. This includes the Anti-Fraud, Bribery and Corruption Policy and guidance on the acceptance of gifts, loans and hospitality. Notifications of disclosable interests and a register of gifts and hospitability are published on the PCC's website.

The PCC and Chief Constable have transparent and accessible arrangements for dealing with complaints received from the public.

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 Thames Valley Police and Crime Panel (PCP) handles formal complaints made against the PCC.

A Complaints, Integrity and Ethics Panel has been jointly established by the PCC and Chief Constable to facilitate the discharge of their respective statutory obligations around handling and monitoring of police complaints, and to ensure that issues relating to policing integrity, ethics and professional standards are independently considered in order to maintain public confidence in policing. It does this by providing an annual assurance report to the PCC and Chief Constable.

Both the PCC and Chief Constable demonstrate respect for the rule of law and comply with relevant laws and regulations. Both employ in-house legal advisors to provide assurance of the same and guidance upon lawful decision making. The PCC is independent of Force management and operational decision-making, which is the responsibility of the Chief Constable. Established mechanisms ensure that legal and regulatory breaches and misuse of power are dealt with effectively. The PCC and his Deputy are subject to a Code of Conduct that is consistent with the Nolan principles. The Chief Executive of the OPCC is also the designated statutory Monitoring Officer, and the OPCC Governance Manager is Deputy Monitoring Officer, of the PCC's actions and decisions.

The PCC and Chief Constable create the conditions for all members of the OPCC and Force to be able to discharge their responsibilities in accordance with good practice. Guidance originating from the College of Policing is disseminated Force-wide by the Learning and Development Team in People Services and/or the Policing Strategy Unit. Similarly, best practice for PCCs is obtained via the Association of Police and Crime Commissioners (APCC), Association of Policing and Crime Chief Executives (APAC^{2}E) and Police and Crime Commissioners' Treasurers Society (PACCTS), and is disseminated amongst the OPCC.

The Force employs a Force Vetting Manager and team within the Professional Standards Department to ensure compliance with relevant national vetting standards.

B. Ensuring openness and comprehensive stakeholder engagement

The PCC has a statutory responsibility to consult the Chief Constable and obtain the views of the community and victims of crime about the policing of the Force area, and he must have regard to their views as well as the priorities of responsible authorities within the Thames Valley and relevant government bodies before issuing a Police and Crime Plan.

The Police and Crime Plan must be published by the end of the financial year in which the PCC is elected and, in the Thames Valley, is reviewed on an annual basis to ensure it remains relevant and fit for purpose. 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.

The PCC's Police and Crime Plan sets out his strategic policing and crime priorities and key aims, and how these will be delivered. His Plan is supported by the Force Commitment, Force Annual Delivery Plan, the OPCC's Strategic Delivery Plan and the Financial Strategy. The Police and Crime Plan has due regard to the Strategic Policing Requirement as issued by the Home Secretary and is developed in consultation with the Chief Constable, informed by the views of the local community, victims of crime and the priorities of other key stakeholders.

The PCP meets regularly to review and scrutinise the decisions and actions of the PCC and his performance in delivering the objectives contained in his Police and Crime Plan. It also meets specifically to consider the PCC's proposed annual precept increase, Police and Crime Plan, Annual Report and any proposed appointment to the roles of Deputy PCC, Chief Constable, OPCC Chief Executive and OPCC Chief Finance Officer.

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 public meetings with the reports and agendas published on the PCC's website, supplemented by regular private liaison meetings between the PCC and Chief Constable (in respect of which minutes are taken but not published).

The Framework of Corporate Governance defines the parameters for decision making, including delegations, financial regulations and contract regulations. The PCC has published his policy statement on decision making. All formal and significant PCC decisions taken in accordance with this policy are published on his website.

The PCC proactively publishes information to maintain openness and transparency with the public on this same website; in doing so he also meets his obligations under the Elected Local Policing Bodies (Specified Information) Order 2011 and, as a public authority, under the Freedom of Information Act 2000.

The PCC published his 2017/18 Annual Report last June (2018). This explained his main achievements during that financial year and also provided information on operational and financial performance during 2017/18. His 2018/19 Annual Report is due to be published in June 2019.

The Chief Constable has prepared and published the Force Commitment and the annual Delivery Plan. Quarterly Delivery Plan updates are provided to the PCC Level 1 public meeting, and published on the PCC's website, culminating in an end-of-year report of Force progress against stated objectives.

The Code of Ethics, the Force Commitment and the Force Delivery Plan are published on the TVP website. Information about neighbourhood policing, partnerships and sponsors, corporate events and public misconduct or special case hearings is also published, including details of upcoming hearings and how to attend.

The PCC and Chief Constable regularly attend local authority council meetings across the Thames Valley and provide formal briefings to constituency MPs on topical policing and crime issues in their local areas as well as at a national level. In addition, the PCP acts as a two-way mechanism to enable Panel representatives to inform the PCC of local policing and crime matters of importance to their respective local authorities, and to brief their authorities of the activities and initiatives of the PCC (and the Panel).

The PCC works with and part-funds local authority Community Safety Partnerships, Youth Offending Teams and Drug and Alcohol Teams across the Thames Valley to support crime reduction and community safety activities in their local areas. Such activities are aligned to the PCC's strategic objectives, as set out in his Police and Crime Plan, and are funded from the PCC's Community Safety Fund. Through working in partnership, these activities not only help the PCC to deliver his strategic objectives but also support partners in achieving their local priorities too.

The PCC is a member of the Thames Valley Local Criminal Justice Board which meets regularly to consider and discuss the performance of the local criminal justice system and any issues or initiatives being addressed individually and collectively by the criminal justice agencies. An Assistant Chief Constable (ACC) represents TVP on the Board. The PCC was Chairman of the Board for the period January 2016 to January 2018. The Deputy PCC has assumed chairmanship of the Board with effect from January 2019.

The Force has appropriate mechanisms for engaging with a variety of institutional stakeholders. The Chief Constable holds regular meetings to which the chief executives of all statutory partners are invited. This is a strategic information sharing and briefing forum for key partners, including local authorities, blue light services and health providers. In addition, Local Police Area Commanders routinely engage with the local authority commensurate to their geographic area, including their Community Safety Partnership. Multiple partnership forums exist across the operational policing landscape, including Multi-Agency Safeguarding Hubs (MASHs), and joint governance boards meet monthly or quarterly to manage bi-lateral arrangements between Thames Valley Police and Hampshire Constabulary. The South East Regional Integrated Policing (SERIP) Board meets quarterly to discuss regional change programmes and projects. All collaborative change programmes are supported by appropriate change frameworks to ensure appropriate governance processes are adopted, supported by standard products including risk and issue logs.

The OPCC and TVP 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.

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. Furthermore, the decisions and actions of the PCC are subject to regular review and scrutiny by the PCP.

The Chief Constable has a statutory duty to make arrangements for obtaining the views of persons within each neighbourhood about crime and disorder in that neighbourhood. 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. Community Forums 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. In addition, the Force runs 'Cover It Live' on-line events specific to themes or incidents, and has active social media outlets including Facebook and Twitter. The Thames Valley Alert system also enables electronic public engagement en masse.

C. Defining outcomes in terms of sustainable service and economic benefits

The PCC's Police and Crime Plan sets out his strategic policing and crime priorities and key aims, and how these will be delivered.

The Chief Constable has published the Force Commitment and annual Delivery Plan, outlining a clear vision of the organisation's purpose, priorities and strategic intentions, taking account of the PCC's Police and Crime Plan and the Home Secretary's national Strategic Policing Requirement. Progress against strategic objectives is assessed through Delivery Plan Priority Outcomes, and reviewed via the Service Improvement Reviews, Force Performance Group and Strategic Vulnerabilities framework.

The organisation is committed to the identification and consideration of collaboration opportunities with regards systems, processes and resourcing to sustain service delivery and increase the capacity and resilience of the organisation without diminishing capability and access to specialist services.

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 intended service outcomes to be delivered for collaboration activity. These collaboration boards comprise Chief Officers and the PCC from each Force area participating in the collaboration, supported by change professionals from the respective Force departments / SERIP.

There are also partnership arrangements in place with other agencies and stakeholders to manage vulnerability caused by the changing crime landscape, including MASHs.

The Medium Term Financial Plan (MTFP) and Medium Term Capital Plan (MTCP) ensure that planned activities to support the objectives of the PCC and Chief Constable are financially sustainable in the longer term. The Productivity Strategy is an integral part of the MTFP and identifies where savings and efficiencies can be achieved and hence more resources directed to priority areas. Service delivery is reviewed within the Governance & Service Improvement (GSI) department, developing an understanding of present and future demand to inform organisational and operational strategies aimed at sustaining service delivery or improvement. The Effectiveness & Efficiency programme is the methodology adopted to identify the respective costs and priority of services to help direct investment into priority areas to achieve a sustainable service that balances effectiveness with efficiency, ensuring economic viability and public value.

Risk and business continuity are managed through a governance framework at a local and strategic level, to manage and mitigate threats to service delivery. Strategic Risk and Business Continuity is managed within the Strategic Governance Unit, bringing together horizon scanning, local risk registers and change-programme risk and business continuity issues.

The Force and PCC have duties to consider the impact on equality of proposed changes to policies, procedures and practices. Equality Impact Assessments are routinely undertaken by TVP for policies and change programmes to assess impact internally and externally for staff, stakeholders and the public.

D. Determining the actions necessary to achieve the intended outcomes

The Force planning cycle incorporates the annual strategic assessment, financial plans, workforce plans and the Police and Crime Plan to inform the annual Delivery Plan. Force Management Statements were introduced nationally by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) in 2018 and their required completion by forces at a local level will also inform Force operational planning. Priority activities, measures and intended outcomes are proposed and approved through the Chief Constable's Management Team (CCMT), and monitored through the service improvement framework and quarterly updates to inform the PCC Level 1 meeting, which are published publicly.

The Chief Constable maintains MTFPs, which form the basis of the annual budgets and provide a framework for the evaluation of future proposals. These are accompanied by mid-term workforce plans, managed by the People Directorate.

Decision-making at all levels of the Force is undertaken within the framework of the National Decision Model, which has the Code of Ethics at its core. The National Decision Model was introduced to ensure a greater focus on delivering the mission of policing, acting in accordance with values, enhancing the use of discretion, reducing risk aversion and supporting the appropriate allocation of limited policing resources as the demand for them increases. Both are now fully embedded in the Force, to ensure officers have the tools to act lawfully in their decision making and to enable them to use their full powers for the benefit of citizens, communities and other stakeholders.

With regards to change programmes, change proposals are governed through Force Change Review Part 1, now called the Change Governance Meeting, which co-ordinates and prioritises proposals, assessing them against the organisations strategic objectives, capacity and financial capability. Each proposal is captured through an application, then if appropriate a business case.

In-flight programmes are managed by a Programme Board, chaired by a Senior Responsible Officer. Updates inform the Force Change Review Part 2, now called the Joint Portfolio Meeting and run collaboratively with Hampshire Constabulary, to enable co-ordination, planning and the oversight of resources from enabling departments to achieve the desired outcomes. All programmes and projects have strategic oversight through the Force Transformation Board, DCCs Collaboration Board, and respective Chief Officer Groups. Collaborated programmes have consideration to and management of shared risks and issues.

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 MTFP and a MTCP which are reviewed throughout the financial year alongside the OPCC's reserves to provide an effective framework for decision making. The MTFP and MTCP are closely aligned to the PCC's Police and Crime Plan and the Force Commitment. The PCC approves the MTFP and the MTCP as well as the annual budgets. The PCP must review the PCC's proposed council tax precept increase and 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 Level 1 meetings between the PCC and Chief Constable (with agendas and minutes published on the PCC's website as well as being reviewed regularly by the CCMT.).

The Productivity Strategy forms an integral part of the MTFP and incorporates the outcomes of initiatives such as Effectiveness & Efficiency or the Estates Asset Management Plan. Under the Productivity Strategy, £2.6m of cash savings were identified and removed from the revenue budget during 2018/19.

Force and Local Police Area Tasking and Co-ordination Group processes enable the regular review of operations, performance and resource deployment in an operational setting. CCMT provides strategic oversight for performance against Delivery Plan measures and priorities, as well as financial plans and asset management plans.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

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 staff appraisal process to focus individual employee contributions towards corporate objectives and measures, and to facilitate continuous professional development.

Chief Officers have clearly defined leadership roles and are responsible for implementing strategy and managing the delivery of services within their respective portfolios.

Officers and staff manage their performance and continuous development through the Performance Development Review framework. An annual assessment of competencies and objectives linked to Delivery Plan outcomes is supported by interim reviews and a requirement for officers and staff to undertake Continuous Professional Development. The framework also allows for the management of unsatisfactory performance or attendance where it is identified. The Force has a stated Health and Wellbeing Strategy, along with a workforce plan to develop the workforce and move towards being increasingly reflective of the communities it serves. The Force is committed to being considered an employer of choice.

Chief Officers have promoted a learning environment climate focussed on continuous service improvement, recognising the importance of independent and peer review when needed. Integral to this is the identification of lessons learned, recommendations and identified areas for improvement through end of project / programme closure reports undertaken before transitioning to business as usual, results analysis, individual management reviews, serious case reviews and HMICFRS audit / inspection processes.

The PCC has appointed a Deputy to assist him discharge his statutory functions. Both the PCC and Deputy PCC have received appropriate induction training. Ongoing training will include attendance at appropriate national conferences and seminars.

The PCC 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. In April 2018 the PCC brought victim support services in-house. ‘Victims First’ is the overarching name for all the PCC’s work in providing support for victims of crime. The PCC reviews the workload and capacity of his office via the internal OPCC Strategic Delivery Plan, which allows him to identify workload priorities and staffing needs in accordance with the delivery of his strategic objectives.

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

The Chief Constable, officers and staff all recognise that risk management is an integral part of their daily function, in operational, corporate and change environments. The Risk Management Policy is supported by the Risk and Business Continuity Communications Strategy. The management of risk is governed through the Force Risk Management Group, which exists to oversee strategic risk management and business continuity processes, take ownership of strategic risk issues, delegate actions to appropriate risk managers, accept strategic risk reports and recommendations through GSI, authorise actions and allocate resources where necessary.

The PCC and Chief Constable monitor service delivery effectively via their respective performance regimes.

The PCC has a duty to hold the Chief Constable to account for the performance of TVP generally. The PCC has therefore implemented an effective scrutiny and oversight function. He holds quarterly public meetings at which the Chief Constable is required to demonstrate that the Force is performing against the strategic priorities and key aims in the PCC’s Police and Crime Plan, the Home Secretary’s Strategic Policing Requirement and the Force’s own Delivery Plan. Similarly, the PCC meets monthly with the Chief Constable on a private basis to review and discuss more regularly the general performance of the Force against topical national, regional and local issues. The PCC maintains an HMICFRS tracker to follow up on any risks to the performance of the Force that have been highlighted by HMICFRS inspections. The OPCC provides an update against its Strategic Delivery Plan to the PCC on a monthly basis via the Senior Management Group meeting. The PCC therefore receives regular reports on service delivery plans and on progress towards outcome achievement of the priorities and aims set out in the Police and Crime Plan.

The Chief Constable holds a quarterly Performance Group meeting together with his management team, regularly attended by the PCC as an observer, in which the Chief Constable reviews performance of the Force against the annual Delivery Plan. The Service Improvement Review framework is a comprehensive schedule of LPA or Departmental review meetings, starting with a period of fieldwork, and culminating with a meeting, chaired by the DCC with attendance from the local command team, to review findings and set actions. A performance update against the Force Delivery Plan is considered quarterly at CCMT meetings. This same meeting determines and monitors Force strategy, policies and performance. Gold Groups are set up and managed in response to particular areas of vulnerability or to manage particular areas of performance as necessary, for example in response to a critical incident.

The Chief Constable has implemented monthly Performance Risk Meetings, chaired by the Deputy Chief Constable, in which constructive challenge and debate on thematic operational policies and procedures is encouraged. Each meeting will involve a review of the end-to-end process against policy and procedure, problem-solving particular challenges in those areas. The findings of these meetings are fed into the Chief Constable’s Performance Group.

The Force Risk Management Group oversees risk management within the Force and is chaired by the Chief Constable. The Group focusses on strategic risks but also monitors risk management processes across the Force, including within change programmes. The OPCC maintains its own strategic risk register.

A Joint Independent Audit Committee (JIAC) has been established in accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and the Financial Management Code of Practice. The JIAC’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. It does this by providing an annual assurance report to the PCC and Chief Constable. The JIAC meets in public and reports and minutes are placed on the PCC's website.

Effective counter fraud and anti-corruption arrangements are in place and are monitored, in the main, by the PSD. The Anti-Fraud, Bribery and Corruption Policy is updated every two years and is considered and endorsed by the JIAC before formal publication. It was last updated in December 2018.

The Internal Audit Team provides assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control.

The Force manages its information in accordance with the Data Protection Act 2018 and the General Data Protection Regulations, the Freedom of Information Act 2000 and the Code of Practice on the Management of Police Information, and this is overseen by the Information Governance Board chaired by the Director of Information. The Joint Information Management Unit leads on information compliance for both TVP and Hampshire Constabulary (HC) and ensures that appropriate policies and procedures are in place. The Joint Information Management Unit is also responsible for providing guidance on lawful sharing of information with partners, completion of Data Protection Impact Assessments and maintains a library of Information Sharing Agreements. Information Asset Owners have been appointed to manage the risks to specific information types, supported by a network of data guardians. NCALT training packages on the Code of Practice on the Management of Police Information and the Government Security Classification policy are mandatory for all officers, staff and volunteers who have access to information and completion rates are monitored by the Information Governance Board.

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.

Financial management arrangements

The Chief Constable produces a MTFP and a MTCP which are regularly reviewed during each financial year and form the basis of the annual budgets, to provide an effective framework for decision making. Formal budget monitoring is undertaken on a regular basis throughout the year, i.e. it is regularly reviewed by the CCMT as well as being presented to the PCC's regular public Level 1 meetings between the PCC and Chief Constable (with agendas and minutes published on the PCC's website).

The Productivity strategy is an integral part of the MTFP challenging the effectiveness of the force and identifying savings and efficiencies to help balance the budget whilst achieving the PCC's and Chief Constable's objectives. £2.6m of cash savings were identified and removed from the revenue budget during 2018/19. The delivery savings within the Productivity Strategy are monitored as part of the regular financial monitoring.

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 JIAC and also provides an independent opinion on the adequacy and effectiveness of the risk management, control and governance processes.

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

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

The PCC and the Chief Constable attempt to strike a balance between providing the right amount of information to satisfy transparency demands and enhance effective public scrutiny whilst not being too onerous to provide and for users to understand.

The PCC's decisions and actions are scrutinised by the PCP, which includes reviews of significant documentation produced by the OPCC for the benefit of the public. Decisions of significant public interest made by the PCC are published in accordance with a template that ensures they are easy to access and interrogate. Similarly, public reports are compiled in accordance with best practice and scrutinised by the JIAC.

The PCC complies with the Elected Local Policing Bodies (Specified Information) Order 2011 and publishes required information on his website.

The Chief Constable's Corporate Communications department oversee communications to the public on behalf of the Force. In doing so they abide by the corporate style guide, which is designed to ensure communications are issued in an understandable style appropriate to the intended audience. In addition the PCC has his own communications team.

The PCC and Chief Constable both report at least annually on performance, value for money, and the stewardship of resources to stakeholders in a timely and understandable way.

The PCC and Chief Constable maintain a process to assess the extent to which the organisation is applying the principles contained in the Framework of Corporate Governance and publish the results of that assessment in the Annual Governance Statement, including an action plan for improvement and evidence to demonstrate good governance in action.

The PCC and Chief Constable ensure that the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar entities.

The PCC and Chief Constable ensure that all accepted recommendations for corrective action made by external audit are acted upon.

The Joint Internal Audit team has direct access to the PCC, Chief Constable and the JIAC, and provides assurance with regard to the organisation's governance arrangements. The JIAC monitors progress with regards to timely implementation of agreed internal audit report actions.

Both the PCC and Force are subject to external independent scrutiny and review, through the external audit of their financial statements, systems and management arrangements, and through the inspection of policing performance by HMICFRS. The resultant audit and inspection reports are published on both the PCC and TVP websites.

HMICFRS is charged with independently assessing the effectiveness and efficiency of police forces and fire & rescue services, in the public interest. The PCC is required to publish a response to formal reports issued by HMICFRS. The Force engages fully with the cycle of PEEL inspections, Joint Targeted Area Inspections and Thematic Inspections as required.

The PCC and Chief Constable make best use of peer challenge, reviews and inspections from regulatory bodies and professional partners (e.g. College of Policing) and implement agreed recommendations.

Before delivering key services through third party suppliers the PCC and Chief Constable gain assurance on risks associated with service delivery and subject these arrangements to regular review.

When working in partnership, the PCC and Chief Constable ensure that the arrangements for accountability are clear and that the need for wider public accountability has been recognised.

ARRANGEMENTS FOR REVIEW OF EFFECTIVENESS

Chief Constable Francis Habgood retired on 31st March 2019. He was replaced by John Campbell with effect from 1st April.

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

a) The Police and Crime Commissioner

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 budget and 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;
- commission victims services;
- power to take on the responsibility for the governance of fire and rescue services within the Force area; and
- produce and publish an annual report.

The following key governance activities took place during 2018/19 and demonstrate how the PCC has discharged these powers and duties during that year:

- The updated framework for corporate governance was approved on 29 March 2018;
- The PCC allocated £3.0m from his Community Safety Fund in 2018/19 to help improve community safety and crime prevention across the Thames Valley. £2.7m was given to local authorities and £0.3m was retained by the OPCC to help fund Thames Valley-wide initiatives;
- The PCC published his 2017/18 Annual Report in June 2018 to highlight major achievements during his fifth full financial year in office and to report on operational and financial performance during 2017/18;
- In March 20189 the OPCC published its Strategic Delivery Plan for 2018/19. 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 reviewed and updated each year;
- In April 2018 the PCC opened his Victims First hub which provides free emotional and practical support to all victims and witnesses of crime, as well as family members of victims. It is available across Berkshire, Buckinghamshire and Oxfordshire and can provide help regardless of whether or not the crime has been reported to the police.
- During the autumn of 2018 the PCC worked closely with the Chief Constable to update the MTFP (2019/20 to 2022/23). He submitted his 2019/20 budget and council tax proposals for 2019/20 to the Police and Crime Panel on 13th February 2019. The Panel endorsed his £24 (or 13%) increase in Band D council tax ;
- Following an open and transparent recruitment process the PCC appointed John Campbell as his new Chief Constable, with effect from 1 April 2019. This appointment was ratified by the Police and Crime Panel confirmation hearing held on 13th February 2019.
- 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 has been actively engaged in the scrutiny of major business change programmes such as Contact Management Platform (CMP) and Equip (Enterprise, Resource Planning) which were both escalated to the relevant collaboration governance boards;
- The PCC represents the South East region and Eastern region PCC colleagues on the National Police Air Service Board;
- Four PCC public Level 1 meetings were held in 2018/19, supplemented by monthly private liaison and Performance Development Review meetings between the PCC and Chief Constable, to enable the PCC to hold the Chief Constable to account;
- In 2018/19 the OPCC again received an 'OPCC Transparency Quality Mark' awarded by CoPaCC, an organisation that compares OPCCs on their statutory requirements to be open and transparent via their website

b) The Force

The CCMT met formally on 11 occasions and the Joint Chief Officers Group (TVP and HC) met formally on 5 occasions during 2018/19 to determine and monitor Force strategy, policies and performance.

Among the key discussions during the year was the review of the MTFP, MTCP, the PCC reserves and the Asset Management Plan, as part of the annual budget cycle. The financial plans were considered several times and the associated decisions facilitated the formal approval of the Revenue Estimates and Capital Estimates 2018/19 by the PCC at his Level 1 meeting on 22nd January 2019. As part of the annual budget process the Productivity Strategy was reviewed and continues to play an important role in identifying options to address the budget shortfall. The Effectiveness & Efficiency Programme builds upon the legacy of the Priority Based Budgeting outcomes and methodology to continue the prioritisation of services and expenditure.

CCMT reviews Force Change programmes, performance and HMICFRS activity on a regular basis. Strategic Risks and Business Continuity, and Delivery Plan monitoring reports are included quarterly. Other significant areas of note discussed in 2018/19 include demand management and resource modelling, training prioritisation, crime data integrity, recruitment and retention, and the Internal Audit plan.

The Force Transformation Board met every other month to review all in-flight change programmes in the Thames Valley Only Portfolio including the Local Policing and Effectiveness and Efficiency programmes. The Joint Deputies Collaboration Board met every other month as part of the governance for all bi-lateral programmes including Contact Management, RMS and Digital Frontline. The regional SERIP board met to review the Emergency Services Mobile Communications Programme (ESMCP) and Enterprise Resource Planning (now Equip) as part of the regional portfolio. A separate board met monthly to review the Equip programme from the Thames Valley perspective. These governance boards are in addition to the regular programme boards chaired by each programmes' Senior Responsible Owner.

Both CCMT and Force Transformation Board are aligned to bilateral forums including Joint Chief Officer Group and DCCs Collaboration Board, and regional forums such as SERIP. Significant areas of scrutiny included CMP and Equip

The Chief Constable launched the Force Commitment in April 2016. The overarching commitment of working together to make communities safer is supported by four pillars that include sections for what it means for the public, partners and people working or volunteering for TVP. It remains in place with the same four strategic aims.

In 2017/18 the HMICFRS rated Thames Valley as 'Good' in the PEEL inspection areas of Legitimacy and Effectiveness, and 'Outstanding' for Efficiency. Following the 'inadequate' grading in relation to Crime Data Integrity, a Gold Group was established to address identified process issues and deliver against the action plan put in place. The Force was notified in February of HMICFRS re-inspection in this area, which will take place during April and May 2019

The Governance & Service Improvement department continues to draw together corporate and strategic elements of the organisation. The over-arching function is to provide a central point of co-ordination, governance, strategy, policy and guidance development, change delivery, and the provision of internal evaluation of delivery including the identification of opportunities for continuous improvement.

c) The Joint Independent Audit Committee

During 2018/19 the JIAC met four times to consider the external audit and internal audit plans for 2018/19, as well as receiving timely updates in terms of risk management and business continuity. The JIAC also received regular briefings, including appropriate written reports, during the year from the PCC, Chief Constable and relevant senior officers. This included specific updates on business transformation projects. JIAC members also attend Force working groups (including the Force Transformation Board, ICT 2020, TVP/HC Bilateral Governance Board and Performance Group) 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 JIAC's Annual Assurance Report for 2018 was presented to the PCC and Chief Constable at their JIAC meeting on 7 December 2018. At that time the JIAC 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.

d) The Governance Advisory Group

A joint OPCC/TVP officer governance group operates with the following terms of reference:

- 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.

The Joint Corporate Governance Framework for 2018/19 was approved by the PCC and Chief Constable at the PCC's Level 1 meeting on 29 March 2018. Further updates for 2019/20 were approved by the PCC and Chief Constable at the Level 1 meeting on 26th March 2019

The Governance Advisory Group also developed this joint Annual Governance Statement for 2018/19.

e) Internal audit

The annual report of the Chief Internal Auditor for 2018/19 was presented to the JIAC on 12 July 2019. It contained the following assurance statement on the overall adequacy and effectiveness of the internal control environment:

"*On the basis of the work completed by the Joint Internal Audit Team during 2018/19, the opinion on both organisations governance, risk and control frameworks is **reasonable assurance**. The governance, risk management and control arrangements are good, although some action is required to improve efficiency or effectiveness.*
At a statistical level, the opinion represents a slight reduction in the level of control being applied across the organisations. However, as the Joint Internal Audit Plan does not include the same audits year on year, this cannot be taken as a direct comparison.
Areas were identified through our work where the design or effectiveness of arrangements in place required enhancing or strengthening. Where these areas were reported, management responded positively identifying appropriate actions to address the risks raised.
As in previous years, to support this year's opinion additional sources of assurance were utilised where they provided commentary on the effectiveness of the organisations' governance framework or general management of risk. The assurances obtained generally provided a positive view of the organisation's arrangements. .
Overall, the opinion demonstrates a good awareness and application of effective risk management, control and governance to facilitate the achievement of organisation objectives and outcomes".

[NB The assurance statement for 2018/19 will be subject to the actual annual assurance statement to be produced by the CIA]

f) External audit

On 13 July 2018 Ernst and Young issued unqualified audit opinions in respect of the 2017/18 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.

g) Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS)

During 2018/19 HMICFRS published a number of reports which were considered by the Force and PCC. All reports are available on the HMICFRS website:

Date published by HMICFRS	National / Force Report	Report Types	Report Title	Date CC Reported to PCC	PCC Response to HMICFRS: Y/N
12/06/2018	National	Non-inspecting	State of Policing: The Annual Assessment of Policing in England and Wales 2017	26/11/2018	Y
20/06/2018	Force	Thematic	TVP: Unannounced Inspection Visit to Police Custody	26/11/2018	Y
06/07/2018	National	JTAI	Growing up neglected: a multi-agency response to older children	26/11/2018	Y
19/07/2018	National	Thematic	Understanding the difference – the Initial police response to hate crime	26/11/2018	Y
09/10/2018	National	JTAI	Joint Inspection of the Handling of Cases Involving Disability Hate Crime	26/11/2018	Y
27/11/2018	National	Effectiveness	Policing & Mental Health – Picking Up the Pieces	26/03/2019	N[1]
10/01/2019	National	Data - PEEL	Public Perceptions of Policing in England & Wales	26/03/2019	
26/02/2019	National	Effectiveness	The Police Response to Domestic Abuse – An Update Report	Anticipated 25/07/2019	N[1]

[1] Response prepared but pending guidance on HMICFRS recommendations register

The HMICFRS national 'State of Policing – The Annual Assessment of Policing in England and Wales' report for 2017 was published on 12th June 2018. The Police Act 1996 section 54(4A) requires HM Chief Inspector of Constabulary to report each year on his assessment of the efficiency and effectiveness of policing in England and Wales. This assessment covers the full breadth of inspections conducted by HMICFRS throughout the year and provides an overview of the policing in England and Wales.

Where appropriate, the PCC (or OPCC) is invited to attend the Strategic Brief at the start of inspection activity, and the debrief provided by HMICFRS following each inspection. Alternatively, the Chief Constable may provide the PCC with a briefing following an HMICFRS inspection.

The PCC is required to publish a response to all inspection report recommendations within 56 days of the publication of the report. The PCC's responses to relevant HMICFRS inspection reports have all been published.

h) Risk management and business continuity

The Force Risk Management Group met four times during 2018/19 as part of the CCMT strategy meetings. High level strategic risk management and business continuity issues were reported to the JIAC on a timely basis. As at 31st March 2019 there were seven risks on the Strategic Risk Register with mitigating actions.

The Strategic Business Continuity Co-ordination Group met twice to discuss the strategic resilience panel update, business continuity planning, critical functions review, local resilience forums and business continuity governance (audit, strategy, policy, incident report updates).

Business continuity incidents, categorised by impact, were detailed in quarterly reports to the JIAC, including measures taken to minimise their impact. The majority were related to ICT. The JIAC also received information on exercises to test business continuity plans.

Internal Audit were commissioned to undertake a review of the Risk and Business Continuity processes to assist with their development under the new Strategic Governance model. This led to the production of an audit report, the recommendations of which informed the Strategic Governance review of existing risk & business continuity processes, products and exercising. The new Risk and Business Continuity frameworks and supporting policy, guidance and documentation were approved by CCMT in November, JIAC in December and were introduced in January. All Local Police Areas and Operational Command Units have been engaged and visited to update their risk registers and transfer them into the new format. All risks have clear ownership, have been rescored according to the new process, and allocated the appropriate risk action – tolerate, treat, transfer, terminate.

i) Health and Safety and Environmental Management

An annual report on HS&E was presented to the July 2018 meeting of the Joint Independent Audit Committee for scrutiny. The report covered the key management areas specified within the revised 2013 publication HSG65 'Successful Health & Safety Management' (Appendix A) and documented the continuous improvement of Thames Valley Police policies and procedures for the effective management of health and safety.

In June 2016 the Chief Constable and PCC published a joint health and safety policy statement outlining their commitment towards securing safe working practices and compliance with applicable health and safety legislation. Copies are accessible to all staff via the Intranet, and are displayed on the health and safety notice boards in all premises.

The Health & Safety Management Policy was reviewed and transferred onto the new policy template in January 2018, with no material changes made to the content.

j) Ethics and Integrity

A protocol between the PCC and Chief Constable provides the PCC with overview and scrutiny of complaints handling by the Force. The Complaints, Integrity and Ethics Panel meets every two months and reports jointly to the PCC and Chief Constable. The Panel provides an assessment of how the Force deals with complaints and a challenge and support role in respect of how the Force respond to ethical issues. During the last 12 months, some of the issues the Panel has challenged the Force on included BAME (black and minority ethnic) staff under representation as a proportion of the workforce within TVP, use of force by officers, treatment of detainees in custody with mental health issues and relative prioritisation of historic child sexual exploitation (CSE) cases. .

The Panel presented its Annual Assurance Report for 2018 to the PCC and Chief Constable on 26th March 2019. This 2018 Report highlighted that the Panel had scrutinised complaint files covering the following themes:

- Honesty, integrity and ethics
- Discreditable conduct
- BAME representation

The Panel was able to provide an assurance to the PCC and Chief Constable that the complaints handling and management arrangements in place within TVP are operating efficiently and effectively.

The Force also has an internal Integrity Sub-Group, chaired by the Head of the PSD, which meets quarterly.

The Chief Constable continues to promote the fundamental importance of TVP officers and staff employing the highest professional standards, principles which are embodied and enforced through the 'Force Commitment' that was launched to the public, partners and staff from April 2016. The four key strategic priorities have remained the same, and reflect the importance and requirements of the Code of Ethics. All police officers and staff have been required to complete an on-line training package and attend a dedicated Code of Ethics training session. All new Officers and staff receive training on the Code of Ethics as part of their induction.

During 2018/19 the PSD received and processed 1,226 complaints and 105 conduct matters and held 50 misconduct meetings and hearings in accordance with the statutory scheme. In addition, the OPCC itself handled 7 complaints made against the Chief Constable in accordance with the statutory police complaints scheme.

k) Thames Valley Police and Crime Panel

During 2018/19 the independent Police and Crime Panel (PCP) met on 4 occasions. Key activities undertaken by the Panel during the year included reviewing and scrutinising the PCC's Annual Report for the 2017/18 year; scrutiny and consideration of the PCC's 2019/20 budget and council tax precept proposals, and scrutiny of the PCC's recommended appointment of a new Chief Constable with effect from 1 April 2019. Over and above these specific activities, the Panel continued to receive and consider regular reports on the delivery of the Police and Crime Plan strategic priorities and key aims, including the contribution made by other partner agencies, and on matters of topical interest to the Panel. In addition, the Panel operates a permanent Complaints sub-committee as well as ad-hoc task and finish working groups. During 2018/19 the OPCC referred 4 complaints against the PCC to the PCP for consideration by them under the statutory scheme.

The Panel itself published its own 2017/18 Annual Report in June 2018.

l) Collaboration and partnership working

The joint TVP and HC Bi-lateral Collaboration Governance Board formally met four times during 2018/19. This Board oversees and scrutinises the work of the existing collaborative functions (i.e. Contact Management, Joint Operations Unit, Joint ICT and Joint Information Management) as well as development of collaborated change programmes. Updates are provided on new collaborative opportunities being explored. These formal meetings were supplemented by specific briefings for the PCCs and senior officers as appropriate on the Contact Management Platform (CMP) programme. In addition to the Governance Board, the Joint Chief Officer Group met five times during 2018/19.

Governance of collaboration between forces across the South East region is undertaken by chief police officers at the SE Regional Integrated Policing (SERIP) Board, and by PCCs and chief constables at the Regional Governance Board. Four meetings of the regional governance board were held during 2018/19. The South East Regional Organised Crime Unit, hosted by TVP, brings together the regional organised crime units under one structure. It is operationally aligned with the Counter Terrorism Policing, South East. A regional ACC, who reports directly to the Chief Constable of TVP, exercises overall command of the regional crime and counter terrorism functions. This ACC also represents serious organised crime at the South East Regional Governance Board and nationally with the National Crime Agency and other key stakeholders.

m) Conclusion

The work carried out by the Governance Advisory Group to review the Joint Corporate Governance Framework itself, and how it has been applied in practice over the financial year 2018/19, has informed the latest review of the Framework which was approved in March 2019. Consequently the PCC and Chief Constable will be able to satisfy themselves that key governance structures supporting the discharge of their responsibilities have and continue to receive effective scrutiny.

SIGNIFICANT GOVERNANCE ISSUES

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

There were no significant actual or potential governance issues identified in respect of 2017/18 which were due to be monitored during 2018/19.

There are currently no significant actual or potential governance issues identified in respect of 2018/19 activities. Accordingly, the Governance Advisory Group are satisfied to the best of their knowledge that no material breaches of the governance arrangements occurred in 2018/19 and there are no significant weaknesses in the internal control and governance environment.

In any event the governance arrangements of the PCC and the Chief Constable will remain under constant review in the forthcoming financial year.

Anthony Stansfeld	**Paul Hammond**	**Ian Thompson**
Police and Crime Commissioner	Chief Executive (Monitoring Officer)	Chief Finance Officer and Deputy Chief Executive

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)

ACC

Assistant Chief Constable

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".

CCMT

Chief Constable’s Management Team

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.

CTPSE

Counter Terrorism Police South Easy (formally known as South East Counter Terrorism Unit)

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.

HC

Hampshire Constabulary

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.

JIAC

Joint Independent Audit Committee

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.

MTCP

Medium Term Capital Plan

MTFP

Medium Term Financial Plan

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

NCALT

National Centre for Applied Learning Technologies

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

OPCC

Office of the Police and Crime Commissioner

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.

PBB

Priority Based Budgeting

PCC

Police and Crime Commissioner

PCP

Police and Crime Panel

PEEL

Police Effectiveness, Efficiency and Legitimacy programme

PESTELO

Political, Economic, Social, Technological, Environmental, Legal, Organisational (police analysis)

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.

PSD

Professional Standards Department

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.

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.

TVP

Thames Valley Police

Usable Capital Receipts

Capital receipts available to finance capital expenditure in future years.

VFM

Value for Money

POLICE & CRIME COMMISSIONER
THAMES VALLEY

For PCC and group
for year ended
31 March 2019