



Statement of Accounts

for the year ended
31 March 2013

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EXPLANATORY FOREWORD AND FINANCIAL REVIEW

Introduction

The purpose of this foreword is to provide a clear guide to the most significant matters reported in the accounts. It explains the purpose of the financial statements that follow and provides a summary of the financial activities of Thames Valley Police (the force) during 2012/13 and its financial position as at 31 March 2013.

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

Background

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

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

These are the first set of accounts to be prepared under the new arrangements. For accounting purposes, the accounts of the PCC and the Chief Constable (the force) together are known as the PCC Group. A separate set of accounts has been produced for the PCC and the PCC Group to recognise all the financial transactions incurred during 2012/13 for policing Thames Valley.

The Financial Statements

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2012/13: Based on International Financial Reporting Standards (IFRS).

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

Auditor's Report (pages 9 to 11) – This sets out the opinion of the Chief Constable's external auditor on whether the accounts of the Thames Valley Police give a true and fair view of the financial position and operations of the Force for 2012/13.

Statement of Responsibilities (page 12) - This sets out the respective responsibilities of the Chief Constable and the Director of Finance

Movement in Reserves Statement (page 22) - This statement shows the movement in the year on the reserves. The force does not manage any of these transactions and accordingly this statement does not show any movements. It is included in the Accounts to show the reader that all reserves are handled by the PCC

Comprehensive Income and Expenditure Statement (CIES) (page 23) – This summarises the resources generated and consumed in the year. The statement has a £nil balance. This is because in practice all the respective costs are paid for by the Police and Crime Commissioner. The financial consequences of the different policing activities last year is shown in note 5 to the accounts on page 30. This reflects the Police and Crime Commissioner's financial resources consumed at the request of the Chief Constable.

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Balance Sheet (page 24) – This shows the assets and liabilities of the force as at 31st March 2013 and its overall financial position at that date. As previously mentioned the force does not own any assets or liabilities nor hold any reserves at year-end. It is included in the accounts to show the reader that all balance sheet balances are accounted for by the PCC.

Cash Flow Statement (page 25) – This statement shows the inflows and outflows of cash to the force. As previously mentioned the force does not manage any of these transactions and accordingly this statement does not show any figures. Movements of monies are included in the accounts of the PCC

Notes to the Accounts (pages 26 to 40) – These notes are of fundamental importance to the correct interpretation and understanding of the Statement of Accounts and the presentation of a true and fair view. They have 3 significant roles:

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

Police Pension Fund Accounts (page 41) – Sets out the financial position of the Police Pension Fund as at 31st March 2013

Glossary of Terms (pages 42 to 45) – Wherever possible the use of technical jargon has been avoided. However, the Statement of Accounts does contain some accounting and local government terminology and a glossary of terms is provided at the end of this document which aims to simplify and explain such terminology.

Financial Performance

Revenue budget 2012/13

The Authority and Force knew for some time that it would have to make significant cuts in its budget due to the state of UK public finances. As such, work developing and implementing the Productivity Strategy began early in 2010. This work has been imperative to achieving a balanced budget position over the next 2 to 3 years.

In 2012/13 the cash reduction in government funding for the police service nationally was 5% but those authorities that agreed to freeze or reduce their council tax would receive a one-off grant equivalent to a 3% increase in council tax income. However, the overall impact of the finance settlement for TVP was a cash reduction in Government funding of £16.647m or 6.4%.

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

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

There is a close relationship between the annual budget, medium-term financial plan (MTFP), three-year policing strategy and the annual target setting process. All three support and complement the agreed three year policing strategy. The three year policing strategy 2011-14 adopted by the Authority at its meeting held on 17 December 2010 included the following objectives to provide the framework for the development of the Annual Delivery Plan:

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- To cut crimes that are of most concern to the community
- To increase the visible presence of the police
- To protect our communities from the most serious harm
- To improve communication with the public in order to enhance trust and confidence with our communities
- To tackle bureaucracy and develop the professional skills of all staff
- To reduce costs and protect the frontline

The proposals developed for the budget ensured that resources were targeted towards priority business areas. There was no reduction in local visible policing and those service areas that supported the delivery of key strategic objectives or were necessary for the effective management of policing risk received the greatest protection. As such, the Productivity Strategy facilitated the redeployment of 66 officers to frontline visible policing during 2012/13.

The 2012/13 budget of £371.162m represented an annual reduction in comparable revenue expenditure of £15.356m or 4%. The Authority took the Council tax freeze grant so band D council tax remained at £154.30.

The medium term financial plan 2012/13 to 2014/15, which was produced on the assumption of a 2% increase in council tax in 2013/14 and 2.5% in 2014/15, required revenue budget savings of £39.916m over the three year period, of which £17.815m was due to be delivered during 2012/13. This level of saving increases the total saving over the 4 year CSR period (2011/12 to 2014/15) to £55.498m which necessitates the planned reduction of 98 police officer and 450 police staff posts over the same CSR period.

Revenue Outturn

The Chief Constable's Management Team received regular monitoring reports throughout the year, updating chief officers on the key issues that were likely to affect the financial outturn at year-end, most notably the measures being taken to reduce ongoing costs due to the impending budget cuts.

The following table provides a high level comparison between the approved budget for 2012/13 and actual expenditure. This table shows the full "group" position rather than just those budgets managed on a day to day basis by the Chief Constable. In this respect it differs from the Resources Consumed Statement provided on page 30

	Annual Budget £000	Final Outturn £000	Variation £000	%
PCC Controlled Expenditure				
Office of the PCC				
Police staff pay and allowances	812	606	-205	
Other employee expenses	10	2	-7	
Transport	10	7	-4	
Supplies & services	188	145	-43	
Third party payments	87	56	-31	
Statutory accounting adjustments	7	7	0	
	1,114	824	-291	-26.3
Democratic Representation				
Police staff pay and allowances	62	61	0	
Other employee expenses	20	1	-19	
Transport related expenditure	26	22	-4	
Supplies & services	231	158	-74	
	339	241	-98	-28.9
Other Costs				
Other employee expenses	6	0	-6	
Supplies & services	340	210	-130	
	346	210	-136	-39.3

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	Annual Budget £000	Final Outturn £000	Variation £000	%
TVP Operational Budget – Direction & Control of the Chief Constable				
Pay and Employment costs				
Police officer pay and allowances	240,555	240,343	-212	-0.1
Police overtime	8,528	8,523	-5	-0.1
PCSO pay and allowances	15,036	14,868	-167	-1.1
Police staff pay & allowances	91,139	90,865	-274	-0.3
Temporary or agency staff	2,964	2,964	0	0.0
Police officer injury/ ill health/ death pensions	4,248	4,250	3	0.1
Other employee expenses	4,433	4,731	298	6.7
	366,903	366,545	-358	-0.1
Overheads				
Premises	22,572	22,815	243	1.1
Transport	12,444	12,412	-33	-0.3
Supplies & services	49,448	49,536	87	0.2
Third party payments	6,162	6,301	140	2.3
Force income	-30,798	-30,926	-128	-0.4
	59,828	60,137	310	0.5
Net capital financing costs				
Capital financing	9,025	8,787	-238	-2.6
Interest on balances	-1,400	-1,674	-274	-19.6
	7,625	7,113	-512	-6.7
Appropriations to / from (-) balances				
Statutory accounting adjustments	171	197	26	15.1
Appropriations	-3,567	-3,567	-1	0.0
	-3,396	-3,370	25	0.7
Cost of Services	432,760	431,700	-1,060	-0.2
Funded by				
General grant income	-234,332	-234,332	0	0.0
Council tax	-136,830	-136,830	0	0.0
Specific grants	-61,598	-61,757	-158	-0.3
	-432,760	-432,919	-158	-0.3
Net Revenue Position	0	-1,218	-1,218	

The annual revenue surplus of £1.218m (0.3%) has been transferred to general balances. The majority of the surplus was due to the lower than budgeted level of expenditure within the Office of the PCC and the savings made on financing costs.

Performance information

TVP performance was strong in 2012/13 with overall crime falling by 10.8% from 149,806 offences in 2011/12 to 133,654 offences in 2012/13 – the sixth year in a row that crime has fallen in the Thames Valley.

This overall reduction meant there were more than 2,000 fewer victims of violent crime, as the Force oversaw a reduction in this type of offending of almost 10%. Domestic burglaries fell by almost 20%; with non-residential burglaries falling by more than 8%. Robbery offences fell by a quarter from 1,723 to 1,294. The number of recorded homicides was 16 which is the same level as the previous year. There was, however, an increase in rape offences which rose from 465 offences to 518. However, this rise can be directly attributed to the on-going Operation Yewtree investigation and offences connected to this.

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Other areas where Thames Valley Police saw reductions in crime included a 5% reduction in vehicle crime; theft of bicycles were down 20%; criminal damage and arson offences were down 16%; drug offences dropped 6%; a 10% reduction in people being arrested in possession of weapons; public order offences were down 11% and miscellaneous crimes against society fell 10%.

Thames Valley Police also maintained or improved detections rates in the past year. The overall sanction detection rate remained stable at 24%. Meanwhile, the sanction detection rate for violence against the person with injury increased from 44.7% to 47.0% and there was a slight increase in the detection rate for domestic burglary from 15% to 16%.

Over the past year Thames Valley Police has worked hard to tackle types of offending that have significant impact on local communities. Officers carried out 55 operations targeting metal theft and the handling of stolen property. This saw a significant reduction in recorded metal theft of 48%.

Thames Valley Police was also one of a number of Forces in the South East Region to roll out Operation Tornado, which saw new measures implemented to register and monitor the region's scrap metal dealers and resulted in 97% of dealers in the South East signing up to the scheme. Under the new scheme, police were given greater powers to monitor sales and which now prohibits the use of cash in businesses.

Thames Valley Police was proud to be one of the Forces that had responsibility for delivering a safe and secure torch relay and Games with the policing operation at Eton Dorney for the rowing, canoeing and kayaking events for both the Olympics and Paralympics.

The Force's commitment to tackling organised crime groups and those who prey on vulnerable people and those living in isolated communities continued once again in 2012/13, with a 47% rise in operations to target this type of criminality.

Thames Valley Police also targeted the ill-gotten gains of the criminals in our Force area, ensuring record numbers of cash detention orders were obtained and more than £1.2m seized under the Proceeds of Crime Act. Most notably, 88% of victims of crime surveyed in 2012/13 on behalf of Thames Valley indicated that they were satisfied with the overall service that they had received. This was an increase from 86% in 2011/12.

According to the Crime Survey for England and Wales, 62% of respondents living in the Thames Valley agreed that the police deal with local concerns; with 62% also agreeing that the police and local councils were dealing with the issues.

The strength of the Special Constabulary has been maintained, with over 700 specials and 74 per cent of Special Constabulary officers achieved full patrol status within 18 months of attestation.

Communicating with our local communities and informing them of what is happening in their areas and notifying them of the work we do is an important tool in modern policing. In the past year, Thames Valley Alert was launched with 67,065 accounts set up in 2012/13 with more than five million email alerts sent out to our communities.

Outlook for 2013/14 and key challenges

In line with the PCC's inaugural Police and Crime Plan, our financial plans have been developed to cover the four year period 2013/14 to 2016/17.

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

The annual revenue budget for 2013/14, which required a 2% increase in council tax, was approved by the Police and Crime Panel on 1st February 2013. Despite the increase in council tax, the budget still represented a net cash reduction of £8.7m or 2.1% on the comparable 2012/13 expenditure and hence included £13m of cash savings. However, due to the success of the Force's Productivity strategy an additional 34 police officers will be redeployed to critical policing

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functions such as local policing and child protection in 2013/14. This is in addition to the 66 police officers redeployed in 2012/13 meaning that over the two year period 2012/13 and 2013/14 an extra 100 police officers have been redeployed to critical policing functions.

In developing the Medium Term Financial Plan (MTFP) in January 2013 we assumed that Government grants would be cut by 3.3% in 2014/15, 2.4% in 2015/16 and 1.0% in 2016/17 and that council tax would increase by 2.5% in each of the next three years. Clearly these assumptions will need to be revisited and updated in coming months as we start work on the next budget cycle. However, the currently approved MTFP requires cash savings of £39.9m over the next four years (2013/14 to 2016/17), of which £13.1m is due to be delivered during 2013/14.

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

Stage 2 transfers

The PRSR Act 2011 established the PCC and Chief Constable as separate Corporations' Sole which means they are both able to employ staff, enter into contracts and own assets. On 21st November 2012 following the election of the first PCC all police staff and other rights, assets and liabilities transferred from the Police Authority to the PCC. This was only intended to be a temporary measure and is referred to as the 'Stage 1' transfer. The PRSR Act sets out a second transfer (the 'Stage 2' transfer) which envisages that at least some staff, property, rights and liabilities will move from the PCC to the Chief Constable. The aim of this second transfer is to re-enforce the mandate of the PCC to hold the chief constable to account by having clear lines of accountability and recognising the operational independence of the chief constable.

The transfer has to be dealt with in a very short space of time.

- By 16th September 2013 the PCC has to submit his proposals for the Stage 2 transfer to the Home Secretary. The Home Secretary then has the power to approve it, modify the scheme, or reject the scheme, after consulting with the PCC and, where there is a transfer of staff, consulting those who represent the views of the staff concerned.
- The second stage is to implement the approved plan by 1st April 2014.

Discussions are ongoing between the PCC, Chief Constable and their respective staff to develop an appropriate Stage 2 transfer scheme that will enable the PCC to deliver the outcomes in his four year Police and Crime Plan

Balance Sheet

The Chief Constable is not responsible for the acquisition, disposal or maintenance of assets, however the Chief Constable does make use of assets in the discharge of her policing duties. Details of assets utilised as well as information on other categories of assets and liabilities can be found in the 2012/13 PCC and Group Statement of Accounts

Reserves

The reserves of the Group are held by the PCC and are available for the Chief Constable to use in the performance of her duties. These reserves and their purposes can be viewed in the PCC Statement of Accounts.

Pensions

The Police Officer Pension Liability and Police Officer Pension Reserve, which are disclosed at the end of this Statement of Accounts, reflect the full implementation of International Financial reporting Standard, IAS19. The pension liability shows the underlying commitments that the Group has in the long run to pay retirement benefits. Recognition of the total liability has a substantial impact on the net worth of the Group as recorded in the PCC Balance Sheet. The fund valuation shows an increase in liabilities due in the main to the change in actuarial assumptions used to calculate the pensions liability. Statutory arrangements for funding the deficit mean the financial position of the Group remains healthy. This is because the Group makes a pension contribution of 24.2% of pensionable pay to finance the liability, with the actual pensions and commuted lump sums being met directly by the Police Pension Fund revenue Account, which is funded by the Home Office.

Corporate Governance Statement

The Accounts and Audit (England) Regulations 2011 require that the Annual Governance Statement (AGS) accompanies the Statement of Accounts. As permitted, the Chief Constable has elected to publish the AGS with the Statement of Accounts in a single document. The statement is a statutory document which explains the governance processes and procedures in place to enable the Chief Constable, and the PCC to carry out their functions effectively. The AGS highlights the Group's internal control environment, comments on its effectiveness and identifies issues for future work.

Further information

This publication provides a review of the financial performance of the Chief Constable for 2012/13. Further information on the Force's finances can be obtained by:

- writing to the Director of Finance at PO Box 145 Kidlington, Oxfordshire, OX5 2YR
- e-mailing the Director of Finance at linda.waters@thamesvalley.pnn.police.uk

AUDIT REPORT AND OPINION

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR THAMES VALLEY

Opinion on the Chief Constable's financial statements

We have audited the financial statements of the Chief Constable for Thames Valley for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 11. 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 2012/13.

This report is made solely to the Chief Constable for Thames Valley, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable for Thames Valley, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 5, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Thames Valley as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts by the Chief Finance Officer for the financial year for which the financial statements are prepared is consistent with the financial statements.

AUDIT REPORT AND OPINION

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Conclusion on the Chief Constable for Thames Valley's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Chief Constable for Thames Valley and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable for Thames Valley has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria and guidance, published by the Audit Commission in November 2012, as to whether the Chief Constable for Thames Valley has proper arrangements for:

- review of the Annual Governance Statement;
- review the results of the work of other regulatory bodies or inspectorates, to consider whether there is any impact on my responsibilities; and
- undertaking local risk-based work, or any work mandated by the Commission

The Audit Commission has determined these criteria are those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable for Thames Valley put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on

AUDIT REPORT AND OPINION

whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, *the Chief Constable for Thames Valley* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

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

Mick West

Date: 30th September 2013

Mick West

*for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton*

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

The Chief Constable's Responsibilities

The Chief Constable is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer) has the responsibility for the administration of those affairs.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts

I approve these accounts on behalf of the Chief Constable of Thames Valley Police



Sara Thornton CBE QPM
Chief Constable
10th September 2013

Director of Finance

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

In preparing this Statement of Accounts, the Director of Finance has:

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

In my opinion, the Statement of Accounts gives a true and fair view of the financial position of the Thames Valley Police Authority as at 31st March 2013 and its income and expenditure for the year then ended.



Linda Waters, MBA ACA
Director of Finance
10th September 2013

Annual Governance Statement 2012/13

During 2012/13 the Thames Valley Police Authority (TVPA) was abolished and replaced by the directly elected Police and Crime Commissioner (PCC) for the Thames Valley. This annual governance statement reflects both the governance framework in place up until November 22 when the TVPA was abolished and the new governance framework put in place by the PCC for the year ended 31 March 2013, including plans for the financial year 2013-14.

SCOPE OF RESPONSIBILITY

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

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

In discharging this overall responsibility, the PCC is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, the PCC places reliance on the Chief Constable to support the governance and risk management processes. The Chief Constable is accountable to the law for the exercise of police powers and to the PCC for the delivery of efficient and effective policing, management of resources and expenditure by the police force. At all time the Chief Constable, her constables and staff remain operationally independent in the service of the public. In discharging her overall responsibilities the Chief Constable is responsible for establishing and maintaining appropriate risk management processes, governance arrangements and ensuring that there is a sound system of internal control which facilitates the effective exercise of these functions.

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

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

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

Governance is about how organisations ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open and accountable manner. The governance framework comprises the systems and processes, and culture and values by which the PCC and Chief Constable are directed and controlled and its activities through which it accounts to and engages with the community. It enables the PCC to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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

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

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

Under the previous statutory arrangements, Police Authority members were responsible for the vision, strategic direction and priorities for the Authority as reflected in the rolling Three Year Strategic Plan. This was supported by the Force's Annual Delivery Plan. Environmental scanning did and continues to form an important part of the identification of local and national expectations. The Authority's annual revenue budget and Medium Term Financial Plan was fully balanced and the Force Productivity Strategy identified how the necessary level of financial savings to maintain operational police during these austere times would be delivered.

The Police Authority, and its committees and panels, met on a regular basis to consider the strategic direction, plans and progress of TVP. It also oversaw transition to the new PCC governance arrangements in November 2012.

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

Policing service delivery is managed by the Force through performance group meetings and crime meetings. Delivery and performance is overseen by the PCC through regular meetings between the PCC and Chief Constable.

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

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

The roles and responsibilities of each of the Police Authority's committees were clearly defined in their individual terms of reference. The Authority's Financial Regulations and Delegated Powers to Officers set out those decisions that the Authority had delegated to its own officers and those working for the Chief Constable.

A protocol between the Police Authority and Chief Constable ensured members were kept informed of incidents, operations and key issues. Effective mechanisms existed to monitor performance against agreed targets in the Annual Policing and Delivery Plans, including the Performance Review Committee. The Authority created an informal Chairmans' Group to consider emerging issues and competing priorities. The Force and Authority adopted a co-ordinated approach to all aspects of planning from developing strategy through to delivery and review.

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

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

Major partnerships and consortia involving the Force and the PCC are governed by formal Section 22A collaboration agreements or Memoranda of Understanding, as appropriate. Joint collaboration

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oversight boards provide strategic oversight and an approval process for governance arrangements for most collaboration activity. These collaboration boards comprise Chief Officers and the PCC (previously Police Authority representatives) from each force.

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

The Authority and Force developed and published a set of shared values to foster mutual trust and confidence. Standards of conduct and personal behaviour expected of members and employees were defined and communicated through codes of conduct and protocols.

The PCC's first formal decision in November was to issue a 'framework for corporate governance' which is consistent with the seven Nolan principles of standards in public life.

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

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

The former Police Authority's committee structure ensured the Force was held to account for its operational performance and use of resources. All meetings were held in public, with the exception of discussion around confidential issues or items (e.g. contracts) subject to statutory exemptions, and agendas and minutes were placed on the Authority's website.

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

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

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

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

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

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

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

All former Police Authority members and senior officers, including the Chief Constable's Management Team, received appropriate training to enable them to undertake their roles efficiently and effectively.

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

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

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

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

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

The Authority's Local Policing and Partnerships Committee maintained an overview of the issues raised through and by Community Safety Partnerships and Local Area Policing Boards (where applicable). The Committee also oversaw arrangements for corporate communication and consultation with communities and partners to ensure they were effectively supporting the Authority's agreed aims, priorities and values.

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

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

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

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

The PCC will publish his inaugural annual report in summer 2013. This will include a key section on monitoring planned performance against actual delivery of the Police and Crime Plan.

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

Financial Management Arrangements

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

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

Value for money is achieved through the Chief Constable's Productivity Strategy, which ensured that £18m of cash savings were identified and removed from the revenue budget during 2012/13, whilst frontline police officer numbers were maintained and operational performance targets were largely achieved.

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

The financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

REVIEW OF EFFECTIVENESS

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

a) Internal audit

The effectiveness of internal audit has been assessed against how well it measures up to the CIPFA Code of Audit Practice. A review was undertaken by the Governance Working Group for 2012/13, which assessed the evidence produced by the Chief Internal Auditor.

The outcome of the review was reported to both the Corporate Governance Working Group on 31st May 2013 and the Independent Audit Committee on 25 June 2013. The review concluded that *the internal audit system in Thames Valley is effective and that the annual report and opinion from the Chief Internal Auditor is reliable evidence to support this Annual Governance Statement.*

b) The system of internal control

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

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

Police Authority / PCC

The Police Authority and, now, the PCC have a statutory duty to 'maintain an efficient and effective police force'. The following paragraphs explain how the Police Authority and more recently the PCC have discharged these powers and duties:

The Authority met monthly as a strategic body to consider key strategy and policy issues, including holding the Chief constable to account for overall Force performance, delivery of the annual delivery plan targets and performance indicators as well as the revenue budget and capital programme, in accordance with its agreed work programme.

The Authority and Force worked closely to ensure a smooth transition from the Police Authority to newly elected PCC in November. This complex planning process was overseen by an Officer Project Board and the member-led PCC Transition Panel, which reported into the Resources Committee. This work was validated by HMIC who carried out inspections of police authorities in June 2012 to look at how well prepared they and their police forces were for the introduction of, and transition to, PCCs.

HMIC conducted a further follow-up review during September to look at three specific areas of business, namely (1) the budget development process for 2013/14, (2) the funds identified by police authorities for transition and (3) the development of potential models of governance, decision making and accountability. HMIC was satisfied that TVP was making adequate and appropriate progress in all three areas.

The PCC, Anthony Stansfeld, was elected on 15th November 2012 and took up office on the 22nd. Since then the following key governance activities have taken place which reflect an effective transition:

- The framework for corporate governance was agreed and signed on 29th November
- David Carroll was appointed Deputy PCC on 7th December.
- The OPCC decision making framework was agreed on 21st January 2013. This document explains how the PCC will conduct business and take decisions in a transparent and accountable manner including how he will discharge his statutory responsibility for holding the Chief Constable to account. All PCC decisions are published on the website.
- At its meeting on 31st January the Police and Crime Panel endorsed the PCC's proposed 2% increase in council tax precept. The PCC subsequently approved his annual revenue budget for 2013/14 on 8th February 2013.
- Following consultation with the Chief Constable, the public, partners and other stakeholders, the PCC published his four year (2013-2017) Police and Crime Plan on 2nd April 2013.
- The PCC has established a joint (with the Chief Constable) Independent Audit Committee. The Committee met for the first time on 27 March 2013.
- The Office of the PCC has produced a *work programme* to demonstrate how it will deliver the non-policing elements of the Police and Crime Plan
- A schedule of public and private decision-making and performance review meetings with the Chief Constable has been agreed
- The PCC has allocated £3.5m from his Community Safety Fund to help improve community safety and crime prevention across Thames Valley. Work is ongoing to improve and enhance the governance and accountability arrangements for partnership work.
- The PCC is actively engaged in the oversight and scrutiny of key collaboration activities (e.g. South East region; Bilateral with Hampshire, National Police Air Service).
- The PCC has been elected to the Executive Board of the Association of Police and Crime Commissioners.

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The Force

The Chief Constable's Chief Officer Management Team met formally on 15 occasions during 2012/13 to determine and monitor Force Strategy, Policies and Performance. Minutes of those meetings, redacted as appropriate, are published on the Force Internet and Intranet sites

Among the key discussions during the year was a review of the Medium Term Financial Plan as part of the 2013/14 budget cycle. This was updated to include two additional years which will fall into the new Comprehensive Spending Review. Chief Officers also reviewed the Productivity Strategy which continued to play an important role in identifying options to address the budget shortfall arising from significant reductions in grant levels.

Joint Independent Audit Committee

The Committee comprises three former independent members of the former Police Authority's Audit, Governance and Risk Committee. It met for the first time on 27th March 2013 to review their terms of reference, the external audit and internal audit plans for 2013/14, as well as receiving timely updates in terms of risk management and business continuity. All three members attended the CIPFA seminar on 2nd May 2013 concerning the role and responsibilities of new police audit committees.

Risk Management & Business Continuity

The Force Risk Management Group (FRMG) met four times during 2012/13. High level strategic risk management and business continuity issues were reported to the former Police Authority 'Audit, Governance and Risk' (AGR) Committee on a timely basis. As at 31st May 2013 there were three issues on the Strategic Risk Register with mitigating actions. Annual Reports were submitted to the AGR Committee in June 2012 and the new Joint Independent Audit Committee in June 2013

Health & Safety and Environmental Management

The Force Health Safety & Environment (HS&E) Committee met four times. Annual reports on H&S and environmental management were presented to the Police Authority AGR Committee in October 2012 and the Joint Independent Audit Committee in June 2013.

Ethics and Integrity

The Professional Standards Department (PSD) used to be accountable to the Police Authority's Complaints and Professional Standards Committee but is now accountable to the PCC. A new protocol between the PCC and Chief Constable has been agreed which provides the PCC with overview and scrutiny of complaints and professional standards. In accordance with this protocol the Deputy PCC meets with the Deputy Chief Constable and Head of PSD bi-monthly to review complaints and matters related to integrity and public confidence. PSD presents details of complaint categories numbers and trends. It briefs the PCC on IPCC referrals and cases of special interest and acts upon advice, learning and guidance from members of the committee.

A reciprocal arrangement has been agreed with Hampshire Police to investigate complaints against chief police officers.

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

Collaboration and Partnership Working

The joint TVP & Hampshire Bi-lateral Collaboration Oversight Board met 4 times during 2012/13. It has adopted a formal governance framework and oversees the performance of the Operations, ICT and Information Management joint units. Currently, it is also overseeing the development of the Contact Management joint unit.

Oversight of collaboration between forces across the South East Region is undertaken at the regular SE Region joint ACPO / PCC (police authorities before the introduction of PCCs) meetings. Four joint meetings were held during the 2012/13 financial year. Thames Valley Police is a partner in the following regional collaborations: Protective Services, Regional Organised Crime Unit and the SE Counter Terrorism Unit. The performance of these collaborative ventures is overseen by the joint ACPO / PCC meetings.

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The Chiltern Transport Consortium was formed in 2003 and is governed by through a Memorandum of Understanding rather than a formal section 22A collaboration agreement. The CTC Board met once last year, in June 2012.

Internal audit

The annual report of the Chief Internal Auditor for 2012/13 was presented to the Independent Audit Committee on 25th June 2013. It contained the following assurance statement on the overall adequacy and effectiveness of the internal control environment:

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

External Audit

In September 2012 the District Auditor issued an unqualified audit opinion in respect of the 2011/12 accounts, as well as giving an unqualified value for money conclusion. The Auditor was satisfied that the system of internal control put in place by the Authority was adequate and effective in practice.

Following a national tender exercise by the Audit Commission, Ernst & Young were appointed as TVP auditors in 2012 for the next five years (i.e. until 2017). Given that the PCC and Chief Constable have been established as separate corporations’ sole, they will have to audit two sets of accounts and issue two audit opinions.

HMIC

HMIC conducted three separate reviews last year, namely: ‘Police Integrity’ where HMIC found clear improvements, ‘Policing in Austerity’ where HMIC found TVP to be in a good position to achieve its savings target by 2015, and an ‘Anti-social behaviour’ (ASB) inspection of the force where the HMIC found that the force had made significant progress in the way it understands and tackles ASB problems. No significant governance or internal control issues were identified. All three reports are available on the HMIC website.

c) Conclusion

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Joint Independent Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

SIGNIFICANT GOVERNANCE ISSUES

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

Progress on the five potential issues highlighted in the 2011/12 Annual Governance Statement is summarised below.

- **Increasing organisational emphasis on preparation for transition from the Police Authority to the new PCC governance arrangements (including the Police and Crime Panel) and risk to maintenance of a viable and effective Police Authority in the interim period (i.e. April to November 2012)**

There was a successful transition from Police Authority to PCC on 22nd November.

- **Lack of, and/or delayed agreement and implementation of, effective and transparent new governance arrangements post-transition to the PCC**

New governance arrangements approved and implemented by the PCC on 29th November.

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- **Lack of appropriate organisational support arrangements to enable the PCC to effectively discharge new statutory responsibilities not previously undertaken by the Police Authority, e.g. informed commissioning of community safety services from Community Safety Partnerships (CSPs) and victim support services**

The final PA meeting was held on 16th November 2012. PA staff transferred to the PCC on the 22nd. The Office of the PCC has implemented the transition plan and helped the PCC set his inaugural budget and Police and Crime Plan. Proposals for a new OPCC staff structure are currently being considered.

- **Transitional arrangements for the PCC and the Police and Crime Panel and risk to maintenance of a viable and effective Police Authority in the interim period**

The Officer Project Board met monthly to monitor progress with implementing the transition plan. Updates were also provided to the PCC Transition Panel and/or the Resources Committee. Members and Officers ensured that the Authority operated effectively throughout the interim period. The final PA meeting was held on 16th November 2012.

- **Impact on service provision and/or staff morale arising from reduced future funding levels; implementation of recommendations from the Winsor and Hutton reviews, and PCC transition**

A balanced budget for 2013/14 has been agreed which preserves frontline policing numbers. Policing performance during 2012/13 was very positive.

There are currently **NO** significant governance issues for 2012/13. However, the following 2 issues have been identified which may, potentially, impact on the internal control environment during 2013/14 and beyond. These issues will be closely monitored by the Governance Working Group and updates reported to the new Joint Independent Audit Committee:

No.	Issue	Action
1	'Stage 2' transfer of staff, assets and liabilities from the PCC to Chief Constable a) Not finalising an agreed submission before 16 th September b) Home Secretary does not agree TVP proposal c) Failure to implement the new arrangements before 1 st April 2014 d) TVP transfer is not compatible with collaboration partners	Chief Constable and PCC have set up a joint working group to consider options and proposals for submission to the Home Secretary later this year. This group will meet on a regular basis to ensure progress is achieved in line with the timescales
2	Inconsistent governance arrangements for current collaborations with other forces	Review existing arrangements and make the necessary adjustments to ensure appropriate arrangements are in place to effectively discharge the PCC and Chief Constable statutory responsibilities

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



Sara Thornton
Chief Constable



Linda Waters
Director of Finance

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement for the years ended 31st March 2012 and 2013

	General Fund	Earmarked Reserves	Capital Receipts Reserve	Capital Grant Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31st March 2011	0	0	0	0	0	0	0
Movement in Reserves during 2011/12							
Surplus/(deficit) on provision of services	0	0	0	0	0	0	0
Other comprehensive Income and Expenditure	0	0	0	0	0	0	0
Total Comprehensive Income and Expenditure	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis	0	0	0	0	0	0	0
Net increase/decrease before transfers to earmarked reserves	0	0	0	0	0	0	0
Transfers to/from earmarked reserves	0	0	0	0	0	0	0
Increase/decrease in year	0	0	0	0	0	0	0
Balance at 31st March 2012	0	0	0	0	0	0	0
Movement in reserves during 2012/13							
Surplus/(deficit) on provision of services	0	0	0	0	0	0	0
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0
Total Comprehensive Income and Expenditure	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis	0	0	0	0	0	0	0
Net increase/decrease before transfers to earmarked reserves	0	0	0	0	0	0	0
Transfers to earmarked reserves	0	0	0	0	0	0	0
Increase/decrease in year	0	0	0	0	0	0	0
Balance at 31st March 2013 carried forward	0	0	0	0	0	0	0

This statement does not show any financial transactions since all reserves are managed by the PCC. The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the operating cost statement

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Comprehensive Income and Expenditure Statement 2012/13

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Comprehensive Income and Expenditure Statement (CIES) indicates a £Nil balance for the net cost of policing services. This is because in practice all the respective costs are paid for by the Police and Crime Commissioner. The costs of the various policing activities are set out in Note 5 to the accounts. This reflects the Police and Crime Commissioner's financial resources consumed at the request of the Chief Constable for 2012-13.

	Note	31 March 2012			31 March 2013		
		Expenditure	Income	Net	Expenditure	Income	Net
		£000	£000	£000	£000	£000	£000
Local policing		0	0	0	0	0	0
Dealing with the public		0	0	0	0	0	0
Criminal justice arrangements		0	0	0	0	0	0
Roads policing		0	0	0	0	0	0
Specialist operations		0	0	0	0	0	0
Intelligence		0	0	0	0	0	0
Specialist investigations		0	0	0	0	0	0
Investigative support		0	0	0	0	0	0
National policing		0	0	0	0	0	0
Corporate and democratic core		0	0	0			
Non distributed costs							
Net cost of services		0	0	0	0	0	0
Other operating expenditure							
Financing and investment income and expenditure		0	0	0	0	0	0
Surplus/deficit on discontinued operations		0	0	0	0	0	0
Taxation and non specific grant income		0	0	0	0	0	0
(Surplus)/ Deficit on Provision of Services		0	0	0	0	0	0
Surplus (-) / deficit on revaluation of fixed assets				0			0
Surplus (-) / deficit on revaluation of available for sale financial assets				0			0
Actuarial gains (-) / losses on pension assets/liabilities				0			0
Any other gains (-) / losses				0			0
Other Comprehensive Income and Expenditure				0			0
Total Comprehensive Income and Expenditure				0			0

BALANCE SHEET

The Balance Sheet

The Balance sheet sets out the assets, liabilities and reserves at the year end. The Chief Constable does not own any assets or liabilities nor hold any reserves at year end. It is included in the Accounts to show the reader that all Balance Sheet balances are accounted for by the PCC at 31st March 2013

31.3.11	31.3.12		Note	31.3.13
£000	£000			£000
		Long Term Assets		
0	0	Property, plant and equipment		0
0	0	Investment property		0
0	0	Intangible assets		0
0	0	Assets held for sale		0
0	0	Long term investments		0
0	0	Long term debtors		0
0	0	Total Long Term Assets		0
		Current Assets		
0	0	Short term investments		0
0	0	Inventories		0
0	0	Short term debtors		0
0	0	Cash and cash equivalents		0
0	0	Assets held for sale		0
0	0	Total Current Assets		0
		Current Liabilities		
0	0	Short term borrowing		0
0	0	Short term creditors		0
0	0	Provisions		0
0	0	Accumulated absences		0
0	0	Total Current Liabilities		0
		Long Term Liabilities		
0	0	Long term creditors		0
0	0	Provisions		0
0	0	Long term borrowing		0
0	0	Liability related to defined benefit pension schemes		0
0	0	Donated assets account		0
0	0	Capital grants received in advance		0
0	0	Total Long Term Liabilities		0
0	0	Net Assets		0
		Reserves		
0	0	Usable reserves		0
0	0	Unusable reserves		0
0	0	Total Reserves		0

CASH FLOW STATEMENT

The Cash Flow Statement

This statement does not show any cash flows for the year ending 31st March 2013 as all payments were made from the police fund which is held by the PCC and similarly all income and funding is received by the PCC during the year.

	Note	31.3.12	31.3.13
		£000	£000
Net (surplus)/deficit on the provision of services		0	0
Adjust net surplus/deficit for non cash movements		0	0
Adjust for items included in surplus/deficit that are investing and financing activities		0	0
Net cash flows from Operating Activities		0	0
Investing Activities		0	0
Financing Activities		0	0
Net increase (-) or decrease in cash and cash equivalents		0	0
Cash and Cash equivalents at the beginning of the reporting period		0	0
Cash and Cash equivalents at the end of the reporting period		0	0

NOTES TO THE ACCOUNTS

ACCOUNTING POLICIES

a. General principles

These financial statements have been prepared in accordance with the Code of Practice (the code) on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2003 and the Service Reporting Code of Practice for Local Authorities 2012/13 (SeRCOP). The Accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS)

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

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

The Financial Statements included here represent the accounts for the Chief Constable. The financial statements cover the 12 months to the 31 March 2013. The term 'Group' is used to indicate individual transactions and policies of the PCC and Chief Constable for the year ended 31 March 2013.

The accounting policies that we have selected and adopted for use in 2012/13 are set out below.

b. Accruals of expenditure

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

- Supplies are recorded as expenditure when they are consumed.
- Where expenditure has been recognised (using estimates when appropriate) but cash has not been paid, a creditor for the relevant year is recorded in the Balance Sheet.

c. Employee benefits

Benefits payable during Employment

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

IAS 19 (Employee Benefits) requires the Group to account for short term compensating absences which include time owing and annual leave accrued by accruing for the benefits which have accumulated but are undertaken by the balance sheet date.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Chief Constable to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These are charged as an expense in the cost of services in the Comprehensive Income and Expenditure when the Chief Constable is demonstrably committed to the termination of the employment of an individual or group of employees or making an offer to encourage voluntary redundancy

NOTES TO THE ACCOUNTS

Post employment benefits

There are two pension schemes for police officers and a single scheme for police staff.

Police Officers

The Police Pension Scheme (PPS) is a contributory occupational pension scheme (contracted out from the State Earnings Related Pension Scheme), governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The 2006 Police pension Scheme (NPPS) which started on 1 April 2006, is a contributory occupational pension scheme (contracted out from the State Earnings Related Pension Scheme) governed by the Police Pension Act 1976 (as amended by the Police Pensions regulations 2007) Officers make a contribution from their pensionable pay, based on salary bandings. The employees' contribution is set nationally by the Home Office and is subject to triennial revaluation. A Pension Fund was set up on 1 April 2006 to administer both schemes.

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

Following the code's requirements, IAS 19 has been fully recognised in the Group and PCC accounts. Scheme liabilities as shown on the balance sheet are calculated by determining future liabilities for pension payments and applying a discount rate equal to the yield on an index of long dated AA rated corporate bonds as at 31 March 2013. The pension liabilities in these accounts have been calculated accordingly at a discount rate of 4.3%

Police Staff

Police staff are eligible to join the Local Government Pension Scheme administered by Buckinghamshire County Council. This is a funded scheme. In 2012/13 the Group paid an employer's contribution representing 15.5% of pensionable pay. The contribution rate is determined by the Fund's actuary based on valuations every three years. The rate for 2012/13 will be on the same basis.

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

The values for each scheme are shown separately in the notes. Assets are measured at fair value which is assessed on the basis of bid price. Liabilities are measured using the projected unit method. Liabilities are discounted at 4.7%.

d. Events after the balance sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a

NOTES TO THE ACCOUNTS

material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts

e. Jointly Controlled Operations and Jointly Controlled Assets

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

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

f. VAT

The Chief Constable does not submit a separate VAT return and the PCC submits a single VAT return on behalf of the group. Income and expenditure in the operating cost statement excludes any amounts related to VAT, as VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

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

Amendments to IAS 1 *presentation of financial statements* (other comprehensive income, June 2011)

Amendments to IFRS 7 *Financial Instruments: Disclosures (offsetting financial assets and liabilities)* December 2011

Amendments to IAS 12 *Income Taxes (deferred tax: recovery of underlying assets)* December 2010

Amendments to IAS 19 *Employee benefits* (June 2011)

IFRS 13 *Fair Value measurement* (May 2011)

2. SIGNIFICANT ESTIMATES AND JUDGEMENTS IN APPLYING THE ACCOUNTING POLICIES

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

- a. A judgment has been made of the expenditure allocated between the PCC and Chief Constable to reflect the financial resources of the PCC consumed at the request of the Chief Constable. The basis adopted for this allocation was determined by the Group in

NOTES TO THE ACCOUNTS

accordance with the standard set of activities for each corporate body identified in CIPFA's SeRCOP. In arriving at this approach various interested parties were consulted including senior management in both corporate bodies and careful consideration given to the PRSR Act and Home Office guidance. More detail is included in Note 4 below.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. In accordance with the Code we are required to disclose those assumptions made about the future and other major sources of estimation uncertainty for which there is a significant risk of 'material' adjustment.

4. CREATION OF NEW POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE

Introduction

Following the Police Reform and Social Responsibility Act 2011 (The Act) Thames Valley Police Authority was replaced on 22nd November 2012 with two 'corporation sole' bodies, the PCC for Thames Valley and the Chief Constable. It is the Government's intention that the reforms under the Act will be phased over a period of several years. These financial statements for 2012/13 will be the first to show the financial positions of the CC following the cessation of the Authority.

Basis of transition

The transition has been accounted for in line with the CIPFA code of practice for local authority accounting 2012/13 and the LAAP bulletin 95 which advises that the re-organisations of this nature are business combinations under common control and outside the scope of IFRS 3 *Business Combinations* and need to be accounted for using the principles that apply to group reorganisations. Following this approach the results have been brought into the financial statements of the new body, PCC, from the beginning of the year that the transfer occurred. In effect the financial statements of the group are accounted for as taking place on 1 April 2012 and the financial statements for the CC and the PCC Group cover the entire 12 months to 31 March 2013.

Accounting principles

The accounting recognition of the Group's assets, liabilities and reserves during the first period of transition, reflects the powers and responsibilities of the Chief Constable and the PCC as designated by the Act and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. This accounting relationship is also underpinned by the relationships as defined by local regulations, local agreement and practice. On 22nd November, the assets, liabilities and reserves of the Police Authority were transferred directly to the PCC and during this first phase of transition remain under the PCC's control. The Chief Constable while fulfilling her functions under the 2011 Act does not hold assets, liabilities and reserves in line with the Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012. Nor does she receive any direct government funding, or revenue from the PCC or any source. Payments are made by the PCC from the Police fund and no cash movements occur between the two bodies.

The PCC has the responsibility for managing the financial relationships with third parties. In practice, the Chief Constable consumes financial resources against an annual budget for the discharge of her operational policing responsibilities. The annual budget is set by the PCC in consultation with the Chief Constable. Similarly, access is granted to PCC staff and assets and a scheme of delegation operates between the two bodies determining the local arrangements and respective responsibilities.

During this first phase of transition all the assets, liabilities and reserves of the group are recognised on the PCC balance sheet and accordingly there are no balances within the balance

NOTES TO THE ACCOUNTS

sheet of the Chief Constable as at 31 March 2013. Similarly there are no transactions recognised on the Chief Constable movement in reserves statement or cashflow statement for 2012/13. The financial consequences of PCC resources consumed at the request of the Chief Constable during 2012/13, in pursuance of the Chief Constable's operational responsibilities under the Act are shown in the Resources Consumed Statement (RCS) (note 5 below) The RCS shows the net cost of policing for the Chief Constable. As the Chief Constable does not hold reserves under the Home Office Code, the financial consequences recognised in the RCS are offset by an intra group adjustment to reflect the payment of the PCC resources consumed at the request of the Chief Constable to give a nil position on the RCS. In contrast the PCC net cost of policing services includes the intra group adjustment (funding of resources at the request of the Chief Constable) in addition to the cost of administering the PCC itself to show the overall net cost of policing in 2012/13.

Accounting treatment

The table below shows the movement through an intra group account within the respective balance sheets during 2012/13. The reader can see that there were no outstanding intra group balances at year end, as the PCC paid for all financial resources consumed at the request of the chief constable and an intra group adjustment was made to offset the Chief Constable's consumption of resources.

Accounting entries reflected in the respective balance sheets in year and at year end:

Intra group balances 2012/13	PCC £000	CC £000	Group £000
Opening balance as at 1 st April 2012	0	0	0
PCC resources consumed at the request of the Chief Constable	- 515,115	515,115	0
PCC Intragroup adjustment	515,115	- 515,115	0
Closing balance as at 31st March 2013	0	0	0

5. RESOURCES CONSUMED BY THE CHIEF CONSTABLE ON BEHALF OF THE POLICE AND CRIME COMMISSIONER

This statement reflects the PCC's financial resources consumed at the request of the Chief Constable for 2012/13. In practice, all the respective costs are paid for by the PCC and the Resources Consumed Statement includes the intra group adjustment referred to in note 4 resulting in a nil balance for the net cost of policing services

	Note	31 March 2012			31 March 2013		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Local policing		213,477	0	213,477	216,822	0	216,822
Dealing with the public		35,607	0	35,607	36,079	0	36,079
Criminal justice arrangements		43,295	0	43,295	43,550	0	43,550
Roads policing		24,477	0	24,477	22,750	0	22,750
Specialist operations		26,421	0	26,421	24,706	0	24,706
Intelligence		30,429	0	30,429	31,396	0	31,396
Specialist investigations		85,802	0	85,802	89,843	0	89,843
Investigative support		14,659	0	14,659	14,238	0	14,238
National policing		33,996	0	33,996	35,345	0	35,345
Corporate and democratic core		0	0	0	0	0	0
Non distributed costs		1,580	0	1,580	387	0	387
Financial resources of the PCC consumed at the request of the Chief Constable		509,744	0	509,744	515,115	0	515,115
Intra group adjustment	1. Below			- 509,744			- 515,115
Net cost of policing services				0			0

Notes:

1.The PCC receives all external funding which is paid into the Police Fund. The financial resources of the PCC consumed at the request of the Chief Constable are funded by an intra group transfer.

NOTES TO THE ACCOUNTS

6. SEGMENTAL REPORTING

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

	31.3.12	31.3.13
	£000	£000
PCC Controlled Expenditure		
Office of the PCC:		
Police Staff pay and allowances	618	606
Other employee expenses	5	2
Transport related Expenditure	5	7
Supplies and Services	179	145
Third Party Payments	50	56
Statutory revenue items	0	7
	857	824
Democratic Representation		
Police Staff pay and allowances	15	61
Other employee expenses	1	1
Transport related Expenditure	19	22
Supplies and Services	511	158
	546	241
Other Costs		
Other Employee expenses	20	0
Supplies and Services	40	210
	60	210
Direction and Control of the Chief Constable		
Pay and Employment costs:		
Police officer pay and allowances	242,427	240,343
Police officer overtime	8,496	8,523
PCSO pay and allowances	15,351	14,868
Police staff pay and allowances	95,570	90,865
Temporary or agency staff	2,033	2,964
Police officer injury / Ill health / death pensions	3,409	4,250
Other employee costs	4,716	4,731
Total Pay and Employment costs	372,002	366,545
Overheads		
Premises related expenditure	22,179	22,815
Transport related expenditure	11,355	12,412
Supplies and services	48,433	49,536
Third Party payments	4,781	6,301
Force Income	- 30,918	- 30,926
Total Overheads	55,830	60,137
Net Capital Financing Costs		
Capital Financing	4,723	8,787
Interest on balances	- 1,751	- 1,674
Total Capital Financing Costs	2,972	7,113
Statutory Revenue items	0	197
Appropriations	9,874	- 3,567
Total Cost of Services	442,141	431,700
Funded by:		
General Grant Income	- 247,552	- 234,332
Council Tax Precept Income	- 135,881	- 136,830
Specific Grants	- 58,708	- 61,757
Total Funding	- 442,141	432,918

NOTES TO THE ACCOUNTS

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

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

	31.3.12	31.3.13
	£000	£000
Total Cost of Services (as above)	442,141	431,700
Less:		
Levies to National Police Service	780	388
Interest Payable	1,755	1,605
Interest & Investment Income	- 1,754	- 1,676
Home Office Pensions top up grant	- 21,507	- 22,702
Appropriation to reserves	9,904	- 3,567
Adjustment for Chiltern Transport Consortium deficit	0	- 80
Cost of asset sales (non TVP)	0	- 3
Add:		
Specific grants	- 58,708	- 61,757
Segmental reporting "net cost of services"	394,255	395,978
Add services not included in main analysis	0	0
Add amounts not reported to Management		
IAS 19 pension costs	98,204	104,105
Non distributed costs	650	387
Amortisation of intangible assets	1,232	910
Depreciation and impairment of tangible assets	17,484	19,998
Holiday pay accrual	- 634	- 342
Consortium costs	0	7,464
Sub Total	116,936	132,522
Remove amounts reported to Management not included in Resources Consumed Statement		
All income	- 76,834	- 70,410
PCC controlled expenditure	1,088	1,276
Minimum Revenue Provision	1,606	1,573
Direct Revenue Financing	700	5,279
Voluntary Revenue Provision	662	330
Employers contributions to pension schemes	74,225	75,345
Premium /discount on restructuring	0	- 8
Sub Total	1,447	13,385
Net cost of Services in Resources Consumed Statement	509,744	515,115

7. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Finance on 28 June 2013. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect this information. There are no material non-adjusting events to report.

NOTES TO THE ACCOUNTS

8. OFFICERS' REMUNERATION

The following sums have been paid to members of the Chief Constable's Management Team.

	Note	Salary, fees & allowances	Bonuses	Expense allowances	Benefits in Kind	Total remuneration excluding pension	Pension contribution	Total
		£	£	£	£	£	£	£
Police Force								
Sara Thornton (Chief Constable)	12/13	171,650	8,015	0	2,073	181,738	38,790	220,528
	11/12	171,214	0	0	1,087	172,301	38,790	211,091
Francis Habgood (Deputy Chief Constable)	12/13	137,667	0	0	3,706	141,373	32,001	173,374
	11/12	137,667	0	27	3,750	141,444	32,001	173,445
John Campbell (ACC Operations)	12/13	102,210	0	0	3,611	105,821	23,421	129,242
	11/12	101,454	0	0	4,606	106,060	23,237	129,297
Steve Rowell (ACC - Local Policing till 7.7.11)	11/12	26,430	0	0	938	27,368	6,371	33,739
Richard Bennett (ACC Neighbourhood Policing & Partnerships from 8.10.11)	12/13	103,527	0	29	4,416	107,971	23,421	131,393
	11/12	103,307	0	0	3,065	106,372	23,021	129,393
Helen Ball (ACC Crime & Counter Terrorism till 10.11.12)	12/13	66,693	0	0	2,304	68,997	14,833	83,830
	11/12	101,364	0	128	4,095	105,587	23,216	128,803
Alan Baldwin (Acting ACC Crime & Counter Terrorism) from 19.11.12)	12/13	91,440	0	3,942	940	96,322	19,643	115,965
Amanda Cooper (Director of Information, Science & Technology)	12/13	95,805	0	0	3,122	98,927	14,850	113,777
	11/12	95,134	0	51	2,585	97,770	14,745	112,515
Terri Teasdale (Director of Resources till 25.9.11)	11/12	60,844	0	15	0	60,859	9,431	70,290
Steven Chase (Director of Human Resources)	12/13	97,777	0	1,233	0	99,010	14,623	113,633
	11/12	92,458	0	595	0	93,053	14,331	107,384
Linda Waters (Director of Finance)	12/13	101,931	0	1,231	0	103,162	13,370	116,532
	11/12	76,312	0	1,149	0	77,461	11,828	89,290

Note 1: Richard Bennett was promoted from Chief Superintendent to Assistant Chief Constable on 18th October 2011

Note 2: Steven Chase and Linda Waters joined the Chief Constable's Management Team when Terri Teasdale retired on 25th September 2011. Their 2012/13 salary figure includes a Temporary Duty Allowance for the period 1 September 2011 to 31 August 2012

NOTES TO THE ACCOUNTS

The following table shows the number of police officers and staff whose total remuneration package exceeded £50,000. In this respect, total remuneration comprises taxable pay as recorded on employee's P60 tax returns, together with taxable benefits in kind as disclosed to the HM Revenue and Customs on Form P11D. This table excludes those senior officers whose salaries etc. are disclosed separately above, as well police officers and staff who, as at 31st March 2013, are seconded to national bodies such as the National Policing Improvement Agency

Total Remuneration £	2011/12	2012/13
90,000 – 94,999	5	3
85,000 – 89,999	5	7
80,000 – 84,999	15	14
75,000 – 79,999	13	9
70,000 – 74,999	7	8
65,000 – 69,999	22	23
60,000 – 64,999	99	96
55,000 - 59,999	179	173
50,000 – 54,999	254	267

9. FEES PAYABLE TO EXTERNAL AUDITORS

The audit fee payable to the external auditors during the year totalled £0.085m for the group of which the portion relating to the Chief Constable was £0.025m

10. RELATED PARTY TRANSACTIONS

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

The Chiltern Air Support Consortium, which operated two helicopters located at RAF Benson and RAF Henlow, provided air support to Bedfordshire Police and Hertfordshire Police as well as Thames Valley. The consortium was superseded and disbanded on 1st October 2012 by the implementation of the National Police Air Services (NPAS). The following table provides a high level split of gross costs for 2012/13 up to and including 30th September 2012 (excluding police officer costs which are paid for separately by each Force)

	£000
TVP	475
Bedfordshire Police	175
Hertfordshire Police	209
Total Gross Cost	859

The Chiltern Air Support consortium members were amongst the first tranche of forces to join NPAS, with other Forces following at stepped intervals. Membership for Thames Valley for the remainder of 2012/13 was £0.635m, however this included the cost of police officers and overall represented a small saving for the year.

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

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	£000
TVP	6,319
Bedfordshire Police	1,899
Civil Nuclear Constabulary	758
Hertfordshire Police	3,535
External Income	1,651
Total Gross Cost	14,162

There are three SE regional units for Witness Protection, Covert Operations and Technical Support. Formal section 23 agreements exist for each of the 3 collaborations. The following table provides a high level split of gross costs for each unit

	Witness Protection £000	Covert Operations £000	Technical Support £000
TVP	355	465	856
Hampshire Police	292	409	767
Surrey Police	150	197	370
Sussex Police	258	338	635
Total Gross Cost	1,055	1,409	2,628

We have recently established a joint ICT department with Hampshire Constabulary and have separate bilateral collaboration agreements for Operations and Information Management. The following table provides a high level split of gross costs for 2012/13.

	£000
TVP	38,745
Hampshire Police	27,411
Total Gross Cost	66,156

Chief Officers are required to declare whether they, or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the PCC or Thames Valley Police during the financial year. A letter has been sent to all chief officers to collect this information and the outcome is that there are no material related party transactions to disclose in 2012/13.

11. TERMINATION BENEFITS

The Group terminated the contracts of 34 police staff during 2012/13 incurring liabilities of £0.271 million of redundancy payments and £0.254 million of pension strain costs. These figures are the gross costs paid by Thames Valley Police. Hampshire Police contributed £0.064 million towards the cost of terminating the contracts of those employees that work in the joint Thames Valley and Hampshire Police ICT department

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

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

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2012/13

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total cost of exit packages in each band £000
£0 - £20,000	25	1	26	203
£20,001 - £40,000	4	1	5	126
£40,001 - £60,000	1	0	1	52
£60,001 - £80,000	1	0	1	62
£80,001 - £100,000	1	0	1	83
£100,000 - £150,000	0	0	0	0
Total	32	2	34	526

2011/12

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total cost of exit packages in each band £000
£0 - £20,000	17	19	36	288
£20,001 - £40,000	3	2	5	130
£40,001 - £60,000	0	2	2	100
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,000 - £150,000	0	0	0	0
Total	20	23	43	518

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

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

12. PENSIONS

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the PCC makes contributions towards the cost of post employment retirement benefits. Although these benefits will not actually be payable until employees retire, the PCC has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Chief Constable participates in two pension schemes:

- the Local Government Pension Scheme (LGPS) for civilian employees, administered by Buckinghamshire County Council – this is a funded defined benefit final salary scheme, meaning that the Chief Constable and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets
- the Police Pension Scheme for police officers – this is an unfunded defined benefit final salary scheme administered by the Chief Constable in accordance with the Police Reform and Social Responsibility Act 2011, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. All receipts and payments are the responsibility of the PCC and are made

NOTES TO THE ACCOUNTS

to and from the PCC Police Fund. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts payable, the PCC must annually transfer an amount required to meet the deficit to the pensions fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the PCC which must then repay the amount to central government.

Transactions relating to retirement benefits

The PCC pays employer contributions at a rate of 24.2% of pensionable salary into the police pension fund and 15.5% into the LGPS fund. To reflect the financial consequences of utilising the services of police officers and staff during the year, an amount for pensions is reflected in the chief constables Operating Cost Statement (OCS). The cost equates to the charges required by IAS 19 and is determined independently of the funding of the scheme. It measures the full liability estimated to be generated in year (at today's prices) as valued by actuaries

	LGPS		Police Pension Scheme	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Charges to the Operating Cost Statement				
<i>Cost of Services</i>				
• current service costs	16,154	20,285	82,050	83,820
• past service costs	0	0	0	0
• curtailment and settlements	650	387	0	0
Total charges to the Operating Cost Statement	16,804	20,672	82,050	83,820

Assets and liabilities in relation to retirement benefits

The total liability of both pension schemes is provided by actuaries each year. This is provided to meet IAS 19 requirements and is recognised by the PCC Group and the PCC balance sheet as follows:

Reconciliation of present value of scheme liabilities:

	Funded liabilities: LGPS		Unfunded liabilities: Police Pension Scheme	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Opening balance at 1 April	308,841	402,205	2,322,530	2,513,250
Adjustment re injury benefits	0	0	0	0
Current service cost	16,154	20,285	65,020	66,160
Interest cost	17,338	18,407	132,580	123,250
Contributions by scheme participants	5,575	5,293	17,030	17,660
Actuarial gains (-) and losses	63,449	405	50,220	370,630
Losses on curtailments	650	387	0	0
Liabilities extinguished on settlements	0	0	0	0
Benefits paid (net of transfers in)	- 9,547	- 9,636	- 74,130	- 79,800
Past service costs	0	0	0	0
Unfunded pension payments	- 255	- 292	0	0
Closing balance at 31 March	402,205	437,054	2,513,250	3,011,150

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Reconciliation of fair value of the scheme assets:

	LGPS	
	2011/12 £000	2012/13 £000
Opening balance on 1 April	238,304	239,274
Expected rate of return	17,311	14,688
Actuarial gains and losses (-)	- 25,194	34,049
Employer contributions, including unfunded benefits	13,080	12,646
Contributions by scheme participants	5,575	5,293
Benefits paid	- 9,802	- 9,928
Receipt of bulk transfer value	0	0
Closing balance on 31 March	239,274	296,022

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

The actual return on scheme assets in the year was £48.737m (2011/12 was - £7.883m)

Scheme history

	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m
Present value of liabilities					
• LGPS	- 231	- 398	- 309	- 402	- 437
• Police Pension Scheme	- 1,639	- 2,520	- 2,323	- 2,513	- 3,011
Fair value of assets in the LGPS	144	205	238	239	296
Surplus/deficit (-) in the scheme					
• LGPS	- 87	- 193	- 71	- 163	- 141
• Police Pension Scheme	- 1 639	- 2,520	- 2,323	- 2,513	- 3,011
• Total	- 1,726	- 2,713	- 2,394	- 2,676	- 3,152

The liabilities show the underlying commitments that the PCC has in the long-run to pay post employment (retirement) benefits. The total liability of £3.152 billion has a substantial impact on the net worth of the PCC as recorded in the balance sheet, resulting in a negative overall balance of £2.926 billion. However, statutory arrangements for funding the deficit mean the financial position of the PCC remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover police pensions when the pensions are actually paid.

The total contributions expected to be made to the LGPS by the PCC in the year to 31 March 2014 is £12.234m; expected contributions to the Police Pension Scheme are £34.9m.

NOTES TO THE ACCOUNTS

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Scheme has been assessed by the Government Actuaries Department. The County Council Fund liabilities have been assessed by Barnett Waddington, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

	LGPS		Police Pension Scheme	
	2011/12	2012/13	2011/12	2012/13
Long-term expected rate of return on assets in the scheme:	6.0%	6.0%	n/a	n/a
Mortality assumptions				
• Longevity at 65 for current pensioners (years)				
Men	20.0	20.1	23.3	23.4
Women	24.0	24.1	25.7	25.8
• Longevity at 65 for future pensioners (years)				
Men	22.0	22.1	25.6	25.7
Women	25.9	26.0	27.8	27.9
Rate of inflation - RPI	3.3%	3.4%	3.6%	3.65%
Rate of inflation - CPI	2.5%	2.6%	2.5%	2.5%
Rate of increase in salaries	4.7%	4.8%	4.7%	4.75%
Rate of increase in pensions	2.5%	2.6%	2.5%	2.5%
Rate of discounting scheme liabilities	4.6%	4.7%	4.9%	4.3%
Take-up of option to convert annual pension into retirement lump sum	50%	50%		

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

	31 March 2012	31 March 2013
	%	%
Equities	68	70
Gilts	8	4
Bonds	9	9
Property	9	8
Cash	2	1
Alternative assets	4	8
Total	100	100

NOTES TO THE ACCOUNTS

History of experience gains and losses

The actuarial gains and losses identified on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March each year:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
LGPS					
• Differences between the expected and actual return on assets	- 29.3	19.4	1.5	-10.5	12.0
• Experience gains and losses on liabilities	0.0	0.0	15.1	- 0.2	- 0.1
Police pension scheme					
• Differences between the expected and actual return on assets	2.0	0.4	2.1	1.0	2.3%
• Experience gains and losses on liabilities	14.4	- 31.0	3.3	- 2.0	- 12.3%

POLICE PENSION FUND ACCOUNTS

Police Pension Fund Account Statements

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

Fund Account

	2011/12 £000	2012/13 £000
Contributions Receivable		
From employer		
- normal	- 36,526	- 36,081
- early retirements	- 634	- 1,577
- other (seconded officers)	- 3	0
From members	- 16,092	- 17,564
Transfers in		
- individual transfers in from other schemes	- 982	- 1,774
Benefits Payable		
- pensions	55,034	59,949
- commutations and lump sum retirement benefits	19,880	18,301
- lump sum death benefits	78	188
Payments to and on account of leavers		
- refund of contributions	43	36
- individual transfers out to other schemes	709	1,225
Sub-total for the year before transfer from the Chief Constable of an amount equal to the deficit	21,507	22,703
Additional funding payable by the Chief Constable to fund the deficit for the year¹	- 21,507	- 22,703
Net amount	0	0

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

Pension Fund Net Asset Statement

	2011/12 £000	2012/13 £000
Unpaid pension benefits	0	0
Amount owing from the general fund	0	0
Net Current Assets and Liabilities	0	0

GLOSSARY

Accruals

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

Actuarial gains and losses

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

AGS

Annual governance statement

Amortisation

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

Appropriations

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

Budget

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

Capital Charge

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

Capital Expenditure

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

Carrying value

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

Chief Constable

The most senior police officer in charge of a police force

CIES

Comprehensive Income and Expenditure Statement

CIPFA

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

Contingency

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

CPI

Consumers Price Index, a measure of inflation which excludes most housing costs

CTU

Counter-terrorism unit

GLOSSARY

Current service (pensions) cost

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

Curtailement & settlements

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

De minimis

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

Depreciation

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

Direct Revenue Financing

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

Emoluments

Money or other compensation for work that has been done

Expected return on assets

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

Fair Value

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

Fixed Assets

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

ICT

Information, Communications & Technology

IFRS

International Financial reporting Standards

Impairment

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

Intangible Fixed Assets

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

LASAAC

Local Authority (Scotland) Accounts Advisory Committee

GLOSSARY

Leasing

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

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

LGPS

Local Government Pension Scheme

Liability

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

Loans Outstanding

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

Minimum Revenue Provision (MRP)

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

MIRS

Movement in reserves statement

Net Book Value

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

Net Present Value (NPV)

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

Outturn

The actual level of spending and income in a particular year

Past service (pension) costs

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

PCC

Police and Crime Commissioner

PFI

Private Finance Initiative

Police Community Support Officers (PCSOs)

Civilian members of staff who wear a police style uniform. Their main functions are to provide a highly visible police presence in public areas and to deal with low level nuisance and anti social behaviour.

PPE

Property, Plant and Equipment

Provision

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

Public Works Loans Board (PWLB)

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

GLOSSARY

Remuneration

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

Reserves

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

Revenue Expenditure

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

RPI

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

VFM

Value for Money



Chief Constable /
Thames Valley Police

Statement of Accounts
for the year ended
31 March 2013