POLICE & CRIME COMMISSIONER
THAMES VALLEY

Statement of Accounts

for the year ended
31 March 2014

CONTENTS

INTRODUCTION

The purpose of this foreword is to provide a clear guide to the most significant matters reported in the accounts. It explains the purpose of the financial statements that follow and provides a summary of the Police and Crime Commissioner's (PCC) and the Group (i.e. PCC and Chief Constable) financial activities during 2013/14 and its financial position as at 31 March 2014.

BACKGROUND

Thames Valley Police is the largest non–metropolitan police force in England and Wales. Its geographical area covers the three counties of Berkshire, Buckinghamshire and Oxfordshire, serving a diverse population of more than two million residents plus six million visitors. It also encompasses 196 miles of motorway – more than any other British police force.

On 15th September 2011 the Police Reform and Social Responsibility Act (PRSR) 2011 received Royal Assent in Parliament representing a significant shift in the way the police in England and Wales are governed and held accountable. One of the key reforms was to replace Police Authorities (including the Thames Valley Police Authority) with elected PCCs for each Police Force area. The newly elected PCCs took office on 22nd November 2012. At the same time a separate legal body for each Chief Constable was established and made responsible for the Police Service in the area. The primary function of the PCC is to secure the maintenance of an efficient and effective police force and to hold the chief constable to account for the exercise of operational policing duties under the Police Act 1996. The primary function of the new body headed by the Chief Constable is the exercise of operational policing duties under the Police Act 1996

In accordance with the PRSR Act all assets, liabilities and staff employment contracts were legally transferred from the Police Authority to the PCC. A scheme of corporate governance was approved on 29th November 2012 which, amongst other things, set out the delegations from the PCC to senior police staff within the Force to enable the Chief Constable to have day to day management of assets, and direction and control over the Force's officers and staff.

THE STATEMENT OF ACCOUNTS

All the financial transactions incurred during 2013/14 for policing Thames Valley have been recognised and recorded within this statement of accounts, which sets out the overall financial position of the PCC and the PCC Group for the year ending 31 March 2014. The Group position (PCC Group) reflects the consolidated accounts of the PCC and its subsidiary, the Chief Constable. Where the group position differs from the PCC position, this is made clear in the statement and notes. Separate statutory accounts are prepared for the Chief Constable

The accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK 2013/14: Based on International Financial Reporting Standards (IFRS).

To assist the reader an explanation of the various sections and key financial statements contained within the Statement of Accounts is set out below.

Auditor's Report (pages 9 to 11) – This sets out the opinion of the PCC's external auditor on whether the PCC and Group accounts give a true and fair view of the financial position and operations of the PCC and Group for 2013/14.

Statement of Responsibilities (page 12) - This sets out the respective responsibilities of the PCC and his Chief Finance Officer

Movement in Reserves Statement (page 23) - This statement shows the movement in the year on the different reserves held by the PCC, analysed into usable cash reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable accounting reserves. Total usable reserves have reduced from £63.707m on 1st April 2013 to £58.400m on 31st March 2014 due to the planned application of reserves to fund one-off expenditure items in the revenue budget and capital programme. The Group Movement in Reserves Statement is on page 24

The surplus or (deficit) on the Provision of Services line shows the economic [rather than cash] cost of providing policing services, more details of which are shown on the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

The "net increase/decrease before transfers to earmarked reserves" line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the PCC.

Comprehensive Income and Expenditure Statement (CIES) (page 25) – This summarises the resources generated and consumed in the year. The Group CIES shows a deficit of £193.3m however, this statement should not be viewed in isolation. To gain a true understanding of the Group's financial performance for the year, it is necessary to view the Movement in Reserves Statement which shows how this deficit is managed in the balance sheet. Following the police officer pension fund liabilities and accounting adjustments and transfers to revenue reserves, there is an increase of £1.356m in the general reserve

Balance Sheet (page 27-28) – This shows the PCC and Group's assets and liabilities as at 31st March 2014 and its overall financial position at that date. The Group's net assets (assets less liabilities) are matched by reserves held by the Group. The Balance Sheet now shows a clear split between usable cash reserves and unusable accounting reserves

Cash Flow Statement (page 29) – This statement shows the change in the PCC and Group's cash and cash equivalents during the reporting period. It shows how the PCC and Group has generated and used cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

A definition of cash and cash equivalents is provided on page 54.

Notes to the Accounts (pages 30 to 84) – These notes are of fundamental importance to the correct interpretation and understanding of the Statement of Accounts and the presentation of a true and fair view. They have 3 significant roles:

- presenting information about the basis of preparation of the financial statements and the specific accounting policies used;
- disclosing the information required by the CIPFA Code of Practice that is not provided elsewhere in the financial statements; and
- providing information that is not provided elsewhere in the financial statements, but is relevant to the understanding of them.

Glossary of Terms (pages 85 to 90) – Wherever possible the use of technical jargon has been avoided. However, the Statement of Accounts does contain some accounting and local government terminology and a glossary of terms is provided at the end of this document which aims to simplify and explain such terminology.

ACCOUNTING POLICIES

The accounting policies adopted by the PCC and Group comply with recommended accounting practices and are explained on pages 30 to 32 and alongside the appropriate note

FINANCIAL PERFORMANCE FOR THE YEAR

Revenue budget 2013/14

This was the first annual budget prepared and approved under the new PCC governance arrangements.

It had been known for some time that significant cuts in budget would need to be made due to the state of UK public finances. As such, work on developing and implementing the Productivity Strategy has been ongoing since 2010. This work is imperative to achieving a balanced budget position.

In 2013/14 all policing bodies suffered a reduction in overall formula funding of 1.6%, when compared to 2012/13. In addition, the Communities Secretary set a threshold of a 2% increase in the relevant basic amount of council tax for the majority of local policing bodies and other authorities, including Thames Valley.

Throughout the budget setting process the following key principles were adopted:

- To protect frontline services
- To protect our ability to manage risk
- To maintain our capability in protective services and back office functions through collaboration
- To maintain and improve performance in key areas
- To reduce "discretionary spending"
- To streamline business processes and to eliminate unnecessary bureaucracy and waste
- All change to be risk assessed

The 2013/14 net budget requirement of £393.981m represented a reduction in comparable revenue expenditure of £4.977m or 1.2%, despite increasing the police element of council tax by 2%.

The budget was designed to protect frontline and local visible policing and those areas that support the delivery of key strategic objectives, or were necessary for the effective management of policing risk. The 2013/14 budget included £13.1m of Productivity Strategy savings (3.4%) which facilitated the redeployment of 34 officer posts to critical policing functions. In total police officer posts were forecast to grow by 9 but staff posts were expected to reduce by 32.

The budget also provided additional resources (£0.4m) to enable the PCC to maintain spending on the drugs intervention programme and provide grants to community safety partners at a similar level as in 2012/13, despite Government funding for Community Safety Fund related initiatives being cut by around £0.6m or 16%.

The medium term financial plan 2013/14 to 2016/17, which was produced on the assumption of a 2% increase in council tax in 2013/14 and 2.5% in 2014/15 and later years, required revenue budget savings of £39.9m over the four year period, of which £13.1m was due to be delivered during 2013/14. This is over and above the £33m of cash savings that were removed from the base budget in 2011/12 and 2012/13 meaning that at least £72m of cash savings will be required over the six year period 2011/12 to 2016/17. This equates to 19% of the net revenue budget in 2013/14.

Revenue Outturn

The PCC received regular monitoring reports throughout the year. These reports provided updates on the key issues that were likely to affect the financial outturn at year-end, most notably the measures being taken to reduce ongoing costs due to the impending budget cuts.

The following table provides a high level comparison between the approved budget for 2013/14 and actual expenditure at the Group level. The cost of service shows the gross cost with the net budget requirement uplifted during the year for the full funds of the pension grant and other regional and specific grant funded units

The annual revenue surplus of £1.356m has been transferred to general balances.

	Annual Budget	Final Outturn	Variation	
	£000	£000	£000	%
PCC Controlled Expenditure				
Office of the PCC	1,154	705	- 449	- 38.91
Democratic Representation	187	162	- 25	-13.53
Other Costs and one-off income	357	- 25	- 382	- 107.08
Commissioning Services	3,503	3,526	23	0.64
	5,201	4,368	- 833	- 16.0
TVP Operational Budget – Direction & Control of the Chief Constable				
Pay and Employment costs				
Police officer pay and allowances	242,056	241,854	- 202	- 0.08
Police overtime	8,177	7,933	- 244	- 2.98
PCSO pay and allowances	14,328	14,312	- 17	- 0.12
Police staff pay & allowances	88,843	88,801	- 42	- 0.05
Temporary or agency staff	3,603	3,603	0	0
Police officer injury/ ill health/ death pensions	3,798	3,926	129	3.39
Other employee expenses	4,824	4,677	- 146	3.03
	365,629	365,107	- 522	- 0.14
Overheads				
Premises	22,676	22,836	161	0.71
Transport	12,521	12,576	55	0.44
Supplies & services	50,139	50,272	133	0.27
Third party payments	6,597	6,728	131	1.98
Force income	- 36,149	- 36,410	- 261	- 0.72
	55,783	56,002	219	0.39
Net capital financing costs				
Capital financing	5,787	5,601	- 185	- 3.2
Interest on balances	-1,000	- 932	68	6.79
	4,787	4,669	- 118	- 2.46
Appropriations to / from (-) balances				
Statutory accounting adjustments	1,293	1,292	0	0
Appropriations	1,721	1,721	0	0
Cost of Services	**434,414**	**433,159**	**- 1,255**	**-0.29**
Funded by				
General grant income	- 236,319	- 236,319	0	0
Council tax	- 128,865	- 128,865	0	0
Specific grants	- 69.229	- 69,331	- 101	- 0.15
Net Revenue Position	**0**	**- 1,356**	**- 1,356**	**- 0.31**

Capital Outturn

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

At the start of the financial year the PCC approved an annual Capital Programme of £23.501m but this was increased during the year to £28.824m. The actual outturn of capital expenditure was somewhat lower at £21.813m and was financed by accumulated government grant, revenue contributions, third party contributions, capital receipts and internal reserves such as the Risk Management Reserve. A more detailed analysis of capital expenditure and financing is provided on page 69.

The capital underspend of £7.011m (or 24.3%) comprised slippage of expenditure of £6.040m and scheme underspends of £0.971m

External debt

The PCC has historically financed part of his capital programme by borrowing. At 31st March 2014 the PCC had total external borrowing of £24.968m and a finance lease liability of £6.36m. The combined 'debt' figure of £31.328m is well within the Authorised Limit for external debt for 2013/14 of £44.928m as approved by the PCC on 21 January 2013.

The PCC's notional Capital Financing Requirement at 31st March 2014 was £41.77m which, when compared against the combined actual debt figure of £31.328m, means that we have borrowed £10.442m "internally" to help fund capital expenditure. In the current economic climate this policy of borrowing internally to help fund capital expenditure is sensible, since we continue to achieve a lower return on our cash investments than we have to pay for new borrowings from the PWLB. It also reduces our exposure to the risk of counterparty default on our cash investments.

Investments

At 31st March 2014 we had £60.990m invested in 3 different institutions (primarily Bank of Scotland and the National Westminster Bank, both of which are part owned by the Government).

On 4th February 2014 the PCC sold its remaining deposit in the Icelandic Bank, Landsbanki Islands (LBI) which went into receivership in October 2008. The claim was sold through a competitive auction process. The price at which the claim was sold was based on a reserve price set by the PCC on the basis of legal advice received from Bevan Brittan, financial advice procured by the LGA and the PCC's own analysis of the financial position. The proceeds of the sale were paid in cash in Pounds Sterling. The sale means that the PCC has now recovered £4.8m (or 96%) of the £5 million that was originally deposited with LBI in 2008. The sale of our claim represents a clean break. The PCC for Thames Valley is no longer a creditor of LBI.

Further information is provided in Note 39 on pages 78 to 83.

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 2014 amounted to £16.482m, which equates to 4.18% of the 2013/14 net budget requirement.

We also maintain a number of earmarked revenue reserves which are held for specific purposes or activities. In total, these amounted to £32.657m at 31 March 2014.

Capital grants have reduced during the year and at 31st March 2014 they amounted to £9.823m. 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 2014 this amounted to £7.600m. A further valuation will be undertaken during the summer of 2014 to ensure the provision remains at the correct level and to inform the budget requirement for 2014/15.

Further information on reserves, balances and provisions is provided on pages 55 to 60.

PENSION LIABILITIES

In accordance with International Accounting Standard (IAS) 19, the PCC and Group maintains a [negative] pensions reserve to show the estimated liability in relation to retirement benefits. This has a substantial impact on the net worth of the Group. However, in considering this note, it must be remembered that:

- Civilian members of staff are entitled to join the Local Government Pension Scheme (LGPS) as administered by Buckinghamshire County Council. The disclosed liability of £169m in respect of the LGPS will be funded by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

- The police officer pension scheme is a statutory scheme, as specified by Police Regulations, whereby the Force pays an employer's contribution of 24.2% of pensionable pay for all serving police officers into the Police Pensions Fund Account. If there is insufficient money in the Pensions Fund Account to meet all expenditure commitments in any particular year, the Home Office will fund the deficit. In practice, therefore, the significant balance sheet liability of £3.003 billion will be covered by future employer contributions and the receipt of Home Office grant monies.

Further information on the pensions is provided on pages 74 to 78 and page 84.

Accounting changes in 2013/14

There have been three changes in accounting policy that have required the 2012/13 accounts to be restated:

- A change to the accounting for retirement benefits as a result of the update to IAS 19, the standard which governs retirement costs

- A change to the recognition of employee benefits. These are now shown in the Chief Constable's accounts instead of the PCC's accounts

- A change to the allocation of operational policing income which is now shown in the Chief Constable's accounts instead of the PCC's accounts.

Further details on all of these changes can be found in note 7 on page 39

FUTURE PROSPECTS

Financial and operational

In line with the PCC's Police and Crime Plan, our current financial plans have been developed to cover the three year period 2014/15 to 2016/17.

Our planned expenditure over this period is constrained by the level of central government funding and the amount of income which can be raised locally from council tax. In this respect we have been significantly hampered by the lack of future grant funding announcements from Government.

The annual revenue budget for 2014/15 of £389.483m, which required a 2% increase in council tax, was approved by the Police and Crime Panel on 7th February 2014. Despite the increase in council tax, the budget still represents a net cash reduction of £4.5m or 1.1% on the comparable 2013/14 budget and requires cash savings, identified through the Productivity Strategy, of £12,151m

In developing the medium term financial plan (MTFP) in January 2014 we assumed that Government grants would be cut by 3.6% in 2015/16 and 3.5% in 2016/17 and that council tax would increase by 2% in both years. The MTFP requires cash savings of £35.9m over the next three years (2014/15 – 2016/17) of which £12.1m is due to be delivered during 2014/15. The MTFP does not include the impact of the change in National Insurance contributions due to be implemented in April 2016; information now indicates that the Force will have to bear this additional cost for which the initial estimates are at least £5.5m. All the assumptions underlying the MTFP will be revisited and updated in coming months as we continue work on the next budget cycle.

The next few years will undoubtedly be challenging and difficult, but we are confident that the measures already put in place through the Productivity Strategy process will ensure that all resources are used both effectively and efficiently. We will continue to be robust in driving out all possible savings from non staff budgets and ensure that our staff are delivering the right service at the right time.

South East Regional Organised Crime Unit (SEROCU)

Since 1st April 2014 Thames Valley Police has hosted the SEROCU. The unit is funded by specific grant and contributions from partner forces. The total budget for the unit is expected to be around £11.5m which will be managed by Thames Valley Police. The unit has an establishment of 93 officers and 84 staff, which includes a transfer of 38 TVP officers and staff.

Stage 2 transfers

The PRSR Act 2011 established the PCC and Chief Constable as separate Corporations' Sole which means they are both able to employ staff, enter into contracts and own assets. On 21st November 2012 following the election of the first PCC all police staff and other rights, assets and liabilities transferred from the Police Authority to the PCC. This was only intended to be a temporary measure and is referred to as the 'Stage 1' transfer.

The PRSR Act sets out a second transfer (the 'Stage 2' transfer) which envisages that at least some staff, property, rights and liabilities will move from the PCC to the Chief Constable.

Following discussions and agreement between the PCC and Chief Constable during 2013 a proposal was made to the Home Secretary that all persons employed by the PCC, other than those working in his own office (15.1 FTE staff), should transfer to and become employed by the Chief Constable of Thames Valley Police. The Home Secretary gave formal approval to the Thames Valley Police Staff Transfer Scheme on 28th March 2014.

All relevant staff therefore transferred from the employment of the PCC to the Chief Constable on 1st April 2014.

The PCC has also given consent to the Chief Constable to enter into contracts and to own "short-life" assets (e.g. vehicles, plant and equipment). The PCC will retain ownership of land and buildings. All relevant governance documents have been updated accordingly, including the Joint Framework of Corporate Governance which was formally approved and adopted by the PCC and Chief Constable at their public Policy, Planning and Performance meeting on 1st April 2014.

Corporate Governance Statement

The Accounts and Audit (England) Regulations 2011 require that the Annual Governance Statement (AGS) accompanies the Statement of Accounts. As permitted, the PCC has elected to publish the AGS with the Statement of Accounts in a single document. The statement is a statutory document which 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.

Further information

This publication provides a review of the financial performance of the PCC and Group for 2013/14. A summary set of Group accounts has been produced and will be published on the PCC's website. Further information on the PCC's finances can be obtained by:

- writing to the Chief Finance Officer at Police Headquarters, Kidlington, Oxfordshire, OX5 2NX
- e-mailing the Chief Finance Officer at ian.thompson@thamesvalley.pnn.police.uk, or
- viewing the PCC's website at www.thamesvalley-pcc.gov.uk

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

Opinion on the Police & Crime Commissioner for Thames Valley's financial statements

We have audited the financial statements of the Police and Crime Commissioner for Thames Valley for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Police and Crime Commissioner for Thames Valley and Group Movement in Reserves Statement, the Police and Crime Commissioner for Thames Valley and Group Comprehensive Income and Expenditure Statement, the Police and Crime Commissioner for Thames Valley and Group Balance Sheet, the Police and Crime Commissioner for Thames Valley and Group Cash Flow Statement and the related notes 1 to 39, and the Police and Crime Commissioner for Thames Valley Pension Fund Account Statements. 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 2013/14.

This report is made solely to the Police and Crime Commissioner for Thames Valley in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

Respective responsibilities of the Chief Finance Officer & Deputy Chief Executive and auditor

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 12, the Chief Finance Officer & Deputy Chief Executive 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 2013/14, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner for Thames Valley and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer & Deputy Chief Executive; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2013/14 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Thames Valley as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 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 2013/14.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2013/14 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Police and Crime Commissioner to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Police and Crime Commissioner and the auditor

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.

We are required under Section 5 of the Audit Commission Act 1998 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 Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Police and Crime Commissioner has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, 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 2014.

Certificate

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner for Thames Valley in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Maria Grindley
for and on behalf of Ernst & Young LLP, Appointed Auditor
Apex Plaza
Forbury Road
Reading, RG1 1YE

16 September 2014

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
16 September 2014

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 2014

Ian Thompson, CPFA,
Chief Finance Officer and Deputy Chief Executive
16 September 2014

Annual Governance Statement 2013/14

This annual governance statement explains how the PCC and Chief Constable for Thames Valley have complied with their published corporate governance framework for the year ended 31 March 2014, including plans for the financial year 2014/15.

SCOPE OF RESPONSIBILITY

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

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

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

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

The PCC has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA guidance 'Delivering Good Governance in Local Government'.

This Annual Governance Statement explains how the PCC and Chief Constable have complied with the code and the requirements of Regulations 4(2) and 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of a Statement on Internal Control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

Governance is about how organisations ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open and accountable manner. 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 it 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 TVP include:

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

The PCC made his commitments for policing clear in his manifesto and his four year Police and Crime Plan (2013-2017) explains how this will be taken forward. This Plan is supported by the Force Annual Delivery Plan, the OPCC Development Programme and the medium term financial strategy.

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

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

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

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

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

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

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

The PCC's first formal decision in November 2012 was to issue a 'framework for corporate governance' which is consistent with the seven Nolan principles of standards in public life. This has recently [April 2014] been updated to reflect the Stage 2 transfer of staff, assets and liabilities from the PCC to the Chief Constable.

Measures are in place to ensure that the PCC, Deputy PCC and employees of TVP are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. This includes the anti-fraud and corruption policy and guidance on the acceptance of gifts, loans and hospitality. The Force has a Professional Standards Department (PSD) whose role is to uphold the ethical and professional standards of TVP by managing the application of Police Misconduct Regulations and the administration of complaints by members of the public.

The Police and Crime Panel investigate formal complaints against the PCC.

Complaints against the Chief Constable are dealt with by the PCC

A reciprocal arrangement has been agreed with Hampshire Police to investigate complaints against chief police officers (excluding the Chief Constable).

A new national Code of Ethics has been produced by the College of Policing in its role as the professional body for policing. It sets and defines the exemplary standards of behaviour for everyone who works in policing. It will be implemented during summer 2014.

An independent Complaints, Integrity and Ethics Panel has been established to satisfy the PCC's statutory requirements around monitoring of police complaints and also to ensure that integrity and ethical issues are considered in order to maintain public confidence in policing.

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

Since November 2012 arrangements have been agreed and implemented for the PCC to hold the Chief Constable to account for Force performance and compliance with other requirements, including a schedule of formal public and private meetings i.e. regular private meetings between the PCC and Chief Constable (minutes are taken but not published); regular public meetings with the reports and agendas published on the PCC's website and internal (private) meetings whereby notes from the meeting are published on the PCC's website. The framework of corporate governance defines the parameters for decision making, including delegations, financial regulations and standing orders relating to contracts. The PCC has published his decision making protocol. All formal PCC decisions taken in accordance with this protocol are published on the website.

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

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

Both the PCC and Force are subject to external independent review through the external audit of their financial statements. In addition HMIC is charged with promoting the effectiveness and efficiency of policing, improving performance and sharing best practice nationally.

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

The independent Thames Valley Police and Crime Panel reviews and scrutinises the decisions and actions of the PCC.

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

The PCC has appointed a deputy to assist him discharge his statutory functions. He has also reviewed his staffing structure to ensure that it is fit for purpose and has the necessary capability and capacity to deliver his new statutory functions such as commissioning services for victims' and witnesses.

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

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

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

The PCC is a member of the national Association of Police and Crime Commissioners. The Chief Constable and her fellow chief officers are members of ACPO.

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

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

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

The PCC has developed his Police and Crime Plan in consultation with the Chief Constable, the public and partners. This Plan sets out his strategic policing and crime objectives and priorities, and how these will be delivered.

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

The PCC published his inaugural annual report last summer (2013). This explained his main achievements during his first six months in office and also provided information on operational and financial performance during 2012/13.

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

Financial Management Arrangements

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

The Chief Constable produces a medium term financial plan (MTFP) which is refreshed throughout the financial year to provide an effective framework for decision making. This MTFP covers both revenue and capital and is closely aligned to the PCC’s Police and Crime Plan. The Police and Crime Panel must review the PCC’s proposed council tax precept and, if necessary, make recommendations to the PCC before he formally sets the annual budget in February. Formal budget monitoring is undertaken on a regular basis throughout the year i.e. it is presented to the regular level 1 public meeting between the PCC and Chief Constable (with agendas and minutes placed on the PCC's website).

Value for money is achieved through the Chief Constable's Productivity Strategy, which ensured that £13.1m of cash savings were identified and removed from the revenue budget during 2013/14, whilst frontline police officer numbers were maintained and operational performance targets were largely achieved.

Internal audit is provided through a managed service contract with Oxfordshire County Council, although one senior internal auditor is employed by the PCC. The chief internal auditor reports jointly to the PCC's Chief Finance Officer and the Chief Constable's Director of Finance. The chief internal auditor provides a regular update to the Joint Independent Audit Committee and also provides an independent opinion on the adequacy and effectiveness of the system of internal financial control.

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

REVIEW OF EFFECTIVENESS

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

a) Internal audit

The effectiveness of internal audit has been assessed against how well it measures up to the Public Sector Internal Audit Standards. A review was undertaken by four staff from the OPCC and Police Force for 2013/14, which assessed the evidence produced by the Chief Internal Auditor.

The outcome of the review was reported to both the Governance Advisory Group on 22nd May 2014 and the Joint Independent Audit Committee on 24th June 2014. The review concluded that *the internal audit system in Thames Valley is effective and that the annual report and opinion from the Chief Internal Auditor is reliable evidence to support this Annual Governance Statement.*

b) The system of internal control

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

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

<u>Governance Advisory Group</u>
A joint OPCC/TVP group has been set up 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
- To oversee the production of the draft annual governance statements.

The Group reviewed all existing corporate governance arrangements and documents and considered how best to adapt and update them in light of the proposed Stage 2 transfer of staff, assets and liabilities from the PCC to the Chief Constable on 1st April 2014. Having been scrutinised by the Joint Independent Audit Committee the updated framework of corporate governance was approved by the PCC and Chief Constable at their Level 1 Policy, Planning & Performance meeting on 1st April 2014.

The Home Secretary gave formal approval to the definitive stage 2 staff transfer scheme on 28th March 2014.

The Governance Advisory Group also developed this joint Annual Governance Statement for 2013/14.

PCC

The PCC has a statutory duty to 'maintain an efficient and effective police force'. The following paragraphs explain how the PCC has discharged these powers and duties:

The PCC, Anthony Stansfeld, was elected on 15th November 2012 and took up office on the 22nd. The following key governance activities took place during 2013/14:

- The initial framework for corporate governance was agreed and signed on 29th November 2012. As explained above the updated framework of corporate governance to reflect the "stage 2" transfer was approved, and became effective on 1st April 2014
- At its meeting on 1st February 2013 the Police and Crime Panel endorsed the PCC's proposed 2% increase in council tax precept for 2013/14. The PCC subsequently approved his annual revenue budget for 2013/14 on 8th February 2013.
- The PCC allocated £3.5m from his Community Safety Fund (CSF) in 2013/14 to help improve community safety and crime prevention across the Thames Valley. Following extensive consultation with individual local authorities and collectively through the Police and Crime Panel a new 'needs based' funding formula to allocate the CSF in 2014/15 and later years was agreed in November 2013.
- Following consultation with the Chief Constable, the public, partners and other stakeholders the PCC issued his Police & Crime Plan 2013-2017 on 2nd April 2013. The Plan is being to reflect updated PCC responsibilities and priorities and will be published in July 2014.
- The PCC published his inaugural Annual Report on 30 June 2013 to highlight major achievements during his first six months in office and to report on operational and financial performance during 2012/13
- On 1st April 2013 the Office of the PCC published its *development programme* for 2013/14 to demonstrate how it will deliver the non-policing elements of the Police and Crime Plan. Progress reports were provided to the PCC on a regular basis throughout the year.
- Work is ongoing to improve and enhance the governance and accountability arrangements for partnership work.
- 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, National Police Air Service).
- The PCC has been elected to the Executive Board of the Association of Police and Crime Commissioners (APCC) and represents South East and Eastern region PCC colleagues on the National Police Air Service Board.
- During the autumn the PCC worked closely with the Chief Constable to update the medium term financial plan (2014/15 to 2016/17).
- On 31st January 2014 the Police and Crime Panel approved, in principle, the PCC's proposed council precept proposal for 2014/15. This was confirmed in writing on 7th February.
- On 14th February the PCC published his annual revenue budget for 2014/15, as well as the three year capital programme (2014/15 to 2016/17) and the annual treasury management strategy statement for 2014/15.
- The PCC worked closely with the Chief Constable to establish the new Complaints, Integrity and Ethics Panel – see section C (external scrutiny for further detail).

The Force
The Chief Constable's Chief Officer Management Team met formally on 13 occasions during 2013/14 to determine and monitor Force Strategy, Policies and Performance. Minutes of those meetings are published on the Force Internet – see Strategic Management Meetings at: http://www.thamesvalley.police.uk/aboutus/aboutus-ccmt/aboutus-ccmt-stratgrp/aboutus-ccmt-stratgrp-exdecmeet/aboutus-ccmt-stratgrp-exdecmeet-stratmgmt.htm

Among the key discussions during the year was a review of the Medium Term Financial Plan (MTFP) as part of the annual budget cycle. The updated MTFP was considered several times leading up to formal approval of the Revenue Estimates 2014/15 by the PCC at the level 1 'Policy, Planning and Performance' meeting on 22nd January 2014.

Chief Officers also reviewed the Productivity Strategy which continues to play an important role in identifying options to address the budget shortfall arising from significant reductions in Government grant levels and restrictions on the amount the PCC can raise from council tax.

Risk Management & Business Continuity
The Force Risk Management Group (FRMG) met four times during 2013/14. High level strategic risk management and business continuity issues were reported to the Joint Independent Audit Committee on a timely basis. As at 31st March 2014 there were seven issues on the Strategic Risk Register with mitigating actions. Annual Reports were submitted to the June meetings of the Joint Independent Audit Committee in both 2013 and 2014.

Health & Safety and Environmental Management
The Force Health Safety & Environment (HS&E) Committee met four times. Annual reports on H&S and environmental management were presented to the June meetings of the Joint Independent Audit Committee.

Ethics and Integrity
A protocol between the PCC and Chief Constable has been agreed which provides the PCC with overview and scrutiny of complaints and professional standards. In accordance with this protocol the Deputy PCC met formally with the Deputy Chief Constable and Head of PSD 4 times during 2013/14 to review complaints and matters related to integrity and public confidence. PSD presents details of complaint categories numbers and trends. A new Complaints, Integrity and Ethics Panel has been created and this Panel will replace the current protocol and report directly to the PCC and Chief Constable. – see Section C (external scrutiny) for more detail.

In the light of the publication of a Code of Ethics by the College of Policing, which is due to be laid before Parliament in the summer of 2014, the Chief Constable has sought to reinforce the fundamental importance of integrity issues which are highlighted in the Force Values and to highlight the importance of the Code to all staff. All staff have been required to complete an on-line training package prior to attendance at a dedicated Code of Ethics training session. In addition a Superintendent, reporting directly to the Chief Constable, has been assigned to lead on issues relating to the Code of Ethics.

Collaboration and Partnership Working
The joint TVP & Hampshire Bi-lateral Collaboration Governance Board met 3 times during 2013/14. In January 2013 the formal governance framework and performance accountability of the collaborated Operations, ICT and Information Management units were agreed by both PCCs, as well as the collaboration business plan 2014-16. This Board oversees the development of the Contact Management programme, Criminal Justice, Crime & Intelligence, Non-Collaborated Operations Units and Learning & Development.

Governance of collaboration between forces across the South East region is undertaken at the Regional Governance Board. Four meetings were held during 2013/14.

The South East Regional Organised Crime Unit (SEROCU), which is hosted by Thames Valley Police with effect from 1st April 2014, brings together the current regional organised crime units under one structure with additional capabilities included. It is aligned with the South East Counter

Terrorism Unit. There is a joint ACC who works directly to Chief Constable of Thames Valley Police to exercise overall command of the regional crime and counter terrorism functions. He also represents serious organised crime at the Regional Governance Board and nationally with the National Crime Agency and other key stakeholders.

The Chiltern Transport Consortium was formed in 2003 and is governed currently through a memorandum of Understanding rather than a formal section 22A collaboration agreement. The CTC Board held its Annual Board Meeting in July 2013. A new governance framework for the consortium will be developed in 2014/15 under a Section 22A Framework

Internal audit
The annual report of the Chief Internal Auditor for 2013/14 was presented to the Independent Audit Committee on 24th June 2014. It contained the following assurance statement on the overall adequacy and effectiveness of the internal control environment:

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

c) External scrutiny

Joint Independent Audit Committee
The Committee comprises three former independent members of the former Police Authority's Audit, Governance and Risk Committee. During 2013/14 it met 4 times to consider the external audit and internal audit plans for 2014/15, as well as receiving timely updates in terms of risk management and business continuity.

The Committee presented its Annual Assurance Report for 2013 to the PCC and Chief Constable at their Level 1 "Policy, Planning and Performance" meeting on 22nd January 2014. The one area of governance where the Committee had a concern was PCC oversight of Force complaints, integrity and ethics issues. This issue is being addressed through the new Complaints, Integrity and ethics Panel – see below for more detail.

External Audit
In September 2013 Ernst & Young issued unqualified audit opinions in respect of the 2012/13 accounts to both the PCC and Chief Constable, as well as giving an unqualified value for money conclusion. The Auditor was satisfied that the system of internal control put in place by the PCC and Chief Constable was adequate and effective in practice.

HMIC

In July 2013 HMIC published their report in relation to the Force's response to the funding challenge which forms part of the HMIC Valuing the Police programme. The report stated 'Thames Valley Police has made a very strong response to meeting its financial challenge over the last two years. It has limited the impact of the cuts on its frontline workforce in a way very few other forces have been able to achieve; protecting its crime fighting capability by driving out inefficiencies in other areas. It is one of only four forces in England and Wales where the number of police officers in frontline roles is planned to increase. In addition, the force has demonstrated excellent performance in reducing crime over the spending review period.'
In February 2014 HMIC, together with HM Inspectorate of Prisons, published their joint report in relation to the Force's custody suites. They reported that 'Overall, the care of detainees in the Thames Valley force was good, the professional attitude of custody staff and the positive culture towards detainee care was some of the best we have seen.' This report provided a small number of recommendations to assist the Force and the PCC to improve provisions further. Work is in progress to implement these recommendations.
Both reports are available on the HMIC website.
The Chief Constable provides the PCC with a full briefing note following each HMIC inspection.

The PCC is required to respond and publish on his website, within 30 working days, his response to each relevant HMIC inspection report. Apart from the joint inspection report on custody suites, this requirement has been complied with.

Police and Crime Panel
During 2013/14 the Police and Crime Panel met on seven occasions. As well as reviewing the budget proposed by the PCC, the Panel also received regular reports on the delivery of the Police and Crime Plan including the contribution made by other partner agencies. In July 2013 the Panel held a conference to mark its first year of operation reflecting on how the Panel had developed, its work to-date and lessons for the future. It also published its inaugural annual report.

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

The new Panel is intended to satisfy the statutory requirements around monitoring of police complaints and also ensure that integrity and ethical issues are considered in order to maintain public confidence in policing. The Panel will report directly to the PCC and the Chief Constable.

Following interview 9 independent members were appointed to the Panel. The first meeting was held on 24th April 2014. Meetings of the Panel will be held bi-monthly.

d) Conclusion

The work carried out by the Governance Advisory Group in the light of the Stage Two Transition in particular provided an opportunity both to validate and update the scheme of governance during 2013/14. Consequently the PCC and the Chief Constable were able to satisfy themselves that key significant governance issues affecting the discharge of their responsibilities were receiving effective scrutiny

SIGNIFICANT GOVERNANCE ISSUES

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

There were no governance issues identified in respect on 2012/13 however progress against the two issues identified which might potentially impact on 2013/14 and beyond was as follows:

- **'Stage 2' transfer of staff, assets and liabilities from the PCC to Chief Constable**
  a) Not finalising an agreed submission before 16th September
  b) Home Secretary does not agree TVP proposal
  c) Failure to implement the new arrangements before 1st April 2014
  d) TVP transfer is not compatible with collaboration partners

  Submission deadlines were met and approval to the definitive Staff Transfer was given on 28 March 2014. The joint internal Stage 2 Transition Board met for the final time on 28 February 2014 and was satisfied that there were no outstanding issues to be addressed under the Project and therefore formally closed the Project Board. There were no known incompatibilities with collaboration partners. The Home Secretary gave formal approval to the Stage 2 staff transfer scheme on 28th March 2014.

- **Inconsistent governance arrangements for current collaborations with other forces** – South East region governance arrangements are now in line with those established for the bi-lateral collaboration between TVP and Hampshire Constabulary and their respective

PCCs. The governance arrangements for the Chiltern Transport Consortium are in the process of being reviewed and amended as appropriate.

There are currently **NO** significant governance issues for 2013/14. However, the following three issues have been identified which may, potentially, impact on the internal control environment during 2014/15 and beyond. These issues will be closely monitored by the Governance Advisory Group and regular updates will be reported to the Joint Independent Audit Committee:

No.	Issue	Action
1	That the identified funding gap in 2015/16 and later years cannot be addressed without impacting adversely on the effective governance and internal control arrangements currently in place	This will reviewed as part of the normal budget development process for the medium term financial plan (i.e. 2015/16 and later years). Regular updates will be provided to both CCMT and PCC at appropriate times during the year.
2	That the PCC does not implement compliant and effective commissioning arrangements for victims and witness services in accordance with external deadlines and requirements	Commissioning is a key element of the PCC's refreshed Police and Crime Plan 2014. Progress will be monitored via the OPCC workplan for 2014/15.
3	That the issues identified by the Joint Independent Audit Committee in their Annual Assurance Report regarding effective PCC oversight of Force complaints, integrity and ethics issues are not adequately addressed. The ToR for the panel have been agreed although it has yet to establish an effective monitoring and reporting system	The Panel has met twice so far to receive initial training and briefings. A regular programme of meetings will commence in June 2014

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

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

PCC Movement in Reserves Statement for the years ended 31st March 2013 and 2014

	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		**20**			**20**	**20**	**21**	
Balance at 31st March 2012		**14,297**	**33,896**	**0**	**23,222**	**71,415**	**167,459**	**238,874**
Movement in reserves during 2012/13								
Surplus or (deficit) on provision of services		-12,577				-12,577	0	-12,577
Other comprehensive Expenditure and Income						0	5,021	5,021
Total comprehensive Expenditure and Income		-12,577	0	0	0	-12,577	5,021	-7,556
Adjustments between accounting basis & funding basis under regulations	6	10,145		0	-5,356	4,789	-4,789	0
Net increase/Decrease before transfers to Earmarked Reserves		**-2,432**	**0**	**0**	**-5,356**	**-7,788**	**232**	**-7,556**
Transfers to/from earmarked reserves		3,472	-3,394			78	-78	0
Increase/Decrease in Year		**1,040**	**-3,394**	**0**	**-5,356**	**-7,710**	**154**	**-7,556**
Balance at 31st March 2013 carried forward		**15,337**	**30,502**	**0**	**17,866**	**63,705**	**167,611**	**231,318**
Movement in reserves during 2013/14								
Surplus or (deficit) on provision of services		-982				-982	0	-982
Other comprehensive Expenditure and Income			0		0	0	5,757	5,757
Total comprehensive Expenditure and Income		-982	0	0	0	-982	5,757	4,775
Adjustments between accounting basis & funding basis under regulations	6	4,199		0	-8,606	-4,407	4,407	0
Net increase/Decrease before transfers to Earmarked Reserves		**3,217**	**0**	**0**	**-8,606**	**-5,389**	**10,164**	**4,775**
Transfers to/from earmarked reserves	7	-2,077	2,155			78	-78	0
Increase/Decrease in Year		**1,140**	**2,155**	**0**	**-8,606**	**-5,310**	**10,086**	**4,776**
Balance at 31st March 2014 carried forward		**16,477**	**32,657**	**0**	**9,260**	**58,395**	**177,697**	**236,094**

The prior year figures in this statement have been restated. Please see note 7 for more information

MOVEMENT IN RESERVES STATEMENT

Group Movement in Reserves Statement for the years ended 31st March 2013 and 2014

	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		**20**			**20**	**20**	**21**	
Balance at 31st March 2012		**14,297**	**33,896**	**0**	**23,222**	**71,415**	**-2,514,378**	**-2,442,963**
Movement in reserves during 2012/13								
Surplus or (deficit) on provision of services		-172,044				-172,044	0	-172,044
Other comprehensive Expenditure and Income						0	-311,170	-311,170
Total comprehensive Expenditure and Income		-172,044	0	0	0	-172,044	-311,170	-483,214
Adjustments between accounting basis & funding basis under regulations	6	169,614		0	-5,356	164,258	-164,258	0
Net increase/Decrease before transfers to Earmarked Reserves		**-2,430**	**0**	**0**	**-5,356**	**-7,786**	**-475,428**	**-483,214**
Transfers to/from earmarked reserves		3,472	-3,394			78	-78	0
Increase/Decrease in Year		**1,042**	**-3,394**	**0**	**-5,356**	**-7,708**	**-475,506**	**-483,214**
Balance at 31st March 2013 carried forward		**15,339**	**30,502**	**0**	**17,866**	**63,707**	**-2,989,884**	**-2,926,177**
Movement in reserves during 2013/14								
Surplus or (deficit) on provision of services		-184,839				-184,839	0	-184,839
Other comprehensive Expenditure and Income			0		0	0	169,488	169,488
Total comprehensive Expenditure and Income		-184,839	0	0	0	-184,839	169,488	-15,351
Adjustments between accounting basis & funding basis under regulations	6	188,060		0	-8,606	179,454	-179,454	0
Net increase/Decrease before transfers to Earmarked Reserves		**3,221**	**0**	**0**	**-8,606**	**-5,385**	**-9,966**	**-15,351**
Transfers to/from earmarked reserves	7	-2,077	2,155			78	-78	0
Increase/Decrease in Year		**1,144**	**2,155**	**0**	**-8,606**	**-5,307**	**-10,044**	**-15,351**
Balance at 31st March 2014 carried forward		**16,483**	**32,657**	**0**	**9,260**	**58,400**	**-2,999,928**	**-2,941,528**

The prior year figures in this statement have been restated. Please see note 7 for more information

PCC's Comprehensive Income and Expenditure Statement 2013/14

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. PCCs raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

		31 March 2013			31 March 2014		
	Note	Expenditure	Income	Net	Expenditure	Income	Net
		£000	£000	£000	£000	£000	£000
Local Policing		0	0	0	2,929	-2,592	337
Dealing with the public		0	0	0	0	0	0
Criminal justice arrangements		0	0	0	638	-551	87
Roads policing		0	0	0	0	0	0
Specialist operations		0	0	0	0	0	0
Intelligence		0	0	0	0	0	0
Specialist investigations		0	0	0	0	0	0
Investigative support		0	0	0	0	0	0
National policing		0	0	0	0	0	0
Corporate and democratic core		1,276	0	1,276	1,072	-227	845
Non distributed costs		0	0	0	0	0	0
Net cost of Services before funding		**1,276**	**0**	**1,276**	**4,639**	**-3,370**	**1,269**
Intra group funding	4			412,540			412,564
Net cost of services			**0**	**413,816**			413,833
Other operating expenditure	9a			1,982			720
Financing and investment income and expenditure	9b	1,605	-1,676	-71	1,572	-932	640
Surplus/deficit on discontinued operations							
Taxation and non specific grant income	9c			-403,151			-414,210
(Surplus)/Deficit on Provision of Services				**12,577**			**982**
Surplus (-) / deficit on revaluation of fixed assets				-5,010			-5,757
Remeasurements of the net defined benefit liability (asset)				0			0
Any other gains (-) / losses				-11			0
Other Comprehensive Income and Expenditure				**-5,021**			**-5,757**
Total Comprehensive Income and Expenditure				**7,556**			**-4,775**

Notes:

In accordance with the PRSR Act 2011 the PCC receives all income and this is paid into the Police Fund. However, most of these resources are spent on operational policing and an intra group adjustment is made to offset the Chief Constable's consumption of resources. The only costs shown in the CIES are the direct costs of running the PCC's office.

The prior year figures in this statement have been restated. Please see note 7 for more information

Group Comprehensive Income and Expenditure Statement 2013/14

		31 March 2013					31 March 2014				
		Chief Constable	PCC	Group Position			Chief Constable	PCC	Group Position		
	Note	net	net	Expenditure	Income	Net	Net	Net	Expenditure	Income	Net
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Local Policing		194,142	0	216,888	-22,746	194,142	209,066	337	227,150	-17,747	209,403
Dealing with the public		34,437	0	36,121	-1,684	34,437	32,873	0	34,868	-1,995	32,873
Criminal justice arrangements		34,950	0	43,580	-8,630	34,950	32,910	87	41,076	-8,079	32,997
Roads policing		18,261	0	22,752	-4,491	18,261	19,591	0	24,106	-4,515	19,591
Specialist operations		20,453	0	24,709	-4,256	20,453	21,373	0	24,637	-3,264	21,373
Intelligence		28,696	0	31,406	-2,710	28,696	27,867	0	32,603	-4,736	27,867
Specialist investigations		85,730	0	89,863	-4,133	85,730	91,671	0	96,773	-5,102	91,671
Investigative support		13,543	0	14,249	-706	13,543	12,977	0	13,734	-757	12,977
National policing		10,940	0	35,355	-24,415	10,940	11,783	0	35,190	-23,407	11,783
Corporate and democratic core		0	1,276	1,276	0	1,276	0	845	1,072	-227	845
Non distributed costs		387	0	387	0	387	106	0	106	0	106
Net cost of Services		**441,539**	**1,276**	**516,586**	**-73,771**	**442,815**	**460,217**	**1,269**	**531,315**	**-69,829**	**461,486**
Intra group funding		-412,540	412,540				-412,564	412,564			
Other operating expenditure	9a		1,982			1,982		720			720
Financing and investment income and expenditure	9b		130,397	132,073	-1,676	130,397		136,847	137,779	-932	136,847
Surplus/deficit on discontinued operations											
Taxation and non specific grant income	9c		-403,151			-403,151		-414,210			-414,210
(Surplus)/Deficit on Provision of Services			**172,044**			**172,044**		**184,842**			**184,842**
Surplus (-) / deficit on revaluation of fixed assets			-5,010			-5,010		-5,757			-5,757
Surplus (-) / deficit on revaluation of available for sale financial assets						0		0			0
Remeasurements of the net defined benefit liability (asset)	Below		316,191			316,191		-163,731			-163,731
Any other gains (-) / losses			-11			-11		0			0
Other Comprehensive Income and Expenditure			**311,170**			**311,170**		**-169,488**			**-169,488**
Total Comprehensive Income and Expenditure			**483,214**			**483,214**		**15,354**			**15,354**

Notes: Actuarial gains and losses apply to both assets and liabilities and are either due to changes in assumptions (on liabilities) and “experience items” – actual outcome different to expected – for both assets and liabilities. The significant loss in 2012/13 was due to a reduction in the discount rate (a change in assumptions) as a result of the lower yields experienced on AA corporate bonds. Please note that the prior year figures in this statement have been restated. See note 7 for more information

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'

31.3.12	31.3.13		Note	31.3.14
£000	£000			£000
		Long Term Assets		
202,776	202,915	Property, Plant and Equipment	10	212,820
0	0	Investment Property		0
2,136	1,839	Intangible assets	11	1,473
2,488	1,785	Long term investments	12	0
1,501	2,609	Long term debtors	14	2,020
208,901	**209,148**	**Total Long Term Assets**		**216,313**
		Current Assets		
40,743	45,728	Short term investments	12	55,270
694	748	Inventories	13	961
31,671	32,849	Short term debtors	14	37,296
32,323	13,242	Cash and cash equivalents	16	1,018
4,987	3,280	Assets held for sale	17	1,064
110,418	**95,847**	**Total Current Assets**		**95,609**
		Current Liabilities		
-3,991	-398	Short term borrowing	12	-5,820
-38,489	-34,593	Short term creditors	18	-36,128
-1,326	-1,115	provisions	19	-1,132
0	0	Accumulated absences		0
-43,806	**-36,107**	**Total Current Liabilities**		**-43,081**
		Long Term Liabilities		
0	0	Long term creditors	18	0
-4,959	-6,063	Provisions	19	-6,468
-31,527	-31,333	Long term borrowing	12	-25,713
0	0	Liability related to defined benefit pension schemes	37	0
0	-16	Donated assets account	30	-16
-153	-158	Capital grants received in advance	29	-548
-36,639	**-37,570**	**Total Long Term Liabilities**		**-32,745**
238,874	**231,318**	**Net Assets**		**236,097**
71,414	63,707	Usable reserves	20	58,400
167,459	167,611	Unusable reserves	21	177,697
238,874	**231,318**	**Total Reserves**		**236,097**

The accumulated absences and the pension liability are shown at nil value. The PCC does employ a small number of staff that attract employee benefit charges to the accounts. However, the amounts are de-minimus to show separately from the main employee costs shown in the Chief Constable and Group balance sheets.

Please note that the prior year figures in this statement have been restated. See note 7 for more information

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'

31.3.12	**31.3.13**		**Note**	**31.3.14**
£000	£000			£000
		Long Term Assets		
202,776	202,915	Property, Plant and Equipment	10	212,820
0	0	Investment Property		0
2,136	1,839	Intangible assets	11	1,473
2,488	1,785	Long term investments	12	0
1,501	2,609	Long term debtors	14	2,020
208,901	**209,148**	**Total Long Term Assets**		**216,313**
		Current Assets		
40,743	45,728	Short term investments	12	55,270
694	748	Inventories	13	961
31,671	32,849	Short term debtors	14	37,296
32,323	13,242	Cash and cash equivalents	16	1,018
4,987	3,280	Assets held for sale	17	1,064
110,418	**95,847**	**Total Current Assets**		**95,609**
		Current Liabilities		
-3,991	-398	Short term borrowing	12	-5,820
-38,489	-34,593	Short term creditors	18	-36,128
-1,326	-1,115	provisions	19	-1,132
-5,657	-5,315	Accumulated absences		-5,441
-49,463	**-41,422**	**Total Current Liabilities**		**-48,521**
		Long Term Liabilities		
0	0	Long term creditors	18	0
-4,959	-6,063	Provisions	19	-6,468
-31,527	-31,333	Long term borrowing	12	-25,713
-2,676,181	-3,152,182	Liability related to defined benefit pension schemes	37	-3,172,187
0	-16	Donated assets account	30	-16
-153	-158	Capital grants received in advance	29	-548
-2,712,820	**-3,189,752**	**Total Long Term Liabilities**		**-3,204,932**
-2,442,964	**-2,926,179**	**Net Assets**		**-2,941,531**
71,414	63,707	Usable reserves	20	58,400
-2,514,378	-2,989,886	Unusable reserves	21	-2,999,931
-2,442,964	**-2,926,179**	**Total Reserves**		**-2,941,531**

The Cash Flow Statement for the PCC

This statement shows the change in the PCC and Group's cash and cash equivalents during the reporting period. The statement shows how the PCC and 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 PCC and Group are funded by taxation and grant income or from the recipients of services provided by the PCC and Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCC's and 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 PCC and Group.

	Note	**31.3.13**	**31.3.14**
		£000	£000
Net (surplus)/deficit on the provision of services		12,577	982
Adjust net surplus/deficit for non cash movements	22	-18,021	-11,060
Adjust for items included in surplus/deficit that are investing and financing activities		6,007	4,902
Net cash flows from Operating Activities	22	**562**	**-5,176**
Investing Activities	22	14,735	17,205
Financing Activities	22	3,784	199
Net increase (-) or decrease in cash and cash equivalents		**19,081**	**12,228**
Cash and cash equivalents at the beginning of the reporting period	16	32,323	13,242
Cash and cash equivalents at the end of the reporting period	16	13,242	1,018

The Cash Flow Statement for the Group

	Note	**31.3.13**	**31.3.14**
		£000	£000
Net (surplus)/deficit on the provision of services		172,045	184,839
Adjust net surplus/deficit for non cash movements	22	-177,489	-194,921
Adjust for items included in surplus/deficit that are investing and financing activities		6,007	4,902
Net cash flows from Operating Activities	22	**563**	**-5,180**
Investing Activities	22	14,735	17,205
Financing Activities	22	3,784	199
Net increase (-) or decrease in cash and cash equivalents		**19,082**	**12,225**
Cash and cash equivalents at the beginning of the reporting period	16	32,323	13,242
Cash and cash equivalents at the end of the reporting period	16	13,242	1,018

Please note that the prior year figures in these statements have been restated. See note 7 for more information

GENERAL ACCOUNTING POLICIES

a. General principles

These financial statements have been prepared in accordance with the Code of Practice (the code) on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2003 and the Service Reporting Code of Practice for Local Authorities 2013/14 (SeRCOP). The Accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS).

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

Following the passing of the Police Reform and Social Responsibility (PRSR) Act 2011, Thames Valley Police Authority was replaced on 22nd November 2012 with two ‘corporation sole’ bodies, the Police and Crime Commissioner (PCC) for Thames Valley and the Chief Constable. Both bodies are required to prepare separate Statement of Accounts.

The Financial Statements included here represent the accounts for the PCC and also those for the PCC Group. The financial statements cover the 12 months to the 31 March 2014. The term ‘Group’ is used to indicate individual transactions and policies of the PCC and Chief Constable for the year ended 31 March 2014. 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 notes relating to specific financial statement lines now include the corresponding accounting policy. As a result there is not a separate principal accounting policies note but the section below details general accounting policies where there are not accompanying notes.

b. Accruals of income and expenditure

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

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

c. Charges to Revenue for Non-Current Assets

The Group 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 fixed assets attributable to the service.

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 Group 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 2014, 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 Service Reporting Code of Practice (SeRCOP) and Police Objective Analysis, the costs of support services are fully allocated to the Group's services. Support service costs identified as Corporate and Democratic Core costs and Non Distributed Costs are not charged to services but are shown separately in the CIES

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

h. Reserves

The Group 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 Group.

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 20 on pages 55 and 56.

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 Group – see note 21 on pages 57 to 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. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

IFRS 13 *Fair Value Measurement* (May 2011)
IFRS 10 *Consolidated Financial Statements*
IFRS 11 *Joint Arrangements*
IFRS 12 *Disclosure of Interest in other Entities*
IFRS 27 *Separate Financial Statements (*as amended in 2011)
IFRS 28 *Investments in Associates and Joint Ventures (*as amended in 2011)
IFRS 32 *Financial Instruments : Presentation*
Annual improvements to IFRSs 2009-2011 Cycle

2. SIGNIFICANT ESTIMATES AND JUDGEMENTS

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

a. Establishing the valuations of operational and residential properties (see Notes 10 and 17 for details of amounts and the valuation process involved). Depreciation is a calculation by the system, based on asset value and expected useful life of the asset. If the useful life of an asset is reduced then the depreciation charge to CIES will increase. The Group monitors the useful life of assets to identify where any changes to the depreciation charge are required during the year

b. We have reviewed all property leases to determine which ones, if any, need to be treated as a finance lease. The outcome of that review is that only the Abingdon PFI scheme needs to be treated as a finance lease; all other leases are operating leases.

c. The costs of a pension arrangement require estimates regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS 19 reporting are the responsibility of the Group as advised by their actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population.

d. A judgment has been made of the expenditure allocated between the PCC and Chief Constable to reflect the financial resources of the PCC consumed at the request of the Chief Constable. The basis adopted for this allocation was determined by the Group in accordance with the standard set of activities for each corporate body identified in CIPFA's SeRCOP. In arriving at this approach various interested parties were consulted including senior management in both corporate bodies and careful consideration given to the PRSR Act and Home Office guidance. More detail is included in Note 4. It has also been judged that all working capital is attributable to the PCC

e. The National Police Air Service (NPAS) was established during 2012/13. The Chiltern Air Support Unit (CASU) joined on 1st October 2012 and all appropriate assets and liabilities were transferred to NPAS on that date. Rather than paying a lump sum for the CASU helicopters, NPAS will make an annual payment for the aircraft until the aircraft reaches 15 years of age, the last payment for Thames Valley being in 2024/25. However, since we no longer own or control the assets we have treated this annual payment as a deferred capital receipt.

3. 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 for police officers and police staff - the discount rates used to calculate the pension liabilities are estimates, any changes in which could impact on the total liability of the relevant pension funds, see Note 37 for more details of the impact of discount rate changes.

4. CREATION OF THE NEW POLICE AND CRIME COMMISSIONER (PCC) AND THE CHIEF CONSTABLE

<u>Introduction</u>

Following the Police Reform and Social Responsibility Act 2011 (The Act) Thames Valley Police Authority was replaced on 22nd November 2012 with two 'corporation sole' bodies, the PCC for Thames Valley and the Chief Constable. It is the Government's intention that the reforms under the Act will be phased in over a period of several years. These financial statements for 2013/14 will show the financial positions of the PCC and the PCC Group for the second year of operation.

<u>Accounting principles</u>

The accounting recognition of assets, liabilities and reserves during the first period of transition, reflects the powers and responsibilities of the PCC as designated by the Act and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. This accounting relationship is also underpinned by the relationships as defined by local regulations, local agreement and practice. On 22nd November 2012, the assets, liabilities and reserves of the Police Authority were transferred directly to the PCC and during this first phase of transition remain under the PCC's control. Statutory and local arrangements determine that the PCC holds all assets, liabilities and the reserves except for the IAS 19 pension and the accumulated absences liabilities. All payments for the Group are made by the PCC from the police fund and all income and funding is received by the PCC. The PCC has the responsibility for managing the financial relationships with third parties and has legal responsibilities for discharging the contractual terms and conditions of suppliers.

This year the Chief Constable and PCC have adopted a new accounting policy and have recognised police officer and staff pension costs in the Chief Constable's accounts in accordance with IAS 19 (Employee benefits). Revised legislation came into effect on 1st April 2013 granting the Chief Constable the same status as local authorities under Sections 21 and 22 of the Local Government Act 2003. This enables the Chief Constable to apply the statutory override for employee benefits. The prior year figures have been restated solely for comparative purposes.

Intra group adjustments

The table below shows the movement through an intra group account within the respective accounts during 2012/13 and 2013/14. 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 2013/14	**PCC £000**	**CC £000**	**Group £000**
Opening balance as at 1st April 2013	0	0	0
PCC resources consumed at the request of the Chief Constable	- 412,564	412,564	0
PCC Intra group adjustment	412,564	- 412,564	0
Closing balance as at 31st March 2014	**0**	**0**	**0**

Intra group balances for 2012/13	**PCC £000**	**CC £000**	**Group £000**
Opening balance as at 1st April 2012	0	0	0
PCC resources consumed at the request of the Chief Constable	- 412,540	412,540	0
PCC Intra group adjustment	412,540	- 412,540	0
Closing balance as at 31st March 2013	**0**	**0**	**0**

5. 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 30th June 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect this information. There are two material non-adjusting events to report.

1. On 1st April 2014, the stage 2 transfer of the PRSR Act (2011) occurred. This resulted in all staff (other than those working in the office of the PCC) transferring from the employment of the PCC to the Chief Constable. The PCC also gave consent to the Chief Constable to enter into contracts and to own short-life assets (e.g. vehicles, plant and equipment). The PCC has retained ownership of land and buildings.
2. Since 1st April 2014 Thames Valley Police has hosted the SE Regional Organised Crime Unit. The unit is funded by specific grant and contributions from partner forces. The total budget for the unit is expected to be around £11.5m which will be managed by Thames Valley Police. The Unit has an establishment of 93 officers and 84 staff which includes the transfer of 38 TVP staff and officers.

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.

2013/14 Adjustments for Group

	General Fund Balance	Capital Receipts Reserve	Capital grant unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account				
Reversal of items debited or credited to the CI&E				
Depreciation & impairment	15,938			-15,938
Capital grants credited to CI&E	-5,816			5,816
Non current assets written out on disposal	4,309			-4,309
Insertion of items not debited or credited to CI&E				
Statutory provision for the repayment of debt	-1,543			1,543
Voluntary provision for the repayment of debt	0			0
Capital expenditure charged to general fund balance	-2,487			2,487
Adjustments primarily involving the capital grants unapplied account				
Capital grants credited to CI&E	-2		2	0
Application of grants to capital financing transferred to the capital adjustment account			-8,608	8,608
Adjustments primarily involving the capital receipts reserve				
Sale proceeds credited as part of gain/loss on disposal	-4,902	4,902		
Use of capital receipts to finance new capital expenditure		-4,902		4,902
Adjustments primarily involving the financial instruments adjustment account				
Amount by which finance costs calculated in accordance with code are different from the amount of finance costs calculated in accordance with statutory regs	9			-9
Adjustments primarily involving the pensions reserve				
Reversal of items relating to retirement benefits debited or credited to CI&E	262,169			-262,169
Employers contributions and direct payments to pensioners payable in the year	-78,434			78,434
Adjustments primarily involving the collection fund adustment account				
Amount by which council tax income included in the CI&E is different from the amount taken to the general fund	-1,307			1,307
Adjustments primarily involving the accumulated absences account				
Amount by which officer remuneration charged to the CI&E on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	126			-126
Total adjustments between accounting basis and funding basis under regulations	**188,060**	**0**	**-8,606**	**-179,454**

2012/13 Adjustments for Group

	General Fund Balance	Capital Receipts Reserve	Capital grant unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account				
Reversal of items debited or credited to the CI&E				
Depreciation & impairment	20,908			-20,908
Capital grants credited to CI&E	-4,966			4,966
Non current assets written out on disposal	7,601			-7,601
Insertion of items not debited or credited to CI&E				
Statutory provision for the repayment of debt	-1,573			1,573
Voluntary provision for the repayment of debt	-330			330
Capital expenditure charged to general fund balance	-5,279			5,279
Adjustments primarily involving the capital grants unapplied account				
Capital grants credited to CI&E	-2		2	
Application of grants to capital financing transferred to the capital adjustment account			-5,358	5,358
Adjustments primarily involving the capital receipts reserve				
Sale proceeds credited as part of gain/loss on disposal	-6,007	6,007		
Use of capital receipts to finance new capital expenditure		-6,007		6,007
Adjustments primarily involving the financial instruments adjustment account				
Amount by which finance costs calculated in accordance with code are different from the amount of finance costs calculated in accordance with statutory regs	9			-9
Adjustments primarily involving the pensions reserve				
Reversal of items relating to retirement benefits debited or credited to CI&E	235,155			-235,155
Employers contributions and direct payments to pensioners payable in the year	-75,345			75,345
Adjustments primarily involving the collection fund adustment account				
Amount by which council tax income included in the CI&E is different from the amount taken to the general fund	-216			216
Adjustments primarily involving the accumulated absences account				
Amount by which officer remuneration charged to the CI&E on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-342			342
Total adjustments between accounting basis and funding basis under regulations	**169,613**	**0**	**-5,356**	**-164,257**

2013/14 Adjustments for PCC

	General Fund Balance	Capital Receipts Reserve	Capital grant unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account				
Reversal of items debited or credited to the CI&E				
Depreciation & impairment	15,938			-15,938
Capital grants credited to CI&E	-5,816			5,816
Non current assets written out on disposal	4,309			-4,309
Insertion of items not debited or credited to CI&E				
Statutory provision for the repayment of debt	-1,543			1,543
Voluntary provision for the repayment of debt	0			0
Capital expenditure charged to general fund balance	-2,487			2,487
Adjustments primarily involving the capital grants unapplied account				
Capital grants credited to CI&E	-2		2	0
Application of grants to capital financing transferred to the capital adjustment account			-8,608	8,608
Adjustments primarily involving the capital receipts reserve				
Sale proceeds credited as part of gain/loss on disposal	-4,902	4,902		
Use of capital receipts to finance new capital expenditure		-4,902		4,902
Adjustments primarily involving the financial instruments adjustment account				
Amount by which finance costs calculated in accordance with code are different from the amount of finance costs calculated in accordance with statutory regs	9			-9
Adjustments primarily involving the pensions reserve				
Reversal of items relating to retirement benefits debited or credited to CI&E	0			0
Employers contributions and direct payments to pensioners payable in the year	0			0
Adjustments primarily involving the collection fund adustment account				
Amount by which council tax income included in the CI&E is different from the amount taken to the general fund	-1,307			1,307
Adjustments primarily involving the accumulated absences account				
Amount by which officer remuneration charged to the CI&E on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0			0
Total adjustments between accounting basis and funding basis under regulations	**4,199**	**0**	**-8,606**	**4,407**

2012/13 Adjustments for PCC

	General Fund Balance	Capital Receipts Reserve	Capital grant unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account				
Reversal of items debited or credited to the CI&E				
Depreciation & impairment	20,908			-20,908
Capital grants credited to CI&E	-4,966			4,966
Non current assets written out on disposal	7,601			-7,601
Insertion of items not debited or credited to CI&E				
Statutory provision for the repayment of debt	-1,573			1,573
Voluntary provision for the repayment of debt	-330			330
Capital expenditure charged to general fund balance	-5,279			5,279
Adjustments primarily involving the capital grants unapplied account				
Capital grants credited to CI&E	-2		2	
Application of grants to capital financing transferred to the capital adjustment account			-5,358	5,358
Adjustments primarily involving the capital receipts reserve				
Sale proceeds credited as part of gain/loss on disposal	-6,007	6,007		
Use of capital receipts to finance new capital expenditure		-6,007		6,007
Adjustments primarily involving the financial instruments adjustment account				
Amount by which finance costs calculated in accordance with code are different from the amount of finance costs calculated in accordance with statutory regs	9			-9
Adjustments primarily involving the pensions reserve				
Reversal of items relating to retirement benefits debited or credited to CI&E	0			0
Employers contributions and direct payments to pensioners payable in the year	0			0
Adjustments primarily involving the collection fund adustment account				
Amount by which council tax income included in the CI&E is different from the amount taken to the general fund	-216			216
Adjustments primarily involving the accumulated absences account				
Amount by which officer remuneration charged to the CI&E on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0			0
Total adjustments between accounting basis and funding basis under regulations	**10,145**	**0**	**-5,356**	**-4,789**

7. PRIOR PERIOD ADJUSTMENTS

There have been three changes in accounting policy that have required the 2012/13 accounts to be restated.

1. There has been a change in accounting policy for post employment benefits as a result of the Code's adoption of the amendments to IAS 19; the standard governing retirement costs. There is a new measurement of the net defined benefit liability which now includes the return on plan assets. Additionally, the administrative expenses of pension schemes are now charged to the cost of services in the CIES (whereas they were previously offset against the expected return on assets in the balance sheet).

2. Further to the changes in the code, the Chief Constable and PCC have adopted a new accounting policy and have recognised police officer and staff pension costs and accumulated absences expenses in the Chief Constable's accounts in accordance with IAS 19 (Employee benefits). Revised legislation came into effect on 1st April 2013 granting the Chief Constable the same status as local authorities under Sections 21 and 22 of the Local Government Act 2003. This enables the Chief Constable to apply the statutory override for employee benefits (otherwise the impact of these costs would remain a charge to the Chief Constable) The prior year figures have been restated solely for comparative purposes.

3. There has also been an internal change in accounting policy with regards to the allocation of income between the PCC and the Chief Constable. In the 2012/13 accounts, all income was attributed to the PCC. The Chief Constable received intra group funding to reflect the resources that were consumed in the course of providing operational policing. For 2013/14, income associated with operational policing is now attributed to the Chief Constable and thus, the intra group funding from the PCC to the Chief Constable reflects the net cost of providing operational policing after offsetting appropriate income and specific grants. The 2012/13 figures have been restated accordingly.

The financial implication of these three changes are summarised in the tables below. (An alternative technical treatment would be that the IAS 19 changes took place in the Chief Constable's accounts during 12/13)

	Published figures 2011/12	Adjustments relating to IAS changes	Adjustments relating to income in CC accounts instead of PCC accounts	Adjustments relating to employee benefits in CC accounts instead of PCC accounts	Restated figures
	£000	£000	£000	£000	£000
PCC's Accounts					
BALANCE SHEET					
Accumulated absences	- 5,657			5,657	0
Pension liability	- 2,676,181			2,676,181	0
Unusable reserve	- 2,681,838			2,681,838	0

	Published figures 2011/12	Adjustments relating to IAS changes	Adjustments relating to income in CC accounts instead of PCC accounts	Adjustments relating to employee benefits in CC accounts instead of PCC accounts	Restated figures
	£000	£000	£000	£000	£000
CC's Accounts					
BALANCE SHEET					
Accumulated absences	0			- 5,657	- 5,657
Pension liability	0			- 2,676,181	- 2,676,181
Unusable reserve	0			- 2,681,838	- 2,681,838

	Published figures 2012/13	Adjustments relating to IAS changes	Adjustments relating to income in CC accounts instead of PCC accounts	Adjustments relating to employee benefits in CC accounts instead of PCC accounts	Restated figures
	£000	£000	£000	£000	£000
PCC's Accounts					
CIES					
Income (net cost of services)	- 77,874		77,874		0
Intra group funding	515,115	195	- 77,874	- 29,001	408,435
Financing and investment income and expenditure	126,898	3,499		- 130,468	- 71
Surplus/deficit on provision of services	168,351	3,694		- 159,469	12,576
Actuarial gains/losses on pension assets/liabilities	319,885	- 3,694		- 316,191	0
Other comprehensive income and expenditure	314,864	- 3,694		- 316,191	- 5,021
Total comprehensive income and expenditure	483,215			- 475,660	7,555
MIRS					
Adjustments between accounting and funding basis	165,920	3,694		- 159,468	10,146
BALANCE SHEET					
Accumulated absences	- 5,315			5,315	0
Pension liability	- 3,152,182			3,152,182	0
Unusable reserve	- 2,989,886			3,157,497	167,611
CASH FLOW STATEMENT					
Adjustment for non cash movement	- 173,795	- 3,694		159,468	- 18,021

	Published figures 2012/13	Adjustments relating to IAS changes	Adjustments relating to income in CC accounts instead of PCC accounts	Adjustments relating to employee benefits in CC accounts instead of PCC accounts	Restated figures
	£000	£000	£000	£000	£000
CC's Accounts					
CIES					
Income (net cost of services)	0		- 77,874	0	- 77,874
Intra group funding	515,115	195	- 77,874	- 29,001	408,435
Net cost of services	0			29,001	29,001
Financing and investment income and expenditure	0			130,468	130,468
Surplus/deficit on provision of services	0			159,469	159,469
Actuarial gains/losses on pension assets/liabilities	0			316,191	316,191
Other comprehensive income and expenditure	0			316,191	316,191
Total comprehensive income and expenditure	0			475,660	475,660
MIRS					
Adjustments between accounting and funding basis	0			159,468	159,468
BALANCE SHEET					
Accumulated absences	0			- 5,315	- 5,315
Pension liability	0			- 3,152,182	- 3,152,182
Unusable reserve	0			- 3,157,497	- 3,157,497
CASH FLOW STATEMENT					
Adjustment for non cash movement	0			- 159,468	- 159,468

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 2013/14

	Balance at 1.4.12	Balance at 1.4.13	Appropriation to/from CIES	Movement between reserves	Balance at 31.3.14	Purpose of Reserve
Reserve	**£000**	**£000**	**£000**	**£000**	**£000**	
Air support reserve	62	0	0	0	0	TVP share of the consortium's revenue reserves. Transferred to general balances
Risk management reserve	1,258	1,000	-489	0	511	To help 'pump prime' future risk and carbon management iniatives
Conditional funding reserve	5,844	5,760	73	0	5,832	Income received can only be spent on the specified project or activity
Transport reserve	207	127	146	0	273	TVP share of the Chiltern transport Consortium reserves
Merge TSU bases reserve	150	150	139	0	289	To fund the merger of TSU bases
National ICT funding reserve	2,909	0	0	0	0	To help fund national ICT capital schemes in 2011/12
Insurance reserve	1,541	1,541	0	0	1,541	Funds held in case insurance provision proves inadequate to meet known liabilities
SEROCU reserve	0	0	280	0	280	To fund ICT set up costs of SE Regional Organised Crime Unit
Improvement and Performance (I&P) reserve	21,924	21,924	2,007	0	23,931	To help fund future policing initiatives, including property adaptions
Total	**33,895**	**30,502**	**2,155**	**0**	**32,657**	

9. ANALYSIS OF ITEMS IN COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

a) Other operating Expenditure

	2012/13 £000	2013/14 £000
Gain (-)/loss on disposal of fixed asset	1,594	-594
Levies to national police service	388	1,313
Total Operating Expenditure	**1,982**	**720**

b) Financing and Investment income and expenditure (Group)

	2012/13 £000	2013/14 £000
Interest payable	1,605	1,572
Pensions interest cost on net defined benefit liability	130,468	136,207
Subtotal Financing and Investment expenditure	132,073	137,779
Interest and investment income	-1,676	-932
Total Operating Expenditure	**130,397**	**136,847**

b) Financing and Investment income and expenditure (PCC)

	2012/13 £000	2013/14 £000
Interest payable	1,605	1,572
Interest and investment income	-1,676	-932
Net Total	**-71**	**640**

c) Taxation and non specific grant income

	2012/13 £000	2013/14 £000
Police Grant	-146,980	-155,869
Revenue support grant	-1,661	0
Non domestic rate income	-85,690	-80,450
Council tax	-137,046	-130,173
Pensions top up grant	-22,702	-26,499
Capital grants and contributions	-4,966	-5,818
Council tax freeze grant	-4,104	-3,534
Local council tax support grant	0	-11,868
Total taxation and non specific grant income	**-403,150**	**-414,210**

d) Specific grant income

	2012/13 £000	2013/14 £000
PFI grant	- 1,032	- 1,032
Counter terrorism grant (including dedicated security posts)	- 18,203	- 19,702
Neighbourhood policing grant	- 9,124	0
Olympics grant	- 1,776	0
Drug testing grant	- 615	0
Financial investigators grant	- 463	0
Criminal records bureau grant	- 905	- 829
Prevent grant	- 786	- 761
Loan charges grant	- 341	- 330
Commissioning grants	0	- 3,103
Other small grants	- 1,488	- 132
Innovation fund grant	0	- 233
Total specific grant income	**- 34,733**	**- 26,122**

The differences between the specific and non specific grant income levels are due to variances in Government funding policies year on year, for example the neighbourhood policing grant which was a specific grant in 2012/13 is included in the main police (non specific grant) in 2013/14

10. PROPERTY PLANT AND EQUIPMENT

Accounting Policy

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

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

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

- assets surplus to requirements – lower of net current replacement cost or net realisable value
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use.
- infrastructure assets and community assets – depreciated historical costs

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

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

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

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

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

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

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

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

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

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

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

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

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

Movement on Fixed Assets
2013/14 movements

	Other Land and Buidlings £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 2013	**150,991**	**22,358**	**4,490**	**49,515**	**1,737**	**4,604**	**233,694**
Opening balance adjustment							
Additions	9,262			11,922		105	21,289
Donations							
Assets under construction - brought into use	4,571					-4,571	0
Revaluation increases /(decreases) to RR	4,822	853	54		1		5,729
Revaluation increases /(decreases) to SDPS	-2,176	222	21		6		-1,927
Disposals	-162	-615	-467	-3,077	-245		-4,566
Reclassifications							
Assets reclassified to/from Held for sale	-129	-240			642		273
Write out expenditure not adding value	-89			0			-90
Depreciation written out on revaluation	-5,396				-7		-5,403
Write out impairment to adjust GBV	-1,776						-1,776
Write out fully depreciated assets							
At 31st March 2014	**159,919**	**22,577**	**4,097**	**58,360**	**2,134**	**137**	**247,224**
Depreciation and Impairment							
At 1st April 2013	**3,341**	**0**	**0**	**27,435**	**0**	**0**	**30,777**
Depreciation charge	5,695			7,310	98		13,102
Depreciation written out on revaluation	-5,396				-7		-5,403
Impairment losses / (reversals) to RR							
Impairment losses / (reversals) to SDPS							0
Disposal	-16			-2,281			-2,297
Reclassifications							
Assets reclassified to/from Held for sale							
Write out impairment to adjust GBV	-1,776						-1,776
Write out fully depreciated assets							
At 31st March 2014	**1,848**	**0**	**0**	**32,463**	**91**	**0**	**34,403**
Net Book Value							
At 31st March 2014	**158,071**	**22,577**	**4,097**	**25,897**	**2,042**	**137**	**212,821**

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

2012/13 movements

	Other Land and Buidlings £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 2012	147,710	22,946	4,704	89,959	710	1,104	267,134
Opening balance adjustment *1	11	0	0	0	0	0	11
Additions	10,398	0	0	6,209	0	4,376	20,983
Donations	0	0	0	16	12	0	28
Assets under construction - brought into use	877	0	0	0	0	-877	0
Revaluation increases /(decreases) to RR	6,445	-77	17	0	66	0	6,450
Revaluation increases /(decreases) to SDPS	-6,549	154	30	0	5	0	-6,360
Disposals	-704	0	-261	-5,995	0	0	-6,959
Reclassifications	-205	-555	0	-20	760	0	-20
Assets reclassified to/from Held for sale	-1,717	-110	0	0	225	0	-1,602
Write out expenditure not adding value	-71	0	0	0	0	0	-71
Depreciation written out on revaluation	-5,204	0	0	0	-41	0	-5,245
Write out fully depreciated assets *2	0	0	0	-40,654	0	0	-40,654
At 31st March 2013	**150,991**	**22,358**	**4,490**	**49,515**	**1,737**	**4,604**	**233,694**
							0
Depreciation and Impairment							0
At 1st April 2012	1,305	0	0	63,050	0	0	64,355
Depreciation charge	5,524	0	0	7,446	20	0	12,990
Depreciation written out on revaluation	-5,204	0	0	0	-41	0	-5,245
Impairment losses / (reversals) to RR	1,440	0	0	0	0	0	1,440
Impairment losses / (reversals) to SDPS	336	0	0	0	0	0	336
Disposal	-38	0	0	-2,396	0	0	-2,433
Reclassifications	-21	0	0	-11	21	0	-11
Assets reclassified to/from Held for sale	-1	0	0	0	0	0	-1
Write out fully depreciated assets *2	0	0	0	-40,654	0	0	-40,654
At 31st March 2013	**3,341**	**0**	**0**	**27,435**	**0**	**0**	**30,777**
							0
Net Book Value							0
At 31st March 2013	**147,650**	**22,358**	**4,490**	**22,079**	**1,737**	**4,604**	**202,918**

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

*1 The opening balance adjustment represents the addition to the opening balance of one component within Abingdon police station which was not previously included in the valuation. It does not represent any additional capital spend in year
*2 During 2012/13 an exercise was carried out to write all the assets from the fixed asset register that were fully depreciated and had a £0 net book value. These assets had a gross value of £40.654m and accumulated depreciation of £40.654m

2011/12 movements

	Other Land and Buidlings £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 2011	143,054	28,927	5,137	85,732	710	4,045	267,605
Additions	5,316	0	0	6,197	0	953	12,466
Donations	0	0	0	0	0	0	0
Assets under construction - brought into use	3,885	0	0	9	0	-3,894	0
Revaluation increases /(decreases) to RR	5,786	266	49	0	0	0	6,101
Revaluation increases /(decreases) to SDPS	-5,451	421	69	0	0	0	-4,961
Disposals	-63	-2,898	-551	-1,980	0	0	-5,492
Reclassifications	0	0	0	0	0	0	0
Assets reclassified to/from Held for sale	-15	-3,772	0	0	0	0	-3,787
Write out expenditure not adding value	0	0	0	0	0	0	0
Depreciation written out on revaluation	-4,805	0	0	0	0	0	-4,805
At 31st March 2012	**147,707**	**22,944**	**4,704**	**89,958**	**710**	**1,104**	**267,127**
Depreciation and Impairment							
At 1st April 2011	1,375	0	0	57,067	0	0	58,442
Technical adjustment to opening balances *	-323	0	0	0	0	0	-323
Depreciation charge	5,082	0	0	7,411	0	0	12,493
Depreciation written out on revaluation	-4,805	0	0	0	0	0	-4,805
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	-26	0	0	-1,429	0	0	-1,455
Reclassifications	0	0	0	0	0	0	0
At 31st March 2012	**1,303**	**0**	**0**	**63,049**	**0**	**0**	**64,352**
Net Book Value							
At 31st March 2012	**146,402**	**22,946**	**4,704**	**26,909**	**710**	**1,104**	**202,776**

RR = Revaluation Reserve
SDPS = Surplus or Deficit in Provision of Services
GBV = Gross Book Value
* The technical adjustment to opening balances reflects an overstatement of depreciation in 2010/11 relating to componentisation. This was estimated in 2010/11 in order to comply with IFRS rules, however, it was not written out on revaluation of the assets, thus resulting in the value of depreciation shown in the accounts to be overstated. This was corrected in the 2011/12 accounts.

Revaluations

Thames Valley Police's property valuer is 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 2014 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.

Capital commitments

The following significant amounts are outstanding on capital contracts which have been entered into by the Group as at 31 March 2014.

	£000
BT – SEPSNA (South East Police Shared Network Services Agreement)	2,000
Specialist Computer Centre(SCC) – SEPSNA	137
Vehicle telematics	751
Northgate – supply of radio equipment for control room	129
BT Video conferencing equipment	150

11. INTANGIBLE ASSETS

Accounting Policy

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

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

	2011/12 £000	2012/13 £000	2013/14 £000
Gross Book Value			
Opening balance	5,343	4,975	5,165
Purchase of computer software licences	51	613	524
Write out capital expenditure not adding value	0	0	-3
Donated intangible assets	0	0	0
Write out fully depreciated items	-419	-423	-733
Closing balance	**4,975**	**5,165**	**4,953**
Depreciation			
Opening balance	-2,274	-2,839	-3,327
Amortisation charged to income and expenditure	-985	-910	-887
Write out fully depreciated items	419	423	733
Closing balance	**-2,839**	**-3,327**	**-3,481**
Net Book Value	**2,136**	**1,839**	**1,473**

As at 31 March 2014 the Group had a commitment to pay £1.4m relating to intangible assets for a records management system.

12. FINANCIAL INSTRUMENTS

Accounting Policy

Financial liabilities

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

Financial assets

Financial assets held by the Group comprise loans and receivables, which are assets that have fixed or determinable payments but are quoted in an active market. Loans and receivables are initially measurable at fair value and carried at their amortised cost. Interest and other income received is based on the capital value of their investment multiplied by the rate of interest. For most of the loans that the Group 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 Group are short term investments consisting of fixed term deposits.

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

	Long-Term		Current	
	31.3.13	31.3.14	31.3.13	31.3.14
	£000	£000	£000	£000
Loans and receivables – principal [1]	2,107	0	62,272	60,990
Accrued interest	787	0	331	270
Accounting adjustments[2]	- 1,109	0	0	0
Loans and receivables at amortised cost	1,785	0	62,603	61,260
Available for sale financial assets	0		0	
Financial assets at fair value through profit and loss	0	0	0	
Total investments	**1,785**	**0**	**62,603**	**61,260**
Loans and receivables	0	0		
Financial assets carried at contract amounts			0	0
Total debtors	**0**	**0**	**0**	**0**
Financial liabilities	24,968	19,568	0	5,400
Accrued interest	0	0	205	205
Financial liabilities at amortised cost	24,968	19,568	205	5,605
Financial liabilities at fair value through profit and loss	0	0	0	0
Total borrowings	**24,968**	**19,568**	**205**	**5,605**
PFI and finance lease liabilities	6,360	6,145	199	215
Total other long term liabilities	**6,360**	**6,145**	**199**	**215**
Loans and receivables	0	0	0	0
Financial liabilities carried at contract amount	0	0	0	0
Total creditors	**0**	**0**	**0**	**0**

[1] At 31 March 2014 the PCC had £60.99m invested in 3 different financial institutions. Accrued interest amounted to £0.270m.

[2] Impairment on £5m investment in the Icelandic bank, Landesbanki.

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:

2013/14

	Financial Liabilities measured at amortised cost £000	Financial assets: Loans and receivables £000	Total £000
Interest expenses	- 1,571		- 1,571
Losses on de-recognition			
Reductions in fair value			
Impairment losses (-) / gains			
Fee expense			
Total expense in surplus or deficit on the provision of services	- 1,571		- 1,571
Interest income		932	932
Interest income accrued on impaired financial assets			
Increases in fair value			
Gains on de-recognition			
Fee income			
Total income in surplus or deficit on the provision of services		932	932
Gains on revaluation			
Losses on revaluation			
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure			
Net gain / (loss) for the year	- 1,571	932	- 639

2012/13

	Financial Liabilities measured at amortised cost £000	Financial assets: Loans and receivables £000	Total £000
Interest expenses	- 1,605		-1,605
Losses on de-recognition			
Reductions in fair value			
Impairment losses		- 274	- 274
Fee expense			
Total expense in surplus or deficit on the provision of services	- 1,605	- 274	- 1,879
Interest income		1,676	1,676
Interest income accrued on impaired financial assets			
Increases in fair value			
Gains on de-recognition			
Fee income			
Total income in surplus or deficit on the provision of services		1,676	1,676
Gains on revaluation			
Losses on revaluation			
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure			
Net gain / (loss) for the year	- 1,605	1,402	- 203

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). 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 2013		31 March 2014	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair value £000
PWLB debt	21,468	24,589	21,468	24,178
Market loans	3,500	4,134	3,500	3,908
PFI and finance lease liability	6,559	6,559	6,360	6,360
Trade creditors	28,354	28,354	28,816	28,816
Financial liabilities	**59,881**	**64,636**	**60,144**	**63,262**

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 2013		31 March 2014	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair value £000
Investments	64,388	64,388	55,270	55,270
Trade debtors	28,773	28,773	31,650	31,650
Cash and cash equivalents	13,242	13,242	1,018	1.018
Total	**106,403**	**106,403**	**87,938**	**87,938**

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

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

13. 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 2014 is £0.961m. This is categorised as follows:

	31.3.12 £000	31.3.13 £000	31.3.14 £000
Uniforms	408	417	606
Transport – parts and equipment	156	149	139
Other operational equipment	130	182	215
Total	**694**	**748**	**961**

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

	2011-12 £000	2012-13 £000	2013-14 £000
Uniforms	1,012	971	794
Transport – parts, livery and equipment	2,072	2,419	2359
Other operational equipment	1,169	1,302	1389
Total	**4,253**	**4,692**	**4,542**

1 The movement figures for the previous years have been restated to take into account changes in the ledger reporting structure.

There has been a write down of inventories valued at £0.007m during 2013-14.

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 2014 from £0.961m to £0.354m, as per the table below.

	31.3.12 £000	31.3.13 £000	31.3.14 £000
Uniforms	0	0	0
Transport – parts and equipment	156	149	139
Other operational equipment	130	182	215
Total	**286**	**331**	**354**

14. DEBTORS

	31.3.12 £000	31.3.13 £000	31.3.14 £000
Amounts falling due after more than one year			
Loans to employees	22	36	14
Housing initiatives	72	33	12
Payments in advance – Abingdon PFI	1,407	1,328	1,251
NPAS Helicopter sales receipt	0	1,212	743
Total long term debtors	**1,501**	**2,609**	**2,020**
Amounts falling due within one year			
Government departments and agencies	13,271	13,086	11,402
Other public bodies	13,363	14,701	15,252
South East Regional Organised Crime Unit	0	0	3,489
NHS	20	51	47
Payments in advance	74	599	1,290
Public Corporations	7	0	0
Study loans	10	13	12
Cycle to Work loans	99	105	91
Housing initiatives	50	32	19
Other	4,856	4,289	5,725
	31,750	32,876	37,327
Less provision for doubtful debts (see below)	- 79	- 28	-31
Total current debtors	**31,671**	**32,848**	**37,296**
Total debtors	**33,172**	**35,457**	**39,316**

15. PROVISION FOR DOUBTFUL DEBT

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

	31.3.12 £000	31.3.13 £000	31.3.14 £000
Opening balance	49	79	28
Debts written off in period	- 28	- 58	- 19
Debts paid in period	- 1	- 4	- 3
Debts added to provision	59	11	25
Closing balance	**79**	**28**	**31**

16. CASH AND CASH EQUIVALENTS

Accounting policy

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents shall include investments placed in instant access call accounts and money market funds which are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the PCC's cash management.

For the purposes of this note:

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

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

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

	2011/12 £000	2012/13 £000	2013/14 £000
Cash	- 3,077	- 3,633	- 4,972
Cash equivalents	35,400	16,875	5,990
Total Cash and Cash equivalents	**32,323**	**13,242**	**1,018**

The large reduction in cash equivalents can be explained by the higher proportion of investments held in fixed term deposits.

17. ASSETS HELD FOR SALE

	2011/12 £000	2012/13 £000	2013/14 £000
Balance outstanding at the start of the year	3,970	4,987	3,281
Assets newly classified as held for sale	3,787	2,300	966
Revaluation losses	-30	-250	0
Revaluation gains	0	10	97
Impairment losses	0	0	0
Assets declassified as held for sale	0	-700	-1,240
Assets sold	-2,740	-3,066	-2,040
Balance outstanding at year end	**4,987**	**3,281**	**1,064**

Between the 31st March 2014 and 5th June 2014, 2 further assets with a value of £0.680m have been classified as "held for sale"

18. CREDITORS

	31.3.12 £000	31.3.13 £000	31.3.14 £000
Government departments and agencies	7,401	7,842	7,520
Other public bodies	12,970	12,515	14,043
NHS	4	2	21
Public corporations	200	38	14
Employee payments	2,897	3,014	2,780
Other sundry creditors	15,017	11,183	11,750
	38,489	**34,594**	**36,128**

19. 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.

	Insurance £000
Opening balance at 1 April 2013	7,178
Transactions during the year:	
Additional provisions made in the period	2,338
Amounts used (incurred and charged against the provision) in the period	- 1,916
Unused amounts reversed during the period	0
Unwinding of discounting	0
Closing balance at 31 March 2014	**7,600**

20. USABLE RESERVES

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

	31.3.12 £000	31.3.13 £000	31.3.14 £000
Usable capital receipts	0	0	0
Capital grant unapplied account	23,222	17,866	9,260
Earmarked reserves	33,895	30,502	32,657
General balances	14,297	15,338	16,482
Total	**71,414**	**63,706**	**58,399**

Usable Capital Receipts Reserve

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

	2011/12 £000	2012/13 £000	2013/14 £000
Opening balance at 1 April	0	0	0
Add receipts in year	7,071	6,007	4,902
Less applied to finance capital expenditure	- 7,071	- 6,007	- 4,902
Closing balance at 31 March	**0**	**0**	**0**

Capital grants unapplied account

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

	31.3.12 £000	31.3.13 £000	31.3.14 £000
Opening balance	20,428	23,222	17,866
Amounts received in year	3,221	2	2
Amounts applied to finance capital expenditure (transferred to capital adjustment account)	- 427	- 5,358	- 8,608
Closing balance	**23,222**	**17,866**	**9,260**

Earmarked Reserves

Please see Note 8 on page 41

General Balances

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

	2011/12	2012/13	2013/14
	£000	£000	£000
Opening balance as at 1 April	18,385	14,297	15,338
Fund property feasibility studies	- 239	0	0
Planned use of balances to fund revenue expenditure	- 449	- 238	0
Planned use of balances to help fund the capital programme	- 2,641	0	- 210
Adjustment to fund impairment of the Icelandic investment	499	0	0
Transfer from / to (-) other reserves	- 10,779	62	0
Add revenue account surplus	9,521	1,217	1,354
Balance as at 31 March	14,297	15,338	16,482

21. 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"

	31.3.12	31.3.13	31.3.14
	£000	£000	£000
Revaluation Reserve	39,580	42,406	45,787
Capital Adjustment Account	126,510	123,628	129,033
IAS 19 negative Pensions Reserve	- 2,676,181	- 3,152,182	- 3,172,187
Financial Instruments Adjustment Account	25	16	7
Collection Fund Adjustment Account	1,345	1,560	2,868
Accumulated Absences Account	- 5,656	- 5,315	- 5,441
Total	**- 2,514,378**	**- 2,989,886**	**- 2,999,933**

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.

	31.3.12 £000	31.3.13 £000	31.3.14 £000
Balance brought forward	34,403	39,580	42,406
Technical adjustment to opening balances	969	11	0
Revaluation of fixed assets	6,102	5,010	5,756
Amounts written out relating to sold assets	- 590	- 556	- 544
Historical cost depreciation adjustment	- 1,304	- 1,638	- 1,831
Balance carried forward	**39,580**	**42,406**	**45,787**

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.

	2011/12 £000	2012/13 £000	2013/14 £000
Opening Balance	**135,810**	**126,510**	**123,628**
Correction to opening balance on fixed assets	- 646	0	0
Direct Revenue Financing	700	2,111	1,788
Minimum Revenue Provision	1,606	1,573	1,542
Voluntary Revenue Provision	662	330	0
Revaluation reserve write down	1,894	2,195	2,375
Receipts on disposal of fixed assets	7,071	6,007	4,902
Carrying value of disposed assets	- 6,787	- 7,601	- 4,309
Less:			
PFI appropriation to revenue account	- 78	- 78	- 78
Annual depreciation and impairment	- 18,716	- 20,908	- 15,938
Application of Government grant and capital contributions to finance capital expenditure	2,153	10,323	14,424
Application of reserves to finance capital expenditure	2,841	3,167	699
Closing balance	**126,510**	**123,628**	**129,033**

IAS 19 Pension Reserve

See Note 37 on pages 74 to 78.

Financial Instruments Adjustment Account

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

The PCC uses this account to manage premiums paid on the early redemption of loans. Premiums are debited to the CIES when they are incurred, but reversed out of the General Fund Balance to the account in the Movement of reserves Statement. Over time, the expense is posted back to the General fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the PCC's case, the period is the unexpired term that was outstanding on the loans when they were redeemed. As a result the balance on the Account at 31st March 2014 will be charged to the General Fund Balance over the next 3 years.

	2011/12 £000	2012/13 £000	2013/14 £000
Opening balance at 1 April	0	25	16
Transfer from Investments[1]	34	0	0
Proportion of premiums incurred in previous years to be charged against the General Fund Balance in accordance with statutory requirements	- 9	- 9	- 9
Closing balance at 31 March	**25**	**16**	**7**

[1] Incorrect treatment in previous years

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.

	31.3.12 £000	31.3.13 £000	31.3.14 £000
Balance at 1 April	1,058	1,345	1,561
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	287	216	1,307
Balance at 31 March	**1,345**	**1,561**	**2,868**

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.

	31.3.12 £000	31.3.13 £000	31.3.14 £000
Opening balance	6,290	5,656	5,315
Reversal of prior year accrual	- 6,290	- 5,656	- 5,315
Accrual for accumulated absences at year end	5,656	5,315	5,441
Closing balance	**5,656**	**5,315**	**5,441**

22. NOTES TO THE GROUP CASHFLOW STATEMENT

Analysis of operating, investing and financing activities:

	2012/13 £000	**2013/14** £000
Operating activities		
Taxation	-137,046	-128,865
Grants	-293,574	-304,516
Sales of goods and rendering of services	-39,036	-44,199
Interest received	-1,438	-1,033
Cash inflows generated from operating activities	**-471,093**	**-478,614**
Cash paid to and on behalf of employees	339,587	363,042
Cash paid to suppliers of goods and services	130,469	108,831
Interest paid	1,600	1,560
Other payments for operating activities	0	0
Cash outflows generated from operating activities	**471,656**	**473,434**
Net cash flows from operating activities	**563**	**-5,180**
Investing activities		
Purchase of property, plant and equipment and intangible assets	20,809	20,444
Purchase of short and long term investments	0	0
Proceeds from the sale of property, plant and equipment	-5,168	-5,741
Proceeds from short and long term investments	4,053	7,867
Other receipts from investing activities	-4,959	-5,365
Net cash flows from investing activities	**14,735**	**17,205**
Financing activities		
Cash receipts of short and long term borrowing		
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI	184	199
Repayments of short and long term borrowing	3,600	0
Net cash flows from financing activities	**3,784**	**199**

Analysis of non cash adjustments:

	2012/13 £000	**2013/14** £000
IAS 19 pension liability	-159,810	-183,736
Depreciation and impairment	-19,998	-15,048
Carrying amount of non current assets sold	-7,601	-4,309
Premium/discount on restructuring of debt	-9	-9
Amortisation of intangible assets	-910	-890
Other non cash items charged to deficit	5,308	5,692
(Increase)/decrease in provisions	-893	-422
Increase/(decrease) in stock	54	213
Increase/(decrease) in debtors	1,684	3,753
(Increase)/decrease in creditors	4,685	-166
Total adjustment for non cash items	**-177,489**	**-194,921**

23. NOTES TO THE PCC CASHFLOW STATEMENT

Analysis of operating, investing and financing activities:

	2012/13	2013/14
	£000	£000
Operating activities		
Taxation	-137,046	-128,865
Grants	-293,574	-304,516
Sales of goods and rendering of services	-39,036	-44,199
Interest received	-1,438	-1,033
Cash inflows generated from operating activities	**-471,093**	**-478,614**
Cash paid to and on behalf of employees	339,587	363,042
Cash paid to suppliers of goods and services	130,469	108,831
Interest paid	1,600	1,560
Other payments for operating activities	0	0
Cash outflows generated from operating activities	**471,656**	**473,434**
Net cash flows from operating activities	**563**	**-5,180**
Investing activities		
Purchase of property, plant and equipment and intangible assets	20,809	20,444
Purchase of short and long term investments	0	0
Proceeds from the sale of property, plant and equipment	-5,168	-5,741
Proceeds from short and long term investments	4,053	7,867
Other receipts from investing activities	-4,959	-5,365
Net cash flows from investing activities	**14,735**	**17,205**
Financing activities		
Cash receipts of short and long term borrowing		
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI	184	199
Repayments of short and long term borrowing	3,600	0
Net cash flows from financing activities	**3,784**	**199**

Analysis of non cash adjustments:

	2012/13	2013/14
	£000	£000
Depreciation and impairment	-19,998	-15,048
Carrying amount of non current assets sold	-7,601	-4,309
Premium/discount on restructuring of debt	-9	-9
Amortisation of intangible assets	-910	-890
Other non cash items charged to deficit	4,966	5,818
(Increase)/decrease in provisions	-893	-422
Increase/(decrease) in stock	54	213
Increase/(decrease) in debtors	1,684	3,753
(Increase)/decrease in creditors	4,685	-166
Total adjustment for non cash items	**-18,021**	**-11,060**

24. SEGMENTAL REPORTING

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

	31.3.13	**31.3.14**
	£000	£000
PCC Controlled Expenditure		
Office of the PCC:	824	705
Democratic Representation	241	162
Other Costs	210	-25
Commissioning Services	0	3,527
	1,275	**4,369**
Direction and Control of the Chief Constable		
- Pay and Employment costs:		
Police officer pay and allowances	240,343	241,854
Police officer overtime	8,523	7,933
PCSO pay and allowances	14,868	14,312
Police staff pay and allowances	90,865	88,801
Temporary or agency staff	2,964	3,603
Police officer injury / Ill health / death pensions	4,250	3,926
Other employee costs	4,731	4,677
Total Pay and Employment costs	**366,545**	**365,107**
- Overheads		
Premises related expenditure	22,815	22,836
Transport related expenditure	12,412	12,576
Supplies and services	49,536	50,272
Third party payments	6,301	6,728
Force income	- 30,926	- 36,410
Total Overheads	**60,137**	**56,002**
Net Capital Financing Costs		
Capital financing	8,787	5,601
Interest on balances	- 1,674	- 932
Total Capital Financing Costs	**7,113**	**4,669**
Statutory Revenue items	197	1,292
Appropriations	- 3,567	1,721
Total Cost of Services	**431,700**	**433,159**
Funded by:		
General Grant Income	- 234,332	- 236,319
Council Tax Precept Income	- 136,830	- 128,865
Specific Grants	- 61,757	- 69,331
Total Funding	**432,918**	**434,515**

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

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

	31.3.13	31.3.14
	£000	£000
Total Cost of Services (from previous table)	**431,700**	**433,159**
Less:		
Levies to National Police Service	388	1,313
Interest Payable	1,605	1,572
Interest & Investment Income	- 1,676	- 932
Home Office Pensions top up grant	- 22,702	- 26,499
Appropriation to reserves	- 3,567	1,721
Chiltern Transport consortium deficit / surplus	- 80	146
Cost of asset sales	- 3	2
Add:		
Specific grants	- 61,757	- 53,929
Segmental reporting "net cost of services"	**395,978**	**401,911**
Add amounts not reported to Management		
IAS 19 pension costs	104,301	125,856
Non distributed costs	387	106
Amortisation of intangible assets	910	890
Depreciation and impairment of tangible assets	19,998	15,048
Holiday pay accrual	- 342	126
Sub Total	**125,254**	**142,026**
Remove amounts reported to Management not included in Operating Cost Statement		
Minimum Revenue Provision	1,573	1,542
Direct Revenue Financing	5,279	2,486
Voluntary Revenue Provision	330	0
Premium/discount on restructuring debt	- 8	- 9
Employers contributions to pension schemes	75,345	78,434
Sub Total	**82,519**	**82,453**
Net cost of Services in Comprehensive Income and Expenditure Statement	**438,713**	**461,484**

25. AGENCY INCOME AND EXPENDITURE

In 2013/14 the Group made a statutory contribution of £1.406m towards the running costs of the Police National Computer / Police National Database (2012/13, £1.273m).

26. NATURE AND AMOUNT OF TRUST FUNDS

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

	2012/13 capital value of fund £	2013/14 capital value of fund £
TVP Benevolent fund – Provides financial relief to necessitous members of the fund, their widows and dependents	732,270	750,909
TVP Civilian Staff Welfare Fund – The relief of need, hardship and distress to current and former civilian employees of TVP and their dependents [Financial year end 31 December]	21,122	21,737
Thames Valley Special Constabulary Welfare Fund – To provide relief to serving or former members of the TV Special Constabulary and their dependents who are in conditions of need, hardship or distress	37,247	36,726
TVP Welfare Fund – To relief serving and retired TVP officers, including cadets, in conditions of need, hardship and distress [Financial year end 31 August]	33,333	22,357
Sulhamstead Police College Trust Fund – To provide welfare and recreational facilities for those attending events at or working at the police training college	142,891	141,804

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

27. OFFICERS' REMUNERATION

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

		Note	Salary, fees & allowances £	Bonuses £	Expense allowances £	Benefits in Kind £	Total remuneration excluding pension £	pension contribution £	Total £
Police Force									
Sara Thornton	13/14		173,284	0	0	2,814	176,098	39,016	215,114
(Chief Constable)	12/13		171,650	8,015	0	2,073	181,738	38,790	220,528
Francis Habgood	13/14		138,439	0	28	723	139,190	32,188	171,378
(Deputy Chief Constable)	12/13		137,667	0	0	3,706	141,373	32,001	173,374
John Campbell	13/14		102,776	0	0	4,183	106,959	23,558	130,516
(ACC Operations)	12/13		102,210	0	0	3,611	105,821	23,421	129,242
Richard Bennett	13/14		104,094	0	0	4,346	108,440	23,558	131,997
(ACC Neighbourhood Policing & Partnerships)	12/13		103,527	0	29	4,416	107,972	23,421	131,393
Helen Ball							0		0
(ACC Crime & Counter terrorism till 10.11.12)	12/13		66,693	0	0	2,304	68,997	14,833	83,830
Alan Baldwin	12/13		91,440	0	3,942	940	96,322	19,643	115,965
(Acting ACC Crime & Counter terrorism from 19.11.12 to 15.01.13)									
Chris Shead	13/14	1	82,017	0	21	1,453	83,491	18,913	102,405
(ACC Operations (joint with Hampshire Police) from 3.6.13)									
Brendan O'Dowda (Acting ACC SE Regional organised crime & Counter terrorism from 1.10.13)	13/14		93,615	0	3,108	504	97,227	20,383	117,610
Amanda Cooper	13/14		96,364	0	31	3,011	99,407	14,936	114,343
(Director of Information)	12/13		95,805	0	0	3,122	98,927	14,850	113,777
Steven Chase	13/14		96,252	0	1,201	0	97,453	14,919	112,372
(Director of People)	12/13		97,777	0	1,233	0	99,010	14,623	113,633
Linda Waters	13/14		93,569	0	257	0	93,826	14,503	108,329
(Director of Finance)	12/13		101,931	0	1,231	0	103,162	13,370	116,532

Note 1: Chris Shead is a joint ACC with Hampshire Police and part of his remuneration is re charged to Hampshire Police

Office of the Police and Crime Commissioner		Note	Salary, fees & allowances £	Bonuses £	Expense allowances £	Benefits in Kind £	Total remuneration excluding pension £	pension contribution £	Total £
Paul Hammond	13/14		93,667	0	2,354	0	96,020	14,518	110,538
(Chief Executive)	12/13		93,123	0	2,595	0	95,718	14,434	110,152
Ian Thompson	13/14		73,157	0	984	0	74,140	11,339	85,479
(Acting Chief Finance Officer from 22.11.12)	12/13		71,160	0	1,063	0	72,223	11,030	83,253
Paul Thomas (Monitoring Officer until 7.1.13)	12/13	1	31,625	0	1,156	0	32,781	4,743	37,524

Note 1: Paul Thomas worked part time (22/37 hours per week). His full time salary was £66,934. He retired on 7th January 2013

Police and Crime Commissioner		Note	Salary, fees & allowances £	Bonuses £	Expense allowances £	Benefits in Kind £	Total remuneration excluding pension £	pension contribution £	Total £
Anthony Stansfeld	13/14		85,000	0	2,822	0	87,822	13,175	100,997
(PCC from 22.11.12)	12/13	2	30,458	0	484	0	30,942	4,721	35,663
David Carroll	13/14		35,000	0	78	0	35,078	5,425	40,503
(Deputy PCC from 7.12.12)	12/13	3	11,102	0	0	0	11,102	1,721	12,823

Note 2: Anthony Stansfeld was elected in November 2012. His full time salary is £85,000

Note 3: David Carroll was appointed Deputy PCC in December 2012. His appointment was approved by the Police and Crime Panel on 6th December 2012. He works part time (22.2/37). His full time salary is £58,333

The following table shows the number of police officers and staff whose total remuneration package exceeded £50,000. In this respect, total remuneration comprises gross pay as recorded on employee's P60 tax returns, together with taxable benefits in kind as disclosed to the HM Revenue and Customs on Form P11D. This table excludes those senior officers whose salaries etc. are disclosed separately above, as well police officers and staff who, as at 31st March 2014, are seconded to national bodies such as the College of Policing.

Total Remuneration £	2012/13	2013/14
90,000 – 94,999	3	1
85,000 – 89,999	7	3
80,000 – 84,999	14	15
75,000 – 79,999	9	8
70,000 – 74,999	8	8
65,000 – 69,999	23	22
60,000 – 64,999	96	69
55,000 - 59,999	173	150
50,000 – 54,999	268	277

28. 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:

	2012/13 £000	2013/14 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	0	0
Other services provided by the auditor	0	0
Fees payable in relation to auditing the PCC and Group accounts by the appointed auditor for the year	60	54
Fees payable in relation to auditing the Chief Constable accounts by the appointed auditor for the year	25	25
Fees payable to/(rebate from) the Audit Commission with regards to fees for external audit services carried out by the appointed auditor for the year (PCC and Group)	0	- 8
Fees payable to/(rebate from) the Audit Commission with regards to fees for external audit services carried out by the appointed auditor for the year (Chief Constable)	0	- 6
Total fees	**85**	**65**

29. CAPITAL GRANT INCOME

The Group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14. All grants were credited to Taxation and Non Specific Grant Income:

	2012/13 £000	2013/14 £000
Air Support grant	71	0
Counter Terrorism grant	840	690
General capital grant	3,734	3,415
Third party contributions	216	1,307
Home office specific capital grants (ANPR, mobile data, innovation fund)	93	406
Donated assets	12	0
Total capital grant, contributions and donations	**4,966**	**5,818**

30. 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 2014, the conditions have not been met.

	31.3.12 £000	31.3.13 £000	31.3.14 £000
Opening balance	300	153	159
Amounts received in year	4,798	5,031	6,051
Amounts recognised in comprehensive income and expenditure account once conditions met	- 4,945	- 4,952	- 5,816
Amounts repaid once it is known that the conditions will not be met	0	0	0
Adjustment relating to over accrual of grant	0	- 73	155
Closing balance	**153**	**159**	**549**

31. DONATED ASSETS ACCOUNT

This account holds the value of donated assets which have been received with conditions attached to them. No further assets were received during 2013/14.

	31.3.12 £000	31.3.13 £000	31.3.14 £000
Opening balance	0	0	16
Amounts received in year	0	28	0
Amounts recognised in comprehensive income and expenditure account once conditions met	0	-12	0
Amounts repaid once it is known that the conditions will not be met	0	0	0
Closing balance	**0**	**16**	**16**

32. RELATED PARTY TRANSACTIONS

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

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

	£000
TVP	6,167
Bedfordshire Police	1,779
Civil Nuclear Constabulary	885
Hertfordshire Police	3,328
External Income	1,801
Total Gross Cost	**13,959**

There are five SE regional units for Witness Protection, Covert Operations, Technical Support, Serious Crime Investigations and Regional Investigations. Formal section 22A agreements exist for each one. The following tables provides a high level split of gross costs for each unit

	Witness Protection £000	Covert Operations £000	Technical Support £000
TVP	313	450	740
Hampshire Police	275	395	650
Surrey Police	133	191	314
Sussex Police	228	327	538
External Income	200	0	450
Total Gross Cost	**1,148**	**1,363**	**2,691**

	Serious Crime Investigations £000	Regional Investigations £000
TVP	753	227
Hampshire Police	610	198
Kent Police	0	183
Surrey Police	477	157
Sussex Police	404	97
External Income	0	724
Total Gross Cost	**2,244**	**1,587**

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 2013/14.

	£000
TVP	38,796
Hampshire Police	32,580
Total Gross Cost	**71,376**

Members and Chief Officers are required to declare whether they, or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the PCC Group during the financial year. The Chief Financial Officer has written to the PCC, deputy PCC and chief officers to collect this information. The outcome is that, in his opinion, there are no material related party transactions to disclose in 2013/14.

33. CAPITAL EXPENDITURE AND FINANCING

The Group spent £21.813m on the acquisition and enhancement of long term assets in 2013/14, as the following table shows

	£000
Land and buildings	10,505
Vehicles, plant and other equipment	7,277
Information, communications and technology	3,507
Total tangible fixed asset expenditure	**21,289**
Intangible assets (i.e. computer software licences)	524
Total Capital Expenditure	**21,813**

Financing of the capital programme is set out below.

	£000
Capital grant	13,117
Capital receipts	4,902
Borrowing	0
Third party contributions	1,307
Reserves contributions	699
Revenue contributions	1,788
Total financing 2013/14	**21,813**

The capital financing requirement for 2013/14 was £41.770m.

34. 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.

<u>The Group as lessee</u>

<u>Finance leases</u>

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

Lease payments are apportioned between:

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

PPE recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

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

<u>Operating leases</u>

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 2013/14 was £2.079m (2012/13 £2.375m)

The Group was committed at 31 March 2014 to making payments of £1.989m under operating leases, (2012/13 £2.090m) compromising the following elements (annual rental payments):

	£000
Leases expiring in 2014/15	98
Leases expiring between 2015/16 and 2018/19	280
Leases expiring after 2019/20	1,611
Total	**1,989**

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

Group as lessor

Accounting Policy

Where the Group grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the "other operating Expenditure" line in the CIES.

The gross value of assets held for use in operating leases was £0.443m (2012/13 £0.362m) for radio mast sites (valued at 31st March 2014 and subject to £0.02m depreciation to 31 March 2014). The Group received £0.362m in income from the use of these assets during 2013/14. (2012/13 £0.410m)

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

	£000
Payments receivable in 2014/15	175
Payments receivable between 2015/16 and 2018/19	95
Payments receivable after 2019/20	37
Total	**307**

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

2013/14 was the fourteenth 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 Group 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 Group will have the following options:

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

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

Property Plant and Equipment (PPE)

The assets used to provide these policing services at Abingdon are recognised on the PCC's Balance Sheet. Movements in their value are detailed in the analysis of the Movement on the PPE balance in Note 10, page 41.

Payments

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

The PCC receives an annual grant from the Government to help finance these payments. This grant was initially calculated on a reducing balance basis over the 30 year contract term but, in 2005, it was converted to an annuity grant and the payment period was reduced from 30 years to 25 years. As such, the PCC will receive grant income of £1.032m in each of the next 11 years, with a small residual payment of £0.043m in year 12. 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 2014 (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 2014/15	958	215	525	1,699	-1,032	667
Payable within 2 to 5 years	3,832	1,054	1,908	6,793	-4,128	2,666
Payable within 6 to 10 years	4,790	1,886	1,886	8,492	-5,159	3,332
Payable within 11 to 15 years	4,790	2,805	897	8,492	-1,075	7,417
Payable within 16 years	958	399	33	1,698	0	1,698
Total	15,328	6,359	5,249	27,174	- 11,394	15,780

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:

	2012/13 £000	2013/14 £000
Balance outstanding at the start of the year	6,742	6,559
Payments during the year	-183	- 199
Balance outstanding at year-end	**6,559**	**6,360**

35. IMPAIRMENT LOSSES ON PROPERTY, PLANT AND EQUIPMENT

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

36. 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.

The Group terminated the contracts of 13 police staff during 2013/14 incurring liabilities of £0.078m of redundancy payments and £0.012m 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:

2013/14

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	13	0	13	90
£20,001 - £40,000	0	0	0	0
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,000 - £150,000	0	0	0	0
Total	**13**	**0**	**13**	**90**

2012/13

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	25	1	26	203
£20,001 - £40,000	4	1	5	126
£40,001 - £60,000	1	0	1	52
£60,001 - £80,000	1	0	1	62
£80,001 - £100,000	1	0	1	83
£100,000 - £150,000	0	0	0	0
Total	**32**	**2**	**34**	**526**

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.

37. PENSIONS

Accounting Policy

Post employment benefits

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

Police Officers

The Police Pension Scheme (PPS) is a contributory occupational pension scheme (contracted out from the State Earnings Related Pension Scheme), governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The 2006 Police Pension Scheme (NPPS) which started on 1 April 2006, is a contributory occupational pension scheme (contracted out from the State Earnings Related Pension Scheme) governed by the Police Pension Act 1976 (as amended by the Police Pension Regulations 2007). 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 both schemes.

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

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

Following the Code's requirements, IAS 19 has been fully recognised in the Group accounts. Scheme liabilities as shown on the balance sheet are calculated by determining future liabilities for pension payments and applying a discount rate equal to the yield on an index of long dated AA rated corporate bonds as at 31 March 2014. The pension liabilities in these accounts have been calculated accordingly at a discount rate of 4.4%

Police Staff

Police staff are eligible to join the Local Government Pension Scheme administered by Buckinghamshire County Council. This is a funded scheme. In 2013/14 the Group paid an employer's contribution representing 15.5% of pensionable pay. The contribution rate is determined by the Fund's actuary based on valuations every three years.

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

The pension costs relating to those staff working in the Office of the Police and Crime Commissioner are included in the overall staff pension costs shown in the Chief Constable's accounts. This is because the amounts are de-minimus to account for separately.

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 4.6%

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:

	LGPS		Police Pension Scheme	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Comprehensive Income and Expenditure Statement				
Cost of Services				
• current service costs	20,285	20,209	83,820	105,300
• past service costs	0	0	0	30
• curtailment and settlements	387	76	0	0
• Administration expenses	195	347		
Financing and Investment Income and Expenditure				
• Net interest on defined liability	7,218	6,287	123,250 0	129,920
Total Post Employment Benefit Charged to the Surplus or deficit on the Provision of Services	**28,085**	**26,919**	**207,070**	**235,250**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• actuarial gains and losses and return on plan assets	37,338	16,018	- 370,630	158,660
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	37,338	16,018	- 370,630	158,660
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	28,085	26,919	207,070	235,250
Actual amount charged against council tax for pensions in the year:				
• employers' contribution payable to scheme	12,296	12,263	63,049	66,171
• 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 2014 is a loss of £0.861 billion

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of scheme liabilities:

	Funded liabilities: LGPS		Unfunded liabilities: Police Pension Scheme	
	2012/13 £000	**2013/14 £000**	**2012/13 £000**	**2013/14 £000**
Opening balance at 1 April	402,205	437,054	2,513,250	3,011,150
Current service cost	20,285	20,209	66,160	86,340
Interest cost	18,407	20,381	123,250	129,920
Contributions by scheme participants	5,293	5,229	17,660	18,960
Actuarial gains (-) and losses	405	9,389	370,630	- 158,660
Losses on curtailments	387	76	0	0
Liabilities extinguished on settlements	0	0	0	0
Benefits paid (net of transfers in)	- 9,636	- 11,947	- 79,800	- 84,730
Past service costs	0	0	0	30
Unfunded pension payments	- 292	- 291	0	0
Closing balance at 31 March	**437,054**	**480,100**	**3,011,150**	**3,003,010**

Reconciliation of fair value of the scheme assets:

	LGPS	
	2012/13 £000	**2013/14 £000**
Opening balance on 1 April	239,274	296,022
Interest on assets	11,189	14,094
Actuarial gains and losses (-)	37,743	- 6,629
Employer contributions, including unfunded benefits	12,646	14,792
Contributions by scheme participants	5,293	5,229
Benefits paid	- 9,928	- 12,238
Administration expenses	- 195	- 347
Closing balance on 31 March	**296,022**	**310,923**

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 £20,285m (2012/13 was £48.932m)

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

	LGPS		Police Pension Scheme	
	2012/13	**2013/14**	**2012/13**	**2013/14**
Long-term expected rate of return on assets in the scheme:	6.0%	7.0%	N/A	N/A
Mortality assumptions				
• Longevity at 65 for current pensioners (years)				
Men	20.1	23.6	23.4	23.4
Women	24.1	26.0	25.8	25.9
• Longevity at 65 for future pensioners (years)				
Men	22.1	25.8	25.7	25.6
Women	26.0	28.3	27.9	28.0
Rate of inflation - RPI	3.4%	3.7%	3.65%	3.65%
Rate of inflation - CPI	2.6%	2.9%	2.5%	2.5%
Rate of increase in salaries	4.8%	4.7%	4.75%	4.5%
Rate of increase in pensions	2.6%	2.9%	2.5%	2.5%
Rate of discounting scheme liabilities	4.7%	4.6%	4.3%	4.4%
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		Police Pension Scheme	
	Increase in assumption £ million	Decrease in assumption £ million	Increase in assumption £ million	Decrease in assumption £ million
Longevity (increase or decrease by 1 year)	16.246	16.384	52.000	52.000
Rate of increase in salaries				
• LGPS (increase or decrease by 0.1%)	2.052	2.037		
• Police Pension (increase or decrease by 0.5%)			76.000	76.000
Rate of increase in pensions				
• LGPS (increase or decrease by 0.1%)	8.877	8.659		
• Police Pension (increase or decrease by 0.5%)			257.000	257.000
Rate for discounting schemes				
• LGPS (increase or decrease by 0.1%)	10.514	10.760		
• Police Pension (increase or decrease by 0.5%)			333.000	333.000

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 2013	31 March 2014
	%	%
Equities	70	68
Gilts	4	5
Bonds	9	10
Property	8	8
Cash	1	1
Alternative assets	8	0
Absolute return portfolio	0	4
Hedge funds	0	4
Total	**100**	**100**

38. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Accounting Policy

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

There are no known contingent liabilities or assets as at 31st March 2014.

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Group'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 Group
- Liquidity risk – the possibility that the Group might not have funds available to meet its commitments and make payments
- Re-financing risk – the possibility that the Group 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 Group 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 21 January 2013. The key issues within the strategy were:

- The Authorised Limit for 2013/14 was set at £44.928m. This is the maximum limit of external borrowings or other long term liabilities.

- The Operational Boundary was expected to be £34.928m. 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 Group's customers.

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

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

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

The Investment Strategy for 2013/14 was approved by the PCC on 21st January 2013.

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 2014 that this was likely to crystallise.

The following analysis summarises the Group'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 2014 £000	Historical experience of default %	Adjustment for market conditions at 31 March 2014 %	Estimated maximum exposure to default and write-off £000
	(a)	(b)	(c)	(a * c)
Customers	8,219	0.44	0.42	35

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

Customers

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

The Group does not generally allow credit for customers, such that only £0.6m of the £8.2m balance on the Accounts Receivable ledger at 31 March 2014 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 2013 £000s	31 March 2014 £000
Less than three months	1,149	395
Three to six months	47	151
Six months to one year	16	31
More than one year	7	26
Total	**1,219**	**603**

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:

	31.3.13	31.3.14
	£000	£000
Less than one year	62,603	61,260
More than one year[1]	1,785	0
	64,388	**61,260**

[1] This reflected the expected repayment profile for the Landsbanki investment. The PCC sold its outstanding deposit with Landesbanki on 4th February 2014.

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:

	31.3.13	31.3.14
	£000	£000
Analysis of loans by type		
Public Works Loans Board	21,468	21,468
Barclays	3,500	3,500
	24,968	**24,968**
Analysis of loans by maturity		
Short term - less than 1 year	0	5,400
Between 1 and 2 years	5,400	4,725
Between 2 and 5 years	4,725	1,393
Between 5 and 10 years	1,393	0
More than 10 years	13,450	13,450
	24,968	**24,968**

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 2014, if all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	-35
Increase in interest receivable on variable rate investments	302
Impact on Surplus or Deficit on the Provision of Services	**267**
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Provision of Services or Other Comprehensive Income and Expenditure)	**- 2,314**

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

Price risk

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

Foreign currency risk

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

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

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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

	2012/13 £000	2013/14 £000
Contributions Receivable		
From employer		
- normal	- 36,081	- 35,698
- early retirements	- 1,577	- 1,036
From members	- 17,564	- 18,958
Transfers in		
- individual transfers in from other schemes	- 1,774	- 1,442
Benefits Payable		
- pensions	59,949	63,762
- commutations and lump sum retirement benefits	18,301	18,753
- lump sum death benefits	188	45
Payments to and on account of leavers		
- refund of contributions	36	41
- individual transfers out to other schemes	1,225	1,032
Sub-total for the year before transfer from the Group of an amount equal to the deficit	**22,703**	**26,499**
Additional funding payable by the Group to fund the deficit for the year[1]	- 22,703	- 26,499
Net amount	**0**	**0**

Pension Fund Net Asset Statement

	2012/13 £000	2013/14 £000
Unpaid pension benefits	0	0
Amount owing from the general fund	0	0
Net Current Assets and Liabilities	**0**	**0**

Absolute return portfolio

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

Accruals

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

Actuarial gains and losses

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

AGS

Annual governance statement

Alternative assets

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

Amortisation

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

Appropriations

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

Bonds

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

Budget

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

Capital Charge

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

Capital Expenditure

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

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

Capital Receipts

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

Carrying value

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

CASU

Chiltern Air support Unit – a collaborative unit, consisting of Thames Valley Police, Hertfordshire Constabulary and Bedfordshire Police set up to provide helicopter and air support. This has now been transferred to National Police Air Service

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

Corporate and Democratic Core

All aspects of the PCC's activities in the capacity of a democratic representative, including corporate, programme and service policy making and more general activities relating to governance and the representation of local interests. It also includes the costs of the infrastructure that allows services to be provided and the information that is required for public accountability.

Creditors

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

Current service (pensions) cost

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

Curtailment & settlements

Curtailment arises as a result of the early payment of accrued pensions on retirement on the grounds of efficiency, redundancy or where the employer has allowed employees to retire on unreduced benefits before they would otherwise have been able to do so.

Debtors

Amounts due to the Group but unpaid at the Balance Sheet date.

De minumis

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

Depreciation

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

Direct Revenue Financing

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

Emoluments

Money or other compensation for work that has been done

Equities

Shares in UK and overseas companies.

Expected return on assets

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

Fair Value

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

Fixed Assets

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

Gilts

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

Hedge Funds

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

ICT

Information, Communications & Technology

IFRS

International Financial Reporting Standards

Impairment

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

Intangible Fixed Assets

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

Leasing

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

a) Finance lease - where the risks of ownership are transferred to the lessee and where the assets are recorded in the Group's balance sheet at a current valuation.

b) Operating Lease - where the risks of ownership stay with the leasing company and the annual rental charges are made via the Revenue Account.

LGPS

Local Government Pension Scheme

Liability

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

Loans Outstanding

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

Minimum Revenue Provision (MRP)

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

MiRS

Movement in reserves statement

Net Book Value

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

Net Present Value (NPV)

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

Outturn

The actual level of spending and income in a particular year

Past service (pension) costs

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

PCC

Police and Crime Commissioner

PFI

Private Finance Initiative

Police Grant

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

PPE

Property, Plant and Equipment

Provision

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

Public Works Loans Board (PWLB)

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

Remuneration

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

Reserves

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

Revenue Expenditure

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

RPI

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

SECTU

South East Counter-terrorism unit

SEROCU

South East Regional Organised Crime Unit

Specific Grants

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

Usable Capital Receipts

Capital receipts available to finance capital expenditure in future years.

VFM

Value for Money

POLICE & CRIME COMMISSIONER THAMES VALLEY

Police and Crime Commissioner for Thames Valley

Statement of Accounts for the year ended 31 March 2014

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