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

## **Group Statement of Accounts**



2015/2016

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## **Narrative Report**

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 2015/16, the Service Reporting Code of Practice 2015/16 and the Accounts and Audit Regulations 2015.

The Statement of Accounts which follow disclose the 2015/16 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 2014/15 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.**

The Police Reform and Social Responsibility Act 2011 sets out requirements for 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).

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. 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 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.

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.

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, the CC receives charges 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 2016.
- **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 2015/16 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 2015/16 capital receipts totalling £0.944million 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 in December 2015. These identified a shortfall of between £2.3m and £5.5m between 2016/17 and 2019/20. These shortfalls are due to increasing costs whilst Government funding remains cash neutral and will change when the actual funding for 2017/18 is announced in 2016.

## **Summary of the 2015/16 Financial Year – Capital Expenditure**

Capital expenditure in 2015/16 was £3.297 million compared to an approved budget of £6.085 million. Slippage of £2.667m is being carried forward to 2016/17 with slippage surrounding the IST investment (£0.896m) and the Estates development (£1.180m) due to a wider strategic review of whole force estates and IST requirements. In 2016/17 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 2016/17 the slippage of £2.667 million will be spent along with other capital resources leading to a total original capital budget of £7.047 million as of 1 April 2016. The largest spend within the programme relates to the Estates projects.

### **Financial Position**

Total net revenue spend for 2015/16 was £103.513 million. The net assets of the Police and Crime Commissioner at 31 March 2016 were a negative £1,030.610 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 decreased significantly in 2015/16. 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 decrease in Pension Scheme liabilities of £149.133 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 £49.929 million as at 31 March 2016.

The introduction of Wiltshire's share of the Black Rock PFI asset in 2015/16 has a big impact on the accounts. The Balance sheet as at 31 March 2016 includes an asset value £4.751m and a liability of £3.642m for the finance lease.

The General Reserve balance at 31 March 2016 is £2.636 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 2015/16

Actual 2014/15 £m		Actual 2015/16 £m
66.886	General Government Grants	58.502
38.213	Income received from the Collection Fund	39.949
16.175	Home Office Top-up Grant	20.160
121.275	Income from Government Grant and Local Taxpayers	123.846
-121.393	Net Cost of Services	-123.901
	Adjustment for Notional Sums included above	
15.980	- Pensions (IAS 19)	16.666
0.976	- Capital Financing	4.010
0.470	- Employee Benefits Accrual (IAS 19)	0.090
-0.367	- Minimum Revenue Provision	-0.472
0.859	Net Contributions to Reserves	1.082
-16.175	Payment to Police Pension Fund to meet Deficit	-20.160
1.624		1.161
-1.628	Less Net Interest and similar charges	-1.674
-0.004	Deficit Transferred from the General Reserve	-0.513

The table above summarises the Income and Expenditure and identifies any change in the 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 2016 Corporate Management Board identifies a net under spend of £0.193 million in the accounts, however due to a £20k reduction in Precept funding in year the underspend is reduced to £0.173 million. The table below identifies the underspend and how it relates to the deficit transferred from the general reserve.

2014/15 £m	Description	2015/16 £m
121.393	Net Cost of Services	123.901
-15.980	Notional Sums Adjustment – Pensions (IAS 19)	-16.666
-0.976	Notional Sums Adjustment – Capital Financing	-4.010
-0.470	Notional Sums Adjustment – Employee Benefits (IAS 19)	-0.090
0.367	Notional Sums Adjustment – MRP	0.472
1.628	Add Net Interest in 2014/15	1.674
-0.859	Add Contributions to earmarked reserves	-1.082
	Collection Fund adjustment	0.020
-2.483	Less actual underspend	-0.193
-0.004	Less General Reserve transfer	-0.513
102.616	Revised Cost of Service	103.513
105.099	Approved Budget	103.706
	Collection Fund adjustment	-0.020
105.099	Final budget	103.686
2.483	Underspend	0.173
-0.004	Less General Funds Used to Finance Approved Activity	
-2.387	Less Funds Transferred to Capital Development Reserve	
-0.096	Less Transfers to Other Funds	-0.686
-0.004	Deficit Transferred from the General Reserve	-0.513

## 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: 8<sup>th</sup> September 2016

### 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 2016 and its income and expenditure for the year ended 31 March 2016. Events that have occurred after the balance sheet date have been considered to the date of approval.



C Barker, Chief Finance Officer

Date: 8<sup>th</sup> September 2016

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.

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

### **Annual Governance Statement**

The position as at 31 March 2016.

#### **1. SCOPE OF RESPONSIBILITIES**

The Police and Crime Commissioner (PCC) is responsible for the totality of policing in Wiltshire and Swindon. It is his duty to secure efficient and effective policing for Wiltshire and Swindon. The PCC is responsible for ensuring that a police service is delivered in accordance with the law and proper standards. The PCC is also responsible for ensuring that public money is safeguarded and properly accounted for and used to provide services economically, efficiently and effectively. The PCC is also responsible for ensuring that a sound system of internal control is maintained throughout the year and that arrangements are in place for the management of risk.

The PCC has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*. This statement explains how the PCC has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended.

#### **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems, processes, culture and values by which the Office of the PCC (OPCC) and Wiltshire Police operate. It includes the activities through which the PCC engages with and reports to the community. It enables the OPCC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It is 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 2015-16.

#### **3. THE GOVERNANCE FRAMEWORK**

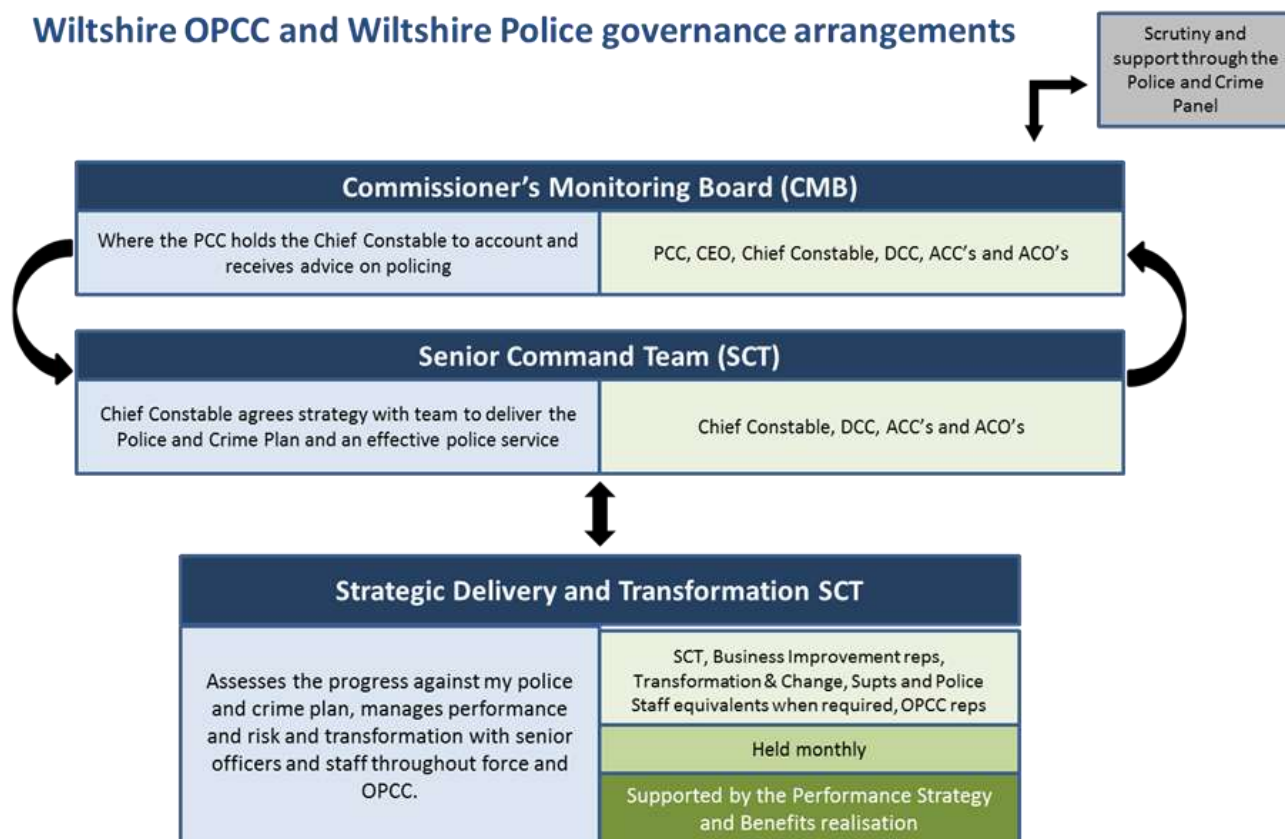
The Chief Constable is responsible to the PCC for the delivery of operational policing. The PCC holds him to account for the exercise of those functions and those of the persons under his direction and control. The PCC must be satisfied that the Force has appropriate management mechanisms in place, and that these operate in practice.

The Police and Crime Panel (a group of 11 councillors and 2 independent members) is required to review and scrutinise the work of the PCC. 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.



## Wiltshire OPCC and Wiltshire Police governance arrangements



The principal areas that comprise the governance framework are:

- The Commissioner's Monitoring Board
- The Independent Audit Committee
- The Scheme of Governance (incorporating Financial and Contract regulations)
- Performance Reporting
- Risk Management
- Professional Standards

The **Commissioners Monitoring Board (CMB)** is key in ensuring strong governance. The Board receives reports on performance, risk, the capital and revenue position and it approves all significant spending decisions. 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 the Head of Performance and Chief Finance Officer bi-weekly to review 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 out 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 **The Scheme of Governance** (incorporating Financial and Contract regulations) 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 the Police and Crime Plan 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 arisen as a result of a single officer reporting to two principals. However the possibility of this had been considered and a resolution process

provided for in the Scheme of Governance. It is important to note that the PCC's financial management arrangements conform to all good governance requirements, including 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 2014-15 there was a move to reporting performance on a qualitative basis rather than quantitative. This change is based on the evidence that targets can lead to perverse behaviours which are not in line with the organisation's objectives. This cultural change in performance monitoring is being promoted by the PCC and the Chief Constable. Force performance is communicated internally via Chief Constable blogs and monthly performance reports available to all staff on the intranet. An interactive tool (Qlikview) is used by operational officers to identify local issues, this enables officers to drill down to specific crimes if required. Where issues are identified, exception reporting occurs using the agreed performance analysis tool. **Monthly performance reporting occurs** at the Strategic Delivery and Transformation SCT. The PCC or a member of the Office of the PCC attends the meeting which is chaired by the Chief Constable. It receives updates on priority items and exception reports. Matters are reported to the Senior Command Team meeting and CMB 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 at the Strategic Delivery and Transformation SCT.

A Risk Management Strategy and Policy is in place. This identifies the risks in obtaining our goals and a requirement to manage them well. The published Practitioner's Guide helps managers across the force understand the process and what they are required to follow. 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 comprehensive Professional Standards intranet site provides information to our staff on all areas of standards, including standards of professional behaviour, complaints, etc. 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 and Culture Board also exists which provides 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;** With the change to qualitative performance measurement and the move away from numerical targets performance measuring is more about a wide range of areas (often not numerical). To understand whether control has been effective a few high level areas are focused on. The following will be included in the PCC's report to the Police and Crime Panel in his review of Wiltshire Police performance;

- Recorded Crime has increased by 19% in the year to March 2016. Wiltshire crime volume remains in line with the volumes recorded in our most similar forces and the forces within our region. It should also be noted that recorded crime has increased nationally, with 39 of 43 forces recording an increase in recorded crime in the most recent Office of National Statistics release for the year to December 2015.
- Victim Satisfaction is 85.4% for the year to March 2016 this is in line with the peer group.
- Detection rates are lower than previously and in the lowest quartile nationally. It has been flagged that this may constitute a risk for specific crime types and those detection rates will be under active risk management

- 93.5% of the public who had contact with Wiltshire Police were satisfied with the way they were treated (Public Opinion survey)
- The diversity of Wiltshire Police remains an issue as is the loss of the Stop Search Best practice status. The PCC has allocated resource making these priority areas which the Force is addressing.

Crime volumes should be considered alongside the context of incoming demand which has remained stable. With a greater focus on crime data integrity and ethical recording practices we have seen crime increases in low level offences and public order which would previously have been recorded as Anti-Social Behaviour so the increase is understood.

The force has been subject to a HMIC review in 2015-16 under the PEEL inspection, the outcome reported on the HMIC website is:

**Effectiveness** (How effective is the force at keeping people safe and reducing crime) Overall Wiltshire Police is judged to be good at keeping people safe and reducing crime. In terms of preventing crime the force operates effectively and standards of investigation are generally high. Furthermore the force works well with partners to manage the most harmful offenders. The force is clearly committed to protecting the vulnerable; however some improvements are needed in its understanding of, and response to, missing children. There are good arrangements in place to tackle serious and organised crime.

**Efficiency** (How efficient is the force at keeping people safe and reducing crime) HMIC found that Wiltshire Police is well prepared to face its future financial challenges. The force has successfully reduced its spending over the last spending review period, improved its understanding of the demand on its services, is trialling a new operating model and is planning effectively for future financial challenges. It has done this through robust financial management and a commitment to continuously improving services. In last year's value for money inspection, which considered how forces had met the challenge of the first spending review period, Wiltshire Police was judged to be good.

**Legitimacy** (How legitimate is the force at keeping people safe and reducing crime) HMIC found that chief officers promote ethical behaviour and there is an established force ethics board that informs policy making. The force has good processes for understanding and managing the wellbeing of its workforce. We considered that Wiltshire Police engages well with the communities it serves. The force is not compliant with many aspects of the Best Use of Stop and Search scheme. HMIC is satisfied that on the whole Taser is being used fairly and appropriately by Wiltshire Police.

Overall with HMIC assessing force performance as overall **good** it can be considered that the control measures surrounding performance have been effective.

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 force-wide areas identified for further work. This increases the profile of costs and provides opportunities to learn from peers. This is an effective approach which alongside the guidance in the Budget Book ensures that Value for Money is achieved.

**Internal Audit** – The PCC had a contract with CBSL to provide an internal audit service in 2015-16. 90 days of audit were planned and delivered covering 13 areas. For each audit a report is produced and provided to the Office of the PCC and the Chief Constable. 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.

Three internal audits received 'Limited Assurance', no audits were graded 'No Assurance'.

The review of Complaints Management Arrangements identified 3 recommendations and a 'Limited Assurance' rating. There was a single priority one recommendation this surrounded a common process in recording and dealing with complaints. This has been reviewed and changes to processes and communication agreed which is expected to mitigate any risks.

The second 'Limited Assurance' audit surrounded a review of Network Control Arrangements. The internal auditors requested a significant amount of documentation which the ICT managers were unable to provide within the required timescale. It was therefore agreed to follow this issue up in the 2016-17 audit. Whilst this may raise concerns the PCC is aware that the organisation has obtained compliance to connect to national systems. This required the testing of numerous ICT processes and a substantial documentation review, based on this third party review any risk is considered minimal.

The final 'Limited Assurance' audit surrounded governance on collaborations. As part of the audit a review of regional processes was undertaken. This identified that at a regional level there was some duplication and confusion over the recording of objectives and savings projections. In response to this a new governance process is being agreed post the PCC elections. This will clarify responsibilities and ensure appropriate reporting.

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. In September 2015 Grant Thornton produced the Audit Findings Report and in October the Audit Letter. These identified:

- Financial Statements Audit – An unqualified opinion.
- Value for money conclusion – An unqualified conclusion.

Risk continues to be managed in a visible, transparent manner. Risk registers are proactively managed. The Independent Audit Committee review both the PCC and CC risk registers at each meeting and look for continual mitigation and management.

## 5. SIGNIFICANT GOVERNANCE ISSUES

The PCC has identified the following significant governance issues;

No.	Issue	Progress
1.	<p><b>Partnership Working</b> The strategic alliance with Avon and Somerset Police will require careful management to ensure savings and benefits are obtained with agreement from both areas. How this links with the partnership work in place with Wiltshire Council will require resolution. At times conflict may arise 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.</p> <p>Based on this work has been delayed to ensure that we have agreed a joint People Strategy and Infrastructure Strategy. Without these and different cultures the possibility of failure increases.</p> <p>With the government protecting police funds at cash neutral the requirement to cut costs to balance the budget has reduced. There however remains pressure on police budgets to fund other priority areas such as cyber crime, public protection etc.. The savings from sharing services are required to invest in these high risk areas. Hence the need to work in partnership remains a high priority.</p>

No.	Issue	Progress
2.	<p><b>Financial Context</b></p> <p>The 2016-17 budget is reliant on £1.6m of reserve funding. This was agreed by the PCC based on an expectation that the national funding formula will be reviewed and a change implemented which would provide the Wiltshire PCC with additional funds. There is no guarantee that will occur; if it is not forthcoming this shortfall will need to be saved.</p>	<p>The PCC and the Chief Constable are aware of the risk. Both are raising the issue on a national basis and encouraging a fairer allocation of resources to be implemented.</p> <p>A review will occur mid financial year to consider the likelihood of the change occurring. This will then determine the savings target required in 2017-18.</p> <p>Both PCC and Chief Constable are aware that significant savings will be required if no changes are made to the allocation method.</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

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

We have audited the financial statements of the Police and Crime Commissioner for Wiltshire (the "Police and Crime Commissioner") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Police and Crime Commissioner Single Entity and Group Comprehensive Income and Expenditure Statements, the Police and Crime Commissioner Single Entity and Group Movement in Reserves Statement, the Police and Crime Commissioner Single Entity and Group and Police and Crime Commissioner 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 of Wiltshire Police comprising the Fund Account and the Net Assets Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which 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 and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement 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:

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

### **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the Group audited financial statements.

### **Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

## **Conclusion on the Police and Crime Commissioner's arrangements to secure value for money through economic, efficient and effective use of its resources**

### **Respective responsibilities of the Police and Crime Commissioner and 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 20(1)(c) of the Act to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of the Police and Crime Commissioner's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Police and Crime Commissioner* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

### **Certificate**

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner in accordance with the requirements of the Act and the Code.

*Iain Murray*

Iain Murray  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House  
Melton Street  
Euston Square  
London NW1 2EP

28 September 2016

## Comprehensive Income and Expenditure Account for the Police and Crime Commissioner for Wiltshire's Group 2015/16

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

2014/15 Net Expenditure £'000	See also Note 3 and note 4	Gross Expenditure £'000	Income £'000	2015/16 Net Expenditure £'000
47,858	Local policing	49,606	-2,719	46,887
10,903	Dealing with the public	11,305	-305	11,000
9,429	Criminal Justice Arrangements	11,156	-832	10,324
3,908	Road policing	4,409	-797	3,613
7,361	Operational Support	7,647	-665	6,982
4,988	Intelligence	6,212	-517	5,695
29,055	Investigations	31,781	-1,050	30,731
3,986	Investigative Support	3,864	-181	3,683
2,391	National Policing	5,168	-2,619	2,549
1,806	Corporate & Democratic Core	2,060		2,060
76	NDC - Injury Payments	317		317
	NDC - Pensions Curtailment			
	Note 11			
-368	Pension Past Service Cost	61		61
	Note 11			
<b>121,393</b>	<b>Net Cost of Police Services</b>	<b>133,587</b>	<b>-9,685</b>	<b>123,902</b>
	<i>Other Operating Income &amp; Expenditure:</i>			
440	Loss/(Gain) on disposal of Non-Current Assets			227
-16,175	Home Office Top-up Grant			-20,160
	Note 11			
	<i>Financing &amp; Investment Income &amp; Expenditure:</i>			
1,675	Interest Payable and Similar items			1,919
	Note 25			
-47	Interest and investment income			-245
43,916	Net Pensions Interest			39,340
	Note 11			
	<i>Taxation &amp; Non-Specific Grant Income &amp; Expenditure:</i>			
-40,158	Police Grant			-37,700
-26,729	Other General Government Grant			-26,037
-38,495	Precepts on Collection Funds			-39,919
-968	Other Tax and Non Specific Grant Income			-793
<b>44,852</b>	<b>(Surplus)/Deficit on the Provision of Services</b>			<b>40,533</b>
-3,890	(Surplus)/Deficit on Revaluation of Assets			-2,804
	Note 15			
164,571	Pension Re-measurement of the net defined benefit liability/(asset)			-184,979
	Note 11			
<b>160,681</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>187,783</b>
<b>205,533</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-147,250</b>



## Comprehensive Income and Expenditure Account for the Police and Crime Commissioner for Wiltshire 2015/16

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, the CC receives charges equivalent to the running costs and capital financing incurred by the PCC. These charges reduce the PCC's gross expenditure and where the PCC receives all income results in a £7.5m credit balance for net cost of services before intra group funding.

2014/15 Net Expenditure £'000	See also Note 3 and note 4	Gross Expenditure £'000	Income £'000	2015/16 Net Expenditure £'000
-673	Local policing	1,405	-2,719	-1,314
-267	Dealing with the public		-305	-305
-835	Criminal Justice Arrangements		-832	-832
-882	Road policing		-797	-797
-1,433	Operational Support		-665	-665
-198	Intelligence		-517	-517
-879	Investigations		-1,050	-1,050
-261	Investigative Support		-181	-181
-2,945	National Policing		-2,619	-2,619
641	Corporate & Democratic Core	785		785
<b>-7,732</b>	<b>Net Cost of Police Services before intra group funding</b>	<b>2,190</b>	<b>-9,685</b>	<b>-7,495</b>
129,125	Intra Group Funding for Chief Constable's Net Service Cost			131,397
<b>121,393</b>	<b>Net Cost of Police Services</b>			<b>123,902</b>
	<i>Other Operating Income &amp; Expenditure:</i>			
440	Loss/(Gain) on disposal of Non-Current Assets			227
-16,175	Home Office Top-up Grant Note 11			-20,160
	<i>Financing &amp; Investment Income &amp; Expenditure:</i>			
1,675	Interest Payable and Similar items Note 25			1,919
-47	Interest and investment income			-245
43,916	Intra Group Funding (Net Pensions Interest) Note 11			39,340
	<i>Taxation &amp; Non-Specific Grant Income &amp; Expenditure:</i>			
-40,158	Police Grant			-37,700
-26,729	Other General Government Grant			-26,037
-38,495	Precepts on Collection Funds			-39,919
-968	Other Tax and Non Specific Grant Income			-793
<b>44,852</b>	<b>(Surplus)/Deficit on the Provision of Services</b>			<b>40,533</b>
-3,890	(Surplus)/Deficit on Revaluation of Assets Note 15			-2,804
164,571	Intra Group Funding (Pensions re-measurement of the net defined benefit liability/(asset)) Note 11			-184,979
<b>160,681</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>187,783</b>
<b>205,533</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-147,250</b>

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

**Movement in Reserves Statement 2015/16 for the Police and Crime Commissioner for Wiltshire and the Group**

	General Fund	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves Note 22	Unusable Reserves Note 23	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 31 March 2015</b>	3,149	20,677	0	23,826	-1,201,685	-1,177,859
<b>Movement in reserves during 2015/16</b>						
Surplus/(Deficit) on provision of services	-40,533	0	0	-40,533	0	-40,533
Other Comprehensive Income and Expenditure	0	0	0	0	187,783	187,783
<b>Total Comprehensive Income and Expenditure</b>	<b>-40,533</b>	<b>0</b>	<b>0</b>	<b>-40,533</b>	<b>187,783</b>	<b>147,250</b>
Adjustments between accounting basis and funding basis under regulations – Note 10	38,938	0	0	38,938	-38,938	0
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>-1,595</b>	<b>0</b>	<b>0</b>	<b>-1,595</b>	<b>148,845</b>	<b>147,250</b>
Transfers to/from other Earmarked Reserves – Note 22	1,082	-1,082	0	0	0	0
<b>Increase/(Decrease) in 2015/16</b>	<b>-513</b>	<b>-1,082</b>	<b>0</b>	<b>-1,595</b>	<b>148,845</b>	<b>147,250</b>
<b>Balance as at 31 March 2016</b>	<b>2,636</b>	<b>19,595</b>	<b>0</b>	<b>22,231</b>	<b>-1,052,840</b>	<b>-1,030,609</b>

**Movement in Reserves Statement 2014/15 for the Police and Crime Commissioner for Wiltshire and the Group**

	General Fund	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves Note 22	Unusable Reserves Note 23	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 31 March 2014</b>	3,153	21,536	0	24,689	-997,015	-972,326
<b>Movement in reserves during 2014/15</b>						
Surplus/(Deficit) on provision of services	-44,852	0	0	-44,852	0	-44,852
Other Comprehensive Income and Expenditure	0	0	0	0	-160,681	-160,681
<b>Total Comprehensive Income and Expenditure</b>	<b>-44,852</b>	<b>0</b>	<b>0</b>	<b>-44,852</b>	<b>-160,681</b>	<b>-205,533</b>
Adjustments between accounting basis and funding basis under regulations - Note 10	43,989	0	0	43,989	-43,989	0
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>-863</b>	<b>0</b>	<b>0</b>	<b>-863</b>	<b>-204,670</b>	<b>-205,533</b>
Transfers to/from other Earmarked Reserves – Note 22	859	-859	0	0	0	0
<b>Increase/(Decrease) in 2014/15</b>	<b>-4</b>	<b>-859</b>	<b>0</b>	<b>-863</b>	<b>-204,670</b>	<b>-205,533</b>
<b>Balance as at 31 March 2015</b>	<b>3,149</b>	<b>20,677</b>	<b>0</b>	<b>23,826</b>	<b>-1,201,685</b>	<b>-1,177,859</b>

**Balance Sheet for the Police and Crime Commissioner for Wiltshire and the Group as at 31 March 2016**

PCC			PCC's Group	
£'000	£'000		£'000	£'000
31-Mar-15	31-Mar-16		31-Mar-15	31-Mar-16
45,539	49,594	Property, Plant & Equipment	45,539	49,594
410	430	Investment Property	410	430
10	32	Long Term Debtors	10	32
<b>45,959</b>	<b>50,056</b>	<b>Total Long Term Assets</b>	<b>45,959</b>	<b>50,056</b>
374	417	Inventories	374	417
11,537	10,159	Short Term Debtors	11,537	10,159
25,100	23,699	Cash & Cash Equivalents	25,100	23,699
1,133	133	Assets Held For Sale (under 1 yr)	1,133	133
<b>38,144</b>	<b>34,408</b>	<b>Total Current Assets</b>	<b>38,144</b>	<b>34,408</b>
-398	-512	Finance Lease Liability	-398	-512
-12,024	-10,835	Short Term Creditors	-12,024	-10,835
-996	-1,188	Provisions (under 1 yr)	-996	-1,188
<b>-13,418</b>	<b>-12,535</b>	<b>Total Current Liabilities</b>	<b>-13,418</b>	<b>-12,535</b>
-18,872	-22,001	Finance Lease Liability	-18,872	-22,001
-1,229,672	-1,080,539	Liability Related to Defined Benefit Pensions Scheme.	-1,229,672	-1,080,539
		Pension Intra Group Creditor		
<b>-1,248,544</b>	<b>-1,102,540</b>	<b>Total Long Term Liabilities</b>	<b>-1,248,544</b>	<b>-1,102,540</b>
<b>-1,177,859</b>	<b>-1,030,611</b>	<b>Total Net Assets</b>	<b>-1,177,859</b>	<b>-1,030,611</b>
23,836	22,230	Usable Reserves	23,826	22,230
-1,201,685	-1,052,840	Unusable Reserves	-1,201,685	-1,052,840
<b>-1,177,859</b>	<b>-1,030,610</b>	<b>Total Reserves</b>	<b>-1,177,859</b>	<b>-1,030,610</b>



C Barker, Chief Finance Officer

**Cash Flow Statement for the Police and Crime Commissioner for Wiltshire and the Group 2015/16**

2014/15 £000	See also note 24	2015/16 £000
	<b><u>Operating Activities</u></b>	
38,213	Taxation	39,949
40,158	Police Main Grant	37,700
26,729	Other General Government Grant	26,037
6,578	Cash Received for Goods and Services	10,417
192	Interest Received	225
111,870	Cash Inflows Generated from Operating Activities	114,328
-86,142	Cash Paid to and on behalf of Employees	-87,183
-21,391	Cash Paid for Goods and Services	-24,593
-1,675	Interest Paid	-1,919
-109,208	Cash Outflows from Operating Activities	-113,695
<b>2,662</b>	<b>Net Cash Flows from Operating Activities</b>	<b>633</b>
	<b><u>Investing Activities</u></b>	
-6,576	Purchase of Non-Current Assets	-3,297
2,582	Proceeds from Sale of Non-Current Assets	944
967	Other Receipts from Investing Activities	793
<b>-3,027</b>	<b>Net Cash Flows from Investing Activities</b>	<b>-1,560</b>
	<b><u>Financing Activities</u></b>	
-367	Payments for the Reduction of Outstanding PFI Finance Liability	-472
<b>-367</b>	<b>Net Cash Flows from Financing Activities</b>	<b>-472</b>
-732	Net increase or decrease in cash & cash equivalents	-1,400
25,832	Cash & cash equivalents at the beginning of the reporting period	25,100
<b>25,100</b>	<b>Cash &amp; cash equivalents at the end of the reporting period</b>	<b>23,700</b>

## 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 2015/16, the Service Reporting Code of Practice 2015/16 and the Accounts and Audit Regulations 2015 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 2013, 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 2015/16 accounts comply with 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 collecting the data is not cost effective; no flexi leave accrual is posted due to the immaterial value. Time off in Lieu (TOIL) and annual leave are recorded on an electronic system and the result is that the Group has a £0.884 million accrual for employee leave entitlements carried over at 31 March 2016.

For 2015/16 there is a £0.090 million increase in the net cost of services where the accrual has increased from £0.794 million in 2014/15, 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)

There are three police officer schemes: the Police Pension Scheme (PPS), the New Police Pension Scheme (NPPS) and the Police Pension Scheme 2015 (2015 Scheme). These are defined benefit unfunded schemes, meaning that there are no investment assets held, and actual pensions payments are met from revenue as they are eventually due.

From 1st April 2015 a new benefit structure came into effect and new regulations state that all current active members will move into the 2015 Scheme from 1st April 2015 unless they qualify for protections that allow them to remain in their current schemes.

For the purpose of the note to the accounts the officer schemes are reported as a single disclosure. The scheme changes have been taken into account in the Balance Sheet and Comprehensive Income and Expenditure Account and in the note to the accounts.

Funding rules are in place which results in Police Forces paying 24.2% of Police pay as a pension fund 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.

In this year's disclosures there is a requirement to allow for the effect of the Pensions Ombudsman (PO) ruling in the GAD vs Milne case. Mr Milne complained to the PO that the commutation factors were not reviewed by GAD between 1998 and 2006 and therefore his lump sum on retirement was less than it should have been. The PO upheld his complaint which meant that backdated lump sum payments were due to all police officers who retired during the period when the factors were not reviewed. All backdated lump sum payments were made by 31 March 2016, totalling £2.8m and were financed by additional Home Office Pension Grant funding.

### 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 16.9% of pay were paid into the fund by the Group for the year 2015/16; this contribution will increase to 18.1% for 2016/17.

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.

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.

## **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 in 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 (£24.345m) and Bank Accounts (-£0.646m). All investments held by the Police and Crime Commissioner are short-term (under a year) 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. 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, where the highest and best use is considered from a market participants perspective. 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 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 PCC 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.

### 1.17 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 2015/16, the Police and Crime Commissioner's cumulative share includes:

2014/2015 £000		2015/2016 £000	Movement £000
2,554	Debtors (Council Tax Arrears)	2,354	-200
-1,267	Bad Debt Provision	-1,253	14
-318	Creditors (Prepaid Council Tax etc)	-162	156
969	Collection Fund Surplus	939	-30

The £0.939m is owed to the Police and Crime Commissioner for the Collection Fund surplus during 2015/2016 and is included in the Balance Sheet for the year. The increase in Precepts in the Comprehensive Income and Expenditure of the £-0.030m movement is reversed out in the Movement in Reserves Statement and present no net effect on the finances for the year.

### 1.18 Joint Operations

The Police and Crime Commissioner has entered into numerous collaborative arrangements with other police forces and local authorities. A materiality limit of £500k has been set by the Group and details of the joint operations where Wiltshire contributions exceed this level are disclosed in the notes to the accounts.

## **1.19 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 2016 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.

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

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

## **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. Depreciation is not charged on Assets Held for Sale.

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

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

### **1.20 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 25.

## **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 2015/16 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 Management Reporting

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. For the purposes of reporting to Senior Management the Service Expenditure is analysed with a subjective analysis which categorises costs by type; the following is the year end outturn reported to Senior Management:

Budget 2014/15 £'000	Outturn 2014/15 £'000	Variance £'000		Budget 2015/16 £'000	Outturn 2015/16 £'000	Variance £'000
37,464	37,262	-202	Police Officer Basic Pay	37,086	37,093	7
1,446	1,696	250	Police Officer Overtime	1,678	1,962	284
8,946	8,874	-72	Police Officer Pensions	8,781	8,655	-125
6,060	5,700	-360	Police Officer Other Pay Costs	5,439	5,438	0
3,779	3,449	-330	Community Support Officers	3,496	3,496	0
26,288	25,498	-790	Support Staff Costs	26,752	26,647	-106
196	265	69	Agency Staff	45	236	191
467	421	-46	Other Employee Costs	451	426	-26
425	434	9	Training	400	467	67
7,106	7,019	-87	Premises Costs	7,001	6,688	-313
3,456	3,286	-170	Transport Costs	2,689	2,497	-191
14,533	14,528	-5	Other Costs	14,260	14,424	163
110,166	108,432	-1,734	<b>Main Force Expenditure</b>	108,079	108,030	-49
-2,802	-3,605	-803	General Income	-3,071	-3,233	-162
-4,259	-4,283	-24	Grant Income	-4,199	-4,250	-51
103,105	100,544	-2,561	<b>Main Force Net Position</b>	100,809	100,547	-262
714	713	-1	Police Pensions- Inj/III Health	718	813	95
1,580	1,552	-28	Office of the PCC	2,429	2,375	-54
-300	-193	107	Investment Income	-250	-222	28
105,099	102,616	-2,483	<b>Total</b>	103,706	103,512	-193

The Management report does not include notional amounts that are required for reporting in the Statement of Accounts Comprehensive Income and Expenditure Statement. The Outturn reported to Management can be reconciled back to the Statement of Accounts as follows:

Cost of Services:

2014/15 £000	Net Cost of Services	2015/16 £000
102,616	<b>Total Reported to Senior Management</b>	103,512
15,980	Notional Sums Adjustment – Pensions (IAS 19)	16,666
976	Notional Sums Adjustment – Capital Financing	4,010
470	Notional Sums Adjustment – Employee Benefits (IAS 19)	90
-367	Notional Sums Adjustment – MRP	-472
-1,628	Net Interest Payable	-1,674
859	Funds contributions to earmarked reserves	1,082
	Collection fund adjustment	-20
2,483	Actual under spend	193
4	General Reserve transfer	513
121,393	<b>Total CIES Statement of Accounts</b>	123,901

Cost of the Office of the PCC

The cost of the Office of the PCC contains different amounts to those reported for statutory requirements and can be reconciled back to the costs in the Statement of Accounts as follows:

	<b>Management Report OPCC Net cost £000</b>	<b>Income (reported separately) £000</b>	<b>Chief Constable Support Costs £000</b>	<b>PCC's share of the CFO costs £000</b>	<b>IAS19 Pensions Adjustment £000</b>	<b>Statutory CIES OPCC Gross cost £000</b>
OPCC costs	953		-238	26	44	785
Commissioning	1,769		-364			1,405
RCCO	729		-729			
Income from Grants and Partnerships	-1,076	1,076				
<b>Total</b>	<b>2,375</b>	<b>1,076</b>	<b>-1,331</b>	<b>26</b>	<b>44</b>	<b>2,190</b>

The majority of the Income relates to grant funding received towards Victim Support.

## 2015/16 and 2016/17 Budget allocation for the Police and Crime Commissioner's group

The table below identifies how the PCC and Wiltshire Police are allocating the 2016/17 budget by service areas compared to the 15/16 budget allocations. This Police Objective Analysis format is used by the PCC in deciding where funds should be invested and for benchmarking against similar police forces.

<b>Area</b>	<b>2015/16 £000</b>	<b>2015/16 Split</b>	<b>2016/17 £000</b>	<b>2016/17 Split</b>
Local Policing	28,925	27.9%	29,712	28.2%
Dealing with the Public	6,513	6.3%	7,000	6.6%
Criminal Justice Arrangements	6,920	6.7%	7,103	6.7%
Specialist Ops (Roads Policing + Sp Ops)	6,300	6.1%	6,726	6.4%
Intelligence	3,899	3.8%	4,172	4.0%
Investigations (Invest + Invest support)	22,206	21.4%	22,878	21.7%
National Policing	714	0.7%	790	0.7%
Support (incl ACPO)	23,779	22.9%	24,212	23.0%
OPCC	1,602	1.5%	1,946	1.8%
Reserve/Commissioning			-1,920	-1.8%
Capital Finance and Pensions	2,847	2.7%	2,827	2.7%
<b>Total</b>	<b>103,705</b>	<b>100.0%</b>	<b>105,466</b>	<b>100.0%</b>

For 2016/17 the Police and Crime Commissioner has made a decision to assist with funding of the policing services, this results in the additional line above for Reserve/Commissioning budget.

#### **4 Prior Period Adjustment – Changes in Accounting Policies and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for in the current period and do not give rise to a prior period adjustment.

Changes in accounting policies are made when required by proper accounting practices and the changes provide more reliable or relevant information about the PCC's financial position or performance. Where a change is made it is applied retrospectively by adjusting balances for the prior period as if the new policy had always been applied.

## 5 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 2014/15	Number of PCC Group Employees 2015/16	Number of PCC Employees 2014/15	Number of PCC Employees 2015/16
50,000 - 54,999	49	60	3	1
55,000 – 59,999	39	36		2
60,000 – 64,999	7	7		1
65,000 – 69,999	7	7		
70,000 – 74,999	3	6	1	1
75,000 – 79,999	1	2		
80,000 – 84,999	2			
85,000 – 89,999		1		
90,000 – 94,999	1			
95,000 – 99,999	4		1	
100,000 – 104,999	2	5	1	2
105,000 – 109,999	1			
110,000 – 114,999				
115,000 – 119,999				
120,000 – 124,999	1			
125,000 – 129,999				
130,000 – 134,999				
135,000 – 139,999				
140,000 – 144,999				
145,000 – 149,999				
150,000 – 154,999		1		
155,000 – 159,999	1			
<b>Total</b>	<b>118</b>	<b>125</b>	<b>6</b>	<b>7</b>

The above disclosure contains details for all staff and all officers whose remunerations, excluding pensions, exceeds £50,000. 10 of the officers included for 2015/16 were seconded out to other Forces or Government organisations as at 31 March 2016 (11 seconded officers included for 2014/15). This disclosure is required on a legal basis rather than using the concept ‘substance over form’ as applied to the other Statement of Accounts disclosures.

The code of practice requires disclosure of individual remunerations for Senior Officers and Relevant Police Officers, the following tables contain the details for 2015/16 and comparative information from 2014/15. 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 2015/16 Clive Barker was in the role of Chief Finance Officer for both the Chief Constable and the Police and Crime Commissioner.

For 2015/16, a total of £1.325m of income was received from external establishments for officers and staff on secondment (£1.531m 2014/15). As at 31<sup>st</sup> March 2016 there were 18 employees working in external areas on secondment (18 as at 31<sup>st</sup> March 2015).



**Senior Officer Remunerations 2015/16**

Post Holder Information	Name	Salary (including fees & Allowances)	Bonuses	Expenses	compensation for loss of office	Benefits in Kind	Total Remuneration excluding pension contributions 2015/16	Pension Contributions	Total Remuneration including pension contributions 2015/16
Police and Crime Commissioner	A. Macpherson	70,000		3,604			<b>73,604</b>	11,830	<b>85,434</b>
Chief Executive of the Office of the Police and Crime commissioner	K. Kilgallen	104,310		482			<b>104,792</b>	16,415	<b>121,208</b>
Chief Constable (retired 31/05/15)	P. Geenty	32,117		216		1,291	<b>33,625</b>		<b>33,625</b>
Chief Constable (from 01/06/15)	M. Veale	138,744		404		12,976	<b>152,125</b>	32,090	<b>184,215</b>
Temp/Assistant Chief Constable	K. Pritchard	99,732				3,526	<b>103,258</b>	19,822	<b>123,080</b>
Temp/Assistant Chief Constable	P. Mills	96,460		709		4,067	<b>101,235</b>	19,822	<b>121,058</b>
Assistant Chief Officer / Chief Finance Officer	C Barker	98,303		445		4,945	<b>103,693</b>	16,358	<b>120,052</b>
Assistant Chief Officer	Z Durrant	97,680		277		3,662	<b>101,619</b>	16,286	<b>117,904</b>

**Senior Officer Remunerations 2014/15**

Post Holder Information	Name	Salary (including fees & Allowances)	Bonuses	Expenses	compensation for loss of office	Benefits in Kind	Total Remuneration excluding pension contributions 2014/15	Pension Contributions	Total Remuneration including pension contributions 2014/15
Police and Crime Commissioner	A. Macpherson	70,000		1,683			<b>71,683</b>	10,920	<b>82,603</b>
Chief Executive of the Office of the Police and Crime commissioner	K. Kilgallen	101,619					<b>101,619</b>	14,802	<b>116,421</b>
Chief Constable	P. Geenty	148,042		290		7,369	<b>155,701</b>		<b>155,701</b>
Deputy Chief Constable	M. Veale	117,430		330		6,949	<b>124,709</b>	26,990	<b>151,699</b>
Temp/Assistant Chief Constable	K. Pritchard	99,080		626		4,110	<b>103,816</b>	18,983	<b>122,799</b>
Temp/Assistant Chief Constable	P. Mills	88,833				3,127	<b>91,960</b>	18,983	<b>110,943</b>
Assistant Chief Officer / Chief Finance Officer	C Barker	92,514		258		4,254	<b>97,026</b>	14,115	<b>111,141</b>
Assistant Chief Officer	Z Durrant	94,118		61		1,654	<b>95,833</b>	14,115	<b>109,948</b>

## 6 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 2015/16, no material transactions were declared by key management personnel.

The Police and Crime Commissioner was a trustee of the Wiltshire and Swindon Community foundation for part of the year. The Community Foundation advises on and administers the distribution of Police Property Act funds and also undertake the evaluation of the Innovation Funds for the PCC. The PCC holds a reserve for the Innovation funding; more details can be found under the reserves note. A suspense account is operated for the Police Property Act; details can be found in the Creditors note.

The Police and Crime Commissioner for Wiltshire has 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. Further details are available under the Joint arrangements note.

The Police and Crime Commissioner has a number of partnership projects involving joint boards or committees; in particular there are arrangements in place with regional Police Forces, Wiltshire Council and Swindon Borough Council. Details of the partnerships are disclosed under the Joint Arrangements note.

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 24 to the accounts.

## 7 Joint Arrangements

The Police and Crime Commissioner's Group participates in a number of Joint Arrangements. These Joint Arrangements are where the authority will work in collaboration with other organisations to deliver activities which are agreed through a shared control (usually through a shared board).

Joint Arrangements are classified as either Joint Operations or Joint Ventures. Joint Operations are where the parties have rights to the assets and obligations for the liabilities relating to the arrangement. Joint Ventures are where the parties have rights to the net assets of the arrangement. The Group does not participate in any joint ventures.

The Group recognises in its Statement of Accounts its share of the assets, liabilities and expenditure relating to its involvement in the joint operations. The Group's contributions to the Joint Operations are disclosed below.

2014/15 £000 Expenditure	2014/15 £000 Income	Joint Operation	2015/16 £000 Expenditure	2015/16 £000 Income
476		Black Rock	607	
1,463		Brunel MCIT	1,470	
522		Zephyr	595	
4,841		Tri Services	5,017	
410		Forensics	1,223	
676		SW Special Branch	689	
4,737	12	Wiltshire Council	3,977	12
439		MASH	581	

### Black Rock

Black Rock is a firearms training facility located in Avon & Somerset which is run in partnership with Avon and Somerset police and Gloucester police. Each organisation has a staff commitment to provide trainers for the facility.

The overall cost of the facility for the year was £2.382m; this is split on a percentage basis, with Wiltshire contributing 25%, Avon and Somerset 42% and Gloucester 33%.

There is a PFI building involved in the facility; this PFI contract is owned by Avon & Somerset police but at the end of the contract the asset is to be split equally between the partner forces. Due to this arrangement the PCC for Wiltshire accounts for his share as an asset on his Balance Sheet. The current value of the PFI asset as at 31 March 2016 was £18.6m; Wiltshire's share included in the Balance Sheet was £4.7m.

### Brunel MCIT

This collaboration between Avon & Somerset Police, Gloucester Police and Wiltshire Police forms a shared Major Crime Investigations team (MCIT) for the three areas. Gloucester joined the collaboration in December 2015 where previously there had been an arrangement between Avon & Somerset and Wiltshire.

The overall cost of the facility for the year was £6.441m; this is split on a percentage basis, with Wiltshire contributing 19%, Gloucester 17% and Avon and Somerset 64%.

### Zephyr

Zephyr is a collaboration of the police forces in the South West region working together to disrupt, destroy and dismantle serious and organised crime.

The collaboration is led by Avon & Somerset police and costs are split on a percentage basis as follows: Avon and Somerset 32%, Gloucester 11%, Devon and Cornwall 33%, Dorset 12% and Wiltshire 12%.

The Confidential Unit differs in the apportionment of costs as Devon and Cornwall are not part of the collaboration. The split for this part of the Zephyr collaboration is Avon and Somerset 49%, Gloucestershire 16%, Dorset 18% and Wiltshire 18%.

The overall cost of the collaboration for the year was £7.280m.

Avon and Somerset police have purchased a building for the collaboration; this asset is currently owned and accounted for by Avon and Somerset police.

Zephyr also holds a reserve which any surplus/deficit year on year is added to/taken from. The reserve is also used to assist future year's budget which in turn potentially reduces the contributions required by each Force. The reserve currently stands at £2.138m of which £1.874m relates to the building owned by Avon and Somerset police.

### Tri Services

Tri-Force is a specialist operations (Roads Policing, Dogs and Firearms) collaboration between Wiltshire, Gloucestershire and Avon and Somerset police and is based in 4 response hubs across the 3 Forces. The

cost of the collaboration was £21.643m and the cost was split on the following percentage basis; Wiltshire 23%, Gloucestershire 23% and Avon and Somerset 54%.

2015/16 was the second year of the collaboration and reported an overspend of £0.280m due to overtime requirements across the collaboration; each police force covered its share of the cost.

#### Forensics

SW4 Regional Forensics is a collaboration between Wiltshire, Avon and Somerset, Dorset and Devon and Cornwall police. The collaboration was rolled out in 3 phases. Phase 1 operates from 2 hubs; north (Portishead) and south (Exeter) and the other phases operate from each of the four forces. During roll out the costs have been shared on the following basis;

Phase 1: Avon and Somerset 35%, Devon and Cornwall 31%, Dorset 19% and Wiltshire 15%.

Phase 2: Avon and Somerset 29%, Devon and Cornwall 29% Dorset 20% and Wiltshire 22%.

Phase 3: Avon and Somerset 41%, Devon and Cornwall 31%, Dorset 18% and Wiltshire 10%.

With all phases now in place, future costs will be apportioned on one overall basis.

The cost of the collaboration for 2015/16 was £7.844m. Wiltshire's total cost was £1.223m for the year.

#### South West Special Branch

The Special Branch collaboration involves 4 Regional Forces and costs are shared on the following percentage splits, Avon and Somerset 28%, Devon and Cornwall 29%, Dorset 24% and Wiltshire 19%.

The cost of the collaboration totalled £3.626m. Wiltshire's cost being £0.689m.

#### Wiltshire Council Alliance

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 have involved areas of shared IST services and result in increased payments to Wiltshire Council where the Council have covered initial costs.

The partnership decides its priorities at a regular joint board and costs of the required services are met as incurred. For 2015/16 Wiltshire Council received total payments amounting to £3.977m from the PCC for his share of the services, some of which relates to capital projects. Total revenue costs (including projects) amounted to £2.586m.

#### Wiltshire MASH:

The Wiltshire Multi Agency Safeguarding Hub (MASH) is a partnership between Wiltshire Police, Wiltshire Council and the Health Authority and is based at County Hall in Trowbridge. The cost of the MASH in 2015/16 was £1.623m. Wiltshire Police costs were £0.581m. Each partner's commitment is reported but there is no formal sharing of costs.

#### Other Collaborations:

The PCC for Wiltshire is involved in numerous smaller collaborations and partnerships including the Serious Sexual Assault Referral Centre (SSARC), Local Resilience Forum (LRF) and the Youth Offending Team

(YOT). More recently the PCC has entered into a strategic alliance with Avon and Somerset police to look at opportunities to share resources. This alliance is still in its initial stage and no costs have yet been incurred relating to the arrangement.

## 8 External Audit Fees

£15,000 was paid to Grant Thornton for fees relating to audit services for the Chief Constable (£20,000 14/15) and £31,733 for fees relating to audit services for the Police and Crime Commissioner (£42,000 14/15).

	2014/15 £000's	2015/16 £000
Fees in respect of external Audit services (Local Audit & Accountability Act 2014)	62	47
Other fees payable in respect of services provided by the Auditors		
	<b>62</b>	<b>47</b>

## 9 Accounting Standards Issued That Have Not Yet Been Adopted

For 2015/16 the following accounting standard changes have been issued but not yet adopted. The impact of these changes to the PCC is not likely to be material though they may increase the disclosure requirements for future years. Details of the disclosures required will be provided in the 2016/17 Code of Practice in Local Authority Accounting (COPLAA).

IAS 1 Presentation of Financial Statements: Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation

IAS 19 Employee Benefits: Defined Benefit Plans. New disclosure requirement for fair value of investments.

Annual Improvements to IFRSs 2010 – 2012 Cycle: the changes affect the following standards:

- IFRS 3: Accounting for contingent consideration in a business combination
- IFRS 8: Aggregation of operating segments
- IFRS 8: Reconciliation of the total of the reportable segments' assets to the entity's assets
- IFRS 13: Fair value measurement - Short term receivables and payables.
- IAS 16: Revaluation method – proportionate restatement of accumulated depreciation
- IAS 24: Related Party Disclosures – Key management personnel
- IAS 38: Intangible Assets – proportionate restatement of accumulated amortisation

Annual Improvements to IFRSs 2012 – 2014 Cycle: the changes affect IFRS 7: Financial Instruments Disclosures for servicing contracts

IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

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

2015/16	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	-5,445			5,445
Revaluation Gains/losses on Property Plant and Equipment	-145			145
Movements in the market value of Investment Properties	20			-20
Capital grants and contributions applied	793			-793
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	-1,171			1,171
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Voluntary provision for the repayment of debt	472			-472
Capital expenditure charged against the General Fund	1,560			-1,560
<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	944		-944	
Use of the Capital Receipts Reserve to finance new capital expenditure			944	-944
<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 11)	-69,322			69,322
Employer's pensions contributions and direct payments to pensioners payable in the year	33,476			-33,476
<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	-30			30
<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	-90			90
<b>Total Adjustments</b>	<b>-38,938</b>			<b>38,938</b>

2014/15	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	-4,757			4,757
Revaluation Gains/losses on Property Plant and Equipment	-77			77
Movements in the market value of Investment Properties	-146			146
Capital grants and contributions applied	968			-968
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	-3,023			3,023
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Voluntary provision for the repayment of debt	367			-367
Capital expenditure charged against the General Fund	4,004			-4,004
<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	2,583		-2,583	
Use of the Capital Receipts Reserve to finance new capital expenditure			2,583	-2,583
<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 11)	-73,009			73,009
Employer's pensions contributions and direct payments to pensioners payable in the year	29,289			-29,289
<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	282			-282
<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	-470			470
<b>Total Adjustments</b>	<b>-43,989</b>			<b>43,989</b>



## 11 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 the majority of staff under the arrangements with the Police and Crime Commissioner for Wiltshire. Any transactions relating specifically to the Office of the Police and Crime Commissioner are immaterial.

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 three police officer schemes and one police staff scheme:

Police officers: Police Pension Scheme (PPS), New Police Pension Scheme (NPPS) and Police Pension Scheme 2015 (2015 Scheme). These are unfunded schemes, 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 2006 which result in slight variations between PPS and NPPS schemes. From 1<sup>st</sup> April 2015 a new benefit structure came into effect and new regulations state that all current active members will move into the 2015 Scheme from 1<sup>st</sup> April 2015 unless they qualify for protections that allow them to remain in their current schemes. Officer pension schemes were contracted out of the State Second Pension but this ceased on the 5<sup>th</sup> April 2016.

The scheme changes have been taken into account in the Balance Sheet and Comprehensive Income and Expenditure Account and in the following note to the accounts.

The schemes are administered in accordance with the Police Pensions Regulations 1987, the New Police Pensions Scheme Regulations 2006 and the Police Pension Regulations 2015.

Police staff: The Local Government Pension Scheme (LGPS). 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.

## 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	
	2014/15	2015/16	2014/15	2015/16
<b>Comprehensive Income &amp; Expenditure (CIES)</b>				
<i>Net Cost of Services</i>				
Current Service Costs	5,061	6,621	24,400	23,300
Past Service Costs (Non Distributed Costs)	32	61	-400	
Gains and Losses on any Settlements or Curtailments				
<i>Net Operating Expenditure</i>				
Net Interest Expense	1,316	1,640	42,600	37,700
Net Charge to the Surplus/Deficit	6,409	8,322	66,600	61,000
<i>Other Comprehensive Income &amp; Expenditure</i>				
Return on plan assets (excluding the amount included in the net interest expense)	-7,145	7,529		
Actuarial gains and losses arising on changes in demographic assumptions				-3,100
Actuarial gains and losses arising on changes in financial assumptions	25,149	-17,717	147,549	-113,688
Other	-782	-1,303	-200	-56,700
Total Other Comprehensive Income & Expenditure	17,222	-11,491	147,349	-173,488
Total Charge to the CIES	23,631	-3,169	213,949	-112,488
	Local Government Pension Scheme		Police Pension Scheme	
	£000		£000	
	2014/15	2015/16	2014/15	2015/16
Net Charge to the CIES Surplus/Deficit	6,409	8,322	66,600	61,000
<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	-6,409	-8,322	-66,600	-61,000
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to scheme	3,540	3,964		
Retirement benefits payable to pensioners			25,749	29,512
Actual Costs	3,540	3,964	25,749	29,512

The actual payments made by the Police and Crime Commissioner's Group for employer's contributions 2015/16 are £3.964 million to Wiltshire Council for the Local Government Pension Scheme (£3.540m 2014/15) and £9.352 million to the Police Pension Scheme (£9.574m 2014/15). The main reason this differs from the £29.512 million above is a further £20.160 million contributions funded by Home Office grant (£16.175 million 2014/15).

### 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
	2014/15	2015/16
<i>Local Government Pension Scheme</i>		
Present value of defined benefit obligation	-158,827	-150,168
Fair value of plan assets	108,855	107,329
Net Liability – Local Government Pension Scheme	<b>-49,972</b>	<b>-42,839</b>
<i>Police Officer Pension Scheme</i>		
Present value of defined benefit obligation	-1,179,700	-1,037,700
Fair value of plan assets		
Net Liability – Police Officer Pension Scheme	<b>-1,179,700</b>	<b>-1,037,700</b>
Total Net Liability arising from defined benefit obligation	<b>-1,229,672</b>	<b>-1,080,539</b>

The liabilities show the Group's commitment for future payment of retirement benefits. The total deficit of £1,081m for 2015/16 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 2016 are as follows:

	<u>Police staff</u>		<u>Police officers</u>	
	£000	£000	£000	£000
<b>Reconciliation of Present Value of Scheme Liabilities</b>				
	2014/15	2015/16	2014/15	2015/16
Opening Entry	-125,677	-158,827	-991,500	-1,179,700
Current Service Costs	-5,061	-6,621	-24,400	-23,300
Interest (cost)	-5,470	-5,163	-42,600	-37,700
Members Contributions	-1,468	-1,511	-5,100	-5,000
Re-measurement gain/(loss):				
• Actuarial gains/losses arising from changes in demographic assumptions				3,100
• Actuarial gains/losses arising from changes in financial assumptions	-25,163	17,579	-146,900	114,200
• Other	782	1,303	200	56,700
Past Service Costs	-32	-61	400	
Transfers in/out				-300
Settlements/Curtailments				
Benefits Paid	3,262	3,133	30,200	34,300
<b>Surplus/Deficit</b>	<b>-158,827</b>	<b>-150,168</b>	<b>-1,179,700</b>	<b>-1,037,700</b>
<b>Reconciliation of Fair Value of Scheme Assets</b>				
Opening Entry	95,796	108,855		
Interest Income	4,154	3,523		
Re-measurement gain/(loss):				
• Return on plan assets (excluding the amount included in net interest expense)	7,145	-7,529		
• Other				
Transfers in/out			-600	300
Employer Contributions	3,554	4,102	25,700	29,000
Members Contributions	1,468	1,511	5,100	5,000
Benefits Paid	-3,262	-3,133	-30,200	-34,300
<b>Surplus/Deficit</b>	<b>108,855</b>	<b>107,329</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	100,654	67.0%	26.6
Deferred Members	22,471	15.0%	26.8
Pensioner Members	27,043	18.0%	11.8
<b>Total</b>	<b>150,168</b>	<b>100.0%</b>	<b>22.6</b>

Police Officer Pension Scheme	Liability Split		Duration
	£000's	Percentage	
Active Members	397,400	39.6%	24.7
Deferred Members	41,200	4.1%	26.2
Pensioner Members	565,200	56.3%	12.2
<b>Total</b>	<b>1,003,800</b>	<b>100.0%</b>	<b>17.7</b>

Injury Pensions	Liability Split		Duration
	£000's	Percentage	
Contingent Injuries	19,900	58.7%	24.7
Injury Pension Liabilities	14,000	41.3%	16.9
<b>Total</b>	<b>33,900</b>	<b>100.0%</b>	<b>21.5</b>

### Assumptions to Estimate Assets and Liabilities

For 2015/16, the Police Pension Scheme and the Local Government Scheme have been assessed on a projected basis, by Hymans Robertson, using the full actual valuation as at 31 March 2015. The following assumptions were used to calculate the components of the pensions.

Pension Scheme Basis for Estimating					
	LGPS		Old PPS	NPPS	All Police Schemes
	2014/15	2015/16	2014/15	2014/15	2015/16
Long term expected rate of return on assets in the scheme:					
Equity Investments	3.20%	3.50%			
Bonds	3.20%	3.50%			
Property	3.20%	3.50%			
Cash	3.20%	3.50%			
Mortality assumptions:					
Longevity for current pensioners:					
Men	22.3	22.3	29.5	29.5	29.7
Women	24.5	24.5	31.7	31.7	31.6
Longevity for future pensioners:					
Men	24.1	24.1	31.1	31.1	31.2
Women	26.9	26.9	33.2	33.2	33.2
Market Derived RPI			3.30%	3.40%	3.20%
Rate of Increase in salaries	4.30%	4.20%	3.40%	3.50%	3.20%
Rate of Increase in pensions	2.40%	2.20%	2.40%	2.50%	2.20%
Rate for discounting scheme liabilities	3.20%	3.50%	3.20%	3.30%	3.50%

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 2015 was -1.6% (8.1% April – Dec 2014)

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 2016 is £107.329m (£108.855m March 2015).

**Local Government Pension Scheme Assets Comprised:**

	31 March 2015			31 March 2016		
	£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>	2,594	1	<b>2,595</b>	394	0	<b>394</b>
<b>Equity Securities:</b>						
Consumer	2,543	0	<b>2,543</b>	2,887	0	<b>2,887</b>
Manufacturing	1,765	0	<b>1,765</b>	1,693	0	<b>1,693</b>
Energy and Utilities	0	0	<b>0</b>	0	0	<b>0</b>
Financial Institutions	467	0	<b>467</b>	605	0	<b>605</b>
Health and Care	795	8	<b>803</b>	743	1	<b>744</b>
Information Technology	11,222	0	<b>11,222</b>	13,270	0	<b>13,270</b>
Other	709	0	<b>709</b>	445	0	<b>445</b>
<i>Sub-total</i>	17,501	8	<b>17,509</b>	19,643	1	<b>19,644</b>
<b>Debt Securities:</b>						
Corporate Bonds (investment grade)	154	8,672	<b>8,826</b>	0	0	<b>0</b>
Corporate Bonds (non-investment grade)	0	287	<b>287</b>	0	0	<b>0</b>
UK Government	0	423	<b>423</b>	0	0	<b>0</b>
Other	2	1,575	<b>1,577</b>	0	0	<b>0</b>
<i>Sub-total</i>	156	10,957	<b>11,113</b>	0	0	<b>0</b>
<b>Real Estate:</b>						
UK Property	1,400	9,559	<b>10,959</b>	0	13,203	<b>13,203</b>
Overseas Property	0	570	<b>570</b>	0	354	<b>354</b>
<i>Sub-total</i>	1,400	10,129	<b>11,529</b>	0	13,557	<b>13,557</b>
<b>Investment Funds and Unit Trusts:</b>						
Equities	0	48,328	<b>48,328</b>	0	46,095	<b>46,095</b>
Bonds	0	6,775	<b>6,775</b>	0	17,481	<b>17,481</b>
Hedge Funds	0	2,097	<b>2,097</b>	0	0	<b>0</b>
Commodities	0	0	<b>0</b>	0	906	<b>906</b>
Infrastructure	0	565	<b>565</b>	0	8,608	<b>8,608</b>
Other	7,520	852	<b>8,372</b>	0	644	<b>644</b>
<i>Sub-total</i>	7,520	58,617	<b>66,137</b>	0	73,734	<b>73,734</b>
<b>Derivatives:</b>						
Foreign Exchange	-28		<b>-28</b>	0	0	<b>0</b>
Other	0	0	<b>0</b>	0	0	<b>0</b>
<b>Total Assets</b>	<b>29,143</b>	<b>79,712</b>	<b>108,855</b>	<b>20,037</b>	<b>87,292</b>	<b>107,329</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 2016</b>	<b>Approx % increase to employer liability</b>	<b>Approx monetary amount (£000)</b>
0.5% decrease in real discount rate	9%	95,200
1 year increase in member life expectancy	3%	30,900
0.5% increase in the salary increase rate	1%	11,600
0.5% increase in the Pensions Increase Rate (CPI)	8%	82,400

<b>Local Government Pension Scheme - Change in assumptions at year ended 31 Mar 2016</b>	<b>Approx % increase to employer liability</b>	<b>Approx monetary amount (£000)</b>
0.5% decrease in real discount rate	13%	19,038
1 year increase in member life expectancy	3%	4,505
0.5% increase in the salary increase rate	5%	7,120
0.5% increase in the Pensions Increase Rate (CPI)	8%	11,541

## Contributions Expected

The projected amount to be charged to Income and Expenditure for the year to 31 March 2017 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		5,612	-5,612	-23.8%
Past Service Cost inc curtailments				
Effect of Settlements				
<i>Total Service Cost</i>		<i>5,612</i>	<i>-5,612</i>	<i>-23.8%</i>
Interest Income on Plan Assets	3,857		3,857	16.4%
Interest cost on Defined Benefit Obligation		5,379	-5,379	-22.8%
<i>Total Net Interest Cost</i>	<i>3,857</i>	<i>5,379</i>	<i>-1,522</i>	<i>-6.4%</i>
<b>Total Included in Surplus/Deficit CIES</b>	<b>3,857</b>	<b>10,991</b>	<b>-7,134</b>	<b>-30.2%</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		21,500	-21,500	-59.0%
Past Service Cost inc curtailments				
Effect of Settlements				
<i>Total Service Cost</i>		<i>21,500</i>	<i>-21,500</i>	<i>-59.0%</i>
Interest Income on Plan Assets				
Interest cost on Defined Benefit Obligation		36,200	-36,200	-99.3%
<i>Total Net Interest Cost</i>		<i>36,200</i>	<i>-36,200</i>	<i>-99.3%</i>
<b>Total Included in Surplus/Deficit CIES</b>		<b>57,700</b>	<b>-57,700</b>	<b>-158.2%</b>

Contributions expected to be paid to the schemes during the month of April 2016 are as follows:

Police pension scheme employer's contributions: £0.724m: (£8.688m projected for the year)  
 Police pension scheme member's contributions: £0.410m:(£4.920m projected for the year)

Local Government pension scheme employer's contributions: £0.363m:(£4.356m projected for the year)  
 Local Government pension scheme member's contributions: £0.129m: (£1.548m 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 2015/16 the net amount payable on the pension fund account before top up grant was £20.196m. A total amount of £16.014m in pension grant was received, leaving a net amount of £4.146m due from the Home Office.

The balance of £4.146m is included within the Balance Sheet of the Group as a debtor.

### 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 2015/16 was £495,971 (£466,736 2014/15), this was financed through revenue.

## 12 Operating Leases

The amounts paid under operating leases in 2015/16 and the amounts required in future years are as follows.

2014/15 £000			Leased	2015/16 £000		
Vehicle & Equip	Land & Building	Total		Vehicle & Equip	Land & Building	Total
169	67	236	Rentals Paid In Year	85	97	182
			Rentals Payable in Future Years			
104	36	140	Within 1 Year	85	30	115
104	10	114	Within 2 to 5 Years	50	0	50
	0	0	Later than 5 years	0	0	0



### 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 2015/16 and 2014/15 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 £471,811 has also been charged to revenue in line with the reduction in Finance Lease Liability of the same amount (£367,211 2014/15).

### 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	
	2014/15	2015/16	2014/15	2015/16
£0-£20,000	8	3	74	33
£20,001-£40,000	2	1	48	22
£40,001-£60,000				
£60,001-£80,000		1		66
£80,001-£100,000		1		84
£100,001-£120,000	1		101	

The total cost of exit packages includes early pension payments.

## 15 Property, Plant and Equipment and Other Assets

- **Capital Expenditure**

Total 2014/15 £000		Land & Buildings 2015/16 £000	Vehicles & Equipment 2015/16 £000	Total 2015/16 £000
6,575	Capital Expenditure in year	126	3,170	3,296
	PFI Investment (Black Rock)	3,715		3,715
<b>6,575</b>		<b>3,841</b>	<b>3,170</b>	<b>7,011</b>

- **Financing of Capital Expenditure**

2014/15 £000		2015/16 £000
2,582	Capital Receipts	943
968	Govt Grant	793
3,025	Revenue and other reserves	1,560
	VRP for PFI	472
<b>6,575</b>		<b>3,768</b>

- **Explanation of Movements in Year**

2014/15 £'000		2015/16 £'000
	Assets acquired under PFI contracts	3,715
	Voluntary Revenue Provision for PFI contracts	-472
	Increase in Capital Financing Requirements	<b>3,243</b>

Capital expenditure financing rules require all expenditure to be financed in the same year as the expenditure is incurred. Black Rock PFI expenditure is incurred and funded over the lifetime of the asset leading to a liability on the Balance Sheet equivalent to the asset (see note 25 for more detail).

- **Capital Financing Requirement**

The organisation has no outstanding Capital Financing Requirements at 31 March 2016:

	CFR £'000
Assets	50,157
Finance Lease Liability	-22,513
Reserves	-27,644
Total CFR	<b>0</b>

- **Capital Disposals**

Total GBV 2014/15 £000		Land & Buildings 2015/16 £000	Vehicles & Equipment 2015/16 £000	Total GBV 2015/16 £000
5,989	Capital Disposals	1,000	1,726	2,726
<b>5,989</b>		<b>1,000</b>	<b>1,726</b>	<b>2,726</b>

Capital Disposals are at Gross Book Value.

- **Significant Commitments under Capital Contracts**

There are no significant commitments under capital contracts to be paid after 31 March 2016.

- **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>2015/16</b>	<b>Valuation £000</b>	<b>Less Cumulative Depreciation £000</b>	<b>Net Book Value £000</b>
Land & Buildings	43,890		43,890
Surplus Assets			
Investment Properties	430		430
Assets held for Sale	133		133
Vehicles, Furniture & Equipment	18,491	13,282	5,209
Assets under construction (at cost)	495		495
	<b>63,439</b>	<b>13,282</b>	<b>50,157</b>

<b>2014/15</b>	<b>Valuation £000</b>	<b>Less Cumulative Depreciation £000</b>	<b>Net Book Value £000</b>
Land & Buildings	37,920		37,920
Surplus Assets			
Investment Properties	410		410
Assets held for Sale	1,133		1,133
Vehicles, Furniture & Equipment	17,296	10,477	6,819
Assets under construction (at cost)	800		800
	<b>59,215</b>	<b>10,477</b>	<b>47,082</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 2016 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:

- 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 David Stubbs FRICS and Andrew Shoubridge MRICS of BNP Paribas.

- **Impaired Assets**

The qualified surveyors have not identified any impaired assets as held as at 31 March 2016.

- **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.

2014/15		2015/16
	<b>Land (hectares)</b>	
19	Land	18
	<b>Buildings (numbers)</b>	
6	Police Houses	6
21	Police Stations	20
1	Radio Aerial Sites	1
	<b>Vehicles, Plant and Equipment (numbers)</b>	
73	Police Vans	71
389	Police Cars	377
19	Police Motorcycles	19

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 2015/16. 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 had two properties held for sale within the year; a building at Bulford Camp and a radio mast at Morgans Hill.

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

<b>2015/16</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 2015</b>	<b>37,920</b>	<b>410</b>	<b>1,133</b>	<b>17,296</b>	<b>800</b>	<b>57,559</b>
Additions	3,841			2,675	495	7,011
Disposals			-1,000	-1,726		-2,726
Reclassify assets	454			346	-800	
Revaluations recognised in the surplus/deficit on the provision of services	-46	20		-99		-126
Revaluations recognised in the Revaluation Reserve	1,721					1,721
Balance at 31 March 2016	43,890	430	133	18,491	495	63,439
<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 2015</b>	<b>0</b>			<b>-10,477</b>		<b>-10,477</b>
Charge for the year	-1,083			-4,361		-5,444
Depreciation written out to the surplus/deficit on the provision of services						
Depreciation written out to the Revaluation Reserve	1,083					1,083
Disposals				1,555		1,555
Balance at 31 March 2016	0			13,283		-13,283
<b>Net Book Value at 31 March 2016</b>	<b>43,890</b>	<b>430</b>	<b>133</b>	<b>5,208</b>	<b>495</b>	<b>50,157</b>

Nature of Asset Holding 2015/16:

Owned	27,159	430	133	5,208	495	33,425
PFI	16,731					16,731
	<b>43,890</b>	<b>430</b>	<b>133</b>	<b>5,208</b>	<b>495</b>	<b>50,156</b>

<b>2014/15</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 2014</b>	<b>35,060</b>	<b>556</b>	<b>4,457</b>	<b>13,640</b>	<b>1,249</b>	<b>54,962</b>
Additions	287			5,918	370	6,575
Disposals			-2,924	-3,065		-5,989
Reclassify assets				819	-819	
Revaluations recognised in the surplus/deficit on the provision of services	-61	-146		-16		-223
Revaluations recognised in the Revaluation Reserve	2,634		-400			2,234
Balance at 31 March 2015	37,920	410	1,133	17,296	800	57,559
<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 2014</b>	<b>-828</b>			<b>-9,514</b>		<b>-10,342</b>
Charge for the year	-828			-3,929		-4,757
Depreciation written out to the surplus/deficit on the provision of services						
Depreciation written out to the Revaluation Reserve	1,656					1,656
Disposals				2,966		2,966
Balance at 31 March 2015	0			-10,477		-10,477
<b>Net Book Value at 31 March 2015</b>	<b>37,920</b>	<b>410</b>	<b>1,133</b>	<b>6,819</b>	<b>800</b>	<b>47,082</b>

Nature of Asset Holding 2014/15:

Owned	26,140	410	1,133	6,819	800	35,302
PFI	11,780					11,780
	<b>37,920</b>	<b>410</b>	<b>1,133</b>	<b>6,819</b>	<b>800</b>	<b>47,082</b>

For PFI transaction details please see note 25.

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 largest project under construction at 31<sup>st</sup> March 2016 was for Mobile Operations with current costs totalling £206k.

## 16 Debtors

These represent sums owed to the Police and Crime Commissioner's Group for supplies and services provided on or before 31 March 2016, but not received at that date.

2014/15 £000		2015/16 £000
5,125	Central Government Bodies	5,012
2,447	Other Local Authorities	1,985
147	NHS bodies	
3,818	Other Entities and Individuals	3,162
<b>11,537</b>	<b>Total short term debtors</b>	<b>10,159</b>

The 2015/16 figure for central government bodies includes £4.186m due from the Home Office for the pension fund top up grant and £0.361m VAT claims not yet received from HMRC.

The amounts due from external bodies includes £2.133m for pension prepayments (paid a month in advance).

The amounts due from other local authorities include £1.423m for Collection Fund debtors – this is explained in the policies.

Long term debts totalled £32,000 as at 31 March 2016.

## 17 Creditors

These represent sums owed by the Police and Crime Commissioner's Group for supplies and services received on or before 31 March 2016, but not paid for at this date.

2014/15 £000		2015/16 £000
-1,693	Central Government Bodies	-1,792
-5,000	Other Local Authorities	-5,726
-14	NHS bodies	-329
-5,317	Other Entities and Individuals	-2,988
<b>-12,024</b>	<b>Total</b>	<b>-10,835</b>

The 2015/16 figure for central government bodies includes £1.486m for the national insurance contributions not paid over at 31 March.

The amounts owed to external bodies includes an employee benefits accrual of £0.844m for employee leave not taken at 31 March.

The amounts owed to local authorities include £0.484m for Collection Fund accruals – this is explained in the policies.

## 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, through the Community Foundation, as approved by the Group. The balance for distribution stands at £19,704 at 31 March 2016 (£33,586 2014/15) and is included as a creditor.

## 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 2016 was £75,464 (£27,393 2014/15).

## 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 2016 the balance in the bank was £212,813 (£287,201 2014/15). 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.

## 18 Provisions

Insurance 2014/15 £000	Other 2014/15 £000		Insurance 2015/16 £000	Other 2015/16 £000
-824	-1	Balance as at 1 April	-840	-156
-16	-155	Additional Provisions made in year	-348	
		Amounts Used in year		76
		Unused Amounts Reversed in year		80
<b>-840</b>	<b>-156</b>	<b>Total</b>	<b>-1,188</b>	<b>0</b>

Included within the 2015/16 provision total is £1.188 million relating to insurance (£0.840m 2014/15). 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 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. £0.793m of Capital Grants received in 2015/16 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.



## 20 Contingent Assets & Contingent Liabilities

Precedents set in other forces for claims relating to officer's overtime give rise to potential claims from Wiltshire police officers. No claims have been made at Wiltshire Police to date; the maximum liability is not measurable so no provision has been made in the accounts.

Nationally Chief Constables and the Home Office have claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the transitional provisions in the Police Pension Regulations 2015. The tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. So far only limited claims have been brought against the Police and Crime Commissioner for Wiltshire and Swindon. For these reasons, no provision has been made in the 2015/16 Statement of Accounts.

## 21 Post Balance Sheet Events

The PCC is required to disclose any post Balance Sheet events that have a significant impact on the accounts for the year. For 2015/16 there were no significant post Balance Sheet events for disclosure.

## 22 Usable Reserves

2014/15 £000		2015/16 £000
0	Capital Receipts Reserve	0
20,677	Other Earmarked Reserves	19,594
3,149	General Fund Reserve	2,636
<b>23,826</b>	<b>Total Usable Reserves</b>	<b>22,230</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 2015/16; 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.

## 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 1 April 2015 £000		Additions to reserve £000	Deductions from reserve £000	Movement 2015/16 £000	Balance 31 March 2016 £000
400	Insurance Reserve				400
160	Incentivisation Reserve				160
452	Pension Ill Health Reserve		-322	-322	130
12,626	Capital Development Reserve		-731	-731	11,895
100	Fleet Man Trading Reserve		-100	-100	
33	MAPPA Reserve	7		7	40
379	Uniforms Reserve		-30	-30	349
100	Training Reserve		-50	-50	50
800	Restructuring Reserve	38	-535	-497	303
49	Road Safety Initiatives		-49	-49	0
33	Local Resilience Forum (LRF)		-5	-5	28
99	Switch IOM		-62	-62	37
1,051	CC Operational Reserve	4		4	1,055
487	Community Safety Innovation	13	-104	-91	396
500	Investment Reserve		-500	-500	0
500	Budget Smoothing Reserve		-300	-300	200
774	Regional Projects Reserve		-42	-42	732
350	Estates Transformation		-300	-300	50
378	Held Property Reserve		-60	-60	318
1,406	Officer Intake Strategy		-858	-858	548
	Specials Intake Reserve	1,032		1,032	1,032
	Corporate Comms Reserve	116		116	116
	Diversity Reserve	150		150	150
	2016/17 Revenue Reserve	1,605		1,605	1,605
<b>20,677</b>	<b>Total Earmarked Reserves</b>	<b>2,965</b>	<b>-4,048</b>	<b>-1,083</b>	<b>19,594</b>

For comparative purposes, the details of the 2014/15 reserves are as follows:

Balance 1 April 2014 £000		Additions to reserve £000	Deductions from reserve £000	Movement 2015/16 £000	Balance 31 March 2015 £000
400	Insurance Reserve				400
167	Incentivisation Reserve		-7	-7	160
280	Pension III Health Reserve	172		172	452
13,192	Capital Development Reserve	2,387	-2,953	-566	12,626
100	Fleet Man Trading Reserve				100
23	MAPPA Reserve	10		10	33
0	Uniforms Reserve	379		379	379
100	Training Reserve				100
800	Restructuring Reserve	104	-104		800
49	Road Safety Initiatives				49
46	Local Resilience Forum (LRF)		-13	-13	33
112	Switch IOM		-13	-13	99
1,051	CC Operational Reserve				1,051
701	Community Safety Innovation	241	-455	-214	487
970	Investment Reserve		-470	-470	500
500	Budget Smoothing Reserve				500
250	Regional Projects Reserve	524		524	774
483	Estates Transformation	1,477	-1,610	-133	350
300	Swindon Transformation Hub		-300	-300	
606	Held Property Reserve		-228	-228	378
1,406	Officer Intake Strategy				1,406
<b>21,536</b>	<b>Total Earmarked Reserves</b>	<b>5,294</b>	<b>-6,153</b>	<b>-859</b>	<b>20,677</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 III 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.

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. The hosting of the conference is no longer undertaken by Wiltshire hence the closure of the reserve.

Training Reserve – This reserve holds funding for delayed training costs due to the restructuring of the organisation and the need to invest in leadership training.

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 around 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. These costs are now expected to be funded from capital hence the closure of this reserve.

Budget Smoothing Reserve – These are funds put aside to cover any 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 small estates projects.

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

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.

Specials Intake Strategy Reserve - This reserve is intended to finance a plan to increase the number of Specials assisting the force to 500 with a specific recruitment and training strategy.

Corporate Comms Reserve – Funding set aside to finance new initiatives expected to improve the way the PCC and CC communicate to the public and staff.

Diversity Reserve – Funding set aside to finance projects which will lead to a more diverse workforce and benefits that provides.

2016/17 Revenue Reserve - Funding set aside to finance a short term funding position expected in 2016-17

## 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 2016.

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.

## 23 Unusable Reserves

2014/15 £000		2015/16 £000
15,949	Capital Adjustment Account	13,511
11,863	Revaluation reserve	14,133
-1,229,672	Pension Reserve	-1,080,539
969	Collection Fund Adjustment Account	939
-794	Accumulated Absences Account	-884
<b>-1,201,685</b>	<b>Total Unusable Reserves</b>	<b>-1,052,840</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.

2014/15 £000		2015/16 £000
14,924	CAA Balance at 01 April	15,949
	<i>Reversal of Capital items charged to Income &amp; Expenditure:</i>	
-146	Revaluations	20
-3,023	Disposals	-1,171
-77	Deminimis	-145
-4,757	Depreciation	-5,444
	See also Note 15	
-8,003		-6,740
1,107	Adjustments to Revaluation Reserve	534
-6,896	Net written out amount of asset costs consumed in year	-6,206
	<i>Capital financing applied in the year:</i>	
2,582	Capital financing from Capital Receipts Reserve	944
968	Capital financing grants charged to Income & Expenditure	793
	Capital financing from Capital Grants Unapplied Account	
4,004	Capital financing charged to the General Fund	1,560
367	Finance Lease Liability Redemption	472
	See also Note 25	
7,921		3,768
<b>15,949</b>	<b>Balance at 31 March</b>	<b>13,511</b>

## Revaluation Reserve

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

2014/15 £000		2015/16 £000
9,080	Balance at 1 April	11,863
3,890	Revaluation Gain/(Loss) See also Note 15	2,804
-1,107	Depreciate Revaluation Gains to CAA	-534
<b>11,863</b>	<b>Balance at 31 March</b>	<b>14,133</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 £1.081m for 2015/16 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.

2014/15 £000		2015/16 £000
-1,021,381	Balance as at 1 April	-1,229,672
-164,571	Re-measurements of the net defined benefit liability/(asset)	184,979
-73,009	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	-69,322
29,289	Employer's pensions contributions and direct payments to pensioners payable in year	33,476
<b>-1,229,672</b>	<b>Balance as at 31 March</b>	<b>-1,080,539</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.

2014/15 £000		2015/16 £000
687	Balance at 1 April	969
	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	
282		-30
<b>969</b>	<b>Balance at 31 March</b>	<b>939</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; it is not cost effective to collect this data and no flexi leave accrual has been posted for 2015/16 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 £0.884 million accrual for employee leave entitlements carried over at 31 March 16.

For 2015/16 there is a £0.090 million increase in the net cost of services where the accrual has increased from £0.794 million in 2014/15, this is reversed out in the Movement in Reserves Statement so as to avoid any impact on Council Tax.

2014/15 £000		2015/16 £000
-325	Balance as at 1 April	-794
325	Settlement or cancellation of accrual made at the end of the preceding year	794
-794	Amounts accrued at the end of the current year	-884
	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	
-469		-90
<b>-794</b>	<b>Balance as at 31 March</b>	<b>-884</b>

## 24 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**

2014/15 £000		2015/16 £000
<b>-44,852</b>	<b>Surplus/(Deficit) on Income and Expenditure Account</b>	<b>-40,533</b>
-3,352	Movement in debtors	1,179
56	Movement in stocks	-43
2,278	Movement in creditors	-1,132
171	Movement in provisions and other balances	192
43,989	Adjustments between Accounting Basis and Funding Basis under Regulation	38,938
978	Adjustment for additional CFR	
3,027	Net Cash Flows from Investing Activities	1,560
367	Net Cash Flows from Financing Activities	472
<b>2,662</b>	<b>Net Cash Flows from Operating Activities</b>	<b>633</b>

- **Movement in Cash and Cash Equivalents**

Movement 2014/15 £000		Balance 1 April 2015 £000	Balance 31 March 2016 £000	Movement 2015/16 £000
-7,222	Cash held by the PCC	5,895	12,082	-6,187
7,497	Cash Overdrawn	-5,800	-12,727	6,927
-1,007	Short Term Deposits	25,005	24,345	-660
<b>-732</b>	<b>Total</b>	<b>25,100</b>	<b>23,700</b>	<b>-1,400</b>

There were no long term investments held at 31 March 2016. However, net short-term deposits of £24.345 million were invested with approved institutions and have been shown at market value.



- **Analysis of Specific Government Grants**

<b>£000 2014/15</b>		<b>£000 2015/16</b>
-2,068	PFI Swindon Facilities Grant	-2,068
-1,182	Security Funding Spec Grant	-1,091
-429	Victims & Support RJ Grant	-769
-364	Other Grants	-593
<b>-4,043</b>	<b>Total</b>	<b>-4,520</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.

## 25 Financial Instruments and Private Finance Initiatives

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, PFI and cash.

The Financial Instruments disclosed in the Balance Sheet are made up of the following categories:

	<b>Short Term</b>		<b>Long Term</b>	
	<b>31 March 2015 £'000</b>	<b>31 March 2016 £'000</b>	<b>31 March 2015 £'000</b>	<b>31 March 2016 £'000</b>
Financial liabilities at amortised cost				
Creditors	-8,288	-6,947		
PFI	-398	-512	-18,872	-22,001
<b>Total</b>	<b>-8,686</b>	<b>-7,459</b>	<b>-18,872</b>	<b>-22,001</b>
Financial Assets Loans and Receivables				
Bank and Investments	25,100	23,700		
Debtors	2,896	1,953	10	32
<b>Total</b>	<b>27,996</b>	<b>25,653</b>	<b>10</b>	<b>32</b>

£25.859m deposits along with the net bank balance of £-0.646m make up the Balance Sheet cash & cash equivalents of £23.700m.

The Financial Instruments disclosed in the CIES gains and losses are made up of the following categories:

	<b>31 March 2015 £'000</b>	<b>31 March 2016 £'000</b>
Financial liabilities at amortised cost		
Interest Payable and similar charges	6	8
PFI Finance Interest	1,669	1,911
<b>Total</b>	<b>1,675</b>	<b>1,919</b>
Financial Assets Loans and Receivables		
Interest and Investment Income	-47	-245
<b>Total</b>	<b>-47</b>	<b>-245</b>

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

Financial instruments as set out in the note are classified at the following levels in the hierarchy:

- Level 1 - Short term Creditors, Debtors and Cash & Cash Equivalents.
- Level 2 – PFI deferred liability.

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 Capita Asset Services. This service is based on a sophisticated modelling approach, with credit ratings from all three rating agencies (Fitch, Moody's and Standard and Poor's), 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.

In accordance with DCLG Guidance on Local Government Investments for selecting the creditworthiness of counterparties with whom investments are placed, the Police and Crime Commissioner will comply with the minimum requirements below.

All banks and building societies must be part of the credit list provided by Capita and investments with these institutions are for the durations as recommended by Capita and subject to a credit default analysis.

Money Market Funds (MMF), must have been awarded the highest possible rating (AAA) from at least one of the credit rating agencies Standard and Poor's, Moody's and Fitch.

Limits are applied to the amount of money that can be lent to any of these institutions or groups of institutions using the ratings of Fitch Rating Agency 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 Police and Crime Commissioner's exposure to risk on investments is minimised by limiting the deposits to short term only, there has been no experience of historical default.

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 2016 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> (Loans & Receivables)	<b>31-Mar-15</b> <b>£'000</b>	<b>31-Mar-16</b> <b>£'000</b>
Less than 3 months	816	499
3 to 6 months	3	3
Over 6 months	35	52
	<b>854</b>	<b>554</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> (Amortised Cost)	<b>31-Mar-15</b> <b>£'000</b>	<b>31-Mar-16</b> <b>£'000</b>
Less than 3 months	1,230	262
3 to 6 months	40	1
Over 6 months	-47	7
	<b>1,223</b>	<b>270</b>

### **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 2016 to 2018.

## **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.

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

The Police and Crime Commissioner is committed to make annual payments for two PFI Projects; the Swindon Divisional Facilities and the Black Rock firearms training facility in Portishead. Black Rock is a recent PFI which is shared with Avon & Somerset and Gloucester police. In line with the Code of Practice the Swindon PFI asset and a share of the Black Rock PFI asset have been recognised on the Balance sheet and a liability created to identify the Group's commitment for future payments towards the assets over the life of the contracts. 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'.

At the end of the Swindon HQ project an option exists for the Police and Crime Commissioner to take ownership of the asset and similarly at the end of the Black Rock project the asset will transfer to the joint ownership of the PCC's for the three police forces involved.

The following tables set out the movements in the PFI assets and liabilities for 2015/16:

<b>Swindon Property 2014/15 £000</b>	<b>Cost or Valuation</b>	<b>Swindon property 2015/16 £000</b>	<b>Black Rock Property 2015/16 £000</b>
<b>11,260</b>	<b>Balance at 1 April</b>	<b>11,780</b>	
	Additions		3,715
520	Enhancements/Revaluations	200	1,036
11,780	Balance at 31 March	11,980	4,751
	<b>Depreciation</b>		
<b>-250</b>	<b>Balance at 1 April</b>	<b>0</b>	<b>0</b>
-250	Charge for the year	-250	-155
500	Depreciation write back on revaluation	250	155
0	Disposals	0	0
0	Balance at 31 March	0	0
<b>11,780</b>	<b>Net Book Value at 31 March</b>	<b>11,980</b>	<b>4,751</b>

-19,637	Finance Lease Liability in Accounts	-19,270	
	Additions		-3,715
	Adjustment to Liability		
367	Liability Redemption	398	73
<b>-19,270</b>	<b>Finance Lease Liability at 31 March</b>	<b>-18,871</b>	<b>-3,642</b>

Payments made in 2015/16 and due for the remainder of the Swindon PFI contract are as follows:

Year	<b>£000</b>			
	<b>Fair Value of Services</b>	<b>Lifecycle Replacement Costs</b>	<b>Finance Cost for Year</b>	<b>Finance Lease Liability Redemption</b>
Rentals Paid In Year (2015/16)	841	50	1,638	398
<b>Rentals Payable in Future Years</b>				
Within 1 Year	841	50	1,604	432
Within 2 to 5 Years	3,366	198	6,015	2,129
Within 6 to 10 Years	4,207	248	6,329	3,851
Within 11 to 15 Years	4,207	248	4,390	5,790
Within 16 to 20 Years	3,366	198	1,475	6,669

Payments made in 2015/16 and due for the remainder of the Black Rock PFI contract are as follows:

Year	<b>£000</b>			
	<b>Fair Value of Services</b>	<b>Lifecycle Replacement Costs</b>	<b>Finance Cost for Year</b>	<b>Finance Lease Liability Redemption</b>
Rentals Paid In Year (2015/16)	89	3	274	73
<b>Rentals Payable in Future Years</b>				
Within 1 Year	114	9	284	80
Within 2 to 5 Years	473	75	1,078	364
Within 6 to 10 Years	645	249	1,183	530
Within 11 to 15 Years	728	367	945	710
Within 16 to 20 Years	828	372	640	1,065

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

2014/15 £000	Fund Account (Note 11 provides further information)	2015/16 £000	2015/16 £000
8,879	Contributions Receivable	7,620	
221	Employer (21.3% contributions)	194	
	Other Bodies	393	
5,132	Early Retirements (Ill Health)	5,024	
<b>14,232</b>	Members		<b>13,231</b>
<b>134</b>	Transfers In from other schemes	644	<b>644</b>
	Benefits Payable		
23,499	Pensions	24,573	
6,134	Commutations	10,258	
<b>29,633</b>	Lump Sum Death Benefits		<b>34,831</b>
	Payments to and on account of leavers		
1	Refunds of contributions	2	
166	Scheme Pays	147	
741	Transfers out to other schemes	91	
<b>908</b>			<b>240</b>
<b>16,175</b>	Net amount payable for the year		<b>21,196</b>
	Additional contribution from the local policing body*		<b>-1,037</b>
<b>16,175</b>	Transfer from Police Fund to meet Pension Fund deficit		<b>20,160</b>
<b>0</b>	Net amount receivable for year		<b>0</b>

### Net Assets Statement

The accounting treatment of the top-up grant results in a zero net amount receivable from Central Government with no amounts owing to pensioners at 31 March 2016, therefore there is no requirement for a Net Assets Statement.

\*There is an adjustment of 2.9% to the cashflow due to a reduction in the employer contribution rate for police pension schemes in 2015/16 being reflected in HMT pensions top up funding.

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 11**.

## Glossary

<b>Accounting Period</b>	The period of time covered by the accounts, for Wiltshire PCC this is 1 <sup>st</sup> April to 31 <sup>st</sup> March.
<b>Accounting Policies</b>	The principles, rules and practices that guide how events and transactions are recognised, measured and presented in the financial statements.
<b>Actuarial Valuation (Pensions)</b>	An independent report on the financial status of the Pension Fund, which reports the current estimated cost of fulfilling the PCC's future pensions liabilities
<b>Amortisation</b>	The measurement of the use of an intangible asset over its economic life.
<b>CC</b>	Chief Constable for Wiltshire
<b>Capital Expenditure</b>	Expenditure on the acquisition or construction of significant assets such as land and buildings which have a long term value to the PCC.
<b>Capital Grants</b>	Grant income received by the PCC in support of the planned Capital Expenditure.
<b>Capital Receipts</b>	Income from the sale of capital assets.
<b>Carrying Amount</b>	The value for which an asset or liability is represented in the Balance Sheet.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy. A public body that provides guidance for accounting in the public sector.
<b>Collection Fund</b>	The fund maintained by councils for the collection and distribution of local Council Tax receipts. Police precepts are met from these funds.
<b>Contingency</b>	A sum of money set aside to meet unexpected costs.
<b>Contingent Liability</b>	A possible obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured reliably.
<b>COPLAA</b>	CIPFA's Code of Practice on Local Authority Accounting in the UK.
<b>Corporate and Democratic Core</b>	Central activities which the police force engages in specifically because it is an elected authority. There is no basis for apportioning these costs over the individual services.
<b>Creditors</b>	Amounts owed by the PCC for goods or services received but where payment has not yet been made.
<b>Current Assets</b>	Assets that can be readily converted into cash within a short timescale (12 months)
<b>Current Liabilities</b>	Amounts owed by the PCC which are due to be settled in a short timescale (12 months).
<b>Debtors</b>	Amounts due to be paid to the PCC but not yet paid.
<b>Depreciation</b>	The measurement of the use of a tangible asset over its economic life.
<b>Fair Value</b>	The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measured date.
<b>FRC</b>	Financial Reporting Council
<b>GAAP</b>	Generally Accepted Accounting Practices.
<b>GAD</b>	The Government Actuaries Department (GAD) provides actuarial analysis and advice to the public sector.
<b>IAS</b>	International Accounting Standards.
<b>IFRS</b>	International Financial Reporting Standards.
<b>Inventory</b>	The amount of unused or unconsumed stock held for future use.
<b>IPSAS</b>	International Public Sector Accounting Standards.
<b>Impairment</b>	A reduction in the value of an asset due to physical damage or a significant reduction in the market value.
<b>LAAP</b>	Local Authority Accounting Panel that provides guidance on specific issues and accounting developments.
<b>Market Value</b>	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

<b>MRP (VRP)</b>	Minimum Revenue Provision/Voluntary Revenue Provision. An amount set aside each year to finance repayment of debt, In the case of Wiltshire PCC, this refers to the payment of the Finance Cost relating to the Swindon PFI over the course of the contract.
<b>Non Current Assets</b>	Assets that provide benefits to the PCC for a period of more than one year.
<b>Non Distributed Costs (NDC)</b>	Central overheads which cannot be apportioned over services.
<b>OPCC</b>	Office of the Police and Crime Commissioner.
<b>PCC</b>	Police and Crime Commissioner
<b>PCC Group</b>	This refers to the Police and Crime Commissioner and the Chief Constable as a group.
<b>PFI</b>	A private finance initiative (PFI) is a public sector infrastructure project funded with private sector capital.
<b>Precept</b>	A levy collected by the Councils from council taxpayers on behalf of the PCC.
<b>Provisions</b>	Amounts set aside to meet liabilities or losses which are likely to be incurred, but where the actual sum and timing are uncertain.
<b>RCCO</b>	Revenue Contribution to Capital Outturn
<b>Reserves</b>	Funds set aside by the PCC to meet the cost of future expenditure.
<b>Running Costs</b>	General expenditure incurred in the use of premises, transport and equipment such as costs of electricity.
<b>Specific Grant</b>	Grant funding provided to the PCC for use on specific projects.
<b>SSAP</b>	Statements of Standard Accounting Practices.
<b>Third Party Payments</b>	Payments made by the PCC for specialist or support services provided by outside contractors and other bodies.