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# **The Police and Crime Commissioner for Wiltshire**

## **Group Statement of Accounts**



2013/2014

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## **Explanatory Foreword**

The Police and Crime Commissioner for Wiltshire is required to publish an Annual Group Statement of Accounts. The Statement is presented in a format which complies with International Financial Reporting Standards (IFRS), the Code of Practice on Local Authority Accounting 2013/14, the Service Reporting Code of Practice 2013/14 and the Accounts and Audit Regulations 2011.

The Statement of Accounts which follow disclose the 2013/14 financial results for the Police and Crime Commissioner for Wiltshire (PCC) and for the Group accounts as a whole (PCC and Chief Constable). Comparative figures for 2012/13 are also shown. The Chief Constable for Wiltshire Statement of Accounts is available separately.

The Statement of Accounts also reflect the local arrangements in place for Wiltshire Police and the guidance and regulations provided through the Police Reform and Social Responsibility Act 2011, the Financial Management Code of Practice for the Police Service 2012, Financial Regulations for the Police and Crime Commissioner for Wiltshire's Group and the scheme of delegation between the Police and Crime Commissioner and the Chief Constable.

### **The Office of the Police and Crime Commissioner for Wiltshire and the Chief Constable for Wiltshire Police.**

Following the Police Reform and Social Responsibility Act 2011, the Wiltshire Police Authority was replaced on 22<sup>nd</sup> November 2012 with the Office of the Police and Crime Commissioner for Wiltshire (OPCC) and the Chief Constable for Wiltshire (CC) as two separate legal entities (corporations sole).

The first elections for the Police and Crime Commissioner took place in November 2012 and following these elections all staff, property, rights and liabilities transferred to the ownership of the Police and Crime Commissioner and the Wiltshire Police Authority was abolished. A second stage transfer took place on 31 March 2014 to transfer relevant staff and assets to the Chief Constable.

These phased transfers are of a legal consideration and for accounting purposes the concept 'substance over form' requires that the economic substance of transactions and events must be recorded in the financial statements rather than just their legal form in order to present a true and fair view of the affairs of the entity. Because substance over form was applied to the accounts in 2012/13 and the stage two transfers are of a legal form there is no change to financial arrangements between the Chief Constable and Police and Crime commissioner for 2013/14. These accounts are produced in line with this concept and present the entity's financial position as set out in its financial regulations, scheme of delegations and other local arrangements.

The Police and Crime Commissioner has strategic control of all assets and liabilities and is responsible for establishing reserves and controlling all Cashflow. Due to this all balances or transactions recognised in the Group's Balance Sheet, Movement in Reserves Statement or Cashflow Statement are the responsibility of the Police and Crime Commissioner of Wiltshire. All income is recognised in the Comprehensive Income and Expenditure Statement of the Police and Crime Commissioner.

The Chief Constable for Wiltshire has full operational control of Officers and staff with the exception of the OPCC staff and the related costs are disclosed in the Chief Constable's accounts and the Group Comprehensive Income and Expenditure Statement. This includes the Pensions costs.

Although the Police and Crime Commissioner is responsible for all assets and liabilities, in order to comply with accounting and audit requirements, the pension liabilities are required to be disclosed in the Chief Constable's Balance Sheet. To recognise the fact that the Police and Crime Commissioner has ultimate responsibility for these long term liabilities there is a long term pension creditor in his Balance Sheet of equivalent value to the pension liability. To represent the Chief Constable's use of the PCC's assets, there is a £13.3m charge to the CC which is equivalent to the running costs and capital financing incurred by the PCC. This charge is recognised in the Comprehensive Income and Expenditure Statements.

The main features of the accounts are:

- **The Annual Governance Statement** – gives an assessment of internal control procedures.
- **The Statement of Accounting Policies** – explains the basis of the figures in the accounts.
- **The Comprehensive Income and Expenditure Account** – summarises the income and expenditure on Police services and brings together all the recognised gains and losses of the Police and Crime Commissioner's Group accounts in the year.
- **The Movement in Reserves Statement** – shows the movement in the year on the different reserves held by the Police and Crime Commissioner, analysed into 'usable' (can be applied to fund expenditure) and 'unusable' reserves.
- **The Balance Sheet** – sets out the financial position of the Police and Crime Commissioner and the Group at 31 March 2014.
- **The Cash Flow Statement** – consolidates the total movement of the Police and Crime Commissioner's funds.
- **The Police Pensions Fund Account** – summarises Pensions movements for the year

## Funding

All funding is received into bank accounts maintained by the Police and Crime Commissioner for Wiltshire. General financing is received through Government Grants and Council Tax income.

## Debt Position

In 2013/14 the Police and Crime Commissioner's Group accounts were debt free, which meant that it had no long term external borrowing. This avoided the cost of repaying debt and gave the opportunity to utilise all of the proceeds from the sale of fixed assets. In 2013/14 capital receipts totalling £0.238 million were received; these receipts were used towards financing of capital expenditure during the year.

## Future Finances

Medium-term strategic plans were reported to the Commissioners' Monitoring Board on 15 October 2013. These identified a shortfall of £11.575m between 2014/15 and 2016/17. These shortfalls are due to the Government cuts being applied to all Police and Crime Commissioners and will change when the actual funding for 2015/16 is announced in 2014.

## **Summary of the 2013/14 Financial Year – Capital Expenditure**

Capital expenditure in 2013/14 was £4.090 million compared to an approved budget of £7.519 million. Slippage of £1.560m is being carried forward to 2014/15 with large items of slippage surrounding the IST investment of £656k. The variance of £1.867m results from a review of the requirement to invest in IST and some general capital budgets have now been removed and replaced with more specific projects as an outcome. In 2014/15 the Police and Crime Commissioner's approved capital programme will be funded from the capital development reserve, capital grant and capital receipts.

### **Future Capital Expenditure**

In 2014/15 the slippage of £1.560 million will be spent along with other capital resources leading to a total original capital budget of £11.554 million as of 1 April 2014. The largest spend within the programme relates to the IST Refresh programme.

### **Financial Position**

Total net revenue spend for 2013/14 was £103.269 million. The net assets of the Police and Crime Commissioner at 31 March 2014 were a negative £972.326 million, this requires some explanation.

All pensions have to be accounted for in line with International Accounting Standard (IAS) 19 and in doing this the PCC's liabilities do considerably exceed the assets, this is not considered to be an issue for as long as the Police and Crime Commissioner's Group remains a going concern or any successor remains liable for the future pension costs. It is also worthwhile noting that with all Police Pension Schemes being unfunded (i.e. no assets are held to fund future costs) that this position will be reflected in all Police Group accounts.

The liability has increased significantly in 2013/14. The actuaries, Hymans Robertson, have valued both the Police Officers Pension Scheme and the Local Authority Pension Funds for Police Staff. The outcome is a significant increase in Pension Scheme liabilities of £103.371 million, this is due to the assumptions utilised by the actuary surrounding price inflation, salary inflation and discount rates.

If the Pensions IAS 19 had not been implemented the assets of the Police and Crime Commissioner would stand at £49.055 million as at 31 March 2014. The General Reserve balance at 31 March 2014 is £3.153 million; this may be used to finance any unforeseen significant costs in future years.

## Summary of the Police and Crime Commissioner's Group Revenue Expenditure 2013/14

| Actual<br>2012/13<br>£m |  | Actual<br>2013/14<br>£m |
|-------------------------|--|-------------------------|
| 63.469                  | General Government Grants                        | 69.482                  |
| 40.586                  | Income received from the Collection Fund         | 36.774                  |
| 14.767                  | Home Office Top-up Grant                         | 12.480                  |
| 118.822                 | Income from Government Grant and Local Taxpayers | 118.736                 |
| -114.210                | Net Cost of Services                             | -121.546                |
|                         | Adjustment for Notional Sums included above      |                         |
| 9.911                   | - Pensions (IAS 19)                              | 16.687                  |
| 4.632                   | - Capital Financing                              | 2.046                   |
| 0.282                   | - Employee Benefits Accrual (IAS 19)             | -0.598                  |
| -0.312                  | - Minimum Revenue Provision                      | -0.339                  |
| -7.611                  | Net Contributions to Reserves                    | -2.204                  |
| -14.767                 | Payment to Police Pension Fund to meet Deficit   | -12.480                 |
| -3.253                  |  | 0.302                   |
| -1.418                  | Less Net Interest and similar charges            | -1.417                  |
| -4.671                  | Deficit Transferred from the General Reserve     | -1.115                  |

The table above summarises the Income and Expenditure and identifies the total decrease in general reserve. The recognised format of this statement does not allow an underspend or overspend to be clearly identified. The provisional revenue outturn being reported to the June 2014 Corporate Management Board identifies an under spend of £2.969 million in the accounts; this was revised to £2.987 million. The table below identifies the underspend and how it relates to the deficit transferred from the general reserve.

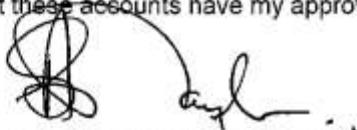
| 2012/13 £m | Description   | 2013/14 £m |
|------------|---|------------|
| 114.210    | Net Cost of Services                                  | 121.546    |
| -9.911     | Notional Sums Adjustment – Pensions (IAS 19)          | -16.687    |
| -4.632     | Notional Sums Adjustment – Capital Financing          | -2.046     |
| -0.282     | Notional Sums Adjustment – Employee Benefits (IAS 19) | 0.598      |
| 0.312      | Notional Sums Adjustment – MRP                        | 0.339      |
| 1.418      | Add Net Interest in 2013/14                           | 1.417      |
| 7.611      | Add Contributions to earmarked reserves               | 2.204      |
| -3.144     | Less actual underspend                                | -2.987     |
| -4.671     | Less General Reserve transfer                         | -1.115     |
| 100.911    | Revised Cost of Service                               | 103.269    |
| 104.055    | Approved Budget                                       | 106.256    |
| 3.144      | Underspend  | 2.987      |
| 0          | Less General Funds Used to Finance Approved Activity  | 0          |
| 0          | Less Funds Transferred to Capital Development Reserve | 0          |
| -7.815     | Less Transfers to Other Funds                         | -4.102     |
| -4.671     | Deficit Transferred from the General Reserve          | -1.115     |

## Statement of Responsibilities for the Statement of Accounts

The Police and Crime Commissioner is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers (Chief Finance Officer) has the responsibility for the administration of those affairs.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

I confirm that these accounts have my approval



A Macpherson, Police and Crime Commissioner for Wiltshire  
Date: 4 September 2014

### The Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Statement of Accounts for the Police and Crime Commissioner for Wiltshire's Group in accordance with proper practice as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ( " the Code of Practice " ).

In preparing the statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

The Chief Finance Officer has also:

- Ensured that proper accounting records were kept up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that I believe the Statement of Accounts presents a true and fair view of the financial position of the Police and Crime Commissioner for Wiltshire and the Group as at 31 March 2014 and its income and expenditure for the year ended 31 March 2014. Events that have occurred after the balance sheet date have been considered to the date of approval.



C Barker, Chief Finance Officer

Date: 18 September 2014

For further information concerning any items contained in this Statement, please write to Chief Finance Officer, Police HQ, London Rd, Devizes, Wiltshire, SN10 2DN, or telephone (01380) 734023.

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 the PCC's policies, aims and objectives, to evaluate the likelihood of those risks being

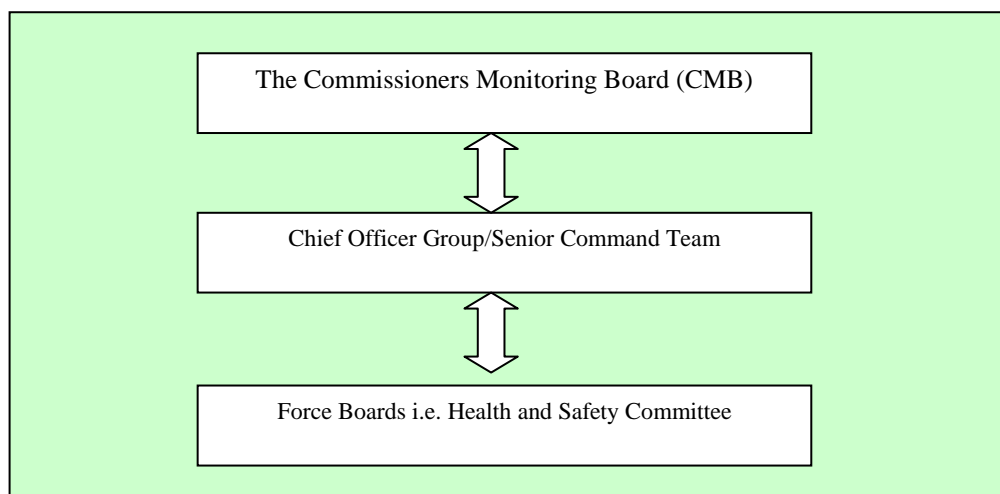
realised and the impact should they be realised, and to manage them effectively, efficiently and economically. The governance framework has been in place for the year ended 2013-14 and includes any significant events or developments relating to the governance system that occur up to the date on which the Statement of Accounts was approved.

### 3. THE GOVERNANCE FRAMEWORK

Although the Chief Constable is responsible for operational policing matters, the PCC is required to hold him to account for the exercise of those functions and those of the persons under his direction and control. It therefore follows that the PCC must satisfy itself that the Force has appropriate management mechanisms in place, and that these operate in practice.

The Police and Crime Panel (a group of 11 councillors and 2 independent members) is required to hold the PCC to account and scrutinise his work. Their role includes scrutinising the performance of the PCC in delivering the Police and Crime Plan. They do not replace the role previously held by the Police Authority. The panel receive an annual report from the PCC reporting progress against the Police and Crime Plan.

The overarching structure of governance is shown in the illustration below.



The principal areas that comprise the governance framework are:

- The Commissioners Monitoring Board
- The Independent Audit Committee
- Compliance with Financial and Standing Orders
- Performance Reporting
- Risk Management
- Professional Standards

The **Commissioners Monitoring Board (CMB)** is key in ensuring strong governance. The Board receives reports on performance, risk, and finance. This ensures the PCC is aware of current risks and issues and reviews areas and calls for reports. CMB is attended by the PCC, the PCC's Chief Executive and all Force Chief Officers including the joint Chief Finance Officer. In addition to this the PCC meets with Head of Performance bi-weekly to discuss progress.

The **Independent Audit Committee's** statement of purpose is to provide independent assurance on the adequacy of the corporate governance and risk management arrangements in place and the associated control environment, advising according to good governance principles and proper practices. This committee has 5 independent members and is attended by External Audit, Internal Audit and the Chief Financial Officer.

The Internal Budget Book identifies the authority to spend and the responsibilities of a Budget Holder. As well as setting up the framework of Budgetary Control, the Budget Book also advises staff on procurement,



identifying the process to be followed for different types of goods and services within **Financial Regulations and standing orders** setting the framework for lawful expenditure, delegation and achieving value for money financial thresholds.

The Budget Book is the framework set by the Chief Finance Officer to ensure all purchases are in line with delivering police and crime service and that Value for Money is achieved. The PCC and Chief Constable share a Chief Finance Officer; this enables clear messages to be given on control procedures and ensures strategic leadership surrounding future financial planning. To date no conflict has incurred due to the one person reporting to two principals however the possibility of this had been considered and a resolution process provided for in the latest financial regulations. It is important to note that the PCC’s financial management arrangements conform with the governance requirements of the CIPFA Statement on the role of the Chief Finance Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework

In Force performance is communicated via screensavers, large performance charts and Chief Constable blogs. Monthly **performance reporting occurs** at the Strategic Improvement Board. This board chaired by the Deputy Chief Constable with representation from the Office of the PCC receives updates on priority items and exception reports. The Senior Command Team meeting and CMB are referred to in exceptional circumstances

**Risk Management** continues to have a high profile. Each department and major project is expected to have an up to date Risk Register. Significant Risks are managed upwards towards the Corporate Risk Register which is reviewed monthly by the Senior Command Team and CMB

A Risk Management Strategy and Policy is in place. This identifies a need to take risks in obtaining our goals but also a requirement to manage them well. The published Practitioner’s Guide helps managers across the force understand the process and what is expected from them. The guide recommends a 5 step approach to reduce vulnerability to risk. This is summarised as:

- Identify – the most significant risks that could affect the service
- Assess – agree ownership and response to the risk
- Respond – taking action (if assessment deems that appropriate)
- Monitor and Review – observe and update risk score post action
- Report – using risk registers and reporting structures (determined by WPA)

As part of the Governance framework, a section on risk is included in each paper presented to CMB.

The **Professional Standards** Department is an essential part of the Governance Framework facilitating whistle blowing via anonymous reporting and investigating complaints. The Professional Standards intranet site holds the code of conduct for staff and policy on complaints. The PCC has appointed an Independent Adjudicator to ensure both the PCC and CC are following both the spirit and letter of the national complaints and integrity frameworks. An Ethics, Standards and Culture Board has also been introduced which will introduce another control point.

#### 4. REVIEW OF EFFECTIVENESS

The PCC conducts annually a review of the effectiveness of the governance framework. Assurance that the control environment is working is obtained in the following manner:

**Performance Reporting**; The Balanced Scorecard gives the PCC a clear view of performance against strategic priorities agreed at the start of the year. The outcome for 2013-14 as reported in the Chief Constable’s Year end report was;

| Key Performance Outcomes |        |
|--------------------------|--------|
| Measure                  | YTD    |
| Victim Satisfaction      | +3.4%  |
| Public Confidence        | -3.2%  |
| Reduce Crime             | +3.3%  |
| Reduce ASB               | -0.1%  |
| Resolution of Crime      | -14.2% |

This reports good performance in 2 areas, fair performance in 2 and poor performance in 1.

The resolution of crime rate from 2013-14 was 28.7% this is against a threshold of 32.5%. This issue has been identified throughout the year and the reasoning for missing the threshold discussed. The Force are reacting to this by discussing the way they use Out of Court settlements and the introduction of another role to ensure policy and procedure is adhered to.

In delivering the Strategic Priorities the overall assessment is fair.

The focus on performance in the governance framework has led to a good control environment. Weekly reports are sent to all members of the Senior Command Team to ensure timeliness. On a monthly basis an overarching report is produced and presented at the Strategic Improvement Board alongside the bi-weekly PCC meeting shows effective control exists.

By using HMIC's Value for Money profiles the PCC and Chief Constable have been able to review the business and identify areas where the organisations costs are higher or lower than other forces. The service leads for all areas have been reviewed and reports produced on their position when compared to other forces. This increases the profile of costs and ensures opportunities to learn from peers are obtained. This is an effective approach which alongside the guidance in the Budget Book ensures that Value for Money is achieved.

**Internal Audit** – The PCC has a contract with Tribal Business Assurance to provide an internal audit service. In 2013-14, 90 days of audit were planned and delivered covering 15 areas. For each audit a report is produced and provided to the Treasurer and the Force. A summary of the evaluation and recommendations suggested is provided to the Audit Committee. The evaluation system is as follows;

- Substantial Assurance – Robust series of controls which should ensure continuous and effective achievement of the control environment.
- Reasonable Assurance – Reasonable number of controls in place - however may not be operated all the time.
- Limited Assurance – The controls in place are not sufficient to ensure the continuous and effective achievement of the control environment
- No Assurance – Fundamental breakdown or absence of core internal controls.

Asset Management has received a no assurance level. Whilst significant improvements have been made during the year process issues still exist. To help improve the system force wide messages has been sent out and the need for improvement agreed at both SCT and CMB meetings. Work surrounding this remains on-going.

A Limited assurance audit was received surrounding the property arrangements for found and seized items. A significant management action plan has been implemented in the area. It is expected that the follow up review will result in an improved assurance rating. The May review of ICT disaster recovery also received limited assurance. Later in 2013 and early 2014 individual plans have been tested and found to be resilient however there remains a requirement to pull these plans together into one up to date Business Recovery Plan.

The remaining audits all achieved an assurance level of substantial or reasonable suggesting an effective control environment

**External Audit** - In January 2013 Grant Thornton were appointed as External Auditors to the PCC. This statement relies on the findings reported by Grant Thornton to the Independent Audit Committee and the Notice of Certification of Completion of the Annual Audit, both provided in September 2013. These identified:

- Statement of Accounts – An unqualified opinion.
- Securing value for money – An unqualified conclusion.

- No requirement to publish a public interest report

Risk continues to be managed in a visible, transparent manner. Risk registers are held by all departments and divisions and are regularly reviewed. All major projects are expected to maintain risk registers and manage them actively.

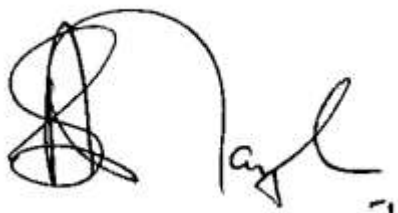
## 5. SIGNIFICANT GOVERNANCE ISSUES

The PCC has identified the following significant governance issues;

| No. | Issue  | Progress   |
|-----|--|--|
| 1.  | <p><b>Partnership Working</b><br/>           The strategic alliance with Wiltshire Council will create a level of uncertainty which may result in service issues impacting performance and productivity. The PCC and Chief Constable also wish to progress other collaboration opportunities, for instance with other police forces. At times there will be conflict surrounding which partners we should be working with. There is also a risk that the expected financial savings from the alliance are not delivered.</p> | <p>The PCC and the Chief Constable are aware of the risk. Careful management of change with the inclusion of staffing associations is seen as critical. We are working with Wiltshire Council to understand how we can deliver a good service level at reduced costs. Ensuring staff associations are involved as appropriate.</p> <p>The PCC and Chief Constable acknowledge the risk of possible conflict when choosing which partner is best for the public of Wiltshire. By being open and transparent with all partners, following the strategic objectives, the majority of problems can be avoided.</p> |

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.

**Signed**



Police and Crime Commissioner



Chief Executive of the OPCC



Chief Financial Officer of the OPCC

18<sup>th</sup> September 2014

## **INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR WILTSHIRE**

### **Opinion on the financial statements**

We have audited the financial statements for the Police and Crime Commissioner for Wiltshire for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Police and Crime Commissioner Single Entity and Group Movement in Reserves Statement, the Police and Crime Commissioner Single Entity and Group Comprehensive Income and Expenditure Statement, the Police and Crime Commissioner Single Entity and Group Balance Sheet, the Police and Crime Commissioner Single Entity and Group Cash Flow Statement and the related notes and include the police pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related note 1. 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 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 our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 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 Single Entity and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword 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 Wiltshire 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 properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

## **Opinion on other matters**

In our opinion, the information given in the explanatory 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;
- 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 Wiltshire* 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 financial statements of the Police and Crime Commissioner for Wiltshire in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Simon Garlick  
 Director for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
 Hartwell House | 55-61 Victoria Street | Bristol | BS1 6FT  
 September 2014

## Comprehensive Income and Expenditure Account for the Police and Crime Commissioner for Wiltshire's Group 2013/14

This table includes both the Police and Crime Commissioner's and the Chief Constable's analysis.

| Restated<br>2012/13 Net<br>Expenditure<br>£'000 |                                    | Gross<br>Expenditure<br>£'000 | Income<br>£'000 | 2013/14 Net<br>Expenditure<br>£'000 |
|---|------------------------------------|-------------------------------|-----------------|-------------------------------------|
|   | See also Note 3                    |                               |                 |                                     |
| 39,083  | Local policing                     | 48,890                        | -2,688          | 46,202                              |
| 9,654   | Dealing with the public            | 10,319                        | -658            | 9,661                               |
| 11,616  | Criminal Justice Arrangements      | 11,467                        | -774            | 10,693                              |
| 5,698   | Road policing                      | 6,511                         | -956            | 5,555                               |
| 7,299   | Operational Support                | 8,491                         | -1,059          | 7,432                               |
| 6,162   | Intelligence                       | 5,434                         | -158            | 5,276                               |
| 27,767  | Investigations                     | 29,020                        | -1,012          | 28,008                              |
| 4,160   | Investigative Support              | 3,817                         | -100            | 3,717                               |
| 2,819   | National Policing                  | 5,519                         | -2,625          | 2,894                               |
| 1,322   | Corporate & Democratic Core        | 1,610                         |                 | 1,610                               |
| 289   | NDC - Injury Payments              | 421                           |                 | 421                                 |
| 41  | NDC - Pensions Curtailment         |                               |                 |                                     |
|   | Note 9                             |                               |                 |                                     |
| -1,700  | Pension Past Service Cost          | 77                            |                 | 77                                  |
|   | Note 9                             |                               |                 |                                     |
| <b>114,210</b>                                  | <b>Net Cost of Police Services</b> | <b>131,576</b>                | <b>-10,030</b>  | <b>121,546</b>                      |

|                |  |         |  |                |
|----------------|--|---------|--|----------------|
| -11            | Loss/(Gain) on disposal of Non-Current Assets                |         |  | 58             |
| 1,730          | Interest Payable and Similar items                           | Note 7  |  | 1,703          |
| -312           | Interest and investment income                               |         |  | -286           |
| 37,415         | Net Pensions Interest  | Note 9  |  | 41,391         |
| -14,767        | Home Office Top-up Grant                                     | Note 9  |  | -12,480        |
| <b>138,265</b> | <b>Net Operating Expenditure</b>                             |         |  | <b>151,932</b> |
| -38,679        | Police Grant   |         |  | -41,714        |
| -24,790        | Other General Government Grant                               |         |  | -27,767        |
| -40,398        | Precepts on Collection Funds                                 |         |  | -37,055        |
| -1,059         | Other Tax and Non Specific Grant Income                      |         |  | -939           |
| <b>33,339</b>  | <b>(Surplus)/Deficit on the Provision of Services</b>        |         |  | <b>44,457</b>  |
| -536           | (Surplus)/Deficit on Revaluation of Assets                   | Note 15 |  | -214           |
| 103,994        | Re-measurement (Gain)/Loss on Pension Assets and Liabilities | Note 9  |  | 57,773         |
| <b>103,458</b> | <b>Other Comprehensive Income and Expenditure</b>            |         |  | <b>57,559</b>  |
| <b>136,797</b> | <b>Total Comprehensive Income and Expenditure</b>            |         |  | <b>102,016</b> |

## Comprehensive Income and Expenditure Account for the Police and Crime Commissioner for Wiltshire 2013/14

This table only includes the Police and Crime Commissioner's analysis. It should be noted that to represent the Chief Constable's use of the PCC's assets, there is a charge to the CC which is equivalent to the running costs and capital financing incurred by the PCC. This charge reduces the PCC's gross expenditure by £13.3m and where the PCC receives all income results in a £7.2m credit balance for the net cost of services before intra group funding.

| Restated 2012/13 Net Expenditure £'000 | See also Note 3               | Gross Expenditure £'000 | Income £'000 | 2013/14 Net Expenditure £'000 |
|--|-------------------------------|-------------------------|--------------|-------------------------------|
| -4,938                                 | Local policing                | 1,494                   | -2,688       | -1,194                        |
| -736                                   | Dealing with the public       | 73                      | -658         | -585                          |
| -804                                   | Criminal Justice Arrangements | 102                     | -774         | -672                          |
| -1,035                                 | Road policing                 | 46                      | -956         | -910                          |
| -1,316                                 | Operational Support           | 61                      | -1,059       | -998                          |
| -245                                   | Intelligence                  | 39                      | -158         | -119                          |
| -963                                   | Investigations                | 308                     | -1,012       | -704                          |
| -133                                   | Investigative Support         | 27                      | -100         | -73                           |
| -2,807                                 | National Policing             | 40                      | -2,625       | -2,585                        |
| 658                                    | Corporate & Democratic Core   | 603                     |              | 603                           |

|                |   |              |                |                |
|----------------|---|--------------|----------------|----------------|
| <b>-12,319</b> | <b>Net Cost of Police Services before intra group funding</b> | <b>2,793</b> | <b>-10,030</b> | <b>-7,237</b>  |
| 126,529        | Intra Group Funding for Chief Constable's Net Service Cost    |              |                | 128,783        |
| <b>114,210</b> | <b>Net Cost of Police Services</b>                            |              |                | <b>121,546</b> |
|                |   |              |                |                |
| -11            | Loss/(Gain) on disposal of Non-Current Assets                 |              |                | 58             |
| 1,730          | Interest Payable and Similar items Note 7                     |              |                | 1,703          |
| -312           | Interest and investment income                                |              |                | -286           |
| 37,415         | Intra Group Funding (Net Pensions Interest) Note 9            |              |                | 41,391         |
| -14,767        | Home Office Top-up Grant Note 9                               |              |                | -12,480        |
| <b>138,265</b> | <b>Net Operating Expenditure</b>                              |              |                | <b>151,932</b> |
|                |   |              |                |                |
| -38,679        | Police Grant  |              |                | -41,714        |
| -24,790        | Other General Government Grant                                |              |                | -27,767        |
| -40,398        | Precepts on Collection Funds                                  |              |                | -37,055        |
| -1,059         | Other Tax and Non Specific Grant Income                       |              |                | -939           |
|                |   |              |                |                |
| <b>33,339</b>  | <b>(Surplus)/Deficit on the Provision of Services</b>         |              |                | <b>44,457</b>  |
|                |   |              |                |                |
| -536           | (Surplus)/Deficit on Revaluation of Assets Note 15            |              |                | -214           |
| 103,994        | Intra Group Funding (re-measurement loss on pensions) Note 9  |              |                | 57,773         |
|                |   |              |                |                |
| <b>103,458</b> | <b>Other Comprehensive Income and Expenditure</b>             |              |                | <b>57,559</b>  |
|                |   |              |                |                |
| <b>136,797</b> | <b>Total Comprehensive Income and Expenditure</b>             |              |                | <b>102,016</b> |

\*Corporate and Democratic Core covers the functions of the Office of the Police and Crime Commissioner.

| Capital Receipts Reserve      | £'000 | 0        | 0       | 0       | 0        | 0       | 0        | 0 | 0        | 0 | 0        |
|-------------------------------|-------|----------|---------|---------|----------|---------|----------|---|----------|---|----------|
| Total Usable Reserves Note 25 | £'000 | 23,600   | -44,457 | 0       | -44,457  | 45,546  | 1,089    | 0 | 1,089    |   | 24,689   |
| Unusable Reserves Note 26     | £'000 | -893,912 | 0       | -57,558 | -57,558  | -45,546 | -103,104 | 0 | -103,104 |   | -997,016 |
| Total Reserves                | £'000 | -870,312 | -44,457 | -57,558 | -102,015 | 0       | -102,015 | 0 | -102,015 |   | -972,327 |



3 for the Police and Crime Commissioner for Wiltshire and the Group

| Capital Receipts Reserve | Total Usable Reserves Note 25 | Unusable Reserves Note 26 | Total Reserves | General Fund | Earmarked Reserves |
|--------------------------|-------------------------------|---------------------------|----------------|--------------|--------------------|
| £'000                    | £'000                         | £'000                     | £'000          | £'000        | £'000              |
| 0                        | 20,660                        | -754,175                  | -733,515       | 4,268        | 19,332             |
| 0                        | -33,339                       | 0                         | -33,339        | -44,457      | 0                  |
| 0                        | 0                             | -103,458                  | -103,458       | 0            | 0                  |
| 0                        | -33,339                       | -103,458                  | -136,797       | -44,457      | 0                  |
| 0                        | 36,279                        | -36,279                   | 0              | 45,546       | 0                  |
| 0                        | 2,940                         | -139,737                  | -136,797       | 1,089        | 0                  |
| 0                        | 0                             | 0                         | 0              | -2,204       | 2,204              |
| 0                        | 2,940                         | -139,737                  | -136,797       | -1,115       | 2,204              |
| 0                        | 23,600                        | -893,912                  | -870,312       | 3,153        | 21,536             |

Balance as at 31 March 2013

Movement in reserves during 2012/13

Surplus/(Deficit) on provision of services

Other Comprehensive Income and Expenditure

Total Comprehensive Income and Expenditure

Adjustments between accounting basis and funding basis under regulations – Note 8

Net increase/decrease before transfers to earmarked reserves

Transfers to/from other Earmarked Reserves – Note 25

Increase/(Decrease) in 2013/14

Balance as at 31 March 2014

| Restated  | General Fund   | Earmarked Reserves |
|---|----------------|--------------------|
|   | £'000          | £'000              |
| <b>Balance as at 31 March 2012</b>  | <b>8,939</b>   | <b>11,721</b>      |
| <b>Movement in reserves during 2012/13</b>  |                |                    |
| Surplus/(Deficit) on provision of services  | -33,339        | 0                  |
| Other Comprehensive Income and Expenditure  | 0              | 0                  |
| <b>Total Comprehensive Income and Expenditure</b>                                 | <b>-33,339</b> | <b>0</b>           |
| Adjustments between accounting basis and funding basis under regulations - Note 8 | 36,279         | 0                  |
| <b>Net increase/decrease before transfers to earmarked reserves</b>               | <b>2,940</b>   | <b>0</b>           |
| Transfers to/from other Earmarked Reserves – Note 25                              | -7,611         | 7,611              |
| <b>Increase/(Decrease) in 2012/13</b>   | <b>-4,671</b>  | <b>7,611</b>       |
| <b>Balance as at 31 March 2013</b>  | <b>4,268</b>   | <b>19,332</b>      |

**Balance Sheet for the Police and Crime Commissioner for Wiltshire and the Group as at 31 March 2014**

| PCC             |                   |   | PCC's Group     |                   |
|-----------------|-------------------|---|-----------------|-------------------|
| £'000           | £'000             |   | £'000           | £'000             |
| 31-Mar-13       | 31-Mar-14         |   | 31-Mar-13       | 31-Mar-14         |
| 44,832          | 39,606            | Property, Plant & Equipment                           | 44,832          | 39,606            |
| 348             | 556               | Investment Property                                   | 348             | 556               |
| 13              | 6                 | Long Term Debtors                                     | 13              | 6                 |
| <b>45,193</b>   | <b>40,168</b>     | <b>Total Long Term Assets</b>                         | <b>45,193</b>   | <b>40,168</b>     |
| 536             | 430               | Inventories   | 536             | 430               |
| 10,741          | 7,927             | Short Term Debtors                                    | 10,741          | 7,927             |
| 22,366          | 25,832            | Cash & Cash Equivalents                               | 22,366          | 25,832            |
| 390             | 4,457             | Assets Held For Sale (under 1 yr)                     | 390             | 4,457             |
| <b>34,033</b>   | <b>38,646</b>     | <b>Total Current Assets</b>                           | <b>34,033</b>   | <b>38,646</b>     |
| -338            | -367              | Finance Lease Liability                               | -338            | -367              |
| -9,973          | -9,297            | Short Term Creditors                                  | -9,973          | -9,297            |
| -1,579          | -825              | Provisions (under 1 yr)                               | -1,579          | -825              |
| <b>-11,890</b>  | <b>-10,489</b>    | <b>Total Current Liabilities</b>                      | <b>-11,890</b>  | <b>-10,489</b>    |
| -19,638         | -19,270           | Finance Lease Liability                               | -19,638         | -19,270           |
| -918,010        | -1,021,381        | Liability Related to Defined Benefit Pensions Scheme. | -918,010        | -1,021,381        |
|                 |                   | Pension Intra Group Creditor                          |                 |                   |
| <b>-937,648</b> | <b>-1,040,651</b> | <b>Total Long Term Liabilities</b>                    | <b>-937,648</b> | <b>-1,040,651</b> |
|                 |                   |   |                 |                   |
| <b>-870,312</b> | <b>-972,326</b>   | <b>Total Net Assets</b>                               | <b>-870,312</b> | <b>-972,326</b>   |
| 23,600          | 24,689            | Usable Reserves                                       | 23,600          | 24,689            |
| -893,912        | -997,015          | Unusable Reserves                                     | -893,912        | -997,015          |
| <b>-870,312</b> | <b>-972,326</b>   | <b>Total Reserves</b>                                 | <b>-870,312</b> | <b>-972,326</b>   |
|                 |                   |   |                 |                   |

## Cash Flow Statement for the Police and Crime Commissioner for Wiltshire and the Group 2013/14

| 2012/13<br>£000 | See also note 27  | 2013/14<br>£000 |
|-----------------|---|-----------------|
|                 | <b><u>Operating Activities</u></b>                                    |                 |
| 40,587          | Taxation  | 36,774          |
| 38,679          | Police Main Grant   | 41,714          |
| 24,789          | Other General Government Grant  | 27,767          |
| 13,865          | Cash Received for Goods and Services                                  | 12,922          |
| 312             | Interest Received   | 286             |
| 118,232         | Cash Inflows Generated from Operating Activities                      | 119,463         |
| -90,038         | Cash Paid to and on behalf of Employees                               | -88,286         |
| -20,548         | Cash Paid for Goods and Services                                      | -22,757         |
| -1,730          | Interest Paid   | -1,704          |
| -112,316        | Cash Outflows from Operating Activities                               | -112,747        |
| <b>5,916</b>    | <b>Net Cash Flows from Operating Activities</b>                       | <b>6,716</b>    |
|                 | <b><u>Investing Activities</u></b>                                    |                 |
| -2,137          | Purchase of Non-Current Assets  | -4,090          |
| 240             | Proceeds from Sale of Non-Current Assets                              | 238             |
| 1,059           | Other Receipts from Investing Activities                              | 939             |
| <b>-838</b>     | <b>Net Cash Flows from Investing Activities</b>                       | <b>-2,913</b>   |
|                 | <b><u>Financing Activities</u></b>                                    |                 |
| -312            | Payments for the Reduction of Outstanding PFI Finance Liability       | -338            |
| <b>-312</b>     | <b>Net Cash Flows from Financing Activities</b>                       | <b>-338</b>     |
| 4,766           | Net increase or decrease in cash & cash equivalents                   | 3,465           |
| 17,600          | Cash & cash equivalents at the beginning of the reporting period      | 22,367          |
| <b>22,366</b>   | <b>Cash &amp; cash equivalents at the end of the reporting period</b> | <b>25,832</b>   |

## Notes to accompany the Statements

### 1 Statement of Accounting Policies

#### 1.1 General Principles

The general principles adopted in compiling the accounts of the Police and Crime Commissioner for Wiltshire and the Group are in accordance with the recommendations of The Chartered Institute of Public Finance and Accountancy (CIPFA). They accord with CIPFA's Code of Practice on Local Authority Accounting 2013/14, the Service Reporting Code of Practice 2013/14 and the Accounts and Audit Regulations 2011 and are based on the following hierarchy of standards:

- International Financial Reporting Standards (IFRSs) as adopted by the EU
- International Public Sector Accounting Standards (IPSASs)
- UK Generally Accepted Accounting Practice (GAAP) (Financial Reporting standards (FRSs), Statements of Standard Accounting Practice (SSAPs) and Urgent Issues Task Force (UITF) abstracts) as far as they are applicable. All are maintained on an historic cost basis. Any significant non-compliance is disclosed in the notes that follow.

These Accounting Policies also reflect the local arrangements in place for Wiltshire Police and the guidance and regulations provided through the Police Reform and Social Responsibility Act 2011, the Financial Management Code of Practice for the Police Service 2012, Financial Regulations for the Police and Crime Commissioner for Wiltshire's Group and the scheme of delegation between the Police and Crime Commissioner and the Chief Constable.

#### 1.2 Accruals of Income and Expenditure

The Police and Crime Commissioner's Group accounts are prepared on an accruals basis. Income and expenditure is inclusive of future obligations to pay cash for benefits already received by the Group and cash to be received in the future for benefits already provided by the Group.

Where actual amounts due are not known at the end of April, estimated amounts have been included in the accounts.

#### 1.3 Accounting Principles

The accounts for 2013/14 comply with normal accounting principles surrounding relevance, reliability, comparability and understandability. The accounts are also prepared on the basis that the organisation is a going concern.

#### 1.4 Provisions

The organisation has a policy to create a provision relating to a liability or loss that is likely to be incurred but there is uncertainty as to the size and timing of the liability. Its purpose is specific and will be charged to the revenue account where the expenditure would be incurred. Adjustments are made in the accounts for any bad or doubtful debts.

## 1.5 Employee Benefits

### Benefits payable during employment

The Police and Crime Commissioner for Wiltshire's Group statements are required to account for employee benefits in the period that they are earned by employees.

The Group operates a flexi leave system and has a policy that allows employees to carry over a maximum of 5 days annual leave and 11 hours flexi leave. The flexi leave is run as a manual records system and is not cost effective to collect the data; therefore no flexi leave accrual has been posted for 2013/14 due to the immaterial value. For example the flexi leave accrual for 2010/11 was £128k.

Time off in Lieu (TOIL) and annual leave are recorded on an electronic system and the result is that the Group has a £0.325 million accrual for employee leave entitlements carried over at 31 March 2014.

For 2013/14 there is a £0.597 million decrease in the net cost of services where the accrual has decreased from £0.922 million in 2012/13, this is reversed out in the Movement in Reserves Statement so as to avoid any impact on Council Tax.

### Termination benefits

Redundancy payments allowed by the organisation are based upon actual weekly salary, calculated in the manner prescribed by legislation. The legislation also dictates that a maximum of 20 years service may be counted. Only completed years of service at the time of the redundancy will count. Within those parameters, the payments are calculated on the following basis:

For each year of service aged 18 to 21 - half a week's pay

For each year of service aged 22 to 40 - one week's pay

For each year of service aged 41 to 65 - one and a half week's pay

### Post employment benefits

#### Pensions (Police Officers)

The Police Officers' Pension Scheme is a defined benefit unfunded scheme. Funding rules are in place which results in Police Forces paying 24.2% of Police pay as a pension contribution. Any variation, e.g. variation from pensions actually paid, over or under, is financed by an increased or reduced specific pensions grant. To this purpose a Pensions Fund Account has been created.

#### Pensions (Support Staff)

The pension scheme available for police staff is administered by Wiltshire Council on behalf of Local Authority employees in Wiltshire. The assets of the fund are held separately from those of the County Council. The accounts of the Pension Fund are detailed in the Wiltshire Council Statement of Accounts.

The pension costs that are charged to the Police and Crime Commissioner's Group accounts in respect of its employees are the service cost identified by the actuarial valuation for the period. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. Employer's pension contributions of 13.6% of pay are paid into the fund by the Group.

In accordance with CIPFA guidelines the Group's liability under IAS 19 for both Police Officer and Support Staff pensions are included within the Income and Expenditure Account and the Balance Sheet. Changes to the Local Government Pension Scheme allow for members to take larger lump sum payments in return for a reduced annual pension. It is expected that this will reduce the liability of the

Police and Crime Commissioner. However the actuary currently considers it impossible to estimate the number of members who may take this option and its effect on the finances of the Commissioner's Group. Based on the prudence accounting concept zero take up has been assumed, therefore, no reduction in liability is included in the balance sheet of the Police and Crime Commissioner's Group.

Recent changes to IAS19 have resulted in the interest cost and expected return on assets components being combined into a net figure in the net cost of services. In effect this means that the expected return has been replaced by a figure that would be applicable if the expected return on assets assumption was equal to the discount rate. The effect on prior periods (2012/13) is a £523k increase in deficit on the provision of services and a £523k reduction in the loss on pension assets and liabilities in the Comprehensive Income and Expenditure Statement (CIES). The impact on the CIES deficit is reversed out in the Movement in Reserves Statement meaning there is no impact on the Balance sheet and no impact on the requirement for Council Tax.

## **1.6 Leases**

Where a lease transfers substantially all the risks and rewards of ownership of an asset to the lessee it is classified as a finance lease. Leases that do not meet this definition are operating leases. Operating lease rentals are charged direct to the Comprehensive Income and Expenditure Statement as a cost to the services benefitting from their use.

## **1.7 VAT**

Value-Added Tax is separately accounted for in accordance with the Statement of Standard Accounting Practice (SSAP) 5 and is not included as income or expenditure except where it is not recoverable. The Police and Crime Commissioner successfully registered for Group VAT during 2013/14 and oversees all VAT matters on behalf of the Police and Crime Commissioner and the Chief Constable.

## **1.8 Post Balance Sheet Events**

Where a material post balance sheet event occurs there is a policy to identify that in the Police and Crime Commissioner's Group statement of accounts.

## **1.9 Cash & Cash Equivalents**

The Police and Crime Commissioner's Cash & Cash Equivalents are the net balance of the Investments (£26.012m) and Bank Accounts (£-0.179m). All investments held by the Police and Crime Commissioner are short-term and are reported at market value. These do not result from financial relationships with any companies or organisations.

## **1.10 Contingent Assets & Liabilities**

There is a policy to review annually for contingent assets & liabilities. The outcome of the review is then reported as part of the Police and Crime Commissioner's Group accounts.

## **1.11 Government Grants**

Under IFRS, government grants are accounted for through the Comprehensive Income and Expenditure Statement when the conditions of the grant are met. This means that the grant funds can no longer be deferred.

Where grants are received but the conditions are not yet met they are carried in the Balance Sheet as a creditor (Government Grants Received in Advance), where the conditions are met but the grant has not yet been used it is posted to the Capital Grants Unapplied reserve.

### 1.12 Inventories and Long Term Contracts

All Stocks are checked at year-end and valued at the lower of actual cost or current replacement cost in accordance with the requirements of the Code of Practice and IPSAS 12. An average or standard cost is applied to calculate the cost.

Long term contracts are accounted for on the basis of value of work completed in year. Work in progress (WIP) on any uncompleted jobs, where the actual or estimated valuation of the job exceeds £5,000, is taken into the accounts at cost.

### 1.13 Investment Properties

There are four properties in the Police and Crime Commissioner's portfolio which are classified as investment properties under IFRS. These properties are not depreciated but are revalued at fair value on a yearly basis according to market conditions. Gains or losses resulting from revaluations or disposal of these items are posted to Interest and Investment Income in the Comprehensive Income and Expenditure Statement and reversed out of the General Fund Balance in the Movement in Reserves Statement so as not to impact on Council Tax.

### 1.14 Reserves

The Police and Crime Commissioner has statutory power to maintain reserves, including the General Fund which is used to support revenue expenditure. Usable reserves are established for specific 'earmarked' purposes. Unusable reserves are also disclosed – these arise out of the interaction of legislation and proper accounting practice, they are not resource backed and cannot be used for any other purpose. All reserves are disclosed in the notes to accompany the statements.

### 1.15 General Fund

This is the main Fund of the Police and Crime Commissioner into which the precept, Government grants and other income, is paid and from which the cost of providing services is met. The balance on the Fund is the surplus of the Group's revenue income over its revenue expenditure.

### 1.16 Collection Fund

The latest code of practice requires that funding from Precepts is adjusted in the accounts to show the Police and Crime Commissioner's share of the Net surplus/deficit on the collection fund at the end of the year. For 2013/14, the Police and Crime Commissioner's cumulative share includes:

| 2012/2013<br>£000 |                                     | 2013/2014<br>£000 | Movement<br>£000 |
|-------------------|-------------------------------------|-------------------|------------------|
| 2,337             | Debtors (Council Tax Arrears)       | 2,483             | 146              |
| -1,070            | Bad Debt Provision                  | -1,156            | -86              |
| -860              | Creditors (Prepaid Council Tax etc) | -641              | 219              |
| 407               | Collection Fund Surplus             | 686               | 279              |



The £0.686m is owed to the Police and Crime Commissioner for the Collection Fund surplus during 2013/2014 and is included in the Balance Sheet for the year. The increase in Precepts in the Comprehensive Income and Expenditure of the £0.279m movement is reversed out in the Movement in Reserves Statement and present no net effect on the finances for the year.

### **1.17 Financial Instruments**

The Treasury's risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Police and Crime Commissioner in the Annual Treasury Management Strategy. Through the strategy written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash are provided.

Further details are disclosed in the notes.

### **1.18 Property, Plant and Equipment**

#### **i. Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis in line with the relevant statute.

#### **ii. Measurement**

The Police and Crime Commissioner's assets are included in the Balance Sheet at their current value in line with the code of practice and are valued as follows:

The Police and Crime Commissioner for Wiltshire's freehold and leasehold properties were independently valued on 31 March 2014 by BNP Paribas Real Estate, Chartered Surveyors. The valuations were in accordance with the requirements of the International Valuation Standards and the RICS Valuation Standards. The valuation of each property was on the basis of Fair Value, subject to the following assumptions:

- i) For Owner Occupied Property: that the property would continue to be owner occupied as part of the continuing business.
- ii) For Investment Property: that the property would be sold subject to the existing leases without alteration or modification of the terms.

The valuer's opinion of Fair Value was primarily derived from comparable recent market transactions on arms length terms.

The PCC's vehicles and equipment are initially accounted for at cost and are depreciated over a period of 3 to 5 years dependant on the useful economic life of the asset.

#### **iii. Impairment**

The Police and Crime Commissioner's non-current assets are considered for impairment at the end of each year by Property Consultants. Any loss due to the clear consumption of economic benefits will be charged to the service revenue account and any accumulated revaluation gain held for the asset, up to the value of the loss, is then transferred from the Revaluation Reserve to the Capital Adjustment Account. Any loss not attributable to this will be written off against the gains held in the Revaluation Reserve for that asset, and the excess then charged to the service revenue account.

#### **iv. Depreciation**

Depreciation charges make up part of the asset rental charge to the service revenue accounts. Depreciation charges are based on the estimated useful life of the asset and are calculated in such a way as to give an equal charge to Revenue in each of the years the asset is used. Depreciation is charged on those assets which have a finite useful life. All assets are assessed for an appropriate property life by property professionals. Assets are depreciated on a straight-line basis.

Revaluation gains are also depreciated and the cost is transferred from the Revaluation Reserve to the Capital Adjustment account.

Where an asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

#### **v. Disposals**

Cash received from the sale of non-current assets in excess of £10,000 is classified as capital receipts and must be used for future capital investment purposes. When a property is sold the value of the asset is written out of the accounts. Gains or Losses on disposal are disclosed in the Income and Expenditure Account, and are reversed back out in the Movement in Reserves Statement so as not to impact on Council Tax.

When the sale of an asset becomes probable, it is reclassified as an Asset Held for Sale for inclusion in the Balance Sheet.

#### **vi. Deminimis Level for the purpose of Capital Accounting**

Any assets of £10,000 or below are considered to be Deminimis

### **1.19 Private Finance Initiative (PFI)**

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment (PPE) needed to provide the services passes to the PFI contractor. Where ownership of the PFI assets pass to the Authority at the end of the contract, these assets are accounted for on the Authority's Balance Sheet as PPE. For more info please see Note 7.

## **2 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions about the future or that are otherwise uncertain. Estimates are made based on historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

For 2013/14 the Balance Sheet contains one item for which there is a significant risk of material adjustment in the forthcoming financial year; the Pensions Liability.

Estimation of the net liability to pay pensions is reliant on a number of complex judgements relating to the discount rate used, the rate of increase in salary, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the organisation with expert advice about the assumptions to be applied.

Further information can be found in the pensions note to the accounts.

### 3 Service Expenditure Analysis

The Service Expenditure can be analysed in more than one way. The stated SERCOP format is a statutory requirement and requires the majority of costs to be split over service areas. Another way of showing the accounts is with a subjective analysis which categorises costs by type; this is not a statutory requirement but a more traditional way of stating the accounts.

#### Police and Crime Commissioner for Wiltshire's Group Subjective Income and Expenditure Analysis

This table includes both the Police and Crime Commissioner's and the Chief Constable's analysis.

| Net Spending 2012/13<br>£000 |  | Notes | Net Spending 2013/14<br>£000 |
|------------------------------|--|-------|------------------------------|
| 47,637                       | Police Pay and Allowances                                      |       | 46,660                       |
| 32,154                       | Police Staff Pay and Allowances                                |       | 32,217                       |
| 1,312                        | Other Employee Expenses  |       | 788                          |
| 20,500                       | Police Pensions  | 9     | 24,200                       |
| 4,732                        | Premises   |       | 4,771                        |
| 3,642                        | Transport  |       | 3,864                        |
| 11,293                       | Supplies and Services  |       | 9,908                        |
| 2,584                        | Third Party Payments   |       | 3,697                        |
| 5,471                        | Capital Financing  |       | 4,973                        |
| <b>129,325</b>               | <b>Gross Operating Expenditure</b>                             |       | <b>131,078</b>               |
| -5,624                       | General Income   |       | -5,857                       |
| -1,370                       | Non Distributed Costs – Pension Past Service / Injury payments | 9     | 498                          |
| -8,121                       | Specific Grants  | 27    | -4,173                       |
| <b>114,210</b>               | <b>Net Cost of Services</b>                                    |       | <b>121,546</b>               |
| -11                          | Gain/Loss on Disposal of Non-Current Assets                    |       | 58                           |
| 37,415                       | Pensions Net Interest  | 9     | 41,391                       |
| 1,730                        | Interest Payable and Similar items                             | 7     | 1,703                        |
| -312                         | Interest and Investment Income                                 |       | -286                         |
| -14,767                      | Home Office Top-up Grant                                       | 9     | -12,480                      |
| <b>138,265</b>               | <b>Net Operating Expenditure</b>                               |       | <b>151,932</b>               |
| -63,469                      | Government grants (not attributable to specific services)      |       | -69,481                      |
| -40,398                      | Income from the Collection Fund                                |       | -37,055                      |
| -1,059                       | Other Tax and Non Specific Grant Income                        | 22    | -939                         |
| <b>33,339</b>                | <b>Total (Surplus)/Deficit on the Provision of Services</b>    |       | <b>44,457</b>                |

The reduction in Specific Grant income is due to the government's move towards more general funding for Police and Crime Commissioners – this is reflected by the increase in general government grants.

## Police and Crime Commissioner for Wiltshire Subjective Income and Expenditure Analysis

This table only includes the Police and Crime Commissioner's analysis.

| Restated<br>Net<br>Spending<br>2012/13<br>£'000 |  | Notes | Net<br>Spending<br>2013/14<br>£'000 |
|---|--|-------|-------------------------------------|
| 0   | Police Pay and Allowances                                      |       | 0                                   |
| 307   | Police Staff Pay and Allowances                                |       | 410                                 |
| 7   | Other Employee Expenses  |       | 18                                  |
| 0   | Police Pensions  | 9     | 0                                   |
| 4,732   | Premises   |       | 4,771                               |
| 3,331   | Transport  |       | 3,550                               |
| 1,234   | Supplies and Services  |       | 164                                 |
| 780   | Third Party Payments   |       | 2,190                               |
| 5,471   | Capital Financing  |       | 4,973                               |
| -14,436   | Intra Group Adjustment for use of Assets*                      |       | -13,283                             |
| <b>1,426</b>                                    | <b>Gross Operating Expenditure</b>                             |       | <b>2,793</b>                        |
| -5,624  | General Income   |       | -5,857                              |
| 0   | Non Distributed Costs – Pension Past Service / Injury payments | 9     | 0                                   |
| -8,121  | Specific Grants  | 27    | -4,173                              |
| 126,529   | Intra Group Adjustment   |       | 128,783                             |
| <b>114,210</b>                                  | <b>Net Cost of Services</b>                                    |       | <b>121,546</b>                      |
| -11   | Gain/Loss on Disposal of Non-Current Assets                    |       | 58                                  |
| 37,415  | Intra Group Funding (Pension Net Interest)                     | 9     | 41,391                              |
| 1,730   | Interest Payable and Similar items                             | 7     | 1,703                               |
| -312  | Interest and Investment Income                                 |       | -286                                |
| -14,767   | Home Office Top-up Grant                                       | 9     | -12,480                             |
| <b>138,265</b>                                  | <b>Net Operating Expenditure</b>                               |       | <b>151,932</b>                      |
| -63,469   | Government grants (not attributable to specific services)      |       | -64,259                             |
| -40,398   | Income from the Collection Fund                                |       | -37,055                             |
| -1,059  | Other Tax and Non Specific Grant Income                        | 22    | -6,161                              |
| <b>33,339</b>                                   | <b>Total (Surplus)/Deficit on the Provision of Services</b>    |       | <b>44,457</b>                       |

\* It should be noted that £13.3m is recharged to the Chief Constable for use of the vehicle and property assets. This charge is equivalent to the running costs and capital financing incurred by the Police and Crime Commissioner.

## 4 Remuneration of Staff

The code of practice requires a disclosure of the number of employees whose annual remuneration, excluding pension payments, exceeds £50,000. Remuneration for these purposes includes all sums paid to or received by an employee, expense allowances and the money value of any other benefits received other than cash. The number of employees within £5,000 bands is as follows:

| Payment Band £    | Number of PCC Group Employees 2012/13 | Number of PCC Group Employees 2013/14 | Number of PCC Employees 2012/13 | Number of PCC Employees 2013/14 |
|-------------------|---------------------------------------|---------------------------------------|---------------------------------|---------------------------------|
| 50,000 - 54,999   | 62                                    | 42                                    | 2                               | 2                               |
| 55,000 – 59,999   | 49                                    | 42                                    |                                 |                                 |
| 60,000 – 64,999   | 11                                    | 13                                    |                                 |                                 |
| 65,000 – 69,999   | 7                                     | 5                                     |                                 |                                 |
| 70,000 – 74,999   | 2                                     | 5                                     |                                 | 1                               |
| 75,000 – 79,999   | 7                                     | 6                                     |                                 |                                 |
| 80,000 – 84,999   | 1                                     | 1                                     |                                 |                                 |
| 85,000 – 89,999   | 1                                     | 3                                     |                                 |                                 |
| 90,000 – 94,999   | 1                                     |                                       |                                 |                                 |
| 95,000 – 99,999   |                                       |                                       |                                 |                                 |
| 100,000 – 104,999 | 1                                     | 1                                     | 1                               | 1                               |
| 105,000 – 109,999 | 1                                     | 1                                     |                                 |                                 |
| 110,000 – 114,999 | 1                                     |                                       |                                 |                                 |
| 115,000 – 119,999 |                                       |                                       |                                 |                                 |
| 120,000 – 124,999 | 1                                     | 1                                     |                                 |                                 |
| 125,000 – 129,999 |                                       |                                       |                                 |                                 |
| 145,000 – 149,999 |                                       |                                       |                                 |                                 |
| 150,000 – 154,999 | 1                                     |                                       |                                 |                                 |
| 155,000 – 159,999 |                                       | 1                                     |                                 |                                 |
| <b>Total</b>      | <b>146</b>                            | <b>121</b>                            | <b>3</b>                        | <b>4</b>                        |

The above disclosure contains details for all staff and all officers whose remunerations, excluding pensions, exceeds £50,000. 14 of the officers included for 2013/14 were seconded out to other Forces or Government organisations as at 31 March 2014.

The code of practice requires disclosure of individual remunerations for Senior Officers and Relevant Police Officers, the following tables contain the details for 2013/14 and comparative information from 2012/13. Senior Officers are included in the above banding as well as the following individual disclosures.

Members of ACPO have a vehicle allowance of £6,122 per year and the Chief Constable has £9,183 per year. This can be paid in the form of a lease car or within their salary. Those that have opted for the salary option have this payment included in the salary column of the remunerations.

During 2013/14 Clive Barker was in the role of Chief Finance Officer for both the Chief Constable and the Police and Crime Commissioner.

**Senior Officer Remunerations 2012/13**

| Post Holder Information  | Name              | Salary (including fees & Allowances) | Bonuses | Expenses | compensation for loss of office | Benefits in Kind | Total Remuneration excluding pension contributions 2012/13 | Pension Contributions | Total Remuneration including pension contributions 2012/13 |
|--|-------------------|--------------------------------------|---------|----------|---------------------------------|------------------|--|-----------------------|--|
| Police and Crime Commissioner                                      | A. Macpherson     | 25,083                               |         | 228      |                                 |                  | 25,311   | 3,411                 | 28,722   |
| Chief Constable  | B. Moore          | 90,998                               |         |          |                                 |                  | 90,998   |                       | 90,998   |
| Chief Constable  | P. Geenty         | 144,022                              |         | 602      |                                 | 7,211            | 151,835  | 26,835                | 178,670  |
| Deputy Chief Constable   | M. Veale          | 115,444                              |         | 426      |                                 | 5,765            | 121,635  | 26,567                | 148,202  |
| Temp/Assistant Chief Constable                                     | S. Hedley         | 98,359                               |         | 579      |                                 | 7,509            | 106,447  | 22,354                | 128,801  |
| Chief Executive of the Office of the Police and Crime commissioner | K. Kilgallen      | 100,066                              |         | 166      |                                 | 418              | 100,650  | 12,776                | 113,426  |
| Treasurer of the Office of the Police and Crime Commissioner       | M. Prince         | 26,353                               |         |          |                                 |                  | 26,353   | 3,584                 | 29,937   |
| Director of Resources  | M. Bennion-Pedley | 109,143                              |         | 846      |                                 | 317              | 110,306  | 13,933                | 124,239  |
| Chief Finance Officer  | C. Barker         | 72,849                               |         | 108      |                                 | 4,448            | 77,405   | 9,907                 | 87,312   |

**Senior Officer Remunerations 2013/14**

| Post Holder Information  | Name          | Salary (including fees & Allowances) | Bonuses | Expenses | compensation for loss of office | Benefits in Kind | Total Remuneration excluding pension contributions 2013/14 | Pension Contributions | Total Remuneration including pension contributions 2013/14 |
|--|---------------|--------------------------------------|---------|----------|---------------------------------|------------------|--|-----------------------|--|
| Police and Crime Commissioner                                      | A. Macpherson | 70,000                               |         | 4402     |                                 |                  | <b>74,402</b>  | 9520                  | <b>83,922</b>  |
| Chief Constable  | P. Geenty     | 144,799                              |         | 335      |                                 | 10,902           | <b>156,036</b>   | 0                     | <b>156,036</b>   |
| Deputy Chief Constable   | M. Veale      | 116,085                              |         | 411      |                                 | 7,652            | <b>124,148</b>   | 26,722                | <b>150,870</b>   |
| Assistant Chief Constable  | A. Tatam      | 100,187                              |         | 861      |                                 | 7,709            | <b>108,757</b>   | 22,811                | <b>131,568</b>   |
| Chief Executive of the Office of the Police and Crime commissioner | K. Kilgallen  | 94,492                               |         | 116      |                                 | 6,540            | <b>101,148</b>   | 12,851                | <b>113,999</b>   |
| Chief Finance Officer  | C. Barker     | 82,274                               |         | 494      |                                 | 4,639            | <b>87,407</b>  | 11,189                | <b>98,596</b>  |

## 5 Related Parties

In accordance with the Code of Practice and IAS 24 any material transactions with related parties must be disclosed in the Police and Crime Commissioner's Group accounts. For 2013/14, no material transactions were declared by key management personnel.

However, during 2013/14, Senior Officers held seats on the boards and committees of Wiltshire Council (WC), Splash and Bobby Van.

Splash is a registered charity that runs activities such as sports, arts, wildlife, food, drama and dance primarily for 'vulnerable' young people 9 - 16 years during the summer and school holidays. Bobby Van is also a registered charity and works to ensure that elderly, vulnerable or disadvantaged people in the community are given the support they need. £37k was received from Splash and £90k from Bobby Van for services provided during 2013/2014. Splash received Innovation funding from the Police and Crime Commissioner totalling £38k during the year.

The Police and Crime Commissioner for Wiltshire has entered a strategic alliance with Wiltshire Council to look at new ways of working with a joint approach. The changes to date have involved areas of shared services and result in increased payments to Wiltshire Council where the Council have covered initial costs.

In 2013/14, on an accruals basis:

WC was paid £3,158k for provision of services to the Police and Crime Commissioner's Group and £62k was received from WC for services provided by the Group. These figures do not include amounts paid into the pension funds administered by WC, £18k was paid to WC for administering the police pension fund for the period up to June 2013; this is now administered by Capita.

Central Government has significant influence over the general operations of the Group. Grants received from Central Government are disclosed in the Comprehensive Income and Expenditure Statement and in note 27 to the accounts.

## 6 External Audit Fees

£20,000 was paid to Grant Thornton for fees relating to audit services for the Chief Constable and £42,000 for fees relating to audit services for the Police and Crime Commissioner. The Audit Commission issued rebates to the PCC of £7,000 and the CC of £3,000.

|  | 2012/13<br>£000's | 2013/14<br>£000 |
|--|-------------------|-----------------|
| Fees in respect of Section 5 of the Audit Commission Act 1998 (audit services) | 67                | 52              |
| Other fees payable in respect of services provided by the Auditors             |                   |                 |
|  | <b>67</b>         | <b>52</b>       |

## 7 Finance leases - Private Finance Initiative (PFI)

The Police and Crime Commissioner is committed to make annual payments for the Swindon Divisional Facilities. The payment made in 2013/14 was £3.2m (£3.2m 2012/13). A payment of £1.2m was made to the providers of the Air Support (Helicopter) PFI (£1.2m 2012/13).



In line with the Code of Practice the Swindon HQ PFI asset has been recognised on the Balance sheet and a liability created to identify the Group's commitment for future payments towards the asset over the life of the contract. The liability is reduced to reflect payments charged through revenue as part of the Unitary Charge and the Finance Cost element of the Unitary Charge is recognised under 'interest payable and similar items'. The Finance Cost is calculated using the Internal Rate of Return.

At the end of the Air Support contract the assets return to the supplier, at the end of the Swindon HQ project an option exists for the Police and Crime Commissioner to take ownership of the asset, therefore, the financial information provided below only relates to the Swindon HQ project. The following tables set out the movements in the PFI asset and liability for 2013/14:

| <b>Land &amp; Buildings<br/>2012/13 £000</b> | <b>Cost or Valuation</b>               | <b>Land &amp; Buildings<br/>2013/14 £000</b> |
|--|--|--|
| <b>14,240</b>                                | <b>Balance at 1 April</b>              | <b>12,220</b>                                |
| -276   | Depreciation write back on revaluation | -238   |
| -1,744                                       | Enhancements/Revaluations              | -722   |
| 12,220                                       | Balance at 31 March                    | 11,260                                       |
|  | <b>Depreciation</b>                    |  |
| <b>-276</b>                                  | <b>Balance at 1 April</b>              | <b>-238</b>                                  |
| 276  | Depreciation write back on revaluation | 238  |
| -238   | Charge for the year                    | -250   |
| 0  | Disposals                              | 0  |
| -238   | Balance at 31 March                    | -250   |
| <b>11,982</b>                                | <b>Net Book Value at 31 March</b>      | <b>11,010</b>                                |

|                |  |                |
|----------------|--|----------------|
| -20,287        | Finance Lease Liability in Accounts        | -19,975        |
|                | Adjustment to Liability                    |                |
| 312            | Liability Redemption                       | 338            |
| <b>-19,975</b> | <b>Finance Lease Liability at 31 March</b> | <b>-19,637</b> |

Payments made in 2013/14 and due for the remainder of the PFI contract are as follows:

| Year                                   | £000                   |                             |                       |                                    |
|--|------------------------|-----------------------------|-----------------------|------------------------------------|
|  | Fair Value of Services | Lifecycle Replacement Costs | Finance Cost for Year | Finance Lease Liability Redemption |
| Rentals Paid In Year (2013/14)         | 790                    | 50                          | 1,698                 | 338                                |
| <b>Rentals Payable in Future Years</b> |                        |                             |                       |                                    |
| Within 1 Year                          | 790                    | 50                          | 1,669                 | 367                                |
| Within 2 to 5 Years                    | 3,158                  | 198                         | 6,335                 | 1,809                              |
| Within 6 to 10 Years                   | 3,947                  | 248                         | 6,909                 | 3,271                              |
| Within 11 to 15 Years                  | 3,947                  | 248                         | 5,261                 | 4,918                              |
| Within 16 to 20 Years                  | 3,947                  | 248                         | 2,785                 | 7,395                              |
| Within 21 to 25 Years                  | 790                    | 50                          | 159                   | 1,877                              |

#### Future PFI Projects

The Police and Crime Commissioner for Wiltshire has entered into a PFI collaboration project with Avon & Somerset and Gloucester Police for provision of a joint firearms training facility. The initial share of this project attributed to Wiltshire Police is currently showing as an Asset Under Construction on the Balance Sheet.

## 8 Adjustments Between Accounting Basis and Funding Basis under Regulations

| 2013/14   | Usable Reserves      |                       |                          | Movement in Unusable Reserves |
|---|----------------------|-----------------------|--------------------------|-------------------------------|
|   | General Fund Balance | Earmarked Reserves GF | Capital Receipts Reserve |                               |
|   | £'000                | £'000                 | £'000                    |                               |
| <b>Adjustments involving the Capital Adjustment Account:</b>  |                      |                       |                          |                               |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>   |                      |                       |                          |                               |
| Charges for depreciation and impairment of non-current assets   | -3,562               |                       |                          | 3,562                         |
| Revaluation Gains/losses on Property Plant and Equipment  | -1,411               |                       |                          | 1,411                         |
| Movements in the market value of Investment Properties  | 12                   |                       |                          | -12                           |
| Capital grants and contributions applied  | 939                  |                       |                          | -939                          |
| Revenue expenditure funded from capital under statute   |                      |                       |                          |                               |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES  | -296                 |                       |                          | 296                           |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>  |                      |                       |                          |                               |
| Voluntary provision for the repayment of debt   | 339                  |                       |                          | -339                          |
| Capital expenditure charged against the General Fund  | 2,914                |                       |                          | -2,914                        |
| <b>Adjustments involving Capital Grants Unapplied:</b>  |                      |                       |                          |                               |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement   |                      |                       |                          |                               |
| <b>Adjustments involving the Capital Receipts Reserve:</b>  |                      |                       |                          |                               |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement   | 238                  |                       | -238                     |                               |
| Use of the Capital Receipts Reserve to finance new capital expenditure  |                      |                       | 238                      | -238                          |
| <b>Adjustments involving the Pensions Reserve:</b>  |                      |                       |                          |                               |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 9)  | -70,902              |                       |                          | 70,902                        |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | 25,304               |                       |                          | -25,304                       |
| <b>Adjustments involving the Collection Fund Adj Account:</b>   |                      |                       |                          |                               |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements                | 280                  |                       |                          | -280                          |
| <b>Adjustment involving the Accumulated Absences Account:</b>   |                      |                       |                          |                               |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 598                  |                       |                          | -598                          |
| <b>Total Adjustments</b>  | <b>-45,547</b>       |                       |                          | <b>45,547</b>                 |

| 2012/13   | Usable Reserves      |                       |                          | Movement in Unusable Reserves |
|---|----------------------|-----------------------|--------------------------|-------------------------------|
|   | General Fund Balance | Earmarked Reserves GF | Capital Receipts Reserve |                               |
|   | £'000                | £'000                 | £'000                    |                               |
| <b>Adjustments involving the Capital Adjustment Account:</b>  |                      |                       |                          |                               |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>   |                      |                       |                          |                               |
| Charges for depreciation and impairment of non-current assets   | -3,562               |                       |                          | 3,562                         |
| Revaluation Gains/losses on Property Plant and Equipment  | -1,909               |                       |                          | 1,909                         |
| Movements in the market value of Investment Properties  |                      |                       |                          |                               |
| Capital grants and contributions applied  | 1,059                |                       |                          | -1,059                        |
| Revenue expenditure funded from capital under statute   |                      |                       |                          |                               |
| Net Gain or Loss on Sale of Non-Current Assets  | 11                   |                       | -240                     | 229                           |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>  |                      |                       |                          |                               |
| Voluntary provision for the repayment of debt   | 312                  |                       |                          | -312                          |
| Capital expenditure charged against the General Fund  | 839                  |                       |                          | -839                          |
| <b>Adjustments involving Capital Grants Unapplied:</b>  |                      |                       |                          |                               |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement   |                      |                       |                          |                               |
| <b>Adjustments involving the Capital Receipts Reserve:</b>  |                      |                       |                          |                               |
| Use of the Capital Receipts Reserve to finance new capital expenditure  |                      |                       | 240                      | -240                          |
| <b>Adjustments involving the Pensions Reserve:</b>  |                      |                       |                          |                               |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 9)  | -60,464              |                       |                          | 60,464                        |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | 27,905               |                       |                          | -27,905                       |
| <b>Adjustments involving the Collection Fund Adj Account:</b>   |                      |                       |                          |                               |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements                | -187                 |                       |                          | 187                           |
| <b>Adjustment involving the Accumulated Absences Account:</b>   |                      |                       |                          |                               |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | -283                 |                       |                          | 283                           |
| <b>Total Adjustments</b>  | <b>-36,279</b>       |                       |                          | <b>36,279</b>                 |

## 9 Pensions

### Pensions Accounting

The Financial Code of Practice states that 'The Chief Constable is responsible for ensuring the administration of the pension schemes and the appropriate maintenance and provision of the relevant accounts.' The Chief Constable is also responsible for all police officers and 90% of the staff under the new arrangements with the Police and Crime Commissioner for Wiltshire. Any transactions relating specifically to the Office of the Police and Crime Commissioner would be immaterial. On this basis and to comply with accounting and audit requirements the transactions in the Comprehensive Income and Expenditure Statement (CIES) are all shown under the Chief Constable's Statement of Accounts. In line with the current arrangements, these transactions are financed by adjustments between the authorities' accounts.

Although the Police and Crime Commissioner is responsible for all assets and liabilities, in order to comply with accounting and audit requirements, the pension liabilities are required to be disclosed in the Chief Constable's Balance Sheet. To recognise the fact that the Police and Crime Commissioner has ultimate responsibility for these long term liabilities there is a long term pension creditor in his Balance Sheet of equivalent value to the pension liability.

The information that follows is for the pension accounts of the Group.

### Pension Schemes

Although pension benefits are not actually payable until employees retire, the Group has a commitment to disclose the payments at the time that employees earn their future entitlement.

The Police and Crime Commissioner's Group participates in two schemes:

The Police Pension Scheme for police officers – this is an unfunded scheme, meaning that there are no investment assets held, and actual pensions payments are met from revenue as they are eventually due. Changes were introduced to the pension in April 2006 which result in slight variations between pre and post April employee's schemes. The schemes are administered in accordance with the Police Pensions Regulations 1987 and the New Police Pensions Scheme Regulations 2006.

The Local Government Pension Scheme (LGPS) for civilian employees – this is administered by Wiltshire County Council and is a funded scheme, where the Group and employees pay contributions into a fund intended to balance the pensions liabilities with investment assets. The scheme is administered in accordance with the Local Government Pension Scheme Regulations.

Estimation of the net liability to pay pensions is reliant on a number of complex judgements relating to the discount rate used, the rate of increase in salary, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the organisation with expert advice about the assumptions to be applied.

Recent changes to IAS19 have resulted in the interest cost and expected return on assets components being combined into a net figure in the net cost of services. In effect this means that the expected return has been replaced by a figure that would be applicable if the expected return on assets assumption was equal to the discount rate. The effect on prior periods (2012/13) is a £523k increase in deficit on the provision of services and a £523k reduction in the loss on pension assets and liabilities in the Comprehensive Income and Expenditure Statement (CIES). The impact on the CIES deficit is reversed out in the Movement in Reserves Statement meaning there is no impact on the Balance sheet and no impact on the requirement for Council Tax.

## Pensions Transactions

The cost of retirement benefits is recognised in the Net Cost of Services when it is earned by employees, rather than when the benefits are actually paid out as pensions. The cost of retirement benefits earned is reversed out in the Movement in Reserves as the charge against council tax is based only on actual payments due in the year. The following transactions were made in the Income and Expenditure Account and the Movement in Reserves Statement during the year:

|   | Local Government Pension Scheme |         | Police Pension Scheme |         |
|---|---------------------------------|---------|-----------------------|---------|
|   | £000                            |         | £000                  |         |
|   | 2012/13                         | 2013/14 | 2012/13               | 2013/14 |
| <b>Comprehensive Income &amp; Expenditure (CIES)</b>                              |                                 |         |                       |         |
| <i>Net Cost of Services</i>   |                                 |         |                       |         |
| Current Service Costs   | 4,208                           | 5,234   | 20,500                | 24,200  |
| Past Service Costs (Non Distributed Costs)  |                                 | 177     | -1,700                | -100    |
| Gains and Losses on any Settlements or Curtailments                               | 41                              |         |                       |         |
| <i>Net Operating Expenditure</i>  |                                 |         |                       |         |
| Net Interest Expense  | 815                             | 1,291   | 36,600                | 40,100  |
| Net Charge to the Surplus/Deficit   | 5,064                           | 6,702   | 55,400                | 64,200  |
| <i>Other Comprehensive Income &amp; Expenditure</i>                               |                                 |         |                       |         |
| Return on plan assets (excluding the amount included in the net interest expense) | -5,288                          | -4,839  |                       |         |
| Actuarial gains and losses arising on changes in demographic assumptions          |                                 | 3,711   |                       | 21,700  |
| Actuarial gains and losses arising on changes in financial assumptions            | 14,675                          | 2,347   | 93,200                | 37,600  |
| Other   | -88                             | -2,446  | -300                  | -300    |
| Total Other Comprehensive Income & Expenditure                                    | 9,299                           | -1,227  | 92,900                | 59,000  |
| Total Charge to the CIES  | 14,363                          | 5,475   | 148,300               | 123,200 |
|   |                                 |         |                       |         |
|   | Local Government Pension Scheme |         | Police Pension Scheme |         |
|   | £000                            |         | £000                  |         |
|   | 2012/13                         | 2013/14 | 2012/13               | 2013/14 |
| Net Charge to the CIES Surplus/Deficit  | 5,064                           | 6,702   | 55,400                | 64,200  |
| <b>Movement in Reserves Statement</b>   |                                 |         |                       |         |
| <i>Adjustments between Accounting &amp; Funding Basis:</i>                        |                                 |         |                       |         |
| Reversal of net charges made for retirement benefits in accordance with the code  | -5,064                          | -6,702  | -55,400               | -64,200 |
| Actual amount charged against the General Fund Balance for pensions in the year:  |                                 |         |                       |         |
| Employer's contributions payable to scheme  | 3,163                           | 3,100   |                       |         |
| Retirement benefits payable to pensioners   |                                 |         | 24,742                | 22,204  |
| Actual Costs  | 3,163                           | 3,100   | 24,472                | 22,204  |

The actual payments made by the Police and Crime Commissioner's Group for employer's contributions 2013/14 are £3.110 million to Wiltshire Council for the Local Government Pension Scheme (£3.163m 2012/13) and £9.724 million to the Police Pension Scheme (£9.975m 2012/13). The main reason this differs from the £22.204 million above is a further £12.480 million contributions funded by Home Office grant.

### Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the defined benefit obligation is as follows:

|  | £000            | £000              |
|--|-----------------|-------------------|
|  | 2012/13         | 2013/14           |
| <i>Local Government Pension Scheme</i>                             |                 |                   |
| Present value of defined benefit obligation                        | -112,407        | -125,677          |
| Fair value of plan assets  | 84,797          | 95,796            |
| <b>Net Liability – Local Government Pension Scheme</b>             | <b>-27,610</b>  | <b>-29,881</b>    |
| <i>Police Officer Pension Scheme</i>                               |                 |                   |
| Present value of defined benefit obligation                        | -890,400        | -991,500          |
| Fair value of plan assets  |                 |                   |
| <b>Net Liability – Police Officer Pension Scheme</b>               | <b>-890,400</b> | <b>-991,500</b>   |
| <b>Total Net Liability arising from defined benefit obligation</b> | <b>-918,010</b> | <b>-1,021,381</b> |

The liabilities show the Group's commitment for future payment of retirement benefits. The total deficit of £1,021m for 2013/14 has a substantial impact on the net worth of the authority shown on the balance sheet. However, the financial position of the Group remains healthy due to the following:

- The deficit on the local government scheme will be funded by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Funding to cover police pensions is only required when the pensions payments are actually made.

## Reconciliation of the Movements in the Fair Value of Scheme Assets and Liabilities

The underlying assets and liabilities for retirement benefits attributable to the Police and Crime Commissioner's Group at 31<sup>st</sup> March 2014 are as follows:

|   | <u>Police staff</u> |                 | <u>Police officers</u> |                 |
|---|---------------------|-----------------|------------------------|-----------------|
|   | £000                | £000            | £000                   | £000            |
| <b>Reconciliation of Present Value of Scheme Liabilities</b>                    |                     |                 |                        |                 |
|   | 2012/13             | 2013/14         | 2012/13                | 2013/14         |
| Opening Entry   | -90,080             | -112,407        | -765,000               | -890,400        |
| Current Service Costs   | -4,208              | -5,234          | -20,500                | -24,200         |
| Interest (cost)   | -4,403              | -5,155          | -36,600                | -40,100         |
| Members Contributions   | -1,523              | -1,491          | -4,600                 | -5,000          |
| Re-measurement gain/(loss):   |                     |                 |                        |                 |
| • Actuarial gains/losses arising from changes in demographic assumptions        |                     | -3,711          |                        | -21,700         |
| • Actuarial gains/losses arising from changes in financial assumptions          | -14,675             | -2,347          | -93,200                | -37,200         |
| • Other   | 88                  | 2,446           | 300                    | 300             |
| Past Service Costs  |                     | -177            | 1,700                  | 100             |
| Settlements/Curtailments  | -41                 |                 |                        |                 |
| Benefits Paid   | 2,435               | 2,399           | 27,500                 | 26,700          |
| <b>Surplus/Deficit</b>  | <b>-112,407</b>     | <b>-125,677</b> | <b>-890,400</b>        | <b>-991,500</b> |
| <b>Reconciliation of Fair Value of Scheme Assets</b>                            |                     |                 |                        |                 |
| Opening Entry   | 73,625              | 84,797          |                        |                 |
| Interest Income   | 3,588               | 3,864           |                        |                 |
| Re-measurement gain/(loss):   |                     |                 |                        |                 |
| • Return on plan assets (excluding the amount included in net interest expense) | 5,288               | 4,839           |                        |                 |
| • Other   |                     |                 |                        |                 |
| Transfers in/out  |                     |                 | -1,800                 | -400            |
| Employer Contributions  | 3,208               | 3,204           | 24,700                 | 22,100          |
| Members Contributions   | 1,523               | 1,491           | 4,600                  | 5,000           |
| Benefits Paid   | -2,435              | -2,399          | -27,500                | -26,700         |
| <b>Surplus/Deficit</b>  | <b>84,797</b>       | <b>95,796</b>   | <b>0</b>               | <b>0</b>        |

### Additional Information about the Defined Benefit Obligation:

| Local Government Pension Scheme | Liability Split |               | Duration    |
|---------------------------------|-----------------|---------------|-------------|
|                                 | £000's          | Percentage    |             |
| Active Members                  | 75,086          | 59.8%         | 26.6        |
| Deferred Members                | 21,499          | 17.1%         | 26.8        |
| Pensioner Members               | 29,092          | 23.1%         | 11.8        |
| <b>Total</b>                    | <b>125,677</b>  | <b>100.0%</b> | <b>23.2</b> |

| Police Officer Pension Scheme | Liability Split |               | Duration    |
|-------------------------------|-----------------|---------------|-------------|
|                               | £000's          | Percentage    |             |
| Active Members                | 471,700         | 49.3%         | 25.1        |
| Deferred Members              | 38,300          | 4.0%          | 26.4        |
| Pensioner Members             | 446,000         | 46.7%         | 12.4        |
| <b>Total</b>                  | <b>956,000</b>  | <b>100.0%</b> | <b>19.3</b> |

| Injury Pensions            | Liability Split |               | Duration    |
|----------------------------|-----------------|---------------|-------------|
|                            | £000's          | Percentage    |             |
| Contingent Injuries        | 22,300          | 62.8%         | 25.1        |
| Injury Pension Liabilities | 13,200          | 37.2%         | 17.8        |
| <b>Total</b>               | <b>35,500</b>   | <b>100.0%</b> | <b>22.4</b> |

### Assumptions to Estimate Assets and Liabilities

For 2013/14, the Police Pension Scheme and the Local Government Scheme have been assessed on a projected basis, by Hymans Robertson, using the following assumptions to calculate the components of the pensions. The last full actual valuation for the Police Officers Pension Scheme was carried out as at 31 March 2012 based on data at 31 December 2011 and the last full actual valuation for the Local Government Pension Scheme was carried out as at 31 March 2013.

| Pension Scheme Basis for Estimating     | LGPS   |         | Old PPS |         | New PPS |         |
|---|--|---------|---------|---------|---------|---------|
|   | 2012/13  | 2013/14 | 2012/13 | 2013/14 | 2012/13 | 2013/14 |
|   | Long term expected rate of return on assets in the scheme: |         |         |         |         |         |
| Equity Investments                      | 4.50%  | 4.30%   |         |         |         |         |
| Bonds                                   | 4.50%  | 4.30%   |         |         |         |         |
| Property                                | 4.50%  | 4.30%   |         |         |         |         |
| Cash                                    | 4.50%  | 4.30%   |         |         |         |         |
| Mortality assumptions:                  |  |         |         |         |         |         |
| Longevity for current pensioners:       |  |         |         |         |         |         |
| Men                                     | 21.3   | 22.3    | 28.1    | 29.3    | 28.1    | 29.3    |
| Women                                   | 23.6   | 24.5    | 31      | 31.5    | 31      | 31.5    |
| Longevity for future pensioners:        |  |         |         |         |         |         |
| Men                                     | 23.3   | 24.1    | 29.7    | 30.9    | 29.7    | 30.9    |
| Women                                   | 25.5   | 26.9    | 32.5    | 33      | 32.5    | 33      |
| Market Derived RPI                      |  |         | 3.60%   | 3.60%   | 3.60%   | 3.70%   |
| Rate of Increase in salaries            | 5.10%  | 4.60%   | 3.80%   | 3.80%   | 3.80%   | 3.90%   |
| Rate of Increase in pensions            | 2.80%  | 2.80%   | 2.80%   | 2.80%   | 2.80%   | 2.90%   |
| Rate for discounting scheme liabilities | 4.50%  | 4.30%   | 4.50%   | 4.30%   | 4.50%   | 4.30%   |

Longevity is the average future life expectancy at age 65 for staff and at age 60 for officers.

The Police Officers Pension Scheme does not hold investment assets. The actual return on the LGP Scheme Assets for April – Dec 2013 was 9.7% (3.8% April – Dec 2012)



The Police and Crime Commissioner's Group accounts for Retirement Benefits in line with IAS 19 and IPSAS 25 and as a result, quoted securities held as assets in the Local Government Pension Scheme are valued at bid value rather than mid-market value.

The total value of assets as at 31 March 2014 is £95.796m (£84.797 March 2013).

**Local Government Pension Scheme Assets Comprised:**

|  | 31 March 2014                   |                                     |               | 31 March 2013                   |                                     |               |
|--|---------------------------------|-------------------------------------|---------------|---------------------------------|-------------------------------------|---------------|
|  | £000                            |                                     |               | £000                            |                                     |               |
|  | Quoted Prices in Active Markets | Prices not quoted in Active Markets | Total         | Quoted Prices in Active Markets | Prices not quoted in Active Markets | Total         |
| <b>Cash and Cash Equivalents</b>         | 3,032                           | 0                                   | <b>3,032</b>  | 1,964                           | 0                                   | <b>1,964</b>  |
| <b>Equity Securities:</b>                |                                 |                                     |               |                                 |                                     |               |
| Consumer                                 | 2,853                           | 0                                   | <b>2,853</b>  | 2,695                           | 0                                   | <b>2,695</b>  |
| Manufacturing                            | 1,738                           | 0                                   | <b>1,738</b>  | 2,351                           | 0                                   | <b>2,351</b>  |
| Energy and Utilities                     | 0                               | 0                                   | <b>0</b>      | 0                               | 0                                   | <b>0</b>      |
| Financial Institutions                   | 1,114                           | 0                                   | <b>1,114</b>  | 1                               | 0                                   | <b>1</b>      |
| Health and Care                          | 564                             | 41                                  | <b>605</b>    | 632                             | 89                                  | <b>721</b>    |
| Information Technology                   | 10,366                          | 0                                   | <b>10,366</b> | 6,801                           | 0                                   | <b>6,801</b>  |
| Other                                    | 407                             | 0                                   | <b>407</b>    | 346                             | 0                                   | <b>346</b>    |
| <i>Sub-total</i>                         | 17,042                          | 41                                  | <b>17,083</b> | 12,826                          | 89                                  | <b>12,915</b> |
| <b>Debt Securities:</b>                  |                                 |                                     |               |                                 |                                     |               |
| Corporate Bonds (investment grade)       | 137                             | 6,965                               | <b>7,102</b>  | 39                              | 7,107                               | <b>7,146</b>  |
| Corporate Bonds (non-investment grade)   | 0                               | 247                                 | <b>247</b>    | 0                               | 179                                 | <b>179</b>    |
| UK Government                            | 0                               | 800                                 | <b>800</b>    | 0                               | 854                                 | <b>854</b>    |
| Other                                    | 283                             | 1,073                               | <b>1,356</b>  | 0                               | 1,247                               | <b>1,247</b>  |
| <i>Sub-total</i>                         | 420                             | 9,085                               | <b>9,505</b>  | 39                              | 9,387                               | <b>9,426</b>  |
| <b>Real Estate:</b>                      |                                 |                                     |               |                                 |                                     |               |
| UK Property                              | 0                               | 8,298                               | <b>8,298</b>  | 0                               | 7,938                               | <b>7,938</b>  |
| Overseas Property                        | 0                               | 503                                 | <b>503</b>    | 0                               | 629                                 | <b>629</b>    |
| <i>Sub-total</i>                         | 0                               | 8,801                               | <b>8,801</b>  | 0                               | 8,567                               | <b>8,567</b>  |
| <b>Investment Funds and Unit Trusts:</b> |                                 |                                     |               |                                 |                                     |               |
| Equities                                 | 0                               | 46,889                              | <b>46,889</b> | 0                               | 42,345                              | <b>42,345</b> |
| Bonds                                    | 0                               | 4,608                               | <b>4,608</b>  | 0                               | 4,472                               | <b>4,472</b>  |
| Hedge Funds                              | 0                               | 4,960                               | <b>4,960</b>  | 0                               | 4,261                               | <b>4,261</b>  |
| Commodities                              | 0                               | 0                                   | <b>0</b>      | 0                               | 0                                   | <b>0</b>      |
| Infrastructure                           | 0                               | 471                                 | <b>471</b>    | 0                               | 218                                 | <b>218</b>    |
| Other                                    | 0                               | 712                                 | <b>712</b>    | 0                               | 651                                 | <b>651</b>    |
| <i>Sub-total</i>                         | 0                               | 57,640                              | <b>57,640</b> | 0                               | 51,947                              | <b>51,947</b> |
| <b>Derivatives:</b>                      |                                 |                                     |               |                                 |                                     |               |
| Foreign Exchange                         | 0                               | -273                                | <b>-273</b>   | 0                               | 0                                   | <b>0</b>      |
| Other                                    | 8                               | 0                                   | <b>8</b>      | -22                             | 0                                   | <b>-22</b>    |
| <b>Total Assets</b>                      | <b>20,502</b>                   | <b>75,294</b>                       | <b>95,796</b> | <b>14,807</b>                   | <b>69,990</b>                       | <b>84,797</b> |

## Sensitivity Analysis

The sensitivity of the principal assumptions used to measure the scheme liabilities are as follows:

| <b>Police Officer Pension Schemes - Change in assumptions at year ended 31 Mar 2014</b> | <b>Approx % increase to employer liability</b> | <b>Approx monetary amount (£000)</b> |
|---|--|--------------------------------------|
| 0.1% decrease in real discount rate   | 2%   | 19,400                               |
| 1 year increase in member life expectancy   | 3%   | 29,800                               |
| 0.5% increase in the salary increase rate   | 1%   | 15,700                               |
| 0.5% increase in the Pensions Increase Rate (CPI)                                       | 8%   | 83,600                               |

| <b>Local Government Pension Scheme - Change in assumptions at year ended 31 Mar 2014</b> | <b>Approx % increase to employer liability</b> | <b>Approx monetary amount (£000)</b> |
|--|--|--------------------------------------|
| 0.1% decrease in real discount rate  | 12%  | 15,338                               |
| 1 year increase in member life expectancy  | 3%   | 3,770                                |
| 0.5% increase in the salary increase rate  | 5%   | 6,010                                |
| 0.5% increase in the Pensions Increase Rate (CPI)  | 7%   | 9,009                                |

## Contributions Expected

The projected amount to be charged to Income and Expenditure for the year to 31 March 2015 is as follows:

| <b>Local Government Pension Scheme</b>        | <b>Assets</b> | <b>Obligations</b> | <b>Net (Liability)/Asset</b> |                 |
|---|---------------|--------------------|------------------------------|-----------------|
|   | <b>£000's</b> | <b>£000's</b>      | <b>£000's</b>                | <b>% of pay</b> |
| Current Service Cost                          |               | 5,158              | -5,158                       | -22.4%          |
| Past Service Cost inc curtailments            |               |                    |                              |                 |
| Effect of Settlements                         |               |                    |                              |                 |
| <i>Total Service Cost</i>                     |               | <i>5,158</i>       | <i>-5,158</i>                | <i>-22.4%</i>   |
| Interest Income on Plan Assets                | 4,176         |                    | 4,176                        | 18.1%           |
| Interest cost on Defined Benefit Obligation   |               | 5,495              | -5,495                       | -23.8%          |
| <i>Total Net Interest Cost</i>                | <i>4,176</i>  | <i>5,495</i>       | <i>-1,319</i>                | <i>-5.7%</i>    |
| <b>Total Included in Surplus/Deficit CIES</b> | <b>4,176</b>  | <b>10,653</b>      | <b>-6,477</b>                | <b>-28.1%</b>   |

| <b>Police Officer Pension Scheme</b>          | <b>Assets</b> | <b>Obligations</b> | <b>Net (Liability)/Asset</b> |                 |
|---|---------------|--------------------|------------------------------|-----------------|
|   | <b>£000's</b> | <b>£000's</b>      | <b>£000's</b>                | <b>% of pay</b> |
| Current Service Cost                          |               | 25,500             | -25,500                      | -66.0%          |
| Past Service Cost inc curtailments            |               |                    |                              |                 |
| Effect of Settlements                         |               |                    |                              |                 |
| <i>Total Service Cost</i>                     |               | <i>25,500</i>      | <i>-25,500</i>               | <i>-66.0%</i>   |
| Interest Income on Plan Assets                |               |                    |                              |                 |
| Interest cost on Defined Benefit Obligation   |               | 42,700             | -42,700                      | -110.5%         |
| <i>Total Net Interest Cost</i>                |               | <i>42,700</i>      | <i>-42,700</i>               | <i>-110.5%</i>  |
| <b>Total Included in Surplus/Deficit CIES</b> |               | <b>68,200</b>      | <b>-68,200</b>               | <b>-176.6%</b>  |

Contributions expected to be paid to the schemes during the month of April 2014 are as follows:

Police pension scheme employer's contributions: £0.762m: (£9.144m projected for the year)  
 Police pension scheme member's contributions: £0.422m:(£5.064m projected for the year)

Local Government pension scheme employer's contributions: £0.299m:(£3.588m projected for the year)  
 Local Government pension scheme member's contributions: £0.123m: (£1.476m projected for the year)

### The Police Pension Fund Account

(Police Officer's Pensions only). Under the Police Pension Fund Regulations 2006 it is not a requirement to meet the pension costs directly but to pay an employer's pension contribution of 24.2% of pay into a pension fund account.

If the Officers and employers contributions are insufficient to meet the cost of pension payments, a top up grant is paid by the Home Office to help meet this obligation. Any surplus on the pension fund account is repaid to the Home Office and the account is balanced to Nil at year end.

Should the pension fund account not be balanced to Nil by pension top up grant then the Police and Crime Commissioner's Group is liable for any additional contribution required.

For 2013/14 the net amount payable on the pension fund account before top up grant was £12.480m. A total amount of £10.999m in pension grant was received, leaving a net amount of £1.481m due from the Home Office.

The balance of £1.481m is included within the Balance Sheet of the Group as a debtor.

## 10 Injury Awards

The Police and Crime Commissioner's Group incurs costs relating to Injury Awards for employees forced to leave work through injury. The total cost for 2013/14 was £463,995 (£479,616 2012/13), this was financed through revenue.

## 11 Operating Leases

The amounts paid under operating leases in 2013/14 and the amounts required in future years are as follows.

| 2012/13<br>£000 |                 |       | Leased                          | 2013/14<br>£000 |                 |       |
|-----------------|-----------------|-------|---------------------------------|-----------------|-----------------|-------|
| Vehicle & Equip | Land & Building | Total |                                 | Vehicle & Equip | Land & Building | Total |
| 169             | 50              | 219   | Rentals Paid In Year            | 169             | 50              | 219   |
|                 |                 |       | Rentals Payable in Future Years |                 |                 |       |
| 169             | 50              | 219   | Within 1 Year                   | 169             | 50              | 219   |
| 273             | 158             | 431   | Within 2 to 5 Years             | 104             | 178             | 282   |
|                 | 40              | 40    | Later than 5 years              |                 | 40              | 40    |

## 12 Secondments

For 2013/14, £1.353m of costs were charged out to external establishments for officers and staff on secondment (£1.202m 2012/13). As at 31<sup>st</sup> March 2014 there were 20 employees working in external areas on secondment (17 as at 31<sup>st</sup> March 2013).

## 13 Minimum Revenue Provision for the Repayment of External Loans

The Local Authorities Capital Finance and Accounting Regulation requires Local Authorities to charge to the revenue account an amount equal to 4% of the Capital financing requirement, as defined by that Act, as a statutory minimum provision for the repayment of external debt (MRP). In 2013/14 and 2012/13 the amount charged to the Police and Crime Commissioner's Group accounts was £Nil as the Group had a negative credit ceiling (no debt) at the beginning of each year.

Due to PFI accounting requirements, a voluntary revenue provision of £338,449 has been charged to revenue in line with the reduction in Finance Lease Liability of the same amount (£311,941 2012/13).

## 14 Termination Benefits

The numbers of exit packages with total cost per band are set out in the table below, they were all compulsory redundancies.

| Exit package cost band | No. of compulsory redundancies |           | Total cost of exit packages in each band £'000 |           |
|------------------------|--------------------------------|-----------|--|-----------|
|                        | 2012/2013                      | 2013/2014 | 2012/2013                                      | 2013/2014 |
| £0-£20,000             | 23                             | 17        | 233  | 164       |
| £20,001-£40,000        | 3                              | 6         | 139  | 174       |
| £40,001-£60,000        |                                | 4         |  | 177       |
| £60,001-£80,000        |                                | 1         |  | 67        |
| £80,001-£100,000       | 3                              | 1         | 139  | 84        |

The total cost of exit packages includes early pension payments.

## 15 Property, Plant and Equipment and Other Assets

- **Capital Expenditure**

| <b>Total<br/>2012/13<br/>£000</b> |                     | <b>Land &amp;<br/>Buildings<br/>2013/14<br/>£000</b> | <b>Vehicles &amp;<br/>Equipment<br/>2013/14<br/>£000</b> | <b>Total<br/>2013/14<br/>£000</b> |
|-----------------------------------|---------------------|--|--|-----------------------------------|
| 2,138                             | Capital Expenditure | 514  | 3,576  | 4,090                             |
| <b>2,138</b>                      |                     | <b>514</b>   | <b>3,576</b>   | <b>4,090</b>                      |

- **Financing of Capital Expenditure**

| <b>2012/13<br/>£000</b> |                            | <b>2013/14<br/>£000</b> |
|-------------------------|----------------------------|-------------------------|
| 240                     | Capital Receipts           | 238                     |
| 1,059                   | Govt Grant                 | 939                     |
| 839                     | Revenue and other reserves | 2,913                   |
| <b>2,138</b>            |                            | <b>4,090</b>            |

Capital expenditure financing rules require all expenditure to be financed in the same year as the expenditure is incurred.

- **Capital Disposals**

| <b>Total<br/>GBV<br/>2012/13<br/>£000</b> |                   | <b>Land &amp;<br/>Buildings<br/>Disposed<br/>2013/14<br/>£000</b> | <b>Vehicles &amp;<br/>Equipment<br/>Disposed<br/>2013/14<br/>£000</b> | <b>Total<br/>GBV<br/>2013/14<br/>£000</b> |
|---|-------------------|---|---|---|
| 2,413                                     | Capital Disposals | 223   | 6,278   | 6,501                                     |
| <b>2,413</b>                              |                   | <b>223</b>  | <b>6,278</b>  | <b>6,501</b>                              |

Capital Disposals are at Gross Book Value. £3.2m of disposals relate to the Mobile Remote Working project which had nil Net Book Value and has been replaced with a new Mobile Working project.

- **Significant Commitments under Capital Contracts**

There are no significant commitments under capital contracts to be paid after 31 March 2014.

- **Valuation of Fixed Assets**

Fixed assets are included in the Balance Sheet at their current value, as described in the Statement of Accounting Policies. An analysis is given below:

| <b>2013/2014</b>                    | <b>Valuation<br/>2013/14<br/>£000</b> | <b>Less Cumulative<br/>Depreciation<br/>£000</b> | <b>Net Book<br/>Value<br/>£000</b> |
|-------------------------------------|---------------------------------------|--|------------------------------------|
| Land & Buildings                    | 35,060                                | 828  | 34,232                             |
| Surplus Assets                      |                                       |  |                                    |
| Investment Properties               | 556                                   |  | 556                                |
| Assets held for Sale                | 4,457                                 |  | 4,457                              |
| Vehicles, Furniture & Equipment     | 13,640                                | 9,514  | 4,126                              |
| Assets under construction (at cost) | 1,249                                 |  | 1,249                              |
|                                     | <b>54,962</b>                         | <b>10,342</b>                                    | <b>44,620</b>                      |

| <b>2012/2013</b>                    | <b>Valuation<br/>2012/13<br/>£000</b> | <b>Less Cumulative<br/>Depreciation<br/>£000</b> | <b>Net Book<br/>Value<br/>£000</b> |
|-------------------------------------|---------------------------------------|--|------------------------------------|
| Land & Buildings                    | 39,575                                | 874  | 38,701                             |
| Surplus Assets                      | 1,980                                 |  | 1,980                              |
| Investment Properties               | 348                                   |  | 348                                |
| Assets held for Sale                | 390                                   |  | 390                                |
| Vehicles, Furniture & Equipment     | 15,750                                | 12,987   | 2,763                              |
| Assets under construction (at cost) | 1,388                                 |  | 1,388                              |
|                                     | <b>59,431</b>                         | <b>13,861</b>                                    | <b>45,570</b>                      |

Depreciation is charged on a straight line basis for all assets. In general the following lives are utilised:

|                          |          |
|--------------------------|----------|
| Buildings, Police Houses | 50 years |
| Vehicles and Equipment   | 5 years  |
| IT Equipment             | 3 years  |

In some circumstances specific asset lives are used if it is considered that this will result in a fairer view of assets and revenue charges.

- **Details of Valuation of Wiltshire Police Properties**

The Police and Crime Commissioner for Wiltshire's freehold and leasehold properties were independently valued on 31 March 2014 by BNP Paribas Real Estate, Chartered Surveyors. The valuations were in accordance with the requirements of the International Valuation Standards and the RICS Valuation Standards. The valuation of each property was on the basis of Fair Value, subject to the following assumptions:

- i) For Owner Occupied Property: that the property would continue to be owner occupied as part of the continuing business.
- ii) For Investment Property: that the property would be sold subject to the existing leases without alteration or modification of the terms.

The valuer's opinion of Fair Value was primarily derived from comparable recent market transactions on arms length terms.

The valuation has been carried out by Julia Lock MRICS and David Stubbs FRICS of BNP Paribas.

- **Impaired Assets**

The qualified surveyors have not identified any impaired assets as held as at 31 March 2014.

- **Componentisation**

Where an asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately

- **Statement of Physical Assets**

This Statement indicates the broad categories of non-current assets of the Police and Crime Commissioner. The code only requires that a broad-based summary of assets should be shown.

| 2012/13 |  | 2013/14 |
|---------|--|---------|
|         | <b>Land (hectares)</b>                         |         |
| 21      | Developed                                      | 21      |
| 0       | Undeveloped                                    | 0       |
|         | <b>Buildings (numbers)</b>                     |         |
| 7       | Police Houses                                  | 6       |
| 23      | Police Stations                                | 23      |
| 2       | Radio Aerial Sites                             | 2       |
|         | <b>Vehicles, Plant and Equipment (numbers)</b> |         |
| 77      | Vans   | 74      |
| 421     | Police Vehicles                                | 400     |
| 22      | Police Motorcycles                             | 22      |

The assets reported in this statement are only those owned by the Group.

- **Investment Properties**

The Police and Crime Commissioner has four properties in the portfolio held as capital investments; Devizes Skid Pan, Salisbury land (area of land at rear of Wilton Road police station), Highworth land and Wroughton land.

There was no rental or direct operating expenditure relating to these investments during 2013/14. There are no restrictions on the ability to realise the value inherent in the investment property or on the right to the remittance of income and the proceeds of disposal. The Police and Crime Commissioner for Wiltshire has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

- **Assets Held for Sale**

The Police and Crime Commissioner has six properties held for sale within the year; Chippenham police station, Salisbury HQ, Corsham police station, a building at Bulford Camp, and radio masts at Mere and Morgans Hill.

- **Movements of Property, Plant and Equipment (PPE) and Other Assets**

| <b>2013/2014</b>   | <b>Land &amp; Buildings</b> | <b>Investment Properties</b> | <b>Assets for Sale</b>      | <b>Vehicles &amp; Equipment</b> | <b>Assets Under Construction</b> | <b>Total</b>   |
|--|-----------------------------|------------------------------|-----------------------------|---------------------------------|----------------------------------|----------------|
| <b>Cost or Valuation</b>   | <b>£000</b>                 | <b>£000</b>                  | <b>£000</b>                 | <b>£000</b>                     | <b>£000</b>                      | <b>£000</b>    |
| <b>Balance at 1 April 2013</b>   | <b>41,555</b>               | <b>348</b>                   | <b>390</b>                  | <b>15,750</b>                   | <b>1,388</b>                     | <b>59,431</b>  |
| Additions  | 34                          |                              |                             | 2,979                           | 1,077                            | 4,090          |
| Disposals  |                             |                              | -223                        | -6,278                          |                                  | -6,501         |
| Reclassify assets  | -4,486                      | 196                          | 4,290                       | 1,216                           | -1,216                           |                |
| Revaluations recognised in the surplus/deficit on the provision of services  | -1,822                      | 12                           |                             | -27                             |                                  | -1,837         |
| Revaluations recognised in the Revaluation Reserve                           | -221                        |                              |                             |                                 |                                  | -221           |
| Balance at 31 March 2014   | 35,060                      | 556                          | 4,457                       | 13,640                          | 1,249                            | 54,962         |
| <b>Depreciation</b>  | <b>Land &amp; Buildings</b> | <b>Investment Properties</b> | <b>Assets held for Sale</b> | <b>Vehicles &amp; Equipment</b> | <b>Assets Under Construction</b> | <b>Total</b>   |
|  | <b>£000</b>                 | <b>£000</b>                  | <b>£000</b>                 | <b>£000</b>                     | <b>£000</b>                      | <b>£000</b>    |
| <b>Balance at 1 April 2013</b>   | <b>-874</b>                 |                              |                             | <b>-12,987</b>                  |                                  | <b>-13,861</b> |
| Charge for the year  | -828                        |                              |                             | -2,734                          |                                  | -3,562         |
| Depreciation written out to the surplus/deficit on the provision of services | 439                         |                              |                             |                                 |                                  | 439            |
| Depreciation written out to the Revaluation Reserve                          | 435                         |                              |                             |                                 |                                  | 435            |
| Disposals  |                             |                              |                             | 6,207                           |                                  | 6,207          |
| Balance at 31 March 2014   | -828                        |                              |                             | -9,514                          |                                  | -10,342        |
| <b>Net Book Value at 31 March 2014</b>                                       | <b>34,232</b>               | <b>556</b>                   | <b>4,457</b>                | <b>4,126</b>                    | <b>1,249</b>                     | <b>44,620</b>  |

Nature of Asset Holding 2013/2014:

|       |               |            |              |              |              |               |
|-------|---------------|------------|--------------|--------------|--------------|---------------|
| Owned | 23,222        | 556        | 4,457        | 4,126        | 1,249        | 33,610        |
| PFI   | 11,010        |            |              |              |              | 11,010        |
|       | <b>34,232</b> | <b>556</b> | <b>4,457</b> | <b>4,126</b> | <b>1,249</b> | <b>44,620</b> |



| <b>2012/2013</b>                       | <b>Land &amp; Buildings</b> | <b>Investment Properties</b> | <b>Assets for Sale</b>      | <b>Vehicles &amp; Equipment</b> | <b>Assets Under Construction</b> | <b>Total</b>   |
|--|-----------------------------|------------------------------|-----------------------------|---------------------------------|----------------------------------|----------------|
| <b>Cost or Valuation</b>               | <b>£000</b>                 | <b>£000</b>                  | <b>£000</b>                 | <b>£000</b>                     | <b>£000</b>                      | <b>£000</b>    |
| <b>Balance at 1 April 2012</b>         | <b>45,530</b>               | <b>348</b>                   | <b>167</b>                  | <b>16,645</b>                   | <b>731</b>                       | <b>63,421</b>  |
| Additions                              | 58                          |                              |                             | 1,423                           | 657                              | 2,138          |
| Disposals                              | -170                        |                              |                             | -2,243                          |                                  | -2,413         |
| Reclassify assets                      | -223                        |                              | 223                         |                                 |                                  |                |
| Depreciation write back on revaluation | -2,342                      |                              |                             |                                 |                                  | -2,342         |
| Revaluations to CAA                    | -1,834                      |                              |                             | -75                             |                                  | -1,909         |
| Revaluation Reserve                    | 536                         |                              |                             |                                 |                                  | 536            |
| Balance at 31 March 2013               | 41,555                      | 348                          | 390                         | 15,750                          | 1,388                            | 59,431         |
| <b>Depreciation</b>                    | <b>Land &amp; Buildings</b> | <b>Investment Properties</b> | <b>Assets held for Sale</b> | <b>Vehicles &amp; Equipment</b> | <b>Assets Under Construction</b> | <b>Total</b>   |
|  | <b>£000</b>                 | <b>£000</b>                  | <b>£000</b>                 | <b>£000</b>                     | <b>£000</b>                      | <b>£000</b>    |
| <b>Balance at 1 April 2012</b>         | <b>-2,346</b>               |                              |                             | <b>-12,484</b>                  |                                  | <b>-14,830</b> |
| Charge for the year                    | -874                        |                              |                             | -2,688                          |                                  | -3,562         |
| Depreciation write back on revaluation | 2,342                       |                              |                             |                                 |                                  | 2,342          |
| Disposals                              | 4                           |                              |                             | 2,185                           |                                  | 2,189          |
| Balance at 31 March 2013               | -874                        |                              |                             | -12,987                         |                                  | -13,861        |
| <b>Net Book Value at 31 March 2013</b> | <b>40,681</b>               | <b>348</b>                   | <b>390</b>                  | <b>2,763</b>                    | <b>1,388</b>                     | <b>45,570</b>  |

Nature of Asset Holding 2012/2013:

|       |               |            |            |              |              |               |
|-------|---------------|------------|------------|--------------|--------------|---------------|
| Owned | 28,699        | 348        | 390        | 2,763        | 1,388        | 33,588        |
| PFI   | 11,982        |            |            |              |              | 11,982        |
|       | <b>40,681</b> | <b>348</b> | <b>390</b> | <b>2,763</b> | <b>1,388</b> | <b>45,570</b> |

For PFI transaction details please see note 7.

It should be noted that under the accounting rules an asset cannot be revalued to a lower level using the revaluation reserve unless the specific asset has prior gains in the revaluation reserve. Therefore any revaluations which reduce the value of an asset with no associated balance for prior gains are accounted for with a charge to the provision of services. This charge to revenue is then removed through the Capital Adjustment Account to prevent any impact on Council Tax.

The Assets Under Construction are incomplete Capital projects, held at current value, which are yet to be categorised and given certification for the Balance Sheet. The main project under construction at 31<sup>st</sup> March 2014 was the refurbishment of the Emergency Contact Centre, currently valued at £0.480m.

## 16 Debtors

These represent sums owed to the Police and Crime Commissioner's Group for supplies and services provided on or before 31 March 2014, but not received at that date.

| <b>2012/13<br/>£000</b> |                                       | <b>2013/14<br/>£000</b> |
|-------------------------|---------------------------------------|-------------------------|
| 5,220                   | Central Government Bodies             | 2,542                   |
| 3,424                   | Other Local Authorities               | 1,786                   |
| 401                     | NHS bodies                            | 70                      |
| 1,696                   | Bodies external to general government | 3,529                   |
| <b>10,741</b>           | <b>Total short term debtors</b>       | <b>7,927</b>            |

The 2013/14 figure for central government bodies includes £1.481m due from the Home Office for the pension fund top up grant and £0.462m VAT claims not yet received from HMRC.

The amounts due from external bodies includes £1.942m for pension prepayments (paid a month in advance).

The amounts due from other local authorities includes £1.338m for Collection Fund debtors – this is explained in the policies.

Long term debts totalled £6,000 as at 31 March 2014.

## 17 Creditors

These represent sums owed by the Police and Crime Commissioner's Group for supplies and services received on or before 31 March 2014, but not paid for at this date.

| <b>2012/13<br/>£000</b> |                                       | <b>2013/14<br/>£000</b> |
|-------------------------|---------------------------------------|-------------------------|
| -3,003                  | Central Government Bodies             | -2,106                  |
| -1,713                  | Other Local Authorities               | -2,986                  |
| -210                    | NHS bodies                            | -21                     |
| -5,047                  | Bodies external to general government | -4,184                  |
| <b>-9,973</b>           | <b>Total</b>                          | <b>-9,297</b>           |

The 2013/14 figure for central government bodies includes £1.560m for the national insurance contributions not paid over at 31 March.

The amounts owed to external bodies includes a £0.503m payment in advance received towards provision of the helicopter service and an employee benefits accrual of £0.325m for employee leave not taken at 31 March.

The amounts owed to local authorities includes £0.651m for Collection Fund accruals – this is explained in the policies.

## 18 Provisions

|                                       | Insurance 2013/14<br>£000 | Other 2013/14<br>£000 |
|---------------------------------------|---------------------------|-----------------------|
| Balance as at 1 April                 | -1,578                    | -1                    |
| Additional Provisions made in 2013/14 |                           |                       |
| Amounts Used in 2013/14               | 754                       |                       |
| Unused Amounts Reversed in 2013/14    |                           |                       |
| <b>Total</b>                          | <b>-824</b>               | <b>-1</b>             |

Included within the 2013/14 provision total is £0.824 million relating to insurance (£1.578m 2012/13). This provision is for both reserves and costs which may become payable and relates to both employers liability and civil claims. To the best of our knowledge the payments will be made in the coming year so it is disclosed in the Balance Sheet as a short term provision.

## 19 Police Property Act

The Police and Crime Commissioner operates a holding account, for seized monies and the sale proceeds of seized and unclaimed property under the Police (Property) Regulation 1997. In accordance with the regulation, these monies and proceeds are distributed to local charities as approved by the Group. The balance for distribution stands at £24,653 at 31 March 2014 (£34,906 2012/13) and is included as a creditor.

## 20 Drugs Forfeiture Fund

This fund is credited with the confiscated proceeds of illegal drug dealings. These funds are used to finance equipment and other purchases to contribute towards combating drug related crime and are included as a creditor. The balance available on the account as at 31 March 2014 was £17,199 (£16,845 2012/13).

## 21 Seized Cash Account

This account is for confiscated funds held by the Police and Crime Commissioner under specific individuals where judgements are outstanding at court. As at 31 March 2014 the balance in the bank was £295,957 (£317,295 2012/13). As these are not the Police and Crime Commissioner's funds they are not included within the Police and Crime Commissioner's Group Balance Sheet.

## 22 Government Grants

The code of practice requires that government grants received are charged to the Comprehensive Income and Expenditure Statement at the time the grant conditions are met. This includes Capital grants which in the past would have been accounted for as deferred grant and then subject to amortisation. £0.939m of Capital Grants received in 2013/14 were charged to the Comprehensive Income and Expenditure Statement in line with this.

Where conditions are outstanding, grants are held as a creditor in a Government Grants Receipts in Advance Account in the top of the Balance Sheet. Where conditions are met but the grant has not been utilised, they are held in the Government Grants Unapplied Account under Usable Reserves.

## 23 Contingent Liabilities

Other than liabilities that are covered by the Group's normal insurance arrangements there are no known liabilities.

## 24 Post Balance Sheet Events

The 2012/13 comparative figures in the Comprehensive Income and Expenditure Statement have been restated for the following:

To represent the Chief Constable's use of the PCC's assets, there is a charge of £14.4m to the CC which is equivalent to the running costs and capital financing incurred by the PCC. This charge has not previously been applied to the accounts.

The financial statements and notes have not been adjusted for the following event which occurred after the 31<sup>st</sup> March 2014. This event provides information that is relevant to the understanding of the financial position but does not relate to conditions at that date:

The Assets Held for Sale in the Balance Sheet contains a valuation of £2.29m for Salisbury Police HQ. The sale of the property was completed on 1<sup>st</sup> August 2014 for £2.00m.

## 25 Usable Reserves

| 2012/13<br>£000 |                              | 2013/14<br>£000 |
|-----------------|------------------------------|-----------------|
| 0               | Capital Receipts Reserve     | 0               |
| 19,332          | Other Earmarked Reserves     | 21,536          |
| 4,268           | General Fund Reserve         | 3,153           |
| <b>23,600</b>   | <b>Total Usable Reserves</b> | <b>24,689</b>   |

### Capital Receipts Reserve

Capital receipts are funds received by the Police and Crime Commissioner from the sale of capital assets. A debt free status and negative credit ceiling was maintained in 2013/14; there was no requirement to set aside any receipts for the redemption of debt under The Local Government and Housing Act 1989.

Movements in the Capital Receipts Reserve are detailed in the Movement in Reserves Statement and further in the note to the accounts for Adjustments between Accounting Basis and Funding Basis under Regulations.

### The General Fund Reserve

The balance on this fund is the accumulated surplus of the Police and Crime Commissioner's Group revenue income over its revenue expenditure at 31 March 2014.

Movements in the General Reserve are detailed in the Movement in Reserves Statement and further in the note to the accounts for Adjustments between Accounting Basis and Funding Basis under Regulations.

## Earmarked Reserves

These represent funds that have been earmarked for specific purposes to cover future liabilities. Details on some of the major reserves are disclosed under the table below:

| Balance<br>1 April 2013<br>£000 |                                 | Additions<br>to reserve<br>£000 | Deductions<br>from reserve<br>£000 | Movement<br>2013/14<br>£000 | Balance<br>31 March 2014<br>£000 |
|---------------------------------|---------------------------------|---------------------------------|------------------------------------|-----------------------------|----------------------------------|
| 400                             | Insurance Reserve               |                                 |                                    |                             | 400                              |
| 206                             | Incentivisation Reserve         |                                 | -39                                | -39                         | 167                              |
| 280                             | Pension III Health Reserve      |                                 |                                    |                             | 280                              |
| 8,035                           | Capital Development Reserve     | 7,017                           | -1,860                             | 5,157                       | 13,192                           |
| 100                             | Fleet Man Trading Reserve       |                                 |                                    |                             | 100                              |
| 22                              | MAPPA Reserve                   | 1                               |                                    | 1                           | 23                               |
| 40                              | Family Justice Centre           |                                 | -40                                | -40                         | 0                                |
| 587                             | Regional Remote Reserve         |                                 | -587                               | -587                        | 0                                |
| 50                              | Uniforms Reserve                |                                 | -50                                | -50                         | 0                                |
| 294                             | Training Reserve                |                                 | -194                               | -194                        | 100                              |
| 800                             | Restructuring Reserve           | 400                             | -400                               |                             | 800                              |
| 49                              | Road Safety Initiatives         |                                 |                                    |                             | 49                               |
| 43                              | Local Resilience Forum (LRF)    | 3                               |                                    | 3                           | 46                               |
| 44                              | Switch IOM                      | 68                              |                                    | 68                          | 112                              |
| 1,067                           | CC Operational Reserve          |                                 | -16                                | -16                         | 1,051                            |
| 1,000                           | Community Safety Innovation     |                                 | -299                               | -299                        | 701                              |
| 5,814                           | Investment Reserve              |                                 | -4,844                             | -4,844                      | 970                              |
| 355                             | Budget Smoothing Reserve        | 500                             | -355                               | 145                         | 500                              |
| 146                             | Regional Projects Reserve       | 104                             |                                    | 104                         | 250                              |
|                                 | Estates Transformation          | 4,500                           | -4,017                             | 483                         | 483                              |
|                                 | Swindon Transformation Hub      | 300                             |                                    | 300                         | 300                              |
|                                 | Held Property Reserve           | 606                             |                                    | 606                         | 606                              |
|                                 | Officer Intake Strategy         | 1,406                           |                                    | 1,406                       | 1,406                            |
| <b>19,332</b>                   | <b>Total Earmarked Reserves</b> | <b>14,905</b>                   | <b>-12,701</b>                     | <b>2,204</b>                | <b>21,536</b>                    |

For comparative purposes, the details of the 2012/2013 reserves are as follows:

| Balance<br>1 April 2012<br>£000 |                                 | Additions<br>to reserve<br>£000 | Deductions<br>from reserve<br>£000 | Movement<br>2012/13<br>£000 | Balance<br>31 March 2013<br>£000 |
|---------------------------------|---------------------------------|---------------------------------|------------------------------------|-----------------------------|----------------------------------|
| 400                             | Insurance Reserve               |                                 |                                    |                             | 400                              |
| 206                             | Incentivisation Reserve         |                                 |                                    |                             | 206                              |
| 215                             | Pension III Health Reserve      | 65                              |                                    | 65                          | 280                              |
| 7,883                           | Capital Development Reserve     | 152                             |                                    | 152                         | 8,035                            |
| 100                             | Fleet Man Trading Reserve       |                                 |                                    |                             | 100                              |
| 40                              | MAPPA Reserve                   |                                 | -18                                | -18                         | 22                               |
| 40                              | Family Justice Centre           |                                 |                                    |                             | 40                               |
| 1,081                           | Regional Remote Reserve         |                                 | -494                               | -494                        | 587                              |
| 42                              | Uniforms Reserve                | 8                               |                                    | 8                           | 50                               |
| 294                             | Training Reserve                |                                 |                                    |                             | 294                              |
| 681                             | Restructuring Reserve           | 557                             | -438                               | 119                         | 800                              |
| 49                              | Road Safety Initiatives         |                                 |                                    |                             | 49                               |
| 43                              | Local Resilience Forum (LRF)    |                                 |                                    |                             | 43                               |
|                                 | Switch IOM                      | 44                              |                                    | 44                          | 44                               |
|                                 | CC Operational Reserve          | 1,067                           |                                    | 1,067                       | 1,067                            |
|                                 | Community Safety Innovation     | 1,000                           |                                    | 1,000                       | 1,000                            |
|                                 | Investment Reserve              | 5,814                           |                                    | 5,814                       | 5,814                            |
|                                 | Budget Smoothing Reserve        | 355                             |                                    | 355                         | 355                              |
| 146                             | Regional Projects Reserve       |                                 |                                    |                             | 146                              |
| 37                              | Criminal Courts Act             |                                 | -37                                | -37                         | 0                                |
| 65                              | ACPO VPP Reserve                |                                 | -65                                | -65                         | 0                                |
| 9                               | LCJB Grant                      |                                 | -9                                 | -9                          | 0                                |
| 50                              | NPT Police Points               |                                 | -50                                | -50                         | 0                                |
| 50                              | Removal Exp Reserve             |                                 | -50                                | -50                         | 0                                |
| 92                              | Domestic Violence               |                                 | -92                                | -92                         | 0                                |
| 48                              | Impact Grant                    |                                 | -48                                | -48                         | 0                                |
| 150                             | PFI Development Fund            |                                 | -150                               | -150                        | 0                                |
| <b>11,721</b>                   | <b>Total Earmarked Reserves</b> | <b>9,062</b>                    | <b>-1,451</b>                      | <b>7,611</b>                | <b>19,332</b>                    |

Insurance Reserve – In previous years it has been necessary to raise excess levels to ensure premiums are kept to a minimum. Whilst doing this, the risk to the Group increases. This reserve provides financial cover in the event of a higher than normal level of claims.

Incentivisation Reserve – This reserve was set up to smooth out the variances in income received from incentivisation over future years.

Pension Ill Health Reserve – This reserve has been established to cover any additional pension expenditure that might arise from ill health retirements.

Capital Development Reserve – This is an earmarked revenue reserve for use in future capital developments. The contribution to the reserve represents a direct investment in the capital plan surrounding the estate.

Fleet Managers Trading Reserve – Annually the Group hosts the national Police Fleet Managers Conference. This reserve has been built up in previous years and is the working capital used by the conference to manage its activities.

Regional Remote Reserve - These finances were obtained via the regional collaboration programme and were transferred to the Police and Crime Commissioner for Dorset to implement the regional project.

Training Reserve – This reserve holds funding for delayed training costs due to the current restructuring of the organisation.

Restructuring Reserve – These funds are to cover the cost of redundancies and any one off costs relating to the restructure of the organisation.

CC Operational Reserve – The Financial Code of Practice requires that an operational contingency be available to the Chief Constable for operational priorities without the need of additional approval. The level of this reserve is set at 1% of Revenue Budget.

Community Safety Innovation – In line with the Policing and Crime Plan, this reserve enables the Police and Crime Commissioner to allocate finances to pump-prime community initiatives in line with the priorities.

Investment Reserve – This reserve is intended to finance one-off investment in the Police Service to improve service to the public and improve efficiency.

Budget Smoothing Reserve – These are funds put aside to cover the expected shortfall in savings required.

Regional Projects - This reserve has been established to fund Wiltshire's contributions to a number of regional/bi-lateral partnerships being implemented in future years.

Estates Transformation Reserve – This funding is available for future, to be approved, estates projects.

Officer Intake Strategy Reserve – This reserve enables consistent recruitment of police officers over the next three years, funding peaks of officers above the budget level.

Swindon Transformation Hub – This reserve is for funding set aside to facilitate the Wiltshire Police contribution to the change programme being implemented in Swindon.

Held Property Project Reserve – These funds are available for the three year project to review, dispose and sort held property assets.

Other Reserves – Minor reserves also exist that relate to various funding initiatives. Where income has not been spent in year the balances have been transferred to specific reserves to ensure funding is available for when the expenditure is actually incurred.

## 26 Unusable Reserves

| 2012/13<br>£000 |                                    | 2013/14<br>£000 |
|-----------------|------------------------------------|-----------------|
| 15,457          | Capital Adjustment Account         | 14,924          |
| 9,157           | Revaluation reserve                | 9,080           |
| -918,010        | Pension Reserve                    | -1,021,381      |
| 407             | Collection Fund Adjustment Account | 687             |
| -923            | Accumulated Absences Account       | -325            |
| <b>-893,912</b> | <b>Total Unusable Reserves</b>     | <b>-997,015</b> |

### Capital Adjustment Account

The Capital Adjustment Account is credited with all sources of capital financing for the year other than loans. It is debited for all items relating to capital expenditure charged to the Comprehensive Income and Expenditure Statement.

| 2012/13<br>£000 |   | 2013/14<br>£000            |
|-----------------|---|----------------------------|
| 18,428          | CAA Balance at 01 April   | 15,457                     |
|                 | <i>Reversal of Capital items charged to Income &amp; Expenditure:</i> |                            |
| -1,801          | Revaluations  | -1,336                     |
| -224            | Disposals   | -294                       |
| -107            | Deminimis   | -62                        |
| -3,563          | Depreciation  | See also Note 17<br>-3,562 |
| -5,695          |   | -5,254                     |
| 275             | Adjustments to Revaluation Reserve                                    | See also Note 32<br>292    |
| -5,420          | Net written out amount of asset costs consumed in year                | -4,962                     |
|                 | <i>Capital financing applied in the year:</i>                         |                            |
| 240             | Capital financing from Capital Receipts Reserve                       | 238                        |
| 1,059           | Capital financing grants charged to Income & Expenditure              | 939                        |
|                 | Capital financing from Capital Grants Unapplied Account               |                            |
| 838             | Capital financing charged to the General Fund                         | 2,914                      |
| 312             | Finance Lease Liability Redemption                                    | See also Note 8<br>338     |
| 2,449           |   | 4,429                      |
| <b>15,457</b>   | <b>Balance at 31 March</b>  | <b>14,924</b>              |



## Revaluation Reserve

The accounting entries on the Revaluation Reserve represent adjustments for the gains on revaluation of assets.

| 2012/13<br>£000 |   | 2013/14<br>£000 |
|-----------------|---|-----------------|
| 8,897           | Balance at 1 April  | 9,157           |
| 535             | Disposals – Revaluation Balances to CAA<br>Revaluation Gain/(Loss) See also Note 17 | 215             |
| -275            | Depreciate Revaluation Gains to CAA   | -292            |
| <b>9,157</b>    | <b>Balance at 31 March</b>  | <b>9,080</b>    |

## Pension Reserve

The balance on this reserve represents the Police and Crime Commissioner's Group commitment for future payment of retirement benefits. The total deficit of £1.021m for 2013/14 has a substantial impact on the net worth of the Group shown on the balance sheet. However, the financial position of the Group remains healthy because the deficit on the local government scheme will be funded by increased contributions over the remaining working life of employees, as assessed by the scheme actuary, and funding to cover police pensions is only required when the pensions payments are actually made.

| 2012/13<br>£000 |  | 2013/14<br>£000   |
|-----------------|--|-------------------|
| -781,454        | Balance as at 1 April  | -918,010          |
| -103,998        | Actuarial gains or losses on pensions assets and liabilities   | -57,773           |
| -60,464         | Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | -70,902           |
| 27,908          | Employer's pensions contributions and direct payments to pensioners payable in year  | 25,304            |
| <b>-918,010</b> | <b>Balance as at 31 March</b>  | <b>-1,021,381</b> |

### Collection Fund Adjustment Account

The surplus or deficit on the Council Tax Collection Fund must be attributed to individual authorities in each financial period and debtor/creditor balances for council tax payers are split between the billing authority and the major precepting authorities.

| 2012/13<br>£000 |  | 2013/14<br>£000 |
|-----------------|--|-----------------|
| 594             | Balance at 1 April   | 407             |
| -187            | Amount by which Council tax income credited to the Comprehensive Income and Expenditure statement is different from Council tax income calculated for the year in accordance with statutory requirements | 280             |
| <b>407</b>      | <b>Balance at 31 March</b>   | <b>687</b>      |

### Accumulated Absences Account

The Police and Crime Commissioner's Group is required to account for employee benefits in the period that they are earned by employees.

The Group operates a flexi leave system and has a policy that allows employees to carry over a maximum of 5 days annual leave and 11 hours flexi leave.

The flexi leave is run as a manual records system and the flexi leave accrual for 2010/11 was £128k; it is not cost effective to collect this data and no flexi leave accrual has been posted for 2013/14 due to the immaterial value.

Time off in Lieu (TOIL) and Annual Leave (A/L) are recorded on an electronic system and the result is that the Group has a £0.325 million accrual for employee leave entitlements carried over at 31 March 14.

For 2013/14 there is a £0.598 million decrease in the net cost of services where the accrual has decreased from £0.923 million in 2012/13, this is reversed out in the Movement in Reserves Statement so as to avoid any impact on Council Tax.

| 2012/13<br>£000 |   | 2013/14<br>£000 |
|-----------------|---|-----------------|
| -640            | Balance as at 1 April   | -923            |
| 640             | Settlement or cancellation of accrual made at the end of the preceding year   | 923             |
| -923            | Amounts accrued at the end of the current year  | -325            |
| -283            | Amount by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 598             |
| <b>-923</b>     | <b>Balance as at 31 March</b>   | <b>-325</b>     |

## 27 Cash Flow

The Accounts and Audit Regulations require disclosure of a statement of source and application of funds. The Cash Flow Statement satisfies this requirement. The statement includes all the Police and Crime Commissioner for Wiltshire's Group operations, revenue and capital, excluding internal transactions. It thus shows total receipts and total payments and how the difference between the two was financed.

- **Reconciliation to the Income and Expenditure Account**

| 2012/13<br>£000 |   | 2013/14<br>£000 |
|-----------------|---|-----------------|
| - 32,816        | <b>Surplus/(Deficit) on Income and Expenditure Account</b>              | - 44,457        |
| 120             | Movement in debtors   | 2,892           |
| -30             | Movement in stocks  | 106             |
| 1,851           | Movement in creditors   | 131             |
| -115            | Movement in provisions and other balances                               | -754            |
| 35,756          | Adjustments between Accounting Basis and Funding Basis under Regulation | 45,547          |
| 838             | Net Cash Flows from Investing Activities                                | 2,913           |
| 312             | Net Cash Flows from Financing Activities                                | 338             |
| <b>5,916</b>    | <b>Net Cash Flows from Operating Activities</b>                         | <b>6,716</b>    |

- **Movement in Cash and Cash Equivalents**

| Movement<br>2012/13<br>£000 |                | Balance<br>1 April 2013<br>£000 | Balance<br>31 March 2014<br>£000 | Movement<br>2013/14<br>£000 |
|-----------------------------|----------------|---------------------------------|----------------------------------|-----------------------------|
| -5,931                      | Cash in Hand   | 6,059                           | 13,117                           | 7,058                       |
| 6,602                       | Cash Overdrawn | -7,978                          | -13,297                          | -5,319                      |
| 4,095                       | Investments    | 24,285                          | 26,012                           | 1,726                       |
| <b>4,766</b>                | <b>Total</b>   | <b>22,366</b>                   | <b>25,832</b>                    | <b>3,465</b>                |

There were no long term investments held at 31 March 2014. However, net short-term deposits of £26.012 million were invested with approved institutions and have been shown at market value.

- **Analysis of Specific Government Grants**

| <b>£000<br/>2012/13</b> |                              | <b>£000<br/>2013/14</b> |
|-------------------------|------------------------------|-------------------------|
| -2,068                  | PFI Swindon Facilities Grant | -2,068                  |
| -2,805                  | Community Support Officers   |                         |
| -1,336                  | Security Funding Spec Grant  | -1,119                  |
| -1,203                  | Council Tax Freeze Grant     |                         |
|                         | PCC Community Safety Grant   | -477                    |
| -405                    | PFI Air Support Grant        | -253                    |
| -304                    | Other Grants                 | -256                    |
| <b>-8,121</b>           | <b>Total</b>                 | <b>-4,173</b>           |

This income is included within the Cash Flow Statement under 'Cash received for Goods and Services' and in the Comprehensive Income and Expenditure Account as Specific Grants. Community Support Officer grant and Council Tax Freeze grant form part of the main Police Grant (general grant income) from 2013/14.

## 28 Financial Instruments

Financial assets and liabilities held by The Police and Crime Commissioner for Wiltshire's Group are shown on the face of the accounts and in the related notes. The items considered to be financial instruments are Debtors, Creditors, Interest, Investments, and cash.

Disclosure of nature and extent of risks arising from financial instruments:

- Credit risk: the possibility that other parties may fail to pay amounts due to Wiltshire Police
- Liquidity risk: the possibility that the Group might not have funds available to meet its commitments to make payments
- Market risk: the possibility that financial loss might arise for the Group as a result of changes in such measures as interest rates and stock market movements

The Treasury's risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Police and Crime Commissioner in the Annual Treasury Management Strategy. Through the strategy written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash are provided.

### **Credit risk:**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Group's customers. The credit criteria in respect of financial assets held by the Police and Crime Commissioner are as detailed below:

Credit ratings are monitored on a weekly basis, by the treasury management providers (Wiltshire Council). The Council uses the creditworthiness service provided by Sector. This service is based on a sophisticated modelling approach, with credit ratings from all three rating agencies (Fitch, Moodys and Standard and 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:

- a) Credit watches and credit outlooks from credit rating agencies;
- b) CDS spreads to give early warning of likely changes in credit ratings; and
- c) Sovereign ratings to select counterparties from only the most creditworthy countries, monitored against ratings issued by Fitch Ratings Ltd.

The DCLG Guidance on Local Government Investments is to select the creditworthiness of counterparties with whom to place investments.

The Police and Crime Commissioner follows this advice but in addition applies limits on the amount of money that can be lent to any of these institutions or groups of institutions as follows:

UK incorporated banks with a short term credit rating of at least F1+ and a long term credit rating of at least AA – £8 million

Other UK Incorporated banks - £5 million

Overseas banks that have a long term credit rating of at least AA+ - £8 million

Other overseas banks - £5 million

Local Authorities and other public bodies - £8 million

Building Societies - £5 million

Money Market Funds - £5 million

The following analysis summarises the Police and Crime Commissioner's potential maximum exposure to credit risk, based on experience of default and write-offs over the last five financial years:

|  | <b>Amount at 31 March 2014</b> | <b>Historical experience of default</b> | <b>Historical experience adjusted for market conditions at 31 March 2014</b> | <b>Estimated maximum exposure to default and uncollectability</b> | <b>Estimated maximum exposure at 31 March 2014</b> |
|--|--------------------------------|---|--|---|--|
|  | <b>£'000</b>                   | <b>%</b>                                | <b>%</b>   | <b>£000</b>   | <b>£'000</b>                                       |
| Deposits with banks and financial institutions | 26,012                         | 0                                       | 0  | 0   | 0  |

As reflected by the zeros in the table above, the Police and Crime Commissioner's exposure to risk is minimised by limiting the deposits to short term only. The deposits along with the net bank balance of £178k overdrawn make up the Balance Sheet cash & cash equivalents of £25,832.

The Police and Crime Commissioner's Group does not allow credit for customers, such that the balance on the Accounts Receivable ledger at 31 March 2014 relates to short term trade receivables and any risk is minimal. For the Accounts Receivable Ledger, the total value of debtors, excluding items arising under legislation (tax, NI etc), can be analysed as follows:

| <b>Receivables</b><br>(Loans & Receivables) | <b>31-Mar-13</b><br><b>£'000</b> | <b>31-Mar-14</b><br><b>£'000</b> |
|---|----------------------------------|----------------------------------|
| Less than 3 months                          | 1,131                            | 702                              |
| 3 to 6 months                               | 8                                | 16                               |
| Over 6 months                               | 129                              | 148                              |
|   | <b>1,268</b>                     | <b>866</b>                       |

For the Accounts Payable Ledger, the total value of creditors, excluding stock items and items arising under legislation (tax, NI etc), can be analysed as follows:

| <b>Payables</b><br>(Amortised Cost) | <b>31-Mar-13</b><br><b>£'000</b> | <b>31-Mar-14</b><br><b>£'000</b> |
|-------------------------------------|----------------------------------|----------------------------------|
| Less than 3 months                  | 643                              | 755                              |
| 3 to 6 months                       | 1                                | 21                               |
| Over 6 months                       | -71                              | 29                               |
|                                     | 573                              | 805                              |

The figure for over 6 months is for invoices under dispute.

### **Liquidity risk:**

The Police and Crime Commissioner has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. Issues of affordability, prudence and sustainability of borrowing are of limited relevance due to the debt-free status. These issues will only have to be considered in detail if the decision is made to borrow in the medium term.

To date the Police and Crime Commissioner has managed to operate on a debt free basis and it is anticipated that it can remain in this position throughout the period 2014 to 2016.

### **Market Risk:**

#### **Interest rate risk**

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

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise.
- investments at fixed rates – the fair value of the assets will fall.

As the Police and Crime Commissioner has no long term borrowing there is no risk to borrowing costs of a change in interest rates. However returns from invested funds are partly relied on in order to finance revenue expenditure.

Future returns are affected by inflation and the Bank of England's decisions on interest rates. The majority of invested funds are externally managed and enables returns to be maximised whichever way interest rates move.

Any temporary borrowing is taken on a fixed interest rate, as the period of any loan is likely to be only a maximum of a few days. Investments on HSBC Bank Treasury and other financial institutions are also taken at fixed interest rates.

#### **Price risk**

The Police and Crime Commissioner's Group does not invest in equity shares other than in the Pension Scheme (see note 4), nor does it have any shareholdings in joint ventures or local industry. This means that the Group has no exposure to price risk outside of the Local Government Pension Scheme.

#### **Foreign exchange risk**

The Police and Crime Commissioner has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates.

## **29 Accounting Standards Issued That Have Not Yet Been Adopted**

For 2013/14 the following accounting standard changes have been issued but not yet adopted:

IFRS 10 Consolidated Financial Statements.

IFRS 11 Joint Arrangements.

IFRS 12 Disclosures of Interests in Other Entities.

IAS 27 Separate Financial Statements

IAS 28 Investment in Associates and Joint Ventures

The impact to the PCC is not likely to be material though these may increase the disclosure requirements for future years. Details of the disclosures required will be provided in the 2014/15 Code of Practice in Local Authority Accounting (COPLAA).

## Wiltshire Police Pension Fund Account (Police Officer's Pensions only)

| 2012/2013<br>£000 | Fund Account<br>(Note 9 provides further information)  | 2013/2014<br>£000 | 2013/2014<br>£000 |
|-------------------|--|-------------------|-------------------|
| 9,321             | Contributions Receivable                               |                   |                   |
| 169               | Employer   | 9,054             |                   |
| 289               | Other Bodies   | 198               |                   |
| 4,648             | Early Retirements (Ill Health)                         | 421               |                   |
| <b>14,427</b>     | Members  | 5,007             | <b>14,680</b>     |
| <b>192</b>        | Transfers In from other schemes                        | 185               | <b>185</b>        |
|                   | Benefits Payable                                       |                   |                   |
| 21,220            | Pensions   | 22,218            |                   |
| 6,215             | Commutations   | 4,544             |                   |
| <b>27,435</b>     | Lump Sum Death Benefits                                |                   | <b>26,762</b>     |
|                   | Payments to and on account of leavers                  |                   |                   |
| 1,951             | Refunds of contributions                               | 3                 |                   |
| <b>1,951</b>      | Transfers out to other schemes                         | 579               | <b>582</b>        |
| <b>14,767</b>     | Net amount receivable for the year before top up grant |                   | <b>12,480</b>     |
| <b>14,767</b>     | Transfer from Police Fund to meet Pension Fund deficit |                   | <b>12,480</b>     |
| <b>0</b>          | Net amount receivable for year                         |                   | <b>0</b>          |

### Net Assets Statement

Due to the Pensions Regulations taking precedence over the Code of Practice, the accounting treatment of the top-up grant results in a zero net amount receivable for the year and no transactions for a Net Assets Statement.

The Pension Fund Account statement does not take account of liabilities to pay pensions and other benefits after the period end. Details of the Group's long-term pension obligations can be found in **Note 9**.