



2017/2018
**CHIEF CONSTABLE'S
STATEMENT
OF ACCOUNTS**



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:

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Statement of Accounts 2017/2018

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Office of the Chief Constable for Avon & Somerset

Chief Finance Officer's Narrative Report

This section highlights and explains some of the more important matters of finance, financial strategy and other key issues that are reported in the accounts and provide commentary on the key issues that have had a major effect on the finances now and in the future. 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 Introduction

This Statement of Accounts summarises the financial year for 2017/2018. 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.

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 2018** – 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.

2 Presentation of the Statement of Accounts

This Statement of Accounts is prepared in accordance with Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom (referred to hereafter as the CIPFA Code).

2.1 Police Reform and Social Responsibility Act 2011

The Police Reform and Social Responsibility Act 2011 set up new accountability and governance arrangements, establishing both the office of the PCC and the Office of the Chief Constable (OCC) as separate 'corporations sole'. In this new regime, each is a separate legal entity, though the Chief is accountable to the PCC. Both the PCC and OCC are Schedule 2 bodies under the Local Audit and Accountability Act 2014 and are both required to publish a statement of accounts and be subject to audit.

The approach of how to account for costs and assets follows CIPFA guidance in so far as it is available and generally accepted accounting principles which look at the underlying substance of a transaction as opposed to its legal status. In applying the accounting treatment, consideration was given as to who ultimately exercised financial control and carried the risks and rewards of assets and liabilities with reference to the principles outlined in the PCC's scheme of governance including the scheme of delegation, standing orders and financial regulations.

As last year, the accounts are prepared after consideration of the above factors and having regard to:

- The scheme of governance as set by the PCC;
- The financial regulations and standing orders as set by the PCC;
- The police and crime plan as established and set by the PCC;
- The allocation of resources as set through the budget approved by the PCC;
- The power to appoint the Chief Constable resting with the PCC;
- Ownership and control of the general fund resting with the PCC;
- Powers to borrow funds resting with the PCC only;
- Consent of the PCC required to buy and sell property;
- Day to day command and control of staff undertaken by the Chief Constable.

The result of this review is 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.

Therefore, the accounting treatment adopted is:

- The PCC will produce the group accounts;
- The OCC is treated as wholly owned subsidiary of the PCC for accounting purposes;
- All assets/liabilities are under the control of the PCC and are reported in the books of this entity, with the exception of the IAS 19 pension liability and associated assets, the short-term absences accrual (which places a financial value on holiday and time off owed to employees) and other employee expense accruals and provisions, all of which are reported in the books of the OCC. These liabilities are matched by an intragroup debtor to the PCC;
- The accounts of the OCC show the operating cost of policing together with an equal notional transfer of funding from the PCC. In addition, we show other disclosures in the notes to the OCC's accounts concerning police officers and police staff remuneration and pensions costs.

3 Financial Performance

In February 2017 the PCC approved a 2017/2018 net revenue budget of £277.6m, an increase of £1.5m (0.5%) on the previous year. Of this £272.7m was provided to the Chief Constable in order to support the provision of policing services to the communities of Avon & Somerset, an increase of £1.4m (0.5%).

In order to manage the ongoing inflationary and other cost pressures the Constabulary needed to identify £8.9m of savings, which took our cumulative savings target since 2010/2011 to £74.0m.

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 2017/2018 was reported to the PCC in May 2018, and can be found published on the PCC's website.

The Constabulary's net revenue expenditure in 2017/2018 was £269.0m. When compared to budget this means we have underspent by £8.5m (3.1%), 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, including:

- Delivery of savings in accordance with the budget plan;
- Above budget spend on overtime being offset by savings from vacancy management and savings in core headcount as the Constabulary organisational model was reviewed by the Chief Constable and his senior team.

The following table summarises the revenue financial performance for 2017/2018:

	Budget	Expenditure	Over/ Under (-)
	£'000	£'000	£'000
Neighbourhood & partnerships	35,913	35,506	-407
Response	74,026	71,043	-2,983
Operational support	34,829	35,266	437
Investigation	24,986	23,856	-1,130
Collaboration	27,803	27,129	-674
Enabling services	60,045	58,971	-1,074
Central costs & miscellaneous	15,108	20,939	5,831
Constabulary sub total	272,710	272,710	0
Office of the PCC	1,354	1,354	0
Commissioning	3,488	3,488	0
Total revenue expenditures	277,552	277,552	0

It should be noted that the figures above cannot be agreed directly to the comprehensive income and expenditure statement on page 25 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.

In many cases the reported underspends for 2017/2018 will lead to permanent savings, and we believe that we have substantially identified these recurring underspends and removed them from the 2018/2019 budget. In other cases, however, these savings cannot be achieved permanently and the underspend simply reflects a delay in future spend or receipt of one-off income.

3.1 Accounting for Pensions

In line with the International Accounting Standard IAS 19 employee benefits there is a significant pension liability of £3.6bn shown on the balance sheet, which is offset by an intragroup debtor with the PCC. This liability is reduced to £3.3bn when the pension scheme assets of £0.3bn are taken into account. More details are disclosed in notes 11 to 13. The liability has no impact on the reported outturn and the usable reserves.

3.2 Employee Numbers

The number of full time equivalent employees as at 31 March 2018 is shown in the table below:

Employees	Male	Female	Total 2017/2018
Number of Employees	2,910	2,343	5,253
Number of Senior Officers	7	4	11

4 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 indicate only a small annual increase of 0.9% inferring that improvements in crime recording compliance have now normalised. Importantly, despite the London focus around violent crime and homicides, Avon and Somerset Constabulary's trend for violent crime has remained stable over the last two years. This will, however continue to be closely monitored.

Public confidence remains at the centre of our performance landscape. Last year this stood at 72.6% of the public having confidence in the Police but according to the latest crime survey for England and Wales, confidence has risen to 79% which puts Avon & Somerset at 21st. when ranked nationally. This is a marked improvement from previous years when we were ranked 37th, in the lowest quartile for public confidence. We would wish to build on this improvement during 2018/2019.

HMICFRS's PEEL inspections for 2017 returned an overall assessment of "Good" against all three pillars of Efficiency, Legitimacy and Effectiveness.

Nationally there has been concern over police call handling and the number of abandoned 101 calls. This is monitored closely in the Constabulary and the abandonment rate has remained for most of the year between 4% and 6%. This is a significant reduction on the previous year and reflects the continuous improvement work undertaken to understand and manage our incoming demand.

Undoubtedly the public would expect the Constabulary to manage organised crime groups and the HMICFRS effectiveness inspection has graded the assurance as "Good" which is a change from the rating "requires improvement", of last year.

The Constabulary has delivered investment throughout 2017/2018 to further support operational performance delivery. From a technology perspective there has been continuing investment in body worn video which has proved popular with officers in the front-line providing evidential opportunities as well as reducing incivility and complaints towards the police. The new data analytic and visualisation software acquired last year continues to be at the forefront of our innovation, developing applications to support productivity & efficiency as well as providing real insight into demand and case load management. Utilising this platform, the Constabulary was awarded a transformation grant for the development of a multi-agency analytics hub and work is well advanced with partners on how sharing of data and deployment of predictive analytics can transform opportunities to manage and reduce demand within our public services.

5 Risks and Opportunities

There are many influences on British policing which create an environment of increasing risk for the Constabulary but also opportunity to do things differently and readdress elements of the operating model. These are discussed below:

5.1 Demand

Demand is changing. Our communities are facing more complex threats which create a demand for our services that are often less visible to our public. Failure to effectively tackle this emerging demand would impact significantly on both individuals and communities. This more complex demand includes cyber-enabled crime, sexual exploitation of children (CSE), increase in domestic violence and abuse and modern slavery and to effectively tackle these crime requires new prevention strategies, different interventions, and a changing skill set.

At the same time of increasing complexity, demand is also increasing and therefore the Constabulary needs to proactively seek new processes to either prevent the demand occurring or to find new ways to tackle and reduce it.

Not all increasing demand is crime related. Increasing issues of mental health have led to larger numbers of missing people which in turn is resource intense. Having up to date information and intelligence is often key to how quickly these can be resolved.

To this end, and to assist with all demand work, the constabulary has sought to use technology driven analytics, which can also predict outcomes, assess probability of outcomes and support real time prioritisation of resources to meet the greatest threats of risk and harm. The analytic tools have been provided force-wide to individual officers, supervisors and staff to allow for the greatest impact.

5.2 Employee Well-being

Staff well-being presents a risk for the Constabulary. With continuing austerity comes a need to reduce budgets and there is an expectation with increasing demand and fewer employees, that this will increase workloads for staff. This is exacerbated during periods of change when there is an inevitable increase in the number of vacancies leading to yet more strain on officers and staff.

The Constabulary has sought to address this through providing better equipment, utilising better technology and creating better processes all with the aim of reducing work related stress. At the same time a number of welfare improvements and services have been introduced to address this issue. The number of jobs allocated to individuals is monitored closely and our technology can be used to understand where problems are increasing so that preventative measures can be taken.

6 Looking ahead to 2018/2019 and the Medium Term

In Autumn last year the Constabulary produced “The Tipping Point Report” which sought to set out the case for a fair, sustainable funding settlement with an indication of widening deficits over the period of the Medium Term Financial Plan (MTFP) based on the then funding assumptions. The government decision in December 2017 to relax the capping rules around local precepts has subsequently helped reduce and postpone those funding gaps to the later years of the MTFP.

The Constabulary continues to find new ways to reduce costs and is cognisant of the need to find further savings through technology, transformation and innovation and this is enshrined in the work of our three major change programmes; Digital, Infrastructure and service redesign. In July 2018 our shared services arrangement with IBM under the banner SW1 comes to an end with the return of IT services to the Constabulary and the opportunity will be taken to redesign and refresh our services seeking best value services at every opportunity.



Julian Kern FCCA, MBA
Chief Finance Officer to OCC
23 July 2018

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 risk management strategy; and
- made sure that the internal control systems are effective – pages 14 to 24 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 2018 and its income and expenditure for the year ended 31 March 2018.



Andy Marsh
Chief Constable
23 July 2018



Julian Kern FCCA, MBA
Chief Finance Officer to OCC
23 July 2018

Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Chief Constable for Avon and Somerset (the 'Chief Constable') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and the Notes to the Financial Statements, including the Statement of Accounting Policies and include the police pension fund financial statements of Avon and Somerset Police Officers Pension Fund comprising the Fund Account and the note to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Chief Constable in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Chief Constable's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Chief Constable obtained in the course of our work including that gained through work in relation to the Chief Constable's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Chief Constable gained through our work in relation to the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Chief Constable and the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Chief Constable.

The Chief Constable is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Chief Constable

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

Auditor's responsibilities for the review of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Chief Constable in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Iain Murray

Iain Murray

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

30 Finsbury Square
London
EC2A 1AG

23 July 2018

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 Code of Corporate Governance 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. A copy of the Avon and Somerset Joint Scheme of Governance is on the website at www.avonandsomerset-pcc.org.uk or can be obtained from the PCC's office at Police Headquarters, Valley Road, Portishead, BS20 8JJ, or by contacting 01275 816377.

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 2017/2018 financial year covers the period from 1 April 2017 to 31 March 2018 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 Scheme of Governance, 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 enable them to make decisions which are consistent with these principals 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.

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 re-enforce our corporate anti-corruption messages.

The PCC has established an independent resident's panel to review samples of complaints made by members of the public about the service of the Constabulary. The reports of the panel are considered by the Constabulary and feed into our organisational learning. Expanding on this the PCC has also introduced a panel to review the use of police powers, including use of force, use of Taser, and Stop & Search (Scrutiny of Police Powers Panel). In so doing they will review evidence, including footage taken from the Body Worn Video.

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.

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, as well as our Special Branch and Forensics activities delivered in collaboration with Wiltshire, Devon and Cornwall and Dorset Police. 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 ambition is for Avon and Somerset Constabulary to be recognised as an outstanding police service, by the communities we serve, and our staff. Such a shared ambition 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 Programme is being reshaped to ensure that it remains focussed on supporting the continued transformation of the Constabulary, including enabling 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.

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 individuals departments required to produce annual continuous improvement plans.

The Constabulary has undertaken a significant amount of work to develop effective understanding of our demand, and to 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 have invested in new business intelligence and data visualisation tools, which are underpinning this work and support officers and staff throughout the organisation 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. A range of support is available to staff should they need it. TRiM (Trauma Risk Management) peer practitioners use a seven point plan to help manage the risk to officers following a traumatic incident or assault. This takes place alongside support from managers, peers and Occupational Health. An external assistance programme, including counselling and other services, is provided through Health Assured for all staff.

The Constabulary is signed up to the MIND Blue Light Programme which provides mental health support for emergency services staff and volunteers. A Peer Support Network of people from across the Force who want to help their colleagues provides listening support to people who have experienced mental health. A police sergeant is dedicated to providing support and coordination internally, and externally with partners, on all issues relating to mental health.

The Constabulary recognises that an outstanding organisation needs outstanding leaders. We have introduced a leadership charter, drawn together in consultation with over 1,000 staff, which establishes eight hallmarks of effective leadership. This is supported by a programme of development which is investing in our leaders throughout the organisation to ensure they have both the capability and capacity to lead effectively.

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 Corporate Learning and Development 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 has an excellence in leadership strategy, which is underpinned by a senior leader development programme, and a foundation leadership and management course. Through this investment in enhancing the effectiveness of our leadership across the Constabulary we hope to establish the Constabulary as a clear employer of choice, thereby supporting our ambition to be recognised as outstanding.

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 Strategy Board 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 by the 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. Departmental and local policing area risk registers are in place, which underpin the strategic risk register. The strategic risk register includes significant risks identified across all departmental and local policing area risk registers, 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, monitored by the Deputy Chief Constable and is routinely considered at the Constabulary Management Board meeting as well as being regularly reported to the 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 and 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 2017/2018 this review included the following considerations:

Joint Audit Committee (JAC)

The Committee's terms of reference include the following key requirements in respect of corporate governance:

- Advise the PCC and CC on good governance;
- Review and advise on risk management strategy and framework;
- Advise on appropriate arrangements for internal audit, appointment of internal auditors and approve internal audit programme and strategy;
- Scrutinise internal audit reports and ensure remedial actions are taken as required from audit findings;
- Scrutinise external audit programme;
- Review external audit reports and monitor implementation of any agreed recommendations;
- Oversee the financial reporting process and external audit of the annual accounts, consider significant accounting policies and consider the annual governance report and annual external audit letter;
- Review and monitor OCC and PCC policies re fraud, irregularity and corruption;
- Note the findings from other inspections (HMICFRS) and ensure best practice is followed and remedial actions are taken if required

Internal Audit Programme 2017/2018

The formation of internal audit opinions is achieved through a plan of work agreed with both OPCC and Constabulary management, and approved by the JAC.

For the 12 months ended 31 March 2018, the head of internal audit opinion for Avon and Somerset Constabulary is as follows:

The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

The table below sets out the level of assurance and agreed actions arising from the assurance reviews completed:

Name of Review	Assurance Level	Agreed Actions		
		High	Medium	Low
Review of Policies - Counter Allegation, Risk to Life and Threats of Serious Harm	Reasonable	-	4	1
Management and Leadership Development Workshop	Reasonable	-	4	2
Volunteers	Reasonable	-	8	5
Equalities/ Representative Workforce	Reasonable	-	2	4
Performance Management	Reasonable	-	4	2
SW ROCU Collaboration	Substantial	-	-	2
Training	Reasonable	-	4	1
Staff Culture and Wellbeing	Substantial	-	1	1
Financial Controls	Substantial	-	1	3
Business Continuity and Disaster Recovery	Partial	2	2	1
Data Quality	Partial	-	4	-
Total		2	34	22

Based on the work the internal auditors have undertaken on the systems of internal control, governance and risk management across the OPCC and Constabulary, they do not consider that there are any issues that need to be flagged as significant internal control weaknesses.

They issued two 'partial assurance' opinions (Business Continuity & Disaster Recovery and Data Quality Control Effectiveness) with two 'high' category management actions agreed across the year.

The key points taken from these reviews are set out below:

- The Business Continuity and Disaster Recovery audit identified that the Constabulary's plans were out of date and did not link back to the new organisational structure, although this had been identified and was being worked towards. It was also noted that the Strategy and Transformation team had completed an initial analysis of key systems and identified 90 Category A+ systems. The Constabulary has recorded that this number is too vast to support at this level and is currently in the process of identifying those absolutely critical for the force to deliver its core business in the event of a business continuity incident;
- The Data Quality audit was split between the design and application of controls, and the effectiveness of controls. It was verified that much was being done with a good control framework supported by the QlikSense app, however, the Constabulary was still not able to validate the impact or show improvement on the quality of the data.

They also issued three 'substantial' opinions (SW ROCU Collaboration, Staff Culture & Wellbeing, and Financial Controls) and six 'reasonable' assurance opinions (per the table above).

HMICFRS Inspections

The Constabulary has been subject to HMICFRS reviews in 2017/2018 under PEEL inspection, with the following outcomes reported:

- **Legitimacy** - HMICFRS found that the Constabulary is **Good** in respect of the legitimacy with which it keeps people safe and reduces crime. The inspectors found that the force:
 - is outstanding at treating the people it serves with fairness and respect;
 - has consulted with the communities it works with to understand their expectations;
 - has actively monitored its use of coercive powers;
 - has systems in place to ensure its workforce behaves ethically; and
 - has good initiatives to address wellbeing and processes to support the development and progression of officers and staff.
- **Efficiency** – HMICFRS found that the Constabulary is **Good** in respect of the efficiency with which it keeps people safe and reduces crime. The inspectors found that the force:
 - has outstanding understanding of the full range of current demand and a good understanding of future demand;
 - has a culture of continuous improvement that is driven and encouraged by chief officers and leaders, and the workforce are widely consulted and involved in change;
 - has robust governance structures in place to manage how it operates; and
 - continues to seek savings by working with other forces and agencies.
- **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. The inspectors found that the force:
 - has improved supervision and quality assurance processes, and new electronic templates for gathering early evidence are improving investigations;
 - is good at identifying vulnerable people and taking safeguarding action, particularly supporting people who are experiencing mental ill-health;
 - has effective processes to tackle serious and organised crime; and
 - has the necessary arrangements in place to fulfil its national policing responsibilities and to respond to an attack which requires an armed response.

Medium Term Financial Plan (MTFP)

The Constabulary has identified and delivered nearly £74m of savings across the seven years since 2010/2011, and a further £4.4m of savings has already been identified for 2018/2019.

Beyond 2018/2019 we estimate that a further £12m of savings will be required by 2021/2022, including further savings needed to support reinvestment into new and growing areas of demand for our services.

Our forward capital plans reflect our continued ambition to transform, with further investments in technology planned, as well as work to bring about further consolidation across our estate. We recognise the challenges of continuing to fund capital transformation costs into the future, and we continue to monitor and manage this risk over the medium term.

We do not under-estimate the scale of the challenge in delivering further savings from an organisation that has already gone through substantial change. The Constabulary is working closely with the OPCC, and with our partners, to identify further opportunities to achieve savings and expect these plans to substantially develop over the course of 2018/2019.

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 has embedded practices to achieving effective organisational learning. Through implementation of our organisational learning strategy 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 managed through portfolio learning forums, each of which is chaired by a Chief Officer, and which report into the CMB.

4 Conclusions of Review

Following completion of the review of effectiveness the Chief Constable and the Chief Financial Officer to the Chief Constable are satisfied that our arrangements for governance, risk management and control are generally adequate and effective.

In particular they 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

Through our review we have identified that the biggest risks to the organisation at this time are:


Issue	Progress
Demand for service outstrips capacity / capability to deliver an effective policing service	<p>We acknowledge the increases in demand for service are adding pressure to the already under-established workforce. In mitigation of this risk we are:</p> <ul style="list-style-type: none"> • Launching significant recruitment across the board over the next 12 months to meet establishment; • Addressing the inadequacy of Business Continuity and Disaster Recovery Plans; • Using analytics to understand and forecast external and internal demand which enables more informed decision making; and • Working with partners to maximise potential of reducing demand.
Failing to deliver effective collaboration outcomes	<p>There are two separate issues here; the first being that delays in the MFSS collaboration could impact on the workforce and result in additional costs. To mitigate against this we are ensuring contingency plans are in place and scrutinising the progress of MFSS implementation at a Chief Officer level.</p> <p>The second issue is that current collaborative partners may seek to withdraw from a partnership; Tri-force is currently negotiating a reduction in joint service provision and there is risk that there may be further withdrawals from joint arrangements. We are managing partners through established governance mechanisms; and where appropriate enhancing these to ensure that they remain effective.</p>
Poor quality of data affects decision making across the organisation	<p>Although HMICFRS inspectors concluded that we have made good progress since last year and that we have improved supervision and quality assurance progresses, we are still not able to demonstrate improvement on the quality of the data.</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 as a topic that forms part of the Strategic Information Management Board and the performance reporting item at CMB; • Researching technological solutions that help correct data quality issues; • 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 2018/2019.</p>
Failure to set a sustainable balanced budget	<p>The ongoing financial context in which the Constabulary operates will continue to require us to achieve savings in order to balance our budget in future years. We recognise this, and jointly with the PCC, develop our MTFP on an annual basis to assess the future forecasts and plans.</p> <p>Chief officers are mitigating this risk through continued review and development of our financial forecasting, coupled with</p>

Issue	Progress
	<p>development of our transformation programme to bring about initiatives that will enable us to save money. Both internally within the Force and in partnership with others.</p> <p>The end of the Southwest One contract, with the final piece Tech Services returning in July 2018, allows us to progress plans for restructuring our Enabling Services to deliver savings in 2018/2019 and into the future. This includes the implementation of the new Enterprise Resource Planning (ERP) system and collaboration with MFSS.</p> <p>We will also look to realise the efficiencies associated with our capital investments in both technology and estates, delivering ongoing revenue savings from these where it is appropriate to do so.</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
23 July 2018



Julian Kern FCCA, MBA
Chief Finance Officer to OCC
23 July 2018

Office of the Chief Constable for Avon & Somerset

Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

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 2016/2017 £'000	Comprehensive Income and Expenditure Statement - OCC	OCC Expenditure £'000	OCC Income £'000	Total 2017/2018 £'000
344,353	-41,650	302,703	Police Services	371,931	-38,862	333,069
-344,353	41,650	-302,703	Intragroup adjustment	-371,931	38,862	-333,069
0	0	0	Net cost of police services	0	0	0
		110,292	Net interest on pensions			100,517
		-110,292	Intragroup adjustment (pension interest cost)			-100,517
0	0	0	Financial and investment income and expenditure	0	0	0
50,340	0	50,340	Police pension top-up grant (note 12)	53,009	0	53,009
0	-50,340	-50,340	Intragroup adjustment (Police pension top-up grant)	0	-53,009	-53,009
		-603,734	Intragroup adjustment (Re-measurement of pension assets and liabilities)			594,815
		-603,734	Taxation and non-specific grant income			594,815
		-603,734	Surplus(-)/deficit on provision of services			594,815
		655,951	Re-measurement of pension assets and liabilities (note 11)			-588,242
		-52,217	Return on pensions assets (note 11)			-6,573
0	0	603,734	Other comprehensive income and expenditure	0	0	-594,815
0	0	0	Total comprehensive income and expenditure	0	0	0

Office of the Chief Constable for Avon & Somerset

Movement in Reserves Statement 2016/2017 and 2017/2018

These statements show only the pension related transactions for the years ending 31 March 2017 and 31 March 2018. All reserves are held by the PCC.

Movement in reserves statement 2016/2017					
	Revenue General Fund £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total £'000
Balance as at 31 March 2016	0	0	0	0	0
Total comprehensive income and expenditure	603,734	0	603,734	-603,734	0
Adjustments between accounting & funding basis under regulations					
Net IAS 19 charge for retirement benefits	-603,734	0	-603,734	603,734	0
Increase/decrease(-) in 2016/2017	0	0	0	0	0
Balance as at 31 March 2017	0	0	0	0	0

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

Office of the Chief Constable for Avon & Somerset

Balance Sheet as at 31 March 2018

The balance sheet shows the pension liability, other employee related creditors, and provisions accrual offset by debtors from the PCC. These financial statements replace the unaudited financial statements certified by the chief financial officer on the 30th May 2018.

2017 £'000	Balance Sheet	2018 £'000
	Long term assets	
3,760,091	Long term intragroup debtor	3,314,931
310,013	Police staff pension assets	332,243
4,070,104	Total non-current assets	3,647,174
6,437	Payments in advance (note 14)	6,834
10,808	Intragroup debtor	14,459
17,245	Total current assets	21,293
-6,437	Intragroup creditor	-6,834
-7,997	Creditors (note 15)	-9,347
-2,811	Short term provisions (note 16)	-5,112
-17,245	Total current liabilities	-21,293
	Long term liabilities	
-4,070,104	Police pension liabilities (note 11 to 13)	-3,647,174
-4,070,104	Total long term liabilities	-3,647,174
0	Net assets	0
0	Total usable reserves	0
0	Total unusable reserves	0
0	Total reserves	0



Julian Kern FCCA, MBA
Chief Finance Officer to OCC
23 July 2018

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 2018 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.

2016/2017 £'000	Cash Flow Statement	2017/2018 £'000
-603,734	Net surplus(-)/deficit on the provision of services	594,815
2,204	Increase(-)/decrease in provision charged back to service	-2,301
603,734	Charges for retirement benefits in accordance with IAS 19	-594,815
-592	Increase/decrease(-) in long and short term debtors	3,651
-1,612	Increase(-)/decrease in long and short term creditors	-1,350
603,734	Adjust net surplus or deficit on the provision of services for non-cash movements	-594,815
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 2017/2018 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 2016/2017 and 2017/2018.

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 amended and not adopted until 2018/2019 and are unlikely to have a material impact on the financial statements.

- IFRS 9 Financial Instruments: There are changes to the reclassification of financial assets, which includes the recognition and measurement and the disclosure requirements.
- IFRS 15 revenue from contracts with customers: The revenue from contracts is recognised when the goods and services are transferred to the service recipient. This may lead to increased disclosures within the accounts.
- Amendment to IAS 12 Income taxes: Recognition of deferred tax asset for unrealised losses.

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 11 to 13 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	2,989,012	3,054,892	3,123,031
Projected service cost	62,472	64,438	66,474
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	3,064,987	3,054,892	3,045,386
Projected service cost	64,640	64,438	64,241
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	3,113,071	3,054,892	2,998,264
Projected service cost	66,276	64,438	62,661
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present value of total obligation	3,174,131	3,054,892	2,940,267
Projected service cost	66,493	64,438	62,446

Police Staff Sensitivity Analysis	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	578,373	592,282	606,539
Projected service cost	25,616	26,351	27,108
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	593,559	592,282	591,012
Projected service cost	26,351	26,351	26,351
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	605,290	592,282	579,589
Projected service cost	27,110	26,351	25,613
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present value of total obligation	613,334	592,282	571,972
Projected service cost	27,191	26,351	25,537

4.2 Short and Long Term Provisions

In determining the provisions set aside at 31 March 2018 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 16 Short and Long Term Provisions.

5 Events After the Balance Sheet Date

The Constabulary ended the Technical Services aspect of its Southwest One arrangement with effect from 1 July 2018. In addition, on 4 April 2018, the Constabulary gave 12 months' notice to the Tri Force Commissioning Board of their decision to withdraw from the Tri Force Specialist Operations Unit collaboration agreements. During this 12 month notice period Avon and Somerset will work with Tri Force partners to vary the Tri Force arrangement by mutual consent as agreed at the Board. These events have no effect on the financial position as at 31 March 2018.

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	2016/2017 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	2017/2018 Adjustment between accounting and funding basis £'000	Net expenditure in the comprehensive I & E £'000
271,375	31,328	302,703	Police Services	272,710	60,359	333,069
-271,375	-31,328	-302,703	Intragroup adjustment	-272,710	-60,359	-333,069
0	0	0	Net cost of police services	0	0	0
0	110,292	110,292	Net interest on pensions	0	100,517	100,517
0	-110,292	-110,292	Intragroup adjustment (Pension interest cost)	0	-100,517	-100,517
0	0	0	Financial and investment income and expenditure	0	0	0
0	-603,734	-603,734	Intragroup adjustment (Re-measurement of pension assets & liabilities)	0	594,815	594,815
0	-603,734	-603,734	Taxation and non-specific grant income	0	594,815	594,815
0	-603,734	-603,734	Surplus(-)/deficit on provision of services	0	594,815	594,815

Capital Purposes £'000	2016/2017			OCC Expenditure and Funding Analysis Adjustment between accounting & funding basis	2017/2018			
	Pension Adjustment £'000	Other Adjustment £'000	Total Adjustment £'000		Capital Purposes £'000	Pension Adjustment £'000	Other Adjustment £'000	Total Adjustment £'000
10,683	24,712	-4,067	31,328	Police Services	15,859	49,138	-4,638	60,359
-10,683	-24,712	4,067	-31,328	Intragroup adjustment	-15,859	-49,138	4,638	-60,359
0	0	0	0	Net cost of police services	0	0	0	0
0	110,292	0	110,292	Net interest on pensions	0	100,517	0	100,517
0	-110,292	0	-110,292	Intragroup adjustment (Pension interest cost)	0	-100,517	0	-100,517
0	0	0	0	Financial and investment income and expenditure	0	0	0	0
0	-603,734	0	-603,734	Intragroup adjustment (Re-measurement of pension assets & liabilities)	0	594,815	0	594,815
0	-603,734	0	-603,734	Taxation and non-specific grant income	0	594,815	0	594,815
0	-603,734	0	-603,734		0	594,815	0	594,815
0	-603,734	0	-603,734	Difference between surplus on the general fund and deficit on the provision of services	0	594,815	0	594,815

7 Income and expenditure analysed by nature

2016/2017 £'000	Income and Expenditure analysed by nature	2017/2018 £'000
217,688	Employee costs	223,645
11,608	Premises costs	11,664
5,037	Transport costs	4,803
24,689	Supplies & services	26,054
27,644	Partnership costs	20,533
18,454	Misc, central, & grants	16,456
14,521	Depreciation, amortisation, & impairment	19,079
24,712	Employee benefit expenses	49,697
110,292	Net interest on pensions	100,517
50,340	Police pension top up grant	53,009
-1,058,379	Intragroup adjustment	122,367
-553,394	Total expenditure	647,824
-15,687	Sales, rent, fees, & charges	-15,623
-7,932	Southwest One recharges	-3,931
-1,586	Seconded officers	-1,843
-8,391	Counter terrorism policing grant	-9,709
-8,054	Other specific grants	-7,756
-8,690	Intragroup adjustment	-14,147
-50,340	Total income	-53,009
-603,734	Surplus/deficit on provision of services	594,815

8 Paying Staff

Disclosure of Remuneration for Senior Employees 2016/2017					
Post Holder Information (post title and name)	Salary (including fees & allowances)	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2016/2017	Pension Contributions	Total Remuneration Including Pension Contributions 2016/2017
	£	£	£	£	£
Chief Constable - A Marsh	156,166	2,880	159,046	37,165	196,211
	156,166	2,880	159,046	37,165	196,211

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 2016/2017

Post Holder Information (post title)	Note	Salary (including fees & allowances)	Expense Allowances	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2016/2017	Pension Contributions	Total Remuneration Including Pension Contributions 2016/2017
		£	£	£	£	£	£
Director of Resources and Chief Finance Officer to the OCC		130,018	2,760	6,123	138,901	14,302	153,203
Deputy Chief Constable		130,980	0	6,974	137,954	27,967	165,921
ACC - Local Policing		102,853	0	2,776	105,629	24,890	130,519
ACC - Protection and Investigation		112,959	0	5,375	118,334	26,231	144,565
Force Medical Officer		139,082	0	0	139,082	15,161	154,243
C SUPT Strategic Command Course	1	95,512	0	1,064	96,576	20,428	117,004
C SUPT - Prevention, Protection and Prosecution	2	98,106	0	1,250	99,356	17,763	117,119
		809,510	2,760	23,562	835,832	146,742	982,574

Note 1: The Chief Superintendent's temporary promotion to Assistant Chief Constable ended on 27/11/2016. The annualised salary was £97,437.

Note 2: The Chief Superintendent's temporary promotion to Assistant Chief Constable ended on 03/10/2016. The annualised salary was £106,785.

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	1	75,801	0	2,348	78,149	10,006	88,155
Deputy Chief Constable	2	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.

The number of staff to whom we pay more than £50,000 a year is shown below. Pay includes salary, taxable travel and expenses.

2016/2017 Number	Pay Range	2017/2018 Number
179	£50,000 - £54,999	134
82	£55,000 - £59,999	110
17	£60,000 - £64,999	24
7	£65,000 - £69,999	7
14	£70,000 - £74,999	8
9	£75,000 - £79,999	12
4	£80,000 - £84,999	4
4	£85,000 - £89,999	4
0	£90,000 - £94,999	1
2	£95,000 - £99,999	0
0	£100,000 - £104,999	1
1	£105,000 - £109,999	0
0	£110,000 - £114,999	0
1	£115,000 - £119,999	1
0	£120,000 - £124,999	0
0	£125,000 - £129,999	1
0	£130,000 - £134,999	1
3	£135,000 - £139,999	0
0	£140,000 - £144,999	1
0	£145,000 - £149,999	0
0	£150,000 - £154,999	0
1	£155,000 - £159,999	0
0	£160,000 - £164,999	1
324		310

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

9 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.

9.1 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.

Jude Ferguson is chair of the Joint Audit Committee and is also Chair of Weston College Corporation. During 2017/2018 we have made £5,265 to Weston College to procure training (no payments were made in 2016/2017).

No other transactions were disclosed.

9.2 Other Related Parties

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

In 2017/2018 supplies and services were provided by Southwest One to the value of £13,328,223 (£20,708,555 in 2016/2017). The payments to Southwest One cover both staffing costs and the provision of other services for Technology Services, Human

Resources, Finance and Administration (staffing costs provided until the end of June 2017 for HR, Finance and Administration).

Amounts of £4,039,784 (£8,267,635 in 2016/2017) were received for staff seconded to Southwest One and non-pay adjustments.

The OCC also has a relationship with the Police Community Trust and the Avon and Somerset Force Club. Payments were made to the Police Community Trust of £163,589 in 2017/2018 (£100,000 in 2016/2017). Payments were also made to the Avon and Somerset Force Club in 2017/2018 of £45,254 (£43,020 in 2016/2017) and £8,209 was invoiced but yet to be received (£5,295 in 2016/2017).

10 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:

2016/2017 Expenditure £'000	Joint Operations	2017/2018 Expenditure £'000
2,254	South West Regional Organised Crime Unit	2,452
1,013	Firearms Training	1,017
0	Counter Terrorism Specialist Firearms Officers	501
4,630	Major Crime Investigation (Brunel)	4,696
11,773	Specialist Operations (Tri Force)	11,184
80	Tri Force ACC	65
6,687	South West Forensic Services	6,406
1,025	South West Region - Special Branch	1,039
48	Regional ACC	54
279	Other Regional Programmes	345
27,789	Total	27,759

10.1 South West Regional Organised Crime Unit (SW ROCU)

SW ROCU, formerly known as Zephyr, 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 £7,560,722 in 2017/2018 (£6,655,368 in 2016/2017).

10.2 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 £2,431,030 in 2017/2018 (£2,422,443 in 2016/2017).

10.3 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 £934,806 in 2017/2018. An element of this firearms capability is funded from a government grant which is reported separately.

10.4 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 £7,336,889 in 2017/2018 (£7,233,820 in 2016/2017).

10.5 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 £20,849,580 in 2017/2018 (£21,949,000 in 2016/2017).

10.6 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 CTSFO hub. The costs are shared between Avon and Somerset (59%), Gloucestershire (19.7%) and Wiltshire (21.3%). The total cost for the ACC was £110,483 in 2017/2018 (£136,219 in 2016/2017).

10.7 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 £17,845,600 in 2017/2018 (£18,412,600 in 2016/2017).

10.8 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 £3,658,149 in 2017/2018 (£3,608,454 in 2016/2017).

10.9 Regional ACC

This post was put in place from May 2016 to oversee the regional collaborations for Forensics, Special Branch, Zephyr, and CTIU. 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 £166,251 in 2017/2018 (£147,793 in 2016/2017).

10.10 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 £1,014,781 in 2017/2018 (£795,925 in 2016/2017).

11 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	
	2016/2017 £'000	2017/2018 £'000	2016/2017 £'000	2017/2018 £'000
Comprehensive income and expenditure statement				
Cost of services:				
Current service cost	17,243	28,191	49,323	63,687
Administration expenses	201	176	0	0
Past service cost including curtailments	0	599	0	0
Financing and investment income and expenditure:				
Net interest cost	6,559	7,534	103,733	92,983
Total post employment benefits charged to the comprehensive income and expenditure statement	24,003	36,500	153,056	156,670
Other post employment benefits charged to the comprehensive income and expenditure statement				
Return on plan assets	52,217	6,573	0	0
Changes in demographic assumptions	2,785	0	134,911	-103,087
Changes in financial assumptions	-139,320	32,319	-703,927	252,955
Experience gain/loss(-) on defined benefit obligations	2,848	0	0	353,905
Other actuarial gain/loss(-)	-2,290	0	49,042	52,150
Total other comprehensive income	-83,760	38,892	-519,974	555,923
Movement in reserves statement				
Reversal of net charges made for retirement benefits in accordance with the code	-24,003	-36,500	-153,056	-156,670
Actual amount charged against the general fund balance for pensions in the year				
Employer's contribution to scheme	10,590	12,418	24,653	24,205
Retirement benefits payable to pensioners	118	115	6,694	6,777

2017 £'000	IAS 19 Pension Liabilities	2018 £'000
-3,485,127	Police officers	-3,054,892
-274,964	Police staff	-260,039
-3,760,091		-3,314,931

12 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 £23,582,000 in financial year 2018/2019.

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.

2016/2017 £'000	Cost of Injury and Ill-Health Benefits - Police Officers	2017/2018 £'000
7,643	Payments to pensioners	7,546

2016/2017 £'000	Pensions Account	2017/2018 £'000
88,646	Benefits paid to officers	90,309
-38,306	Less contributions received from officers	-37,300
50,340	Balance met from PCC Group	53,009

A full valuation of the pension scheme liabilities was undertaken as at 31 March 2017. 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	21.9
	Females	24.2
Retiring in 20 years		
	Males	23.7
	Females	26.1

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

2016/2017 %		2017/2018 %
2.7	Discount rate	2.6
4.5	Rate of increase in salaries	3.8
2.7	Rate of increase in pensions in payment	2.3
3.6	Retail price index	3.3
2.7	CPI increases	2.3

The movement in the present value of scheme liabilities for the year to 31 March 2018 is as follows:

2016/2017 £'000	Present Value of Police Pension Scheme Liabilities	2017/2018 £'000
-2,843,444	Present value of schemes liability as at 1 April	-3,485,127
	Movements in the year	
-49,323	Current service cost	-63,687
93,747	Estimated benefits paid (net of transfers in)	96,104
-13,358	Contributions by scheme participants	-12,972
-103,733	Interest costs	-92,983
-703,927	Change in financial assumptions	252,955
134,911	Change in demographic assumptions	-103,087
0	Experience gain/loss on defined benefit obligations	353,905
-3,485,127	Present value of schemes liability as at 31 March	-3,054,892

The movement in the fair value of scheme assets for the year to 31 March 2018 is as follows:

2016/2017 £'000	Fair Value of Police Pensions Scheme Assets	2017/2018 £'000
0	Present value of schemes assets as at 1 April	0
	Movements in the year	
49,042	Change in financial assumptions	52,150
31,347	Contributions by employer	30,982
13,358	Contributions by scheme participants	12,972
-93,747	Estimated benefits paid (net of transfers in)	-96,104
0	Present value of schemes assets as at 31 March	0

13 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.

2016/2017		Pension Costs - Police Staff	2017/2018	
Payments £'000	Percentage of Employees' Contributions		Payments £'000	Percentage of Employees' Contributions
10,212	88-200	PCC's contribution	12,147	88-200

During 2017/2018 the Constabulary paid into the fund at rates of between 88% and 200% 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 £12,278,000 in financial year 2018/2019.

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 2017/2018 was £2,807,994, the amount due in 2018/2019 is £2,875,000.

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 11.

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	24.0
	Females	25.2
Retiring in 20 years	Males	26.2
	Females	27.5

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

2016/2017 %		2017/2018 %
2.8	Discount rate	2.6
4.2	Rate of increase in salaries	3.8
2.7	Rate of increase in pensions in payment	2.3
3.6	Retail price index	3.3
2.7	Consumer price index	2.3

The return on the pension fund assets on a bid value basis for the year to 31 March 2018 is estimated to be 5%. The estimated value of the PCC's share of the fund's assets is £332,243,000 on a bid value basis (2016/2017 £310,013,000). The assets are made up of the following:

2017 £'000	%	Assets	2018 £'000	%
		Equities		
76,878	24.8	UK - Quoted	75,737	22.8
115,316	37.2	Overseas - Quoted	126,893	38.2
1,550	0.5	UK - Unquoted	1,661	0.5
22,009	7.1	Overseas - Unquoted	26,906	8.1
5,270	1.7	Private equity	5,979	1.8
221,023	71.3		237,176	71.4
		Gilts - Public Sector		
6,853	2.2	UK fixed interest	6,658	2.0
311	0.1	Overseas fixed interest	0	0.0
11,525	3.7	UK index linked	10,987	3.3
311	0.1	Overseas index linked	333	0.1
19,000	6.1		17,978	5.4
		Other Bonds		
14,271	4.6	UK	14,897	4.5
16,132	5.2	Overseas	16,222	4.9
30,403	9.8		31,119	9.4
27,351	8.8	Property	31,542	9.5
12,236	4.0	Cash (invested internally)	14,428	4.3
310,013	100	Total assets	332,243	100

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

2017 £'000	Police Staff Pensions	2018 £'000
310,013	Share of assets in pension fund	332,243
-582,904	Estimated liabilities in pension fund	-590,310
-2,073	Estimated unfunded liabilities	-1,972
-274,964	Deficiency in fund	-260,039

The movement in the present value of schemes obligations for the year 31 March 2018 is as follows:

2016/2017 £'000	Present Value of Police Staff Liabilities	2017/2018 £'000
-422,598	Present value of defined obligations as at 1 April	-584,977
	Movements in the year	
-17,243	Current service cost	-28,191
8,932	Estimated benefits paid (net of transfers in)	10,018
-4,525	Contributions by scheme participants	-4,655
-15,974	Interest costs	-16,312
118	Unfunded pension payments	115
-139,320	Change in financial assumptions	32,319
2,785	Change in demographic assumptions	0
2,848	Experience loss(-)/gain on defined benefit obligations	0
0	Past service cost, including curtailments	-599
-584,977	Present value of defined obligations as at 31 March	-592,282

The movement in the fair value of scheme assets for the year to 31 March 2018 is as follows:

2016/2017 £'000	Fair Value of Police Staff Scheme Assets	2017/2018 £'000
244,689	Fair value of scheme assets as at 1 April	310,013
	Movements in the year	
9,415	Interest on assets	8,778
52,217	Return on assets less interest	6,573
-2,290	Other actuarial gain/loss(-)	0
-201	Administration expenses	-176
10,708	Contributions by employer	12,533
4,525	Contributions by scheme participants	4,655
-9,050	Estimated benefits paid (net of transfers in)	-10,133
310,013	Fair value of scheme assets as at 31 March	332,243

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.

14 Payments In Advance

The payment in advance relates to the police pensions of £6,833,663.

15 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 2017/2018 is £9,347,048 (2016/2017 £7,997,138).

16 Short and Long Term Provisions

Short and Long Term Provisions	Balance 1 April 2017 £'000	Used in Year £'000	New in Year £'000	Balance 31 March 2018 £'000
Ill-health & termination benefits	315	-315	2,025	2,025
Overtime liability	2,143	-24	850	2,969
Employment support allowance	353	-235	0	118
	<u>2,811</u>	<u>-574</u>	<u>2,875</u>	<u>5,112</u>

The ill health and termination benefits provision of £2,025,000 is where approval was agreed at 31 March 2017 to make the payments during 2018/2019.

The overtime liability provision at 31 March 2018 is in respect of claims for overtime worked in prior years. These claims should be resolved in 2018/2019.

The employment support allowance provision of £118,000 relates to the underpayment of injury on duty pensions. These payments should be made in 2018/2019.

17 Contingent Liabilities

We have reviewed the position in respect of contingent liabilities as at 31 March 2018.

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

- The Chief Constable of Avon and Somerset, along with other Chief Constables and the Home Office, currently has 55 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. These claims have been heard in the Tribunal and Appeal Tribunal and the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the judgement. The outcome of these further appeals may determine the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation, and who it would impact. Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability at the 31 March 2018;
- The Constabulary has approximately 30 on-going legal claims for which the outcome is uncertain and the quantum of any potential settlement unknown; for these reasons no provision has been made in the 2017/2018 Financial Statements.
- In calculating our provisions we have had to make assumptions which may be inaccurate, leading to potential liabilities for any under-provision.

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

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 12 of the accounts.

2016/2017 £'000	Police Officers Pension Fund Account	2017/2018 £'000
	Contributions receivable	
	Employers contributions:	
-20,647	Normal (21.3% contributions)	-20,191
-1,195	Ill health/early retirements	-1,265
<hr/>		<hr/>
-21,842		-21,456
	Employee contributions	
-6,034	1987 Police Pension Scheme	-4,970
-103	2006 Police Pension Scheme	-114
-7,218	CARE Police Pension Scheme	-7,887
<hr/>		<hr/>
-13,355		-12,971
-298	Transfers in from other schemes	-123
	Benefits payable	
70,265	Pensions	72,531
18,243	Commutations and lump sum retirement benefits	17,582
<hr/>		<hr/>
88,508		90,113
	Payments to and on account of leavers	
38	Refund of contributions	64
0	Transfers out to other schemes	0
100	Other	131
<hr/>		<hr/>
138		195
53,151	Net amount payable for the year	55,758
-2,811	Additional contribution from the local policing body	-2,749
-50,340	Transfer from Police Fund to meet deficit	-53,009
<hr/>		<hr/>
0	Net amount payable/receivable for the year	0

There is an adjustment of 2.9% to the cash flow due to a reduction in the employer contribution rate for police pension schemes being reflected in pensions top-up funding.

This note shows the pension fund account assets and liabilities as at 31 March 2018.

31 March 2017 £'000	Pension Fund Net Assets	31 March 2018 £'000
	Current assets	
5,935	Amounts due from Central Government	6,834
	Current liabilities	
-5,935	Amounts owing to pensioners	-6,834
<u>0</u>	Net assets	<u>0</u>

Office of the Chief Constable for Avon & Somerset

Glossary of Terms

Term	Definition
Accounting policies	These are a set of rules and codes of practice we use when preparing the accounts.
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.
Closing value	The value at 31 March, the date when the accounts are closed.
CMB	Constabulary Management Board
Commuted 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.
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.
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.

Term	Definition
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.
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.
IPR	Individual Performance Review
JAC	Joint Audit Committee
Movement in reserves statement	Summarises the movement in the reserves of the OCC during the financial year.
MTFP	Medium Term Financial Plan
National non-domestic rates income	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.
Niche	Police records management system
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

Term	Definition
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.
SW ROCU	South West Regional Organised Crime Unit



Further information can be obtained online at:-

www.avonandsomerset-pcc.gov.uk (PCC Website)

www.avonandsomerset.police.uk (Constabulary Website)

Or in writing to:-

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