

Office of the Chief Constable for Avon & Somerset

Officers of the Office of the Chief Constable

The statutory officers of the Office of the Chief Constable (OCC) are as follows:

Andy Marsh

Chief Constable
Phone: 01278 646321

Nick Adams

Chief Officer – Finance, Resources and Innovation
Phone: 01278 646400

Address for chief officers:

Valley Road
Portishead
Bristol
BS20 8QJ

DRAFT



Statement of Accounts 2018/2019

Chief Finance Officer's Narrative Report	3
Statement of Responsibilities	10
Auditor's Report	11
Annual Governance Statement	12
Comprehensive Income and Expenditure Statement	22
Movement in Reserves Statement	23
Balance Sheet	24
Cash Flow Statement	25
Notes to the Financial Statements	26
Police Officers Pension Fund Account Statements	47
Glossary of Terms	49

Office of the Chief Constable for Avon & Somerset

Chief Finance Officer's Narrative Report

This section provides information about the Constabulary, enabling the reader to understand our objectives, strategies, and risks, as well as our financial and operational performance throughout 2018/2019. This statement should be read in conjunction with the Chief Finance Officer's Narrative Report in the Police and Crime Commissioner's Statement of Accounts.

1 Organisational Overview

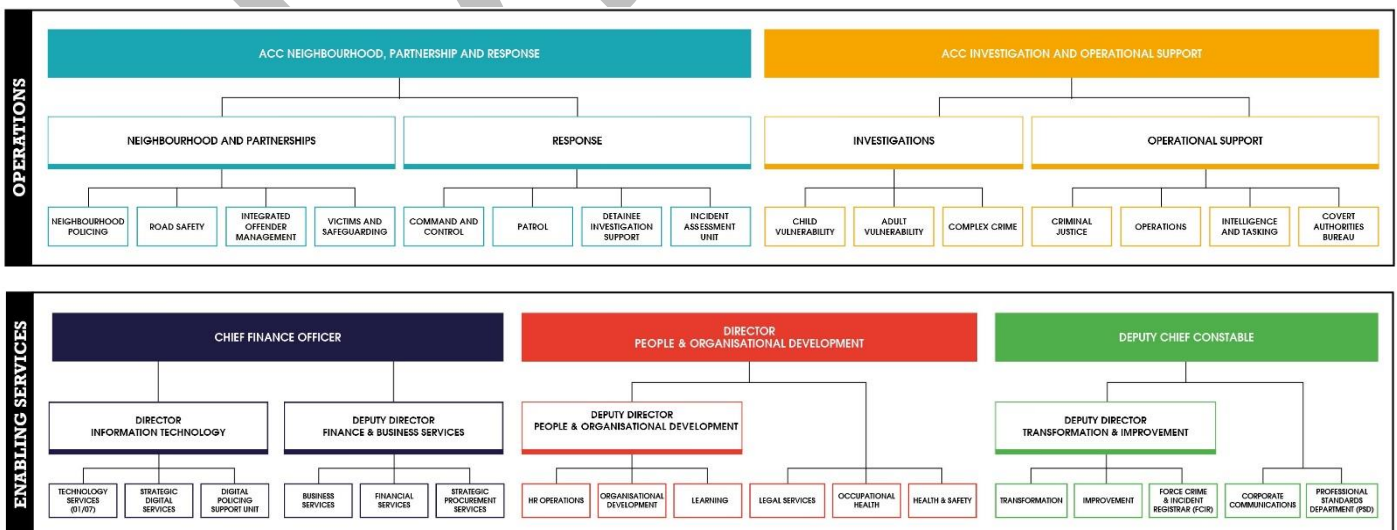
Avon and Somerset Constabulary provides policing services to the five principal local authority areas of South Gloucestershire, Bath & North East Somerset, Bristol, North Somerset, and the county of Somerset.

Around 1.7 million people live within the 1,844 square miles our force area covers, with greater concentrations around our towns and cities, which include Bristol, Bath, Weston-Super-Mare, Taunton and Yeovil. Our resident population is increased by university students at our four local universities, as well as by the large numbers who visit, or travel into or through our area each year.

The Police and Crime Commissioner for Avon and Somerset sets out the priorities for the Constabulary in her Police and Crime Plan. These priorities are determined following consultation with the communities of Avon and Somerset, as well incorporating the views of a range of stakeholders including the Police and Crime Panel, partners, the Chief Constable and senior leaders within the Constabulary. The PCC's priorities throughout 2018/2019 have been to:

- Protect the most vulnerable from harm;
- Strengthen and improve local policing teams;
- Ensure that the Constabulary has the right people, right equipment, and right culture;
- Ensure that we work together with other police forces and key partners to provide better services to local people.

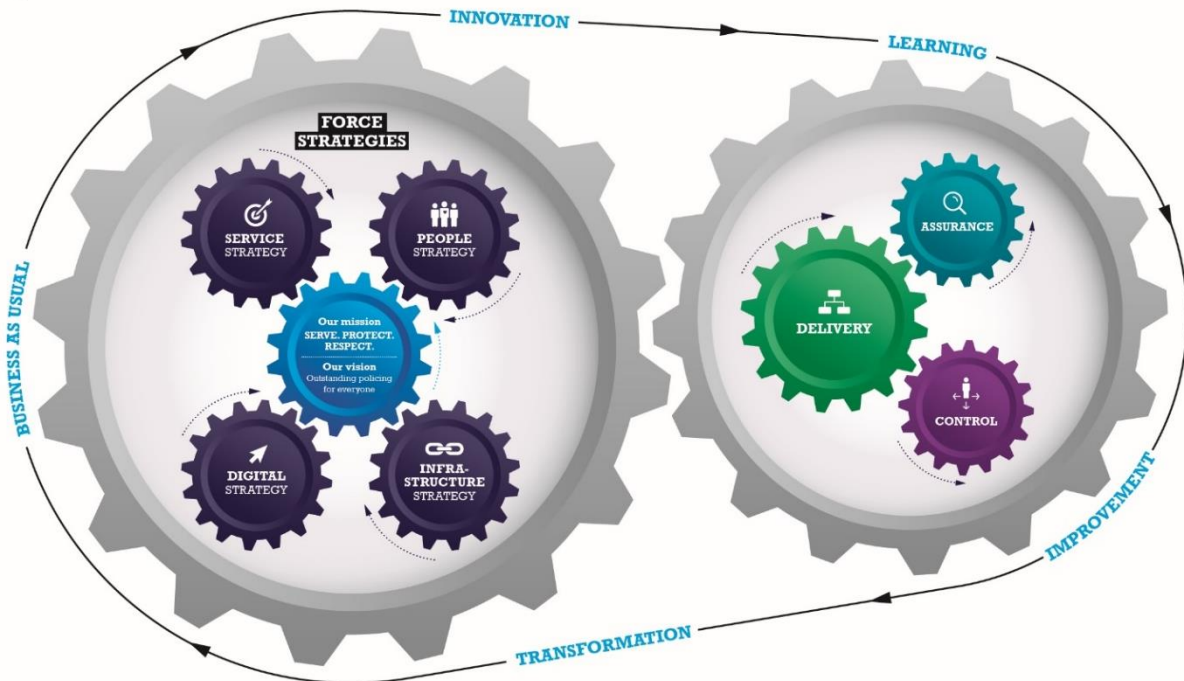
Under the direction and control of our Chief Constable and his chief officer team, our force is divided into eight directorates, four of which are operational and four of which are across our enabling services.



During the course of the financial year the Constabulary has refreshed its mission, vision, and values as part of a wider review of its strategic framework. This has also incorporated a wider review of our corporate strategies, as well as our governance and assurance processes and practices. We expect to continue our journey of embedding these changes throughout 2019/2020 and beyond.



Avon and Somerset Police STRATEGIC FRAMEWORK



Our values | **CARING** | **COURAGEOUS** | **INCLUSIVE** | **LEARNING**

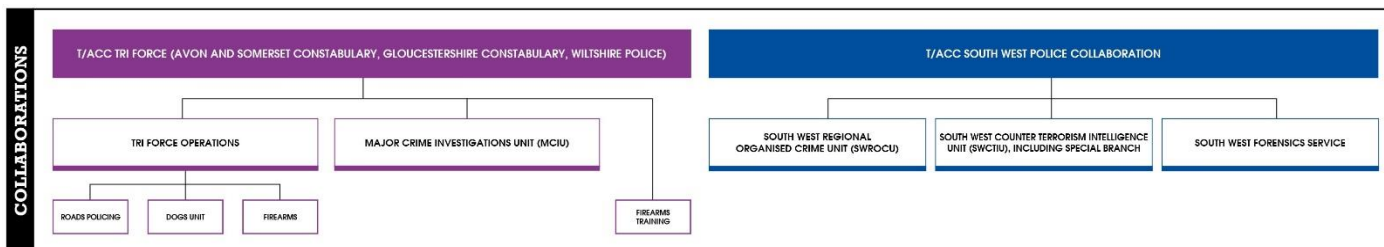
The staffing information for the Force and Office of the PCC (OPCC) as at 31 March 2019 is as follows:

Employees	Actual 2018/2019 FTE	Actual 2018/2019 Headcount
Police Officers	2,660	2,754
Police Community Support Officers	304	320
Police Staff	2,277	2,567
OPCC	20	22
Total	5,261	5,663

In addition, the Constabulary is supported by 299 Special Constables, 223 Police Cadets, and 286 other volunteers.

2 Collaborative Working

During 2018/2019 the Constabulary has worked with many other organisations to deliver a number of services collaboratively, both informally and through more structured collaborations.



During the course of 2018/2019 both the PCC and the Constabulary have worked with partners to seek improvements to our Tri-Force operations collaboration. We have not been able to reach agreement with partners on the specifics of the changes needed, and as a consequence we are ending this collaboration and returning officers and staff to our Constabulary structures during the 2019/2020 financial year.

We remain committed to collaboration, recognising the huge benefits that this can bring in terms of resilience and efficiency. We will build on our experience of collaborations to date and seek out opportunities with partners to collaborate where circumstances are favourable.

3 Operational Performance

The Constabulary measures its performance against the Police and Crime plan priorities and provides the PCC with assurance at monthly Police and Crime boards concentrating each month on a different thematic report.

Overall police recorded crime levels saw a small reduction of 2.4% inferring that improvements in crime recording compliance have now normalised, and that some of our demand reduction activity is realising an impact. This picture includes some notable reductions, with a 10.5% reduction in burglary, and a 13.4% reduction in vehicle crime.

During 2018/2019 we implemented new operating structures across our Neighbourhood Policing teams, targeting reductions in the demand placed on these teams in responding to calls for service. This has released capacity to focus on problem solving, early intervention, and engagement. Through this work we hope to continue to deliver reductions in overall demand into the force.

Our call handling performance continues to be strong, with low abandonment rate for both 999 calls (0.1%) and 101 calls (4.5%) over the last year. Calls for service are stable, with a 0.6% reduction seen across the last six months. However, calls requiring officer attendance have reduced by 9% over the course of the year, reflecting the impact of the resolutions team we introduced.

Public confidence, as measured by the crime survey for England and Wales, reports that confidence stands at 78.8% which puts Avon & Somerset at 12th (21st in 2017/2018) when ranked nationally. We would wish to continue to build on this improvement during 2019/2020.

Volume crime victim satisfaction remains stable, with victims of hate crime having the highest rates of satisfaction at 82.5%, an increase of 4% on the previous year. Dwelling burglary victim satisfaction rates are also strong at 82%. The Lighthouse victim survey, which measures the satisfaction of more vulnerable victims requiring access to support services, shows consistently strong rates of satisfaction for how they were kept informed (4.64/5) and support service access (4.18/5). Additionally, the ISVA victim survey shows an 80% overall satisfaction rate for our first responders.

We have made significant strides in our file quality during the year, as measured by those failing when reviewed by the Crown Prosecution Service. At the end of 2018/2019 our failure rate was 30%, currently placing 25th nationally. This is compared to a national ranking of 41st

just 6 months previously. We hope to continue to see improvements here throughout 2019/2020.

We have not been inspected under HMICFRS's PEEL framework during 2018/2019, with our most recent inspection occurring in 2017. This returned an overall assessment of "Good" against all three pillars of Efficiency, Legitimacy and Effectiveness. We are expecting to be inspected during the first quarter of 2019/2020.

The Constabulary has continued to deliver investment throughout 2018/2019 to further support operational performance delivery. This has included the mobilisation of the majority of our workforce through the provision of laptops. These are enabling more and more of our officers and staff to work in an agile way. In particular this is supporting our frontline officers to spend more and more of their time out of the station and amongst our communities. We intend to further develop our ability to demonstrate the impact of this investment on our visibility in the community throughout 2019/2020.

4 Financial Performance

4.1 Revenue Outturn

In February 2018 the PCC approved a 2018/2019 net revenue budget of £284.5m, an increase of £6.9m (2.5%) on the previous year. This budget was funded through a combination of Government grants (£175.9m/61.8%) and local council tax (£108.6m/38.2%). In total £279.7m was provided to the Chief Constable in order to support the provision of policing services to the communities of Avon & Somerset, an increase of £6.9m (2.6%).

In order to manage ongoing inflationary and other cost pressures the Constabulary needed to identify and deliver savings of £4.4m, which when combined with the increase in funding enabled us to deliver a balanced budget. This took our cumulative savings since 2010/2011 to £78.4m (26%).

Financial performance against budget is monitored throughout the year, reported to senior managers of the OCC and through to the PCC. These reports are published in order to provide public transparency of our financial performance. The financial performance report for 2018/2019 was reported to the PCC in May 2019, and can be found published on the PCC's website.

The Constabulary's net revenue expenditure in 2018/2019 was £268.8m. When compared to budget this means we have underspent by £10.9m (4.1%), prior to adjustments for provisions and for transfers to earmarked reserves. Once these adjustments were made this underspend was fully accounted for.

This revenue performance was the consequence of a number of factors, but most specifically was driven by underspends on both officer and staff pay. This was reflective of the vacancies across the force, particularly in the earlier part of the year. Officer recruitment has significantly increased across the course of the year, and will continue throughout 2019/2020 and we therefore expect the vacancy position to be significantly lower in future years

The following table summarises the revenue financial performance for 2018/2019:

	Budget	Expenditure	Over/ Under (-)
	£'000	£'000	£'000
Neighbourhood & partnerships	36,456	35,887	-569
Response	73,457	70,170	-3,287
Operational support	31,801	30,882	-919
Investigation	25,711	24,685	-1,026
Collaboration	28,956	28,129	-827
Enabling services	65,530	65,303	-227
Central costs & miscellaneous	17,782	24,673	6,891
Constabulary sub total	279,693	279,729	36
Office of the PCC	1,428	1,392	-36
Commissioning	3,368	3,368	0
Total revenue expenditures	284,489	284,489	0

It should be noted that the figures above cannot be agreed directly to the comprehensive income and expenditure statement on page 22 where the costs of policing activities include charges for the provision of pensions and the use of assets which are later reversed out through intragroup transfers from the PCC. The two figures are reconciled in note 6.

4.2 Procurement

Our strategic procurement service ensures compliant delivery of contracted procurement with our suppliers. During the course of 2018/2019 we had £46.6m of “influenceable spend”, against which we have identified and delivered £2m/4.3% in savings. The delivery of procurement savings is an important component of demonstrating how we achieve value for money. We report on our savings into the Home Office’s National Commercial Board, which enables us to benchmark our performance against other forces. In 2018/2019 the value of savings delivered was second only to the Metropolitan Force, a force 10 times our size.

4.3 Accounting for Pensions

In line with International Accounting Standard (IAS) 19 on employee benefits, we are reporting a significant pensions liability of £3.9bn shown on the balance sheet. This is reduced when the pension scheme assets of £0.4bn are taken into account. The net liability of £3.5bn is offset by an intragroup debtor with the PCC. More details are disclosed in notes 12 to 14. The liability has no impact on the reported outturn and the usable reserves.

4.4 Capital and Reserves

The PCC owns all assets and controls decision making in relation to capital expenditure, capital financing, and borrowing, as well as holding responsibility for all reserves. Financial performance in relation to these aspects is reported on within the PCC’s financial statements.

5 Outlook

The PCC and Chief Constable jointly set out their forward financial forecasts within their Medium Term Financial Plan (MTFP) each year. The MTFP which was published in February 2019, covers the five year period from 2019/2020 through until 2023/2024.

This MTFP set out a more positive financial position for the PCC and the Constabulary than had previously been the case. Revenue funding is forecast to increase significantly, driven largely by the increased flexibility that the PCC has been granted in raising local council tax.

	2019/2020 £'000	2020/2021 £'000	2021/2022 £'000	2022/2023 £'000	2023/2024 £'000
Budget requirement	310,806	312,537	319,526	326,001	332,600
Less total funding	-306,274	-307,421	-311,906	-316,548	-321,354
Surplus(-)/deficit before savings	4,532	5,116	7,620	9,453	11,246
Savings	-4,532	-5,116	-5,116	-5,116	-5,116
Surplus(-)/deficit after savings	0	0	2,504	4,337	6,130

The key assumptions that underpin this forecast position are:

- Our funding is forecast to grow by £36.9m/13.0% p.a. by 2023/2024, driven by:
 - main police grant funding will increase by £3.4m/1.9% in 2019/2020 and thereafter assumed frozen;
 - Council Tax funding will grow, driven by annual increases to our tax base of 1.63% in 2019/2020 and thereafter at 1.5% p.a., as well as increases to the precept of £24 in 2019/2020, followed by 1.99% p.a. – an increase in this funding of £33.5m/30.9% p.a. by 2023/2024;
 - a one off grant of £2.8m has also been included in 2019/2020 only, to offset the significantly larger forecast for police officer pension contribution.
- Our budget requirement is forecast to increase by £48.1m/16.9% p.a. by 2023/2024, driven by factors such as:
 - annual uplift to officer and staff pay of 2% p.a. – an increase in cost of £23.2m p.a. by 2023/2024;
 - increased police officer pension employer contributions to a new rate of 31% - an increase in cost of £6.5m;
 - annual increases to non-pay costs of 2.5% in 2019/2020 (3.5% for utilities/fuel costs, and 3.9% for NNDR), reducing to 2.0% (3.0% for utilities/fuel, and 3.9% for NNDR) thereafter. These assumptions are designed to keep track with rising inflation pressures – an increase in cost of £4.9m p.a. by 2023/2024;
 - increases in the amount of revenue funding set aside to support capital investment, and to replace other sources of capital funding which are expected to diminish over the medium term – an uplift of £3.5m p.a. increasing our regular direct annual contribution to £5m p.a., as well as increases of £0.7m to the revenue costs of borrowing by 2023/1024;
 - increases resulting from unavoidable commitments, including uplifts to our forensics submissions costs resulting from market instability, and IT contractual commitments to secure the support for key corporate systems – an uplift of £1.4m p.a. by 2023/2024; and
 - investment and growth, including a planned uplift equivalent to 100 officers, costing £5.5m p.a. by 2023/2024.

The forecast position is not however without its challenges. Over five years our projections suggest that increases in our costs will outstrip our funding growth, requiring us to identify and realise further savings from 2021/2022 onwards. In total we forecast at this stage that new savings of £6.1m will be required by 2023/2024. These new savings come after 8 years of austerity, in which we have already realised savings of £78m/26%, and at a time of increasing demand and pressure on policing.

Our continued transformation, to both realise operational performance improvements as well as deliver savings, also requires capital investment. Investments in our digital transformation,

as well as across our estates and fleet, require funding to implement. Capital funding is increasingly under pressure to provide for our ambition, at the same time as maintaining and replacing our existing asset base. Whilst our revenue plans make forward provision for uplift to capital funding, both in terms of direct revenue contributions and in the form of planned borrowing, we recognise that prioritising our capital investments within finite funding will remain a challenge for us.

6 Basis of Preparation

This Statement of Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. This follows International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate to local authority accounts as determined by Her Majesty's Treasury.

This Statement of Accounts summarises the financial year for 2018/2019. The income and expenditure, assets, liabilities and reserves which are recognised in the PCC's accounts and in the Chief Constable's accounts, reflect the current legislative framework as well as the local arrangements operating in practice. The key elements of the legislative framework and local arrangements include:

- The Police Reform and Social Responsibility Act 2011 (The Act);
- The Home Office Financial Management Code of Practice for the Police Services of England and Wales (published in October 2013);
- Avon & Somerset PCC's Scheme of Governance.

Our review of this framework has not altered from previous years, concluding that ultimately the control and risks associated with assets and liabilities rest with the PCC, whereas the day to day command and control of operational staff rests with the Chief Constable.

These financial statements include the following:

- **A statement of responsibilities** - This sets out the responsibilities of the OCC and the CFO in respect of the Statement of Accounts;
- **An annual governance statement** - These statements review the effectiveness of the OCC's internal control systems;
- **A comprehensive income and expenditure statement** - This statement shows the accounting cost in the year of providing policing services in accordance with generally accepted accounting practices, together with the costs of providing pensions for officers and staff;
- **A movement in reserves statement** – This statement shows the movement during the year in reserves, and affirms that no actual reserve balances are held by the OCC at the end of the accounting period;
- **A balance sheet at 31 March 2019** – The balance sheet shows the net pension liability, as well as other employee related balances recognised by the OCC and offset by a debtor from the PCC;
- **A cash flow statement** - The cash flow statement shows the changes in cash and cash equivalents during the year. This statement in the OCC's accounts reflects the fact that there have been no cash transactions in the name of the OCC;
- **A police officers pension fund account statement** - This statement shows the police officers contributions and benefits payable into the pension fund for the year, along with the amount of Home Office top-up grant receivable.

Nick Adams

Chief Finance Officer to OCC

30 May 2019

Office of the Chief Constable for Avon & Somerset

Statement of Responsibilities

This section explains our responsibilities for our financial affairs and how we make sure we carry out these responsibilities properly.

1 Chief Constable's Responsibilities

The Chief Constable is required to:

- Make arrangements for the proper administration of the Office of the Chief Constable's financial affairs and to make sure that one of its officers, the Chief Finance Officer, has responsibility for the management of those affairs;
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

2 The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for preparing the Statement of Accounts for the Office of the Chief Constable in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (The 'Code').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- chosen suitable accounting policies and then applied them consistently;
- made reasonable and prudent judgements and estimates;
- complied with the CIPFA Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud including preparing an audit and ensuring appropriate risk management mechanisms are in place; and
- made sure that the internal control systems are effective – pages 12 to 21 show this in more detail.

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Office of the Chief Constable as at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Andy Marsh
Chief Constable

Nick Adams
Chief Finance Officer to OCC
30 May 2019

Auditor's Report

**Independent auditor's report to the Chief Constable
for Avon and Somerset Police**

Report on the Audit of the Financial Statements

To be added

DRAFT

Office of Chief Constable for Avon & Somerset

Annual Governance Statement

There is a statutory requirement to prepare the Annual Governance Statement which sets out the internal controls in place to ensure 'proper practices' in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). The statement also considers the extent to which the aspirations set out in the PCC's and Chief Constable's Joint Governance Framework are currently being met.

The statement sets out the detailed arrangements which support the view of the Chief Constable and his Chief Finance Officer (CFO) that the financial management arrangements conform with the governance requirements of the updated CIPFA statement on the role of the CFO in Local Government (2016).

These statements give the results of our yearly assessment of how well we are managing and controlling risks in achieving our aims and meeting the responsibilities we have by law.

1 Scope of Responsibilities

This statement covers the OCC. The PCC's statement of accounts includes a similar statement which covers both the Office of the PCC as well as the Group position of the PCC and OCC.

The OCC is responsible for the direction and control of the Constabulary. In discharging this function, the OCC supports the PCC in ensuring their business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The OCC is also responsible for putting in place proper arrangements for the governance of the Constabulary and ensuring that these arrangements comply with the PCC's Scheme of Governance. In so doing the OCC is ensuring a sound system of internal control is maintained throughout the year and that appropriate arrangements are in place for the management of risk.

The PCC and OCC have adopted corporate governance principles which are consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government and the Nolan principles. A copy of the Avon and Somerset Joint Scheme of Governance is on the web-site at <http://www.avonandsomerset-pcc.gov.uk> or can be obtained from the PCC's office at Police Headquarters, Valley Road, Portishead, BS20 8JJ, or by contacting 01275 646188.

The OCC's Chief Finance Officer (OCC CFO) has responsibility for providing advice on all financial matters, maintaining financial records and accounts and ensuring an effective system of financial control is in place. This role (together with the PCC Chief Finance Officer) conforms to the governance requirements established in the CIPFA statement on the role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable.

2 The Governance Framework

The governance framework in place throughout the 2018/2019 financial year covers the period from 1 April 2018 to 31 March 2019 and up to the date of approval of the annual Statement of Accounts.

This framework comprises the systems, processes, culture and values by which the Chief Constable operates in support of the PCC's Scheme of Governance. It is through the application of this framework that the Chief Constable is able to both monitor and deliver the objectives of the Constabulary and provides assurance to the PCC that these objectives are leading to the delivery of appropriate and cost-effective policing services which provide 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, however, eliminate all risk of failure to achieve aims and objectives and therefore only provides reasonable and not absolute assurance of effectiveness. The system of internal control is an ongoing process designed to identify and prioritise the risks to achieving the PCC's and Chief Constable's aims and objectives, evaluate the likelihood and impact of those risks being realised and manage them effectively, efficiently and economically.

The Chief Constable is responsible for operational policing matters, direction of police personnel and making proper arrangements for the governance of the Constabulary. He is accountable to the PCC for the exercise of those functions. The Chief Constable must therefore satisfy the PCC that the Constabulary has appropriate mechanisms in place for the maintenance of good governance and that these operate in practice.

This statement provides a summary of the extent to which the Chief Constable is supporting the aspirations set out in the PCC's and Chief Constable's Joint Governance Framework, as well as the PCC's Governance, Decision Making and Scrutiny Policy. It is informed by assurances against this framework, linking this assessment into the principles set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

2.1 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Constabulary has adopted the College of Policing's Code of Ethics, including the 9 policing principles, and the 10 standards of professional behaviour embedded within this. This includes establishing the national decision making tool for use by officers and staff to enable them to make decisions which are consistent with these principles and expected behaviours.

The Constabulary reinforces these principles and the expected standards of behaviour for its staff through processes, procedures and policies and through its corporate communications. In support of this the Constabulary also has in place an independently chaired ethics committee, to provide support to police officers and staff in considering difficult ethical dilemmas when making decisions.

This is also underpinned by the new mission, vision, and values that were launched in Quarter 3 of 2018/19.

Mission: Serve. Protect. Respect.

Vision: Outstanding policing for everyone.

Values: Caring. Courageous. Inclusive. Learning.

The Constabulary has a Professional Standards Department, which is overseen by the Deputy Chief Constable who reports directly to the Chief Constable. It is through the work of this department that the Constabulary is able to promote the ethos of personal accountability amongst staff, as well as to investigate allegations of inappropriate conduct. Regular communication with both new and existing members of staff reinforce our corporate anti-corruption messages.

The PCC has established three independent panels (listed below) that provide scrutiny and feedback to the Constabulary.

Independent Residents Panel

The PCC has established an independent panel to dip sample complaints made by members of the public about aspects of the Constabulary's service. The Panel provides reports to the PCC and Chief Constable which are published on the PCC website.

Scrutiny of Police Powers Panel

The PCC has developed this panel further during the year with new members and improved access to police body worn video footage. The panel scrutinises the use of Taser, Stop and Search, and other police powers by the Constabulary by dip sampling cases, reviewing video footage and other records, and thematic review.

Out of Court Disposal Panel

Out of court disposals are a means of resolving an investigation for certain offenders without prosecution through the courts. The PCC has established an independent panel that brings together professionals from criminal justice agencies, victims, and independent members to review the use of out of court disposals.

2.2 Ensuring openness and comprehensive stakeholder engagement

The PCC has produced the Police and Crime Plan for 2016-2021. This plan is developed taking into account the views of local communities, partners, the Police & Crime Panel and the Chief Constable and Constabulary senior leaders.

The priorities of this plan are:

- Protect the most vulnerable from harm;
- Strengthen and improve local policing teams;
- Ensure that Avon and Somerset Constabulary has the right people, right equipment and right culture;
- PCC to work together with other police forces and key partners to provide better services to local people.

The PCC's scheme of governance, including Standing Orders, Financial Regulations, Scheme of Delegation, and the PCC's Governance, Decision Making and Scrutiny Policy, sets out the governance framework. It is through this framework that the roles of both the Chief Constable and PCC are clearly defined and demonstrate how we work together to ensure effective governance and internal control. This is evidenced in the application of the three Ds model described below.

Direction	PCC	The responsibility of the PCC, set out in the Police and Crime Plan and otherwise as specified from time to time. The CC will be consulted.
Design	PCC & CC	A flexible approach, appropriate and proportionate to the service line being considered. If it is an externally commissioned service, the PCC will expect a high level of involvement in the design. If it concerns an in-house provision of a service the CC will expect to lead on the design, and consult with the PCC at an early stage of and throughout the design process so that scrutiny arrangements can be agreed.
Delivery	CC	The responsibility of the CC. The PCC will provide scrutiny.

The PCC and Constabulary jointly develop an annual Medium Term Financial Plan (MTFP) which considers the future financial context for the combined organisations, forecasting both revenue and capital plans across a five year planning horizon. This plan is informed by both internal discussions and review, as well as through external stakeholder engagement undertaken by the PCC with partners and the public. This document is shared with our partners, and is published alongside the PCC's precept decision, to enable scrutiny through the Police and Crime Panel, and ultimately by the public.

The PCC, the Chief Constable and Constabulary operate in partnership with a number of other organisations. These include partnerships in the delivery of policing operations

such as our Tri-Force collaborations with Gloucestershire and Wiltshire Police for the provision of major crime investigations, and specialist operations and training. Special Branch and Forensics activities are delivered in collaboration with Wiltshire, Devon and Cornwall and Dorset Police. The South West Counter Terrorism Intelligence Unit and Regional Organised Crime Unit, both of which are hosted by Avon and Somerset, are also delivered in partnership by all five South West forces. In all areas of collaboration we have clear governance frameworks in place to ensure the effective delivery of commonly agreed outcomes. Regular South West Regional PCC/OCC meetings are held to discuss Collaborative opportunities.

2.3 Defining outcomes in terms of sustainable economic, social, and environmental benefits

Our vision is for Avon and Somerset Constabulary to deliver outstanding policing for everyone, and for this to be recognised by the communities we serve and our staff. Such a shared vision is crucial if we are to increase public trust and confidence so that local communities believe we treat them fairly, with respect and professionalism, and take their concerns seriously.

The Policing Plan is set by the PCC, with the bulk of responsibility for delivering the outcomes expected within this plan resting with the Chief Constable and the Constabulary. The Constabulary's Continuous Improvement Framework provides opportunity for scrutiny of performance against the plan through regular monthly thematic and operational assurance activity reported jointly at Force and OPCC governance boards.

Our MTFP is developed jointly with the PCC, and considers a five year planning horizon over which we aim to consider the risk surrounding our financial context, enabling us to take action in good time to address this risk and ensure we are able to achieve financial sustainability over the short and medium term.

The Constabulary has established a sustainability strategy, which sets 8 objectives which will measure our performance against to ensure that we are reducing our environmental impact by 2021.

Our change programmes remain focussed on supporting the continued transformation of the Constabulary. Our activities here include investment in our digital capabilities, improving and reducing the size and profile of our physical estate, and continuing to review our operating structures and processes to ensure that these remain fit for purpose, and are managing our demand effectively and efficiently. The Constabulary change programmes also recognise the need to work in synergy with national change initiatives and continues to better align local activity with this.

2.4 Determining the interventions necessary to optimise the achievement of the intended outcomes

Avon & Somerset is committed to continuous improvement. We recognise that we must continue to transform in order to ensure that we are able to provide the best possible service to the public at the best possible value.

The principle of continuous improvement underpins all of our planning, with all directorates required to produce annual continuous improvement plans.

The Constabulary has undertaken a significant amount of work to develop effective understanding of our demand, achieved through our pioneering use of data analytics. We use this understanding to identify opportunities to bring forward changes to our ways of working that improve productivity and efficiency. In support of this we continue to develop and embed the use of business intelligence and data visualisation tools, which underpin this work and support officers and staff throughout the organisation to better understand their priorities.

The Constabulary also recognise that there will need to be some larger scale transformation programmes. The scale of these programmes reflects the continued transformational ambition we have in Avon & Somerset, requiring a clear framework

through which our change activity can be resourced and delivered. We have agreed that the following principles will underpin the structure of our transformation portfolio:

- Represent a balanced, prioritised portfolio of change aligned to corporate strategy;
- Be configured to support the management of complexity, interdependency and risk;
- Support clear and simple communication of a coherent vision of future state;
- Galvanise the transformation team and wider organisation to deliver transformation and realise benefits;
- Support efficient and effective deployment and utilisation of resources and capabilities.

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

Like most public services, Avon and Somerset Constabulary delivers its services through its officers and staff. Our officers and staff are our greatest asset.

The Constabulary has a Health and Wellbeing charter in place which sets out our commitment to providing a professional working environment where staff are healthy, safe, well managed and feel valued for their contribution. The importance of wellbeing has been enshrined in the formation and communication of the new 'caring' value. The Constabulary also holds a Health and Wellbeing Board which is chaired by the Chief Constable in order to provide scrutiny of this area and drive continued improvement.

Inclusion and Diversity is also of strategic significance to the Constabulary which – as well as wanting the Constabulary to be representative of the communities it serves – also recognises that more diverse organisations tend to perform better. The Constabulary has an Inclusion and Diversity Strategy and delivery plan which is overseen by the Inclusion and Diversity Board chaired by the Deputy Chief Constable.

The Constabulary operates an Individual Performance Review (IPR) process. Through our IPR process the Constabulary is able to ensure that our corporate values are reinforced and promoted and that each member of staff has individual objectives which underpin and support the performance of the local policing area or department in which they work as well as their own personal development.

The Constabulary has a central Learning department, and through their skills and expertise we offer a range of internal training sources to meet the identified development needs of our staff. If appropriate the Constabulary will also use external training events to provide staff with necessary development opportunities.

The Constabulary recognises that an outstanding organisation needs outstanding leaders and it has continued to ensure all leaders attend the four days of training delivered by the central Learning Department. In addition to this the Constabulary has refreshed its ASPIRE Leadership Programme with a plan of activity throughout 2019 including more bespoke plans from each of the Constabulary's eight directorates to embed this through to front line colleagues.

The People Development Programme was piloted as an addition to the ASPIRE work. This was run in partnership with University of the West of England and started in the last financial year. This took a cohort of twenty individuals who had self-nominated and had achieved a rating of 'exceptional' in Individual Performance Reviews. They were given an existing topic already identified through the continuous improvement framework and this was their project over the course of the year. This programme included academic work resulting in an opportunity to achieve ILM level 5 accredited qualification.

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

All strategic decision making is carried out in accordance with the PCC's Governance Framework, including the Scheme of Governance, Standing Orders and Financial Regulations and the PCC's Governance, Decision Making and Scrutiny Policy.

The Constabulary Strategy Board (CSB) is chaired by the Chief Constable and held quarterly. It focuses on environmental scanning, strategy development, future planning and will set the strategic direction for the Force. It will also receive strategic assurance in relation to the Constabulary Plan. It will commission transformational change, but may delegate authority to the Constabulary Management Board (CMB) where appropriate.

The CMB is chaired jointly by the Chief Constable and Deputy Chief Constable. It is held monthly and it focuses on managing business as usual and driving continuous improvement, whilst improving integration and reducing silo working. It manages all change activity and commissions transitional and transactional change within its delegated authority. It receives regular reports on operational performance and financial position, enabling it to take an overview of wider force performance.

These Governance arrangements ensure that key decisions are taken at the appropriate level, and are referred to the PCC as required. The Chief Constable and Constabulary are subject to the oversight and scrutiny of the PCC through the monthly Police and Crime Board meetings, as well as through regular meetings between the Chief Constable and the PCC.

The PCC and Chief Constable have established a Joint Audit Committee (JAC). This committee receives reports of both the internal and external auditors, as well as any other reports required to be referred to it under its established Terms of Reference. Through this body the Chief Constable is subject to scrutiny not only of the PCC, but also of the independent members of the Audit Committee.

The Constabulary has mechanisms in place for the management of risk throughout the organisation. Directorate risk registers are in place, which underpin the strategic risk register. The strategic risk register includes significant risks identified across all areas of the organisation, as well as any other strategic risks identified (including those which arise from audit and inspection reports). The strategic risk register is a live document, scrutinised and reviewed by CMB and CSB as well as being reported to the Joint Audit Committee.

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

The Constabulary and PCC ensure that reports are written as clearly as possible, and adhere to Government Security Classification (GSC) markings. In so doing we are able to determine those documents which can be published, and through the PCC's website look to publish these papers and decision notices so that they are visible to the public.

The PCC and the Chief Constable hold quarterly public forum events across the force area targeted at members of the public and held in community venues. These are focused on addressing issues and concerns of local people, and include presentations from the Chief Constable and opportunities for local people to ask questions or raise issues. The dates and notes of these meetings including questions and answers are published on the OPCC website. Feedback and comments from these meetings is captured and fed into the data which is used to work with the force to influence the quality of policing service.

All JAC meetings are open to members of the public to attend, and all papers presented to JAC, including those from our internal and external auditors, are published on the PCC's website (where nothing of a sensitive or confidential nature allows for this) allowing members of the public to have access to these reports and their contents.

The Constabulary is committed to ensuring it is open and transparent in the way that it conducts its business, and has effective working relationships with both internal and external auditors, as well as with HMICFRS.

3 Review of Effectiveness

The Chief Constable has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal audit and system of internal control. This is informed by the internal audit assurance, the opinions and reports of our external auditors and other inspection bodies, as well as the work of the OCC CFO, and of managers within the Constabulary who have responsibility for the development and maintenance of the governance environment.

For 2018/2019 this review included the following considerations:

- the internal auditor's reports to the Joint Audit Committee (JAC) throughout the year and their annual report to JAC;
- external auditors' reports at JAC meetings;
- the HMICFRS 'PEEL' inspection;
- the Force Strategic Risk Register;
- the 2018/2019 financial outturn that delivered a balanced position; and
- the planning and development of the MTFP for the next five years.

Matters arising from the audit and inspection activities are detailed below and have appropriate ownership and action plans in place to address the items raised.

4 Governance, Assurance, and Risk

Following completion of the review of effectiveness we are satisfied that our arrangements for governance, risk management and control are generally adequate and effective.

Joint Audit Committee (JAC)

The independent JAC has concluded their year of work in accordance with their work plan and publishes an annual report which sets out the work of the committee, the training and development of JAC members, and the outcomes of the programme of audit work from the last year.

The JAC Chair has been appointed for a second term until December 2021 and a new member from local business has been appointed to the JAC in March 2019.

HMICFRS Inspections

The Constabulary has not been inspected by HMICFRS under its Police Efficiency, Effectiveness and Legitimacy (PEEL) framework during 2018/2019, with a planned inspection due in 2019/2020. Therefore the previous year's outcomes remain:

- **Legitimacy** - HMICFRS found that the Constabulary is **Good** in respect of the legitimacy with which it keeps people safe and reduces crime.
- **Efficiency** – HMICFRS found that the Constabulary is **Good** in respect of the efficiency with which it keeps people safe and reduces crime.
- **Effectiveness** – HMICFRS found that the Constabulary is **Good** at keeping people safe and reducing crime. The inspectors' conclusion that we had performed well in this year's effectiveness inspection and have made good progress since last year.

Internal Audit Programme 2018/2019

In the 12 months which ended 31 March 2019, our internal auditors completed twelve substantive audits, three advisory reviews and conducted follow-up work on previous audits.

The 2018/2019 Annual Internal Audit opinion reports that the PCC and OCC “have an adequate and effective framework for risk management, governance, and internal control. However the work of internal audit has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.”

The most significant matters raised and improvements recommended by internal audit are being addressed by PCC and Constabulary and are summarised as follows:

- To ensure the financial controls environment returns to the previously observed high levels of compliance, after some adverse impact this year from staff shortages and changes in the Constabulary Finance teams. A new Head of Finance has been appointed in April 2019 who is working to fill vacancies and restore the assurance in this area to its previous high substantial levels;
- To learn from issues arising in due diligence, decision documentation, project initiation and project management from a very specific and difficult collaborative project. The points in this case are all accepted, and more positively, reasonable assurance was provided in other projects reviewed;
- To ensure the Constabulary improves personal data discovery and mapping to better identify data flows and ensure continued high levels of compliance with new GDPR legislation. The Constabulary’s new data protection officer has accepted these recommendations and is working to address the matters raised.

Risk Management

The JAC has worked with the PCC and Chief Constable during the year, supported by recommendations from internal audit, to continue to improve the alignment and presentation of the PCCs and Constabulary’s strategic risk registers and the framework for risk assurance. This work has led to an improved risk assurance framework with the PCC and Chief Constable to better review and monitor assurances that mitigate and manage risk.

The strategic risk registers have been reviewed by the JAC in open session, and published online with other JAC papers.

Organisational Learning

The Constabulary continues to try to improve and embed practices for achieving effective organisational learning. The Constabulary is focussed on:

- Repeating and spreading successes and enabling greater innovation;
- Reducing the incidence and impact of repeated mistakes and service failings; and
- Improving outcomes, public perception and achievement of the Constabulary’s plan for continuous improvement.

The Constabulary’s organisational learning is a periodic agenda item at CMB to ensure senior leaders are engaged in the process.

5 Conclusions of Review

Following completion of the review of effectiveness we are satisfied that our arrangements for governance, risk management and control are generally adequate and effective.

In particular we are satisfied that:

- the system of internal control in operation during the last year has been effective; and

- the Constabulary's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

Issues identified during the course of the review and recommendations made by internal and external auditors, HMICFRS and other inspection bodies are monitored to ensure remedial actions and implementation and subsequent operation of recommendations.

Significant Governance Issues

Our review has identified that the biggest risks to the organisation at this time are:

Risk	Progress
Loss of legitimacy / public confidence	<p>We recognise the heightened expectations of our communities and of Government as a consequence of the increases in our funding in 2019/2020.</p> <p>The extra funding, particularly that which is left after we have accounted for increases in our costs, provides the Constabulary with a great opportunity which if we fail to capitalise on gives rise to significant risk.</p> <p>In response to this the Constabulary has a year-long operation (Op Remedy) supported by a dedicated, multi-disciplined team that will focus on residential burglary, drugs and knife crime. These are crimes of concern to our communities, and we intend to be able to demonstrate improvements in our outcomes in relation to these crimes as a consequence of the investments made possible by the increased funding.</p> <p>In addition the Constabulary will also be recruiting an additional 100 officers as a permanent uplift in our officer establishment over the course of the next financial year. We intend to use the intelligence derived from our Op Remedy work to inform the most effective deployment of this increased capacity as it becomes available.</p>
Failure to be an inclusive and diverse organisation	<p>It has been recognised for some time that Constabularies should be representative of the communities they serve and our organisation has focused on advancing its inclusion and diversity. Despite some progress made to date, and in recognition that sustainable change in this area is by necessity a long-term endeavour, we want to accelerate the pace of this change. We are therefore implementing a strategic plan, through which we will take forward five big ideas that will act as progress accelerators. These ideas include:</p> <ul style="list-style-type: none"> • External assessment and accreditation against the National Equalities Standard – providing an assessment of our current position and a roadmap against the framework to help in our future development; • Introducing a tiered approach to embedding diversity and inclusion through interventions that develop the cultural intelligence of our leaders, officers and staff; • Expanding our capacity to undertake outreach work into our communities, enabling us to expand on the excellent work already done with the limited capacity we have had to date; • Reviewing and developing our recruitment processes so that they support our ambition of recruiting for difference; and

Risk	Progress
	<ul style="list-style-type: none"> Developing an awareness and understanding campaign internally that engages all our people so that they become mobilised in delivery of our commitment towards diversity and inclusion.
<p>Poor quality of data affects decision making across the organisation</p>	<p>We recognise that the more we develop our capabilities to make the best use of our data to inform our day to day work, the more important it becomes that we can rely on good data.</p> <p>Although we have made good progress since last year this still remains as a high risk on our strategic risk register.</p> <p>We are addressing this challenge through comprehensive action plans which include:</p> <ul style="list-style-type: none"> The addition of Data Quality task and finish group to give this specific focus but which reports to the Strategic Information Management Board and in turn the CMB; Continuing to develop technological solutions that help correct data quality issues; Monitoring and expanding the new dedicated Data Quality team; Embedding the importance of data quality into the Leadership Programme; and Ongoing bespoke training delivered to officers and staff. <p>Progress against our action plans here will continue to be monitored throughout 2019/2020.</p>

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

Andy Marsh
Chief Constable

Nick Adams
Chief Finance Officer to OCC
30 May 2019

Office of the Chief Constable for Avon & Somerset

Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

The comprehensive income and expenditure statement shows the resources consumed by the OCC in undertaking operational policing activities. These costs have been funded by the PCC through intragroup adjustments. See note 2 for further details.

OCC Expenditure £'000	OCC Income £'000	Total 2017/2018 £'000	Comprehensive Income and Expenditure Statement - OCC	OCC Expenditure £'000	OCC Income £'000	Total 2018/2019 £'000
371,931	-38,862	333,069	Police Services	365,988	-37,481	328,507
-371,931	38,862	-333,069	Intragroup adjustment	-365,988	37,481	-328,507
0	0	0	Net cost of police services	0	0	0
		100,517	Net interest on pensions			85,076
		-100,517	Intragroup adjustment (pension interest cost)			-85,076
0	0	0	Financial and investment income and expenditure	0	0	0
53,009	0	53,009	Police pension top-up grant (note 13)	58,477	0	58,477
0	-53,009	-53,009	Intragroup adjustment (Police pension top-up grant)	0	-58,477	-58,477
		594,815	Intragroup adjustment (Re-measurement of pension assets and liabilities)			-84,907
		594,815	Taxation and non-specific grant income			-84,907
		594,815	Surplus(-)/deficit on provision of services			-84,907
		-588,242	Re-measurement of pension assets and liabilities (note 12)			93,860
		-6,573	Return on pensions assets (note 12)			-8,953
0	0	-594,815	Other comprehensive income and expenditure	0	0	84,907
0	0	0	Total comprehensive income and expenditure	0	0	0

Office of the Chief Constable for Avon & Somerset

Movement in Reserves Statement 2017/2018 and 2018/2019

These statements show only the pension related transactions for the years ending 31 March 2018 and 31 March 2019. All reserves are held by the PCC.

Movement in reserves statement 2017/2018					
	Revenue General Fund £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total £'000
Balance as at 31 March 2017	0	0	0	0	0
Total comprehensive income and expenditure	-594,815	0	-594,815	594,815	0
Adjustments between accounting & funding basis under regulations					
Net IAS 19 charge for retirement benefits	594,815	0	594,815	-594,815	0
Increase/decrease(-) in 2017/2018	0	0	0	0	0
Balance as at 31 March 2018	0	0	0	0	0

Movement in reserves statement 2018/2019					
	Revenue General Fund £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total £'000
Balance as at 31 March 2018	0	0	0	0	0
Total comprehensive income and expenditure	84,907	0	84,907	-84,907	0
Adjustments between accounting & funding basis under regulations					
Net IAS 19 charge for retirement benefits	-84,907	0	-84,907	84,907	0
Increase/decrease(-) in 2018/2019	0	0	0	0	0
Balance as at 31 March 2019	0	0	0	0	0

Office of the Chief Constable for Avon & Somerset

Balance Sheet as at 31 March 2019

The balance sheet shows the pension liability, other employee related creditors, and provisions accrual offset by debtors from the PCC.

2018 £'000	Balance Sheet	2019 £'000
	Long term assets	
3,314,931	Long term intragroup debtor	3,532,939
332,243	Police staff pension assets	357,655
3,647,174	Total non-current assets	3,890,594
6,834	Payments in advance (note 15)	0
14,459	Intragroup debtor	14,344
21,293	Total current assets	14,344
-6,834	Intragroup creditor	0
-9,347	Creditors (note 16)	-11,148
-5,112	Short term provisions (note 17)	-3,196
-21,293	Total current liabilities	-14,344
	Long term liabilities	
-3,647,174	Police pension liabilities (note 12 to 14)	-3,890,594
-3,647,174	Total long term liabilities	-3,890,594
0	Net assets	0
0	Total usable reserves	0
0	Total unusable reserves	0
0	Total reserves	0

Nick Adams
Chief Finance Officer to OCC
30 May 2019

Office of the Chief Constable for Avon & Somerset

Cash Flow Statement

This note does not show any cash flows for the year ending 31 March 2019 as all payments are made from the PCC and all income for the year received by the PCC. The financial consequences of the operational activities undertaken by the OCC can be seen within the comprehensive income and expenditure statement.

2017/2018 £'000	Cash Flow Statement	2018/2019 £'000
594,815	Net surplus(-)/deficit on the provision of services	-84,907
-2,301	Increase(-)/decrease in provision charged back to service	84
-594,815	Charges for retirement benefits in accordance with IAS 19	84,907
3,651	Increase/decrease(-) in long and short term debtors	3,112
-1,350	Increase(-)/decrease in long and short term creditors	-3,196
-594,815	Adjust net surplus or deficit on the provision of services for non-cash movements	84,907
0	Net increase(-)/decrease in cash and cash equivalents	0

Office of the Chief Constable for Avon & Somerset

Notes to the Financial Statements

1 Statement of Accounting Policies

1.1 General Principles

The general principles adopted in compiling these accounts are in accordance with the recommendations of CIPFA. They accord with CIPFA's Code of Practice on Local Authority Accounting 2018/2019 and the Accounts and Audit Regulations 2015 and are based on the following standards:

- International Financial Reporting Standards (IFRSs) as adopted by the EU;
- International Public Sector Accounting Standards (IPSASs);
- UK Generally Accepted Accounting Practice (GAAP); (Financial Reporting Standards (FRSs), Statements of Standard Accounting Practice (SSAPs) and Urgent Issues Task Force (UITF) abstracts) as far as they are applicable.

1.2 Accruals of Income and Expenditure

Activity is accounted for and recorded on an accruals basis. This means that income is recorded in the accounts when it becomes due, rather than when it is received, and the outstanding amounts are included as debtors. Expenditure is included in the accounts when the goods or services are received or supplied, and any outstanding amounts are included as creditors. The PCC Group established a de-minimis level of £5,000 for accruals in 2017/2018 and 2018/2019.

1.3 VAT

The OCC does not submit a Value Added Tax return to HMRC as this is submitted as a single return for the group by the PCC. Income and expenditure in the OCC's comprehensive income and expenditure statement excludes VAT, except where it is non-recoverable.

1.4 Employee Benefits

1.4.1 Benefits Payable During Employment

The full cost of employees (including salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits) is charged to the accounting period in which the employees worked. An accrual is made for the cost of any leave earned by employees but not taken before the year end which employees can carry forward into the next financial year. This accrual is charged to the provision of services within the comprehensive income and expenditure statement in the year that the benefit has arisen and is shown as a liability on the balance sheet.

1.4.2 Termination Benefits

Termination benefits arise as a result of a decision to terminate the employment of police staff before the normal retirement date. These benefits are charged on an accruals basis to the comprehensive income and expenditure statement.

1.4.3 Pension Benefits

There are different pension arrangements for police officers and for police staff. In both cases pensions and other benefits are paid to retired staff which relate to the individual's length of service.

Until 31 March 2006 retired police officers were paid their pensions from the contributions received each year. However, from 1 April 2006, although the OCC makes the payments and collects the contributions, responsibility for the cost of these payments has transferred to the Government.

Police staff including PCSOs are part of the Local Government Pension Scheme, in which case, the employer and the staff in the scheme pay into the pension fund at agreed rates. When an individual retires the fund pays all the usual benefits.

Occasionally extra costs have to be met when an employee retires early or retires due to ill health. These costs are charged to the comprehensive income and expenditure statement.

In accordance with IAS 19 – Employee benefits, long term pension liabilities have been included in the OCC balance sheet.

1.4.4 Re-measurement of Pension Asset and Liabilities

The IAS 19 actuarial gains and losses and the return on the pension fund assets are fully recognised immediately within the comprehensive income and expenditure statement.

1.5 Provisions

Provisions are made where an event has taken place that gives the Office of the Chief Constable a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the obligation.

Provisions are charged to the comprehensive income and expenditure statement in the year the Office of the Chief Constable becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation taking into account the relevant risks and uncertainties. When settled, the amounts agreed will be charged against the provision.

1.6 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Office of the Chief Constable a possible obligation whose existence can only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Office of the Chief Constable. Contingent liabilities also arise in the situation where a provision would otherwise be made but where it is possible but not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

1.7 Post Balance Sheet Events

These are events occurring after the balance sheet date but before the Statement of Accounts are authorised for issue. Two types of events can be identified:

- Adjusting events - where there is evidence that the conditions existed at the end of the reporting period and the accounts are adjusted to reflect these events.
- Non-adjusting events – where these are indicative of conditions that arose after the balance sheet date, the Statement of Accounts are not amended, but a note is included to provide an explanation of the nature and the effect of the event.

Events that have taken place after the authorised date of issue are not reflected within the Statement of Accounts.

2 Critical Judgements in Applying Accounting Policies

The OCC accounts have been prepared on a going concern basis.

Following the Police Reform and Social Responsibility Act 2011, two new corporate entities were created being the PCC and OCC. All payments for the PCC Group are made by the PCC and no cash movements are made between the PCC and OCC. The PCC has the responsibility for managing the financial relationships with third parties and has legal responsibility for discharging the contractual terms and conditions of suppliers. The PCC holds all the assets, liabilities and reserves, with the exception of the IAS 19 pension liabilities, the accumulated short term absences creditor accrual and other employee related accruals and provisions, as the OCC employs officers and staff. This is matched on the balance sheet of the OCC by an intragroup adjustment with the PCC. The comprehensive income and expenditure statement shows the net cost of policing services excluding the costs of administering the PCC and the PCC commissioning costs. This is met by an intragroup adjustment with the PCC to bring the net cost of police service to nil.

3 Accounting Standards Issued But Not Adopted

The following accounting standards have been issued but not adopted and are unlikely to have a material impact on the financial statements.

- Amendments to IFRS 9 Financial Instruments: Prepayment Features with negative Compensation.
- IFRS 16 Leases: In December 2018, CIPFA issued a Statement from the CIPFA/LASAAC that implementation of IFRS 16 leases will be deferred until 1 April 2020.
- Annual Improvements to IFRS Standards 2014-2016 cycle.

4 Assumptions Made About the Future and the Sources of Estimations

In some areas figures in the accounts are based on estimates which take into account past experience, current trends and other relevant factors. By their nature these figures could vary and as such the material areas based on estimates are detailed below.

4.1 Pension Service Costs

The estimation of the service cost to pay pension depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are expected to increase, changes in retirement ages, mortality rates and the expected return on the fund's assets. Actuaries provide the PCC Group with expert advice about the assumptions that have been applied.

Further information is included within notes 12 to 14 regarding the assumptions that have been used by the actuaries to provide an estimate of the liability.

The following tables show the impact of a small change in the assumptions made for the Police Officer and Police Staff Pension Schemes.

Police Officer Sensitivity Analysis	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	3,194,774	3,260,762	3,328,251
Projected service cost	63,020	65,054	67,157
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	3,267,188	3,260,762	3,254,377
Projected service cost	65,177	65,054	64,932
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	3,321,758	3,260,762	3,201,096
Projected service cost	67,033	65,054	63,140
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present value of total obligation	3,387,760	3,260,762	3,138,670
Projected service cost	67,129	65,054	63,043

Police Staff Sensitivity Analysis	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	615,020	629,832	645,015
Projected service cost	26,571	27,335	28,121
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	631,194	629,832	628,479
Projected service cost	27,335	27,335	27,335
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	643,646	629,832	616,352
Projected service cost	28,121	27,335	26,570
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present value of total obligation	652,230	629,832	608,224
Projected service cost	28,207	27,335	26,490

4.2 Short and Long Provisions

In determining the provisions set aside at 31 March 2019 to pay for known future costs it has been necessary to estimate and make assumptions about the future. More detail around the sources of these estimations and the underlying assumptions made are included within note 17 Short and Long Term Provisions.

5 Events After the Balance Sheet Date

There are no post balance sheet events to date.

6 Expenditure and Funding Analysis

This note shows how the annual expenditure is allocated and the funding available to the Constabulary in a format which is used for decision making purposes. It is reconciled to the comprehensive income and expenditure statement.

Net expenditure chargeable to general fund £'000	2017/2018 Adjustment between accounting and funding basis £'000	Net expenditure in the comprehensive I & E £'000	OCC Expenditure and Funding Analysis	Net expenditure chargeable to general fund £'000	2018/2019 Adjustment between accounting and funding basis £'000	Net expenditure in the comprehensive I & E £'000
272,710	60,359	333,069	Police Services	279,729	48,778	328,507
-272,710	-60,359	-333,069	Intragroup adjustment	-279,729	-48,778	-328,507
0	0	0	Net cost of police services	0	0	0
0	100,517	100,517	Net interest on pensions	0	85,076	85,076
0	-100,517	-100,517	Intragroup adjustment (Pension interest cost)	0	-85,076	-85,076
0	0	0	Financial and investment income and expenditure	0	0	0
0	594,815	594,815	Intragroup adjustment (Re-measurement of pension assets & liabilities)	0	-84,907	-84,907
0	594,815	594,815	Taxation and non-specific grant income	0	-84,907	-84,907
0	594,815	594,815	Surplus(-)/deficit on provision of services	0	-84,907	-84,907

Capital Purposes £'000	2017/2018			OCC Expenditure and Funding Analysis Adjustment between accounting & funding basis	2018/2019			
	Pension Adjustment £'000	Other Adjustment £'000	Total Adjustment £'000		Capital Purposes £'000	Pension Adjustment £'000	Other Adjustment £'000	Total Adjustment £'000
15,859	49,138	-4,638	60,359	Police Services	11,093	48,025	-10,340	48,778
-15,859	-49,138	4,638	-60,359	Intragroup adjustment	-11,093	-48,025	10,340	-48,778
0	0	0	0	Net cost of police services	0	0	0	0
0	100,517	0	100,517	Net interest on pensions	0	85,076	0	85,076
0	-100,517	0	-100,517	Intragroup adjustment (Pension interest cost)	0	-85,076	0	-85,076
0	0	0	0	Financial and investment income and expenditure	0	0	0	0
0	594,815	0	594,815	Intragroup adjustment (Re-measurement of pension assets & liabilities)	0	-84,907	0	-84,907
0	594,815	0	594,815	Taxation and non-specific grant income	0	-84,907	0	-84,907
0	594,815	0	594,815		0	-84,907	0	-84,907
0	594,815	0	594,815	Difference between surplus on the general fund and deficit on the provision of services	0	-84,907	0	-84,907

7 Income and expenditure analysed by nature

2017/2018 £'000	Income and Expenditure analysed by nature	2018/2019 £'000
223,645	Employee costs	224,929
11,664	Premises costs	12,717
4,803	Transport costs	5,090
26,054	Supplies & services	31,012
20,533	Partnership costs	13,696
16,456	Misc, central, & grants	13,564
19,079	Depreciation, amortisation, & impairment	16,809
49,697	Employee benefit expenses	48,170
100,517	Net interest on pensions	85,076
53,009	Police pension top up grant	58,477
122,367	Intragroup adjustment	-535,971
647,824	Total expenditure	-26,431
-15,623	Sales, rent, fees, & charges	-15,595
-3,931	Southwest One recharges	-662
-1,843	Seconded officers	-1,683
-9,709	Counter terrorism policing grant	-9,112
-7,756	Other specific grants	-10,428
-14,147	Intragroup adjustment	-20,996
-53,009	Total income	-58,476
594,815	Surplus/deficit on provision of services	-84,907

8 Paying Staff

Disclosure of Remuneration for Senior Employees 2017/2018

Post Holder Information (post title and name)	Salary (including fees & allowances)	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2017/2018	Pension Contributions	Total Remuneration Including Pension Contributions 2017/2018
	£	£	£	£	£
Chief Constable - A Marsh	158,615	4,739	163,354	31,255	194,609
	158,615	4,739	163,354	31,255	194,609

Disclosure of Remuneration for Senior Employees 2018/2019

Post Holder Information (post title and name)	Salary (including fees & allowances)	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2018/2019	Pension Contributions	Total Remuneration Including Pension Contributions 2018/2019
	£	£	£	£	£
Chief Constable - A Marsh	161,440	6,359	167,799	0	167,799
	161,440	6,359	167,799	0	167,799

Disclosure of Remuneration for Senior Employees 2017/2018

Post Holder Information (post title)	Note	Salary (including fees & allowances)	Expense Allowances	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2017/2018	Pension Contributions	Total Remuneration Including Pension Contributions 2017/2018
		£	£	£	£	£	£
Director of Resources and Chief Finance Officer to the OCC		117,087	2,760	8,849	128,696	15,455	144,151
Director of People & Org Development		75,801	0	2,348	78,149	10,006	88,155
Deputy Chief Constable		28,493	0	688	29,181	6,671	35,852
Deputy Chief Constable	3	124,355	0	6,552	130,907	30,094	161,001
ACC - Investigations Operational Support	4	112,652	0	5,745	118,397	11,555	129,952
T/ACC - Tri Force	5	98,611	0	2,716	101,327	23,197	124,524
Force Medical Officer		143,230	0	0	143,230	18,741	161,971
		700,229	2,760	26,898	729,887	115,719	845,606

Note 1: The post of Director of People & Org Development was recruited to on 24/07/2017. The annualised salary is £ 110,148.

Note 2: The Deputy Chief Constable moved to the Chief Constable post temporarily on 05/06/17, then left Avon & Somerset Constabulary on 18/06/17. The annualised salary is £128,496.

Note 3: The Assistant Chief Constable moved permanently to the Deputy Chief Constable post on 05/06/17. The annualised salary is £128,496.

Note 4: The Assistant Chief Constable Protection & Investigation post was renamed Assistant Chief Constable Investigations Operational Support on 03/04/2017.

Note 5: The Chief Superintendent Specialist Operations (now C SUPT Operational Support) was temporarily promoted to Assistant Chief Constable Tri Force on 25/09/2017. The annualised salary is £98,538.

Disclosure of Remuneration for Senior Employees 2018/2019

Post Holder Information (post title)	Note	Salary (including fees & allowances)	Expense Allowances	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2018/2019	Pension Contributions	Total Remuneration Including Pension Contributions 2018/2019
		£	£	£	£	£	£
Director of Resources and Chief Finance Officer to the OCC	1	95,318	2,760	12,372	110,450	12,429	122,879
Chief Officer - Finance, Resources and Innovation	2	50,255	0	963	51,218	6,634	57,852
Director of People & Org Development		114,313	0	4,905	119,218	15,089	134,307
Deputy Chief Constable		129,996	0	6,187	136,183	31,459	167,642
ACC - Investigations Operational Support		115,127	0	5,863	120,990	0	120,990
ACC - Neighbourhoods & Partnerships	3	97,402	0	0	97,402	22,960	120,362
ACC - Regional Collaborations	4	98,319	0	0	98,319	23,793	122,112
T/ACC - Tri Force		107,738	0	3,851	111,589	25,406	136,995
Force Medical Officer		142,907	0	0	142,907	18,698	161,605
		951,375	2,760	34,141	988,276	156,468	1,144,744

Note 1: The outgoing Director of Resources and Chief Finance Officer to the OCC was seconded to the NPCC with effect from 01/10/2018 and reduced hours to 14.48 hours per week. The annualised salary is £113,688.

Note 2: The Director of Resources and Chief Finance Officer to the OCC was renamed Chief Officer – Finance, Resources and Innovation on 01/10/2018. The incoming Chief Officer – Finance, Resources and Innovation commenced in the role on 01/10/2018. The annualised salary is £100,509.

Note 3: The ACC Neighbourhoods & Partnerships was appointed to Avon & Somerset Constabulary on 01/05/2018. The annualised salary is £106,986.

Note 4: The ACC - Regional Collaborations post was previously filled by a Wiltshire officer. An Avon & Somerset Constabulary officer moved into this role on 06/04/2018. The annualised salary is £100,509.

The number of staff to whom we pay more than £50,000 a year is shown below. Pay includes salary, taxable travel and expenses. Bands with nil values in both years have been removed.

2017/2018 Number	Pay Range	2018/2019 Number
134	£50,000 - £54,999	185
110	£55,000 - £59,999	109
24	£60,000 - £64,999	18
7	£65,000 - £69,999	10
8	£70,000 - £74,999	8
12	£75,000 - £79,999	7
4	£80,000 - £84,999	8
4	£85,000 - £89,999	5
1	£90,000 - £94,999	3
0	£95,000 - £99,999	2
1	£100,000 - £104,999	1
0	£110,000 - £114,999	2
1	£115,000 - £119,999	1
0	£120,000 - £124,999	1
1	£125,000 - £129,999	0
1	£130,000 - £134,999	0
0	£135,000 - £139,999	1
1	£140,000 - £144,999	1
1	£160,000 - £164,999	0
0	£165,000 - £169,999	1
310		363

The numbers within each band can be impacted year on year by inflationary changes.

9 Exit Packages

During 2018/2019 we restructured our enabling services functions, bringing these into four new directorates. Our new structure of these functions is better aligned to our operational directorates, and enabled us to realise recurring revenue savings. This change resulted in some redundancies of staff, the numbers and cost of which are presented in the table below.

Compulsory & Voluntary Redundancies 2017/2018		Exit Packages	Compulsory & Voluntary Redundancies 2018/2019	
Number	£'000	Banding	Number	£'000
30	304	£0 - £19,999	21	210
11	271	£20,000 - £39,999	17	433
3	143	£40,000 - £59,999	7	360
3	211	£60,000 - £79,999	6	472
0	0	£80,000 - £99,999	5	458
0	0	£100,000 - £179,999	3	382
47	929		59	2,315

10 Transactions with Related Organisations and People

There is a requirement to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the OCC or to be controlled or influenced by the OCC. In doing this there is a requirement to consider the materiality from the viewpoint of both the PCC and the related party.

10.1 Key Management Personnel and Members of the Joint Audit Committee

The OCC was asked to disclose details of any transactions between themselves or members of their immediate family with the PCC which either total over £1,000 or which might require separate explanation.

No transactions were disclosed.

10.2 Other Related Parties

The Home Office and the Ministry of Housing, Communities and Local Government exert significant influence on the PCC Group through legislation and grant funding.

The OCC has a relationship with the Police Community Trust and the Avon and Somerset Force Club. Payments were made to the Police Community Trust of £437,640 in 2018/2019 (£163,589 in 2017/2018). Payments were also made to the Avon and Somerset Force Club in 2018/2019 of £3,245 (£45,254 in 2017/2018).

11 Joint Arrangements

The OCC participates in a number of joint arrangements. These joint arrangements are where the authority works in collaboration with other organisations to deliver activities which are agreed through a shared control, usually through a shared board.

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

The OCC recognises its share of the assets, liabilities and expenditure relating to its involvement in the joint operations.

The OCC's contributions to the joint operations are disclosed below:

2017/2018 Expenditure £'000	Joint Operations	2018/2019 Expenditure £'000
2,452	South West Regional Organised Crime Unit	3,015
1,017	Firearms Training	1,103
501	Counter Terrorism Specialist Firearms Officers	564
4,696	Major Crime Investigation (Brunel)	4,788
11,184	Specialist Operations (Tri Force)	11,240
65	Tri Force ACC	99
6,406	South West Forensic Services	6,315
1,039	South West Region - Special Branch	1,048
54	Regional ACC	35
345	Other Regional Programmes	440
27,759	Total	28,647

11.1 South West Regional Organised Crime Unit (SW ROCU)

SW ROCU is a regional collaboration set up to combat serious and organised crime across the south west of England. Avon and Somerset are the lead force with a 32.4% share of net expenditure. Other partners are Devon and Cornwall (33.3%), Dorset (11.8%), Gloucestershire (10.8%) and Wiltshire (11.7%). The total net cost of the

operation, after government grants and sundry income, was £9,297,703 in 2018/2019 (£7,560,722 in 2017/2018).

11.2 Firearms Training

Firearms Training is run in partnership between Avon and Somerset (41.8%), Gloucestershire (32.7%) and Wiltshire (25.5%). The total cost of the operation was £2,637,087 in 2018/2019 (£2,431,030 in 2017/2018).

11.3 Counter Terrorism Specialist Firearms Officers (CTSFO)

The CTSFO collaboration was set up in April 2017 to provide a resilient and rapidly available specialist firearms capability. The collaboration is between Avon and Somerset (53.6%), Gloucestershire (23.2%) and Wiltshire (23.2%). The total cost of the operation was £1,050,456 in 2018/2019 (£934,806 in 2017/2018). An element of this firearms capability is funded from a government grant which is reported separately.

11.4 Major Crime Investigation (Brunel)

This is a collaboration between Avon and Somerset (64%), Gloucestershire (17%) and Wiltshire (19%) for the purposes of providing regional oversight and scrutiny of major incidents. The total cost of the service was £7,481,411 in 2018/2019 (£7,336,889 in 2017/2018).

11.5 Specialist Operations (Tri Force)

Tri Force is a collaboration between Avon and Somerset (53.6%), Gloucestershire (23.2%) and Wiltshire (23.2%) to deliver armed, roads and dogs policing. The total cost of the operation was £21,376,758 in 2018/2019 (£20,849,580 in 2017/2018).

11.6 Tri Force ACC

This post was put in place from June 2016 to oversee the Tri Force collaborations for MCIT, Specialist Operations, Black Rock, and the emerging CTFSO hub. The costs are shared between Avon and Somerset (59.5%), Gloucestershire (19.5%) and Wiltshire (21.0%). The total cost for the ACC was £165,416 in 2018/2019 (£110,483 in 2017/2018).

11.7 South West Forensic Services

South West Forensic Services is a collaboration between Avon and Somerset (36.6%), Devon and Cornwall (30.5%), Dorset (18.7%) and Wiltshire (14.2%) to provide forensic services. The total cost of the operation was £17,587,200 in 2018/2019 (£17,845,600 in 2017/2018).

11.8 South West Region – Special Branch

This is a collaboration between Avon and Somerset (28.4%), Devon and Cornwall (28.9%), Dorset (23.9%) and Wiltshire (18.8%) to provide Special Branch policing across the South West Region. The total cost of the operation was £3,690,800 in 2018/2019 (£3,658,149 in 2017/2018).

11.9 Regional ACC

This post was put in place from May 2016 to oversee the regional collaborations for Forensics, Special Branch, SW ROCU, and CTPSW. The costs are shared between Avon and Somerset (32.4%), Gloucestershire (10.8%), Devon and Cornwall (33.3%), Dorset (11.8%) and Wiltshire (11.7%). The total cost for the ACC was £108,589 in 2018/2019 (£166,251 in 2017/2018).

11.10 Other Regional Programmes

These are collaborations between Avon and Somerset, Gloucestershire, Devon and Cornwall, Dorset, and Wiltshire covering activities such as Major Crime, Regional Communications, and Serious and Organised Crime. The percentage split varies between projects. The total cost of all programmes was £1,266,093 in 2018/2019 (£1,014,781 in 2017/2018).

12 Pensions Costs and Liabilities

The full costs of retirement benefits earned by employees during the year are recognised through the comprehensive income and expenditure statement net cost of police services as they are accrued. These pension costs and liabilities are offset by the intragroup transfers with the PCC. There is no impact on the PCC's general fund.

	Police Staff		Police Officers	
	2017/2018 £'000	2018/2019 £'000	2017/2018 £'000	2018/2019 £'000
Comprehensive income and expenditure statement				
Cost of services:				
Current service cost	28,191	27,132	63,687	62,480
Administration expenses	176	197	0	0
Past service cost including curtailments	599	2,165	0	0
Financing and investment income and expenditure:				
Net interest cost	7,534	6,612	92,983	78,463
Total post employment benefits charged to the comprehensive income and expenditure statement	36,500	36,106	156,670	140,943
Other post employment benefits charged to the comprehensive income and expenditure statement				
Return on plan assets	6,573	8,953	0	0
Changes in demographic assumptions	0	36,942	-103,087	82,461
Changes in financial assumptions	32,319	-35,754	252,955	-222,089
Experience gain/loss(-) on defined benefit obligations	0	0	353,905	0
Other actuarial gain/loss(-)	0	0	52,150	44,580
Total other comprehensive income	38,892	10,141	555,923	-95,048
Movement in reserves statement				
Reversal of net charges made for retirement benefits in accordance with the code	-36,500	-36,106	-156,670	-140,943
Actual amount charged against the general fund balance for pensions in the year				
Employer's contribution to scheme	12,418	13,714	24,205	24,205
Retirement benefits payable to pensioners	115	114	6,777	5,916

2018 £'000	IAS 19 Pension Liabilities	2019 £'000
-3,054,892	Police officers	-3,260,762
-260,039	Police staff	-272,177
-3,314,931		-3,532,939

13 Pensions for Police Officers

Employee contributions levels are based on percentages of pensionable pay set nationally by the Home Office. From 1 April 2014 contributions increased and officers will pay contributions ranging from 11.0% to 15.1% depending on their pay scale and the scheme they are in. Employer contributions to the Police Officer Pension Scheme are projected at £23,045,000 in financial year 2019/2020.

From 2015/2016 the employer contribution rate was reduced to 21.3% of pensionable pay for all three pension schemes. The Constabulary however has continued to budget for a contribution rate of 24.2% as the difference between the two rates will be retained by the Government.

Benefits payable are funded by these contributions and any difference between benefits payable and contributions receivable, except for those amounts relating to injuries received in service, is payable by the PCC Group and then reclaimed from the Home Office.

The first table below shows the amount met by the PCC Group and second shows those met by the PCC Group and then reclaimed through the top-up grant from the Government.

2017/2018 £'000	Cost of Injury and Ill-Health Benefits - Police Officers	2018/2019 £'000
7,546	Payments to pensioners	7,142

2017/2018 £'000	Pensions Account	2018/2019 £'000
90,309	Benefits paid to officers	94,996
-37,300	Less contributions received from officers	-36,519
53,009	Balance met from PCC Group	58,477

A full valuation of the pension scheme liabilities was undertaken as at 31 March 2016. This work was carried out by independent actuaries who have taken account of the requirements of IAS 19 to assess the liabilities of the fund. Liabilities have been calculated by reference to police officers who are members of the fund as well as those who are already receiving pensions. The estimate of the duration of the scheme's liabilities is 20 years. Using the assumptions detailed in the tables below an estimate of the costs and liabilities associated with police officers pensions has been made.

Life Expectancy from Age 65 Years		
Current pensioners	Males	21.3
	Females	23.7
Retiring in 20 years	Males	23.0
	Females	25.5

The main assumptions used for the purposes of IAS 19 are shown as yearly percentages.

2017/2018 %		2018/2019 %
2.6	Discount rate	2.4
3.8	Rate of increase in salaries	3.9
2.3	Rate of increase in pensions in payment	2.4
3.3	Retail price index	3.4
2.3	CPI increases	2.4

The movement in the present value of scheme liabilities for the year to 31 March 2019 is as follows:

2017/2018 £'000	Present Value of Police Pension Scheme Liabilities	2018/2019 £'000
-3,485,127	Present value of schemes liability as at 1 April	-3,054,892
	Movements in the year	
-63,687	Current service cost	-62,480
96,104	Estimated benefits paid (net of transfers in)	87,527
-12,972	Contributions by scheme participants	-12,826
-92,983	Interest costs	-78,463
252,955	Change in financial assumptions	-222,089
-103,087	Change in demographic assumptions	82,461
353,905	Experience gain/loss on defined benefit obligations	0
-3,054,892	Present value of schemes liability as at 31 March	-3,260,762

The movement in the fair value of scheme assets for the year to 31 March 2019 is as follows:

2017/2018 £'000	Fair Value of Police Pensions Scheme Assets	2018/2019 £'000
0	Present value of schemes assets as at 1 April	0
	Movements in the year	
52,150	Change in financial assumptions	44,580
30,982	Contributions by employer	30,121
12,972	Contributions by scheme participants	12,826
-96,104	Estimated benefits paid (net of transfers in)	-87,527
0	Present value of schemes assets as at 31 March	0

14 Pensions for Police Staff

Police staff can choose to join the Somerset County Council Local Government Pension Scheme, which is a defined benefit scheme based on final pensionable salary. Government regulations define the level of funding required to meet the full cost of current and future pensions.

The total amounts paid into the fund by the PCC Group and the percentage of employees' contributions are shown below.

2017/2018		Pension Costs - Police Staff		2018/2019	
Payments	Percentage of			Payments	Percentage of
£'000	Employees'			£'000	Employees'
	Contributions				Contributions
12,147	88-200	PCC's contribution		12,684	106-240

During 2018/2019 the Constabulary paid into the fund at rates of between 106% and 240% of the rate which employees paid depending upon the whole time equivalent salary paid to employees. Employer contributions to the Police Staff Pension Scheme are projected at £12,625,000 in financial year 2019/2020.

To contribute towards this liability the PCC has agreed to pay 13.2% of the employee salary to pay for new service of the current active members and an annual fixed sum to pay for the deficit recovery. The fixed sum paid in 2018/2019 was £2,875,000, the amount due in 2019/2020 is £2,944,000.

It should be noted that the actuary has used an estimated value in respect of police staff employers pension contributions in arriving at the calculation of pension costs included in the comprehensive income and expenditure statement as disclosed in note 12.

A full valuation of the pension scheme liabilities was undertaken as at 31 March 2016. This work has been updated by independent actuaries to the Somerset County Council pension fund who have taken account of the requirements of IAS 19 to assess the liabilities of the fund. Liabilities have been calculated by reference to police staff who are members of the fund as well as those who are already receiving pensions. The estimate of the duration of the employer's liabilities is 24 years. Using the assumptions detailed in the tables below an estimate of the costs and liabilities associated with police staff pensions has been made.

Life Expectancy from Age 65 Years		
Current pensioners	Males	22.9
	Females	24.0
Retiring in 20 years	Males	24.6
	Females	25.8

The main assumptions used for the purposes of IAS 19 are shown as yearly percentages.

2017/2018		2018/2019
%		%
2.6	Discount rate	2.5
3.8	Rate of increase in salaries	3.9
2.3	Rate of increase in pensions in payment	2.4
3.3	Retail price index	3.4
2.3	Consumer price index	2.4

The return on the pension fund assets on a bid value basis for the year to 31 March 2019 is estimated to be 5%. The estimated value of the PCC's share of the fund's assets is £357,655,000 on a bid value basis (2017/2018 £332,243,000). The assets are made up of the following:

2017/2018		Assets	2018/2019	
£'000	%		£'000	%
		Equities		
75,737	22.8	UK - Quoted	357	0.1
126,893	38.2	Overseas - Quoted	59,371	16.6
1,661	0.5	UK - Unquoted	74,750	20.9
26,906	8.1	Overseas - Unquoted	108,012	30.2
5,979	1.8	Private equity	7,482	2.1
237,176	71.4		249,972	69.9
		Gilts - Public Sector		
6,658	2.0	UK fixed interest	8,369	2.3
0	0.0	Overseas fixed interest	0	0.0
10,987	3.3	UK index linked	11,587	3.2
333	0.1	Overseas index linked	357	0.1
17,978	5.4		20,313	5.6
		Other Bonds		
14,897	4.5	UK	15,557	4.4
16,222	4.9	Overseas	17,114	4.8
31,119	9.4		32,671	9.2
31,542	9.5	Property	31,137	8.7
14,428	4.3	Cash (invested internally)	23,562	6.6
332,243	100	Total assets	357,655	100

The following amounts were measured in line with the requirements of IAS 19.

2017/2018	Police Staff Pensions	2018/2019
£'000		£'000
332,243	Share of assets in pension fund	357,655
-590,310	Estimated liabilities in pension fund	-627,974
-1,972	Estimated unfunded liabilities	-1,858
-260,039	Deficiency in fund	-272,177

The movement in the present value of schemes obligations for the year 31 March 2019 is as follows:

2017/2018 £'000	Present Value of Police Staff Liabilities	2018/2019 £'000
-584,977	Present value of defined obligations as at 1 April	-592,282
	Movements in the year	
-28,191	Current service cost	-27,132
10,018	Estimated benefits paid (net of transfers in)	10,582
-4,655	Contributions by scheme participants	-4,784
-16,312	Interest costs	-15,353
115	Unfunded pension payments	114
32,319	Change in financial assumptions	-35,754
0	Change in demographic assumptions	36,942
0	Experience loss(-)/gain on defined benefit obligations	0
-599	Past service cost, including curtailments	-2,165
-592,282	Present value of defined obligations as at 31 March	-629,832

The movement in the fair value of scheme assets for the year to 31 March 2019 is as follows:

2017/2018 £'000	Fair Value of Police Staff Scheme Assets	2018/2019 £'000
310,013	Fair value of scheme assets as at 1 April	332,243
	Movements in the year	
8,778	Interest on assets	8,740
6,573	Return on assets less interest	8,953
0	Other actuarial gain/loss(-)	0
-176	Administration expenses	-197
12,533	Contributions by employer	13,828
4,655	Contributions by scheme participants	4,784
-10,133	Estimated benefits paid (net of transfers in)	-10,696
332,243	Fair value of scheme assets as at 31 March	357,655

Further information in relation to the Police Staff Pension Scheme can be obtained from Peninsula Pensions, Great Moor House, Bittern Road, Sowton Industrial Estate, Exeter, EX2 7NL.

15 Payments In Advance

There are no payments in advance in 2018/2019 (2017/2018 £6,833,663).

16 Creditors

All creditors are with the PCC and relate primarily to leave earned by employees but not taken before the year end, which employees can carry forward into the next financial year. Other employee overtime expenses accrued are also included. Therefore, total creditors for 2018/2019 is £11,148,000 (2017/2018 £9,347,048).

17 Short and Long Term Provisions

Short and Long Term Provisions	Balance 1 April 2018 £'000	Reversed Unused £'000	Used in Year £'000	New in Year £'000	Balance 31 March 2019 £'000
Ill-health & termination benefits	2,025	0	-2,025	227	227
Overtime liability	2,969	0	0	0	2,969
Employment support allowance	118	-96	-22	0	0
	<u>5,112</u>	<u>-96</u>	<u>-2,047</u>	<u>227</u>	<u>3,196</u>

The ill health and termination benefits provision of £227,000 is where approval was agreed at 31 March 2019 to make the payments during 2019/2020.

The overtime liability provision at 31 March 2019 is in respect of claims for overtime worked in prior years.

18 Contingent Liabilities

We have reviewed the position in respect of contingent liabilities as at 31 March 2019.

Annual assessments are carried out to manage our key risks and set the level of our reserves. These would include the following contingent liabilities.

18.1 McCloud/Sargeant Judgment

The Chief Constable of Avon and Somerset, along with other Chief Constables and the Home Office, currently has 149 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud/Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. The Government is seeking permission to appeal this decision. It is envisaged that if this is unsuccessful, the Court will require steps to be taken to compensate employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (the Government Actuary Department) using specific assumptions have estimated the potential increase in scheme liabilities as a result of the judgment to be approximately 5.4% of national pension scheme liabilities as at March 2018. This estimate is based on one potential remedy and, depending on the outcome of the appeal, the remedy calculation and its applicability to the Police Pension Scheme will need to be revisited in the light of further direction from the courts.

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

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

18.2 2018 Pay Award

The Police Federation of England and Wales (PFEW) has lodged a judicial review into the lawfulness of the Government's decision to not follow the recommendations of the Police Remuneration Review Body in respect of the 2018 police officer pay award. A hearing is expected in the summer of 2019. Should the hearing find in favour of the PFEW, there is a potential for the 2018 pay award to be re-considered, and the subsequent potential for the additional costs to be incurred. In the event that the police officer pay award is re-considered, the police staff pay award would also be re-considered with the potential for further additional costs.

Additionally, in calculating our provisions we have had to make assumptions which may be inaccurate, leading to potential liabilities for any under-provision.

These amounts and the timings of when these liabilities will become due are unknown.

DRAFT

Office of the Chief Constable for Avon & Somerset

Avon & Somerset Police Officers Pension Fund Account Statements

This fund includes the income and expenditure in respect of police officers pensions which has been accounted for on an accruals basis. At the end of the financial year if the expenditure on the pension benefits is greater than the contributions received during the year, the PCC makes a payment to the pension fund and the Home Office pays a top-up grant for this liability to the PCC. The income received and expenditure paid to the pension fund is shown within the comprehensive income and expenditure statement within the PCC Group accounts, showing the net figure as nil. It should be noted that this statement does not take account of liabilities to pay pensions and other benefits after the year end.

This note provides a more detailed breakdown of the figures shown in note 13 of the accounts.

2017/2018 £'000	Police Officers Pension Fund Account	2018/2019 £'000
	Contributions receivable	
	Employers contributions:	
-20,191	Normal (21.3% contributions)	-20,118
-1,265	Ill health/early retirements	-625
<hr/>		<hr/>
-21,456		-20,743
	Employee contributions	
-4,970	1987 Police Pension Scheme	-3,935
-114	2006 Police Pension Scheme	-114
-7,887	CARE Police Pension Scheme	-8,787
<hr/>		<hr/>
-12,971		-12,836
-123	Transfers in from other schemes	-201
	Benefits payable	
72,531	Pensions	76,572
17,582	Commutations and lump sum retirement benefits	18,365
<hr/>		<hr/>
90,113		94,937
	Payments to and on account of leavers	
64	Refund of contributions	21
0	Transfers out to other schemes	20
131	Other	18
<hr/>		<hr/>
195		59
55,758	Net amount payable for the year	61,216
-2,749	Additional contribution from the local policing body	-2,739
-53,009	Transfer from Police Fund to meet deficit	-58,477
<hr/>		<hr/>
0	Net amount payable/receivable for the year	0

This note shows the pension fund account assets and liabilities as at 31 March 2019.

31 March 2018 £'000	Pension Fund Net Assets	31 March 2019 £'000
	Current assets	
6,834	Amounts due from Central Government	0
	Current liabilities	
-6,834	Amounts owing to pensioners	0
<u>0</u>	Net assets	<u>0</u>

DRAFT

Office of the Chief Constable for Avon & Somerset

Glossary of Terms

Term	Definition
ACC	Assistant Chief Constable
Accounting policies	These are a set of rules and codes of practice we use when preparing the accounts.
ASPIRE	Internal Avon and Somerset development programme
Balance Sheet	This represents our overall financial position as at 31 March.
Capital programme	This is a list of projects for buying or improving fixed assets. With the exception of vehicles, items individually acquired typically under £12,000 are not treated as capital expenditure.
Cash flow statement	Summarises the income and outgoings of cash during the financial year
CC	Chief Constable
CFO	Chief Financial Officer
CIPFA	Chartered Institute of Public Finance and Accountancy
Closing value	The value at 31 March, the date when the accounts are closed.
CMB	Constabulary Management Board
Commutated sums	These are the lump sum amounts paid to officers when they retire, if they choose to have a lower pension.
Comprehensive income and expenditure statement	Summarises the income and expenditure during the financial year within the PCC's statement of accounts.
Contingent liabilities	A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
Creditors	Amounts which are owed to others.
CSB	Constabulary Strategy Board
CTSFO	Counter Terrorism Specialist Firearms Officers
Current service cost	The value of projected retirement benefits earned by pension scheme members in the current financial year.
Debtors	Amounts which are due from others.
ERP	Enterprise Resource Planning
Expenditure and funding analysis	This shows the performance reported and the adjustments made to reconcile to the comprehensive income and expenditure statement.
Financial instruments	Contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Term	Definition
Financial year	Refers to the period covered by the accounts and runs from 1 April to 31 March.
FRS	Financial Reporting Standards. Standards of accounting practice to be adopted to ensure that accounts provide a true and fair view.
GAAP	Generally Accepted Accounting Principles. These refer to the standard framework of guidelines for financial accounting used in any given jurisdiction and generally known as accounting standards.
GDPR	General Data Protection Regulation. Regulation in EU law on data protection and privacy.
HMICFRS	Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services
HMICFRS PEEL	The HMICFRS PEEL assessment stands for Police Effectiveness, Efficiency and Legitimacy.
HMRC	Her Majesty's Revenue and Customs. Responsible for the collection of tax in the UK.
IAS	International Accounting Standard. An international accounting standard to help harmonise company financial information across international borders. Subsequently superseded by International Financial Reporting Standards (IFRS).
IFRS	International Financial Reporting Standards. A set of international accounting and reporting standards that will help to harmonise company financial information across international borders.
ILM	Institute of Leadership and Management
IPR	Individual Performance Review
IPSAS	International Public Sector Accounting Standards
ISVA	Independent Sexual Violence Advisor
I&E	Income and Expenditure Account
JAC	Joint Audit Committee
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
Movement in reserves statement	Summarises the movement in the reserves of the OCC during the financial year.
MTFP	Medium Term Financial Plan
Niche	Police records management system
NNDR	The national non-domestic rates (or business rates) are collected by District Councils, paid to the Government and then distributed to all local authorities in proportion to population. The amount received by an authority is taken into account by the Government in determining the revenue support grant to be paid.

Term	Definition
NPCC	National Police Chiefs' Council. The national coordination body for law enforcement and the representative body for police chief officers.
OCC	Office of the Chief Constable
Past service cost	The change in the present value of the defined benefit obligation for employee service in prior periods resulting in the current period from the introduction of, or changes to, post-employment benefits.
PCB	Police and Crime Board
PCC	Police and Crime Commissioner for Avon and Somerset
PCC Group	The term PCC Group refers to the Police and Crime Commissioner (PCC) for Avon and Somerset and the office of the Chief Constable (OCC).
PCSO	Police community support officer
PFEW	Police Federation of England and Wales. The statutory staff association for police Constables, Sergeants, Inspectors and Chief Inspectors in England and Wales.
PFI	Private Finance Initiative
Police pension top-up grant	The OCC operates a Pension Fund, which is balanced to nil at the end of the year. The PCC receives a top-up grant from the Home Office equal to this deficit to balance the fund.
Police revenue grant	The revenue grant is provided by the Home Office as part of the funding required by an authority to finance a budget in line with the Government's assessment. The balance of funding is from business rates, revenue support grant and council tax.
Precept	The amount of council tax collected on the PCC's behalf by local billing authorities.
Prepayment	A payment in advance for goods or services.
Provision	This is the money we keep to pay for known future costs.
Receipt in advance	Income received in advance of the financial year in which the services will be provided.
Seconded officers	These are police officers who, for agreed periods, temporarily work for other organisations. Their salaries and expenses are shown as spending and the money the organisation pays us for their placements is shown as income.
SOLACE	Society of Local Authority Chief Executives
SW ROCU	South West Regional Organised Crime Unit