

2016/2017

**PCC FOR AVON & SOMERSET**  
**STATEMENT**  
**OF ACCOUNTS**



POLICE AND CRIME  
COMMISSIONER FOR  
**AVON AND  
SOMERSET**

# **Police & Crime Commissioner for Avon & Somerset**

## **Officers of the Police & Crime Commissioner**

**The statutory officers of the Police & Crime Commissioner are as follows:**

Sue Mountstevens	Police & Crime Commissioner for Avon & Somerset Phone: 01275 816378
John Smith	Chief Executive and Monitoring Officer to the Police & Crime Commissioner for Avon & Somerset Phone: 01275 816379
Mark Simmonds	Chief Finance Officer to Police & Crime Commissioner for Avon & Somerset Phone: 01275 816380
Address for chief officers:	Valley Road Portishead Bristol BS20 8JJ

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

Andy Marsh	Chief Constable Phone: 01275 816007
Julian Kern	Chief Finance Officer to OCC Phone: 01275 816012
Address for chief officers:	Valley Road Portishead Bristol BS20 8QJ



## **Statement of Accounts 2016/2017**

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# Police & Crime Commissioner 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 provides 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 Office of the Chief Constable's Statement of Accounts.

### 1 Introduction

The Statement of Accounts summarises the financial year for 2016/2017. The income and expenditure, assets, liabilities and reserves which are recognised in the accounts of the Police and Crime Commissioner (PCC) 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 PCC and the CFO in respect of the Statement of Accounts;
- **An annual governance statement** - This statement reviews the effectiveness of the PCC's internal control systems;
- **A comprehensive income and expenditure statement** - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Taxation is raised to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement;
- **An expenditure and funding analysis** – This note shows how the annual expenditure is allocated and the funding available to the PCC in a format which is used for decision making purposes. It is reconciled to the comprehensive income and expenditure statement.
- **A movement in reserves statement** - This statement shows the movement during the year on the different reserves held by the PCC;
- **A balance sheet at 31 March 2017** - The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the PCC. The net assets of the PCC (assets less liabilities) are matched by the reserves held;
- **A cash flow statement** - The cash flow statement shows the changes in cash and cash equivalents during the year. The statement shows how cash and cash equivalents are generated and used by classifying cash flows under operating, investing or financing activities;
- **A police officers pension fund account statement** - This statement summarises the total police officer pension contributions and pension benefits paid. The difference is funded by the Home Office.

### 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 Constable 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 in the previous three years, 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 a 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 debt 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;
- All notes to this statement of accounts should be considered to relate to the PCC and group position, unless it expressly states that they relate to the OCC in which case they wholly or materially relate to the OCC primarily.

## **2.2 Changes to the presentation of the statement of accounts**

The statement of accounts have been amended to reflect new reporting requirements for the comprehensive income and expenditure statement and the introduction of a new expenditure and funding analysis, both resulting from the “Telling the Story” review of the presentation of Local Authority statements within the 2016/2017 CIPFA Code. The new format of the comprehensive income and expenditure statement, to the net cost of police services, reflects the format of the information provided to the PCC for decision making purposes. The 2015/2016 comprehensive income and expenditure statement has been restated as a result.

## **3 Revenue Spending in 2016/2017**

### **3.1 The Revenue Budget**

In February 2016 the PCC approved a total 2016/2017 revenue budget of £276.1m (2015/2016 £273m). This budget was then divided as follows:

- Constabulary budget - £271.3m (2015/2016 £268.3m);
- OPCC budget - £1.35m (2015/2016 £1.38m);
- Commissioning of Victims, Community Safety, and Offender services - £3.4m (2015/2016 £3.3m).

Having consulted with the residents of Avon and Somerset, the PCC made the decision supported by the Police and Crime Panel to increase council tax in 2016/2017 by 1.99%. This raised the average household council tax bill for policing to £178.26, an increase of £3.48 per annum.

Setting a budget in 2016/2017 under the prevailing conditions of reduced central government funding, inflation and other unavoidable financial commitments meant it was necessary to identify and deliver substantial savings.

The main budget and planning parameters for 2016/2017 were:

- Total increase in funding of £3m;
- Inflationary and other cost increases for both pay and non-pay expenditure of £11.1m;
- Total savings taken from the budget of £8.1m;
- A commitment to maintain front line police officer numbers as far as possible;
- A commitment to increase investment in strategic technology programmes;
- Funding required to meet the PCC’s Police and Crime Plan objectives.

### **3.2 Revenue Financial Performance**

The PCC, alongside the Chief Constable, continued to drive savings across all areas of the organisation, managing an ongoing reduction in headcount, to meet the known and expected funding reductions from the Government’s spending reviews.

The reported outturn was a breakeven position for 2016/2017 after making the provisions for known liabilities and the transfer to specific reserves to fund future transformation.

This revenue performance was the consequence of a number of factors, including:

- Delivery of savings in accordance with the budget plan;
- Managing unbudgeted increases in pension costs, the rising cost of historic legal claims and the higher than budgeted rise in the costs of insurance;
- 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 new Chief Constable and his senior team.

A full account of the financial performance for the 2016/2017 has been provided to the PCC at the Police & Crime Board, and the paper which sets this out can be found published on the PCC's website.

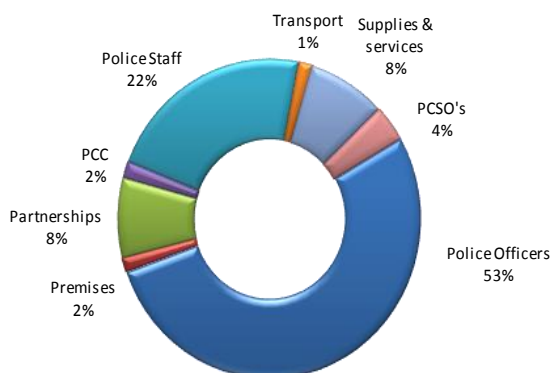
The following table summarises the revenue financial performance for 2016/2017:

	Budget £'000	Expenditure £'000	Over/ Under (-) £'000
Local policing	78,463	74,540	-3,923
Specialist operations	71,761	71,537	-224
Prevention, protection and prosecution	47,009	45,909	-1,100
Enabling services	58,946	57,261	-1,685
Central costs	10,771	13,700	2,929
Strategic projects	4,322	4,028	-294
Miscellaneous, grants and secondees	19	61	42
<b>Constabulary sub total</b>	<b>271,291</b>	<b>267,036</b>	<b>-4,255</b>
Office of the PCC	1,354	1,265	-89
Commissioning	3,430	2,992	-438
<b>Total before provisions and earmarked reserves</b>	<b>276,075</b>	<b>271,293</b>	<b>-4,782</b>
Adjustments for provisions	0	3,886	3,886
Contributions to earmarked reserves	0	896	896
<b>Total after provisions and earmarked reserves</b>	<b>276,075</b>	<b>276,075</b>	<b>0</b>

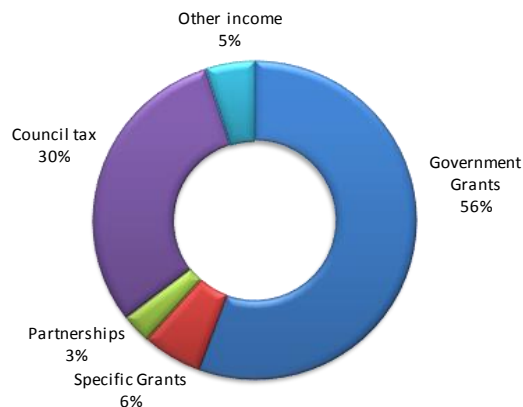
It should be noted that the expenditure figure above cannot be directly agreed with the comprehensive income and expenditure statement on page 27 where the costs of our activities include items which do not have an impact on the tax payer and are adjusted through the general fund balance.

The charts below show, in percentages, the main areas of income and expenditure. Spending on employees made up the largest share. The largest area of income is government grants.

### Net Revenue Expenditure



### Income



### Net expenditure by operational activity



### 3.3 Impact on Reserves

During 2016/2017 the PCC agreed with the Chief Constable to utilise reserves in support of capital funding to further the estates and ICT strategies. Earmarked revenue reserves have also been utilised during the year in accordance with their purpose.

The insurance reserve has been maintained at £1.9m following an independent review of our insurance fund.

In addition £2.9m of revenue reserves were also utilised to support change costs in the year. These projects included the roll out of body worn video (BWV) technology, other mobilisation and digital policing programme items and the roll out of the accommodation strategy.

At 31 March 2016 our earmarked reserves stood at £29.3m and at the year-end 31 March 2017 they have decreased to £26.7m. More details on our earmarked reserves can be found at note 33 of these accounts.

### 3.4 Accounting for Pensions

In line with the International Accounting Standard IAS 19 employee benefits there is a significant pension liability of £4.1bn shown on the balance sheet. This liability is reduced to £3.8bn when pension scheme assets of £0.3bn are taken into account. More detail around this liability is disclosed in notes 18 to 20 to the accounts. The liability has no impact on the reported outturn and the usable reserves.

### 3.5 Employee Numbers

The number of full time equivalent employees as at 31 March 2017 is shown in the table below:

Employees	Male Number	Female Number	Total 2016/2017 Number
<b>Number of Employees</b>			
OPCC	4	14	18
OCC	2,975	2,279	5,254
<b>Total</b>	<b>2,979</b>	<b>2,293</b>	<b>5,272</b>
<b>Number of Senior Employees</b>			
OPCC including the PCC	2	1	3
OCC	8	4	12
<b>Total</b>	<b>10</b>	<b>5</b>	<b>15</b>



### 3.6 Operational Performance

The total number of recorded crimes has increased by 17.5% in the last twelve months. The number of calls to the police (999 and 101) has fallen in the last year by around 6% (864,049 calls received in 2016/2017 and 917,709 in 2015/2016).

HMIC's 2016 PEEL Assessment for Avon and Somerset<sup>1</sup> rated the Force as "good" in "Efficiency" (incorporating value for money), "Effectiveness" and "Legitimacy".

Overall victim satisfaction rates fell to around 76% in 2016/2017 and this is an area both the PCC and Chief Constable acknowledge as a critical area in which to improve performance.

Recorded levels of 'hidden harm' crimes that are traditionally under-reported have continued to rise – which is interpreted both as encouraging signs of both victims having the confidence to come forward and report and of improved recording standards (both being key objectives within the Plan).

The 'protect the most vulnerable from harm' priority specifies within the Plan a number of crimes where there was an aspiration to improve service for victims. These are:

- Child abuse including female genital mutilation;
- Exploitation including modern slavery and child (sexual) exploitation (CSE);
- Domestic abuse, including so-called 'honour' based abuse;
- Sexual abuse;
- Hate crime.

Reporting levels for each of these crime types have increased, with the exception of reported crime figures for CSE.

The proportion of investigations for these crime types resulting in positive outcomes has marginally improved for all, with the exception of positive outcomes for modern slavery crimes which have fallen.

Levels of burglary have reduced over the year (12,049 recorded in 2015/2016 with 11,528 recorded in 2016/2017) and outcomes have improved (from an average of about 5% of positive outcomes in 2015/2016 to an average of about 10% for 2016/2017).

Recorded levels of anti-social behaviour (ASB) have fallen but this is largely attributable to improved recognition of such offenses as crimes. Outcomes have remained stable, with victim satisfaction levels for this crime type showing improvement, bucking the general trend of decline.

Overall public confidence in policing of Avon and Somerset fell during the year, as measured via the Crime Survey for England and Wales, which is an independent survey managed by the Office for National Statistics. Public confidence is expected to improve over the long-term with improved visibility following improvements in technology that will be delivered, enabling officers to spend more time working remotely and less time inputting information into systems based in stations.

The PCC's Independent Residents Panel continues to dip-sample complaints against the police and review areas of policing in an open and transparent way.

A risk-based assurance programme has been developed to scrutinise Constabulary service delivery in key areas of priority for the PCC.

### 3.7 Performance – Looking Ahead

The performance aspirations for the next four years are set out in the PCC's new Police & Crime Plan. The Chief Constable and PCC are working together to ensure the best possible delivery of the Police & Crime Plan. The Constabulary are embedding changes into their people and processes following a priority based review of their organisation.

<sup>1</sup> <https://www.justiceinspectorates.gov.uk/hmic/avon-and-somerset/>

## 4 Capital Expenditure in 2016/2017

Alongside routine day-to-day costs, money is spent on core assets such as buildings, vehicles, communications equipment, information technology systems and software. During the year continued investment was made in the Accommodation Programme to deliver improved facilities which will enable the effective and efficient policing of Avon and Somerset and in technology to better support police officers and staff.

During 2016/2017 capital spending amounted to £16.4m. The following table shows how the money was spent.

Capital Expenditure	2016/2017 £'000	%
Information and communications systems	4,868	29.6
Estates	9,037	55.0
Transport	2,188	13.3
Plant, machinery and equipment	336	2.1
	<b>16,429</b>	<b>100.0</b>

### 4.1 Estate Strategy

Continued funding pressures will require us to prioritise spend on our officers, PCSOs and staff. Our estates strategy will therefore focus on meeting the needs of our changing police operating model, support the needs of the public and deliver savings where possible.

### 4.2 Treasury Management

In the financial year 2016/2017 the PCC complied in full with the CIPFA prudential code of practice and CIPFA Treasury Management code of practice and operated within all agreed prudential indicators set out in the published Treasury Management Strategy Statement.

The PCC continued to adopt a passive borrowing strategy and will only take new borrowing if absolutely required to manage risk, support capital programmes, and manage cash holdings. Within the year, new borrowing has been needed to fund capital spend on the Estates rationalisation programme. As a result net total borrowing increased by £4.0m in 2016/2017 to £41.0m. In addition to new debt funding, the PCC utilises direct revenue funding, capital reserves, receipts from the sale of assets and other government grants in order to fund capital programmes which must all have approved business cases.

Cash balances reduced during the year but are still sufficient to underwrite the reserve levels required by the PCC for risk and capital funding and manage working capital movements. Deposit rates remain very low at an average of around 0.7% (as last year). With the cash holdings, the PCC has extended the approved counterparties that may be used to spread risk and maximise returns whilst always adhering to the agreed counterparty ratings limits and prudential indicators set out in the published treasury management strategy.

## 5 Looking Ahead to 2017/2018 and the Medium Term

The PCC is developing detailed plans (Medium Term Financial Plan or “MTFP”) with the Chief Constable to achieve further savings that will help to balance the revenue budget over the remainder of the Government’s current Spending Review (SR) period to 2019/2020 and the subsequent year 2020/2021.

The successful achievement of planned changes from 2010 to the end of March 2017 generated over £65m of savings. The PCC has agreed a savings plan with the Constabulary and other partners to release a further saving of £9.0m in 2017/2018 to balance the budget for that year.

In total £15m of savings for the next five years have been agreed with the Chief Constable and this leaves a further £5m of savings to find by 2021. This residual savings target is considered low risk and achievable given the emerging scale of large savings programmes that are currently being scoped for collaboration and technology investment.

### 5.1 2017/2018 Revenue Budget

In February 2017 the PCC approved a total 2017/2018 revenue budget of £277.6m (2016/2017 £276.1m). This budget was then divided as follows:

- Constabulary budget - £272.7m (2016/2017 £271.3m);
- OPCC budget - £1.35m (2016/2017 £1.35m);
- Commissioning services for Victims, Community Safety, and Offender services - £3.5m (2016/2017 £3.4m). This budget includes the cost of a victims service which has been funded from existing budgets and from part of a £1.9m grant to the PCC from the Ministry of Justice (MoJ) for victims services. The £1.0m balance of the MoJ grant is used to part fund the integrated victim care “Lighthouse” service delivered by the Constabulary.

The main budget challenges and planning parameters for 2017/2018 are:

- Total increase in funding of £1.5m, after accounting for:
  - Net reduction grant funding of £2.3m;
  - Increase in council tax income of £3.8m, as consequence of a 2.04% increase in council tax base, and a 1.99% increase in precept;
- Inflationary and other cost increases for both pay and non-pay expenditure (including increased victims commissioning funded by MoJ grant) of £10.3m;
- Total savings budgeted in the year of £8.0m.

### 5.2 Policing Precept 2017/2018

The PCC chose to raise increased funding through the council tax police precept level in 2017/2018 with a 1.99% increase taking the average (band D) council tax police precept up to £181.81 per annum for a band D household, up from £178.26 per annum. This increase was necessary to share the burden of funding cuts between savings and additional income.

The PCC consulted with local communities and conducted a survey of over 3,000 residents during the year about her council tax precept strategy and approach for future years before forming plans for the precept in 2017/2018 and beyond and found continued support for increases in the policing precept to protect front line policing in the region.

The PCC benefited from a higher than planned increase in the council tax base for the region in 2016/2017 but is not able to directly control this base. The PCC plans on council tax base increases of 1.5% per annum and any increase above this is used to offset savings required.

### **5.3 Capital Programme 2017/2018 and beyond**

The PCC has agreed funding to support the capital programme over the next five years at a level of £75m. This will fund investments in ICT, Estates, Fleet and other assets. All these capital investments are subject to final business case approval.

ICT projects include: mobile working; workforce management; regional systems; national systems (ESN). The capital costs of not extending the Southwest One (SW1) contract in 2018 are not yet fully established and may well increase the ICT budget in 2017/2018/2019 depending on collaboration options and the status of ICT assets returned from SW1.

Estates projects are designed to support moving to new lower cost sites where required across the region as the estates strategy is progressed. The move to PFI buildings is complete and the subsequent rationalisations are well underway.

These investments will:

- Improve mobile working for officers;
- Enable increased volumes of digital evidence including body worn video to be collected, stored and managed; and
- Enable better collaboration with other forces and local partners.

### **5.4 Home Office Innovation and Transformation Funds**

The PCC was successful with a two year innovation fund bid for 2015/2016 and 2016/2017 to develop, in conjunction with Wiltshire PCC and Barnardo's, a new West of England child sexual exploitation (CSE) victim identification and support service. This work has concluded successfully and a new CSE service is being commissioned for the area.

The PCC was awarded a Police Transformation Fund bid in 2016/2017 to conduct a detailed independent review of local criminal justice systems and processes and inter-working between agencies. The review generated a final report which sets out a number of opportunities for improved efficiency and effectiveness.

The PCC and Chief Constable have submitted four bids to the 2017/2018 Transformation Fund Board process for appraisal. Decisions on these are on hold until after the General Election.

### **5.5 Victims Commissioning and Safer Communities**

The PCC believes that all partner agencies have a role to play to prevent and reduce crime and the PCC has applied this principle in her approach to commissioning services and making community safety grants.

The PCC's total commissioning budget of £3.5m in 2017/2018 is materially unchanged from the previous year and includes an integrated victim care service which is part funded from a £1.9m victim services grant from the MoJ. In addition the PCC has commissioned emotional support and specialist advocacy services for victims.

The PCC continues to directly commission: services with Community Safety partnerships in all areas of the region for local community projects and to deliver outcomes that help build stronger and safer communities and prevent crime; drug and alcohol testing and treatment programmes; work with younger offenders to reduce re-offending; and specialist care for victims of sexual violence.

The new Avon & Somerset wide integrated victim service has been live from October 2014, funded by grants from the MoJ alongside existing PCC and Constabulary budgets. Victims of crime in the region are already receiving an enhanced and more joined-up service.

The PCC is committed to safer and stronger communities and this in turn will continue to make the region an attractive place for people to be resident. In addition, the PCC

has run a Business Crime Forum which is improving working practices and relationships between the police and business crime reduction partners in the region. The PCC wishes to engage the police more closely with businesses and other partners to drive out best practice and drive down business crime, hence boosting business growth, investment and employment in the region.

## **5.6 Commissioner's Community Action Fund**

The PCC has completed another successful year of her Commissioner's Community Action Fund that provided up to £62,452 to local community projects. This money was allocated during the year to successful bids for small (up to £5,000 each) grants.

## **5.7 Approach to Future Challenges and Funding**

The PCC is committed to delivering the financial cuts required to meet the SR and will focus on core themes:

- Improving police efficiency through the Constabulary's new operating model;
- Deploying mobile digital technology to support officers;
- Reducing non-pay overheads by category management of procurement (which has already delivered over £20m of savings since 2008) and the ongoing reduction of estate costs by implementing the estates strategy;
- Collaboration where possible and where advantageous with other forces and other blue light services to share the costs of common services and systems;
- Preventative policing to intervene early, reduce the risk of offending, safeguard the vulnerable from harm and manage police demand;
- Freeing up police time by working with partners to integrate and coordinate local services and improve efficiency;
- Advanced techniques for better understanding demand and managing demand including the latest data analytics tools.

These thematic areas will be supported by the capital programme investments in property and technology as well as the Constabulary's new Operating Model that streamlines the way the police provide services to the public and seeks to better tackle long term priority locations, vulnerability, and complex need.

## **5.8 Efficiency and Effectiveness**

The challenge of maintaining improvement in operational performance with less financial resources is to be met through an even greater emphasis by the PCC on outcomes, efficiency and effectiveness. Many of the initiatives to achieve efficiency have already been outlined in this report, but in summary this is being achieved through the combined approach of:

- seeking opportunities for collaboration with other Forces and other partners;
- better matching resources to demand and so prioritizing resources;
- centralising functions where appropriate to remove duplication and reduce the management overhead;
- rationalising the estate utilising our PFI funded custom built custody and operational police area centres and closing buildings that are underutilised or not fit for purpose;
- investing in technology to support mobile working, digital evidence processing;
- investing in integrated services with local partners such as shared enquiry office functions;
- appropriate use of our reserves to fund change programmes.

## 5.9 Risk profile, management, and mitigation

The PCC and OCC risk registers are constantly under review and the risk registers are now published quarterly with Joint Audit Committee papers. The annual level of general reserve in the accounts is based on assigning values and probability to all material known risks. This has been held at the same level as last year.

Risk management is considered by the Joint Audit Committee supported by independent audits from the internal auditors.

The PCC and OCC make regular risk assessments and ensure that a minimum level of reserves is held, so that any such liability, should it arise, would be met from reserves.

The risk profile has changed over the last year with a reduction in the levels of funding risk, whilst risks associated with service delivery have increased. The main issues and uncertainty areas that may affect future risk and performance management may be summarised as:

- The PCC's first Police & Crime Plan (2012-2016) was not fully delivered. The PCC has improved her close scrutiny of performance including as a key agenda item at her new monthly Police & Crime Board. The PCC is committed to holding the Chief Constable to account to deliver the new Police & Crime Plan priorities;
- £5m of new savings are required over the next four years in addition to £11m of savings already planned in order to balance the budget over this period. This is less onerous than had been feared before the Autumn Statement and the basket of savings options from new collaboration and efficiency from new systems exceeds the £5m level;
- Accessibility of the police to the public is a concern for local people, especially through the 101 service. The PCC and Constabulary have close scrutiny of this area of the business and have invested in short term extra resources to manage demand whilst longer term solutions are being delivered;
- In some areas, police resources and capability are not always matching changing demand (including: cybercrime, safeguarding, CSE, domestic abuse, sexual violence and human trafficking). This is under close review from demand management working groups and resources are being prioritised to these areas;
- Past performance in delivering ICT change and major projects has been mixed. The delivery now of large collaboration, ICT and enabling services projects will underpin effective delivery of policing services in the next few years. Programme boards have been established both locally and regionally and budgets are only agreed against approved business cases to mitigate and manage these risks. Programme management is in place and the PCC and Chief Constable retain close scrutiny of major projects;
- Police officer and staff morale and levels of engagement have dipped in recent years. Officer and PCSO workload has increased and demands have changed, all during the time of changing leadership in the Constabulary, implementing a new operating model, new policing systems (Niche) and accommodation moves. New leadership from the Chief Constable, staff and officer recruitment; staff, officer, and leadership training; and embedding the new culture and ethics work help mitigate these risks;
- Crime recording remains an area of concern with improvements still required. A dedicated working group has been established chaired by an Assistant Chief Constable.



## 5.10 Conclusion

The financial affairs of OCC and PCC have been and continue to be prudently and effectively managed. Best practices and CIPFA guidance and codes of practice in financial management, governance and treasury management are being followed.

The PCC, the Chief Constable and their CFOs have a strong focus on managing costs, achieving value for money, driving collaboration and innovation to deliver better and more efficient services, investment to save and achieving savings targets, whilst ensuring that service performance is still being maintained or improved.

Looking ahead the PCC has important decisions to take on future budget priorities and council tax precepts, making investments in major infrastructure projects and collaborating effectively with partners in police and other agencies.

The PCC is committed to delivering a safe and secure region in Avon and Somerset and ensuring the policing service is efficient and effective and reflects the wishes and needs of its communities. In a region as diverse as Avon and Somerset the task of representing all the residents is a considerable challenge, especially at a time of continued downwards pressure on all public sector funding - including policing budgets. The PCC continues to listen to the widest possible spectrum of her residents and local businesses and ensure their voices are heard when setting policing and funding plans and when strategic changes to the service are considered.



**Mark Simmonds BSc (Hons), ACA**

Chief Finance Officer to PCC

17 July 2017

# Police & Crime Commissioner 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 Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required to:

- Make arrangements for the proper administration of the Police and Crime Commissioner'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 Police and Crime Commissioner for Avon and Somerset 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 the 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 19 to 26 show this in more detail.

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Police and Crime Commissioner as at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.



**Mark Simmonds BSc (Hons), ACA**  
Chief Finance Officer to PCC  
17 July 2017



# **Auditor's Report**

## **Independent auditor's report to the Police and Crime Commissioner for Avon and Somerset**

We have audited the financial statements of the Police and Crime Commissioner for Avon and Somerset (the "Police and Crime Commissioner") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group Comprehensive Income and Expenditure Statement, the Police and Crime Commissioner Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Police and Crime Commissioner Movement in Reserves Statement, the Police and Crime Commissioner Balance Sheet, the Police and Crime Commissioner Cash Flow Statement and the related notes and include the police pension fund financial statements of Avon & Somerset Police comprising the Fund Account and the Net Assets Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

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

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Police and Crime Commissioner and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion:

- the financial statements present a true and fair view of the financial position of the Police and Crime Commissioner and Group as at 31 March 2017 and of the Police and Crime Commissioner's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

## **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

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

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Police and Crime Commissioner under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

## **Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Respective responsibilities of the Police and Crime Commissioner and auditor**

The Police and Crime Commissioner 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.

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

### **Scope of the review of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Police and Crime Commissioner has put in place proper 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 criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

## **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Police and Crime Commissioner for the year ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

*Iain Murray*

## **Iain Murray**

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

Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

21 July 2017

# **Police & Crime Commissioner 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 Commissioner and her 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 PCC's own office and the group position of the PCC and OCC. A separate governance statement for the OCC is included in the accounts for the OCC.

The PCC and OCC share most core systems of control including the SAP ERP systems, various services from Southwest One, internal policies and processes. Under the scheme of governance, most of the staff, officers and processes deployed in the systems of internal control are under the direction and control of the OCC.

The PCC has oversight and scrutiny of the OCC's delivery arrangements including governance, risk management and systems of internal control. As a result, the PCC places reliance on the OCC to deliver and support the governance and risk management processes and the framework described in this statement refers to the PCC's own activity and where reliance is placed on the systems, people and processes of the OCC.

The PCC and OCC are responsible for 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.

In discharging this overall responsibility, the PCC and OCC are responsible for putting in place proper arrangements for the governance of their affairs and facilitating the exercise of their functions, which includes ensuring that a sound system of internal control is maintained through the year and that 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](http://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 PCC's Chief Finance Officer (PCC 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 OCC 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 2016/2017 financial year covers the period from 1 April 2016 to 31 March 2017 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 PCC and OCC operate and the activities through which the PCC engages with and is accountable to the public. It enables the PCC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective 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 aims and objectives, evaluate the likelihood and impact of those risks being realised and manage them effectively, efficiently and economically.

Although the Chief Constable is responsible for operational policing matters, direction of police personnel and making proper arrangements for the governance of the Constabulary, the PCC is required to hold him, and those under his direction and control, to account for the exercise of those functions. The PCC must therefore satisfy itself 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 aspirations set out in the PCC's Code of Corporate Governance are currently being met. It is informed by assurances set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and by ongoing internal and external audit and inspection opinion. The PCC's and OCC's principles of good governance are:

### **2.1 Focusing on the Policies of the PCC, on the outcomes for the community and creating and implementing a vision for the local area**

The priorities and strategic objectives of the PCC are reviewed on an ongoing basis and are set out in the PCC's Police and Crime Plan. The PCC's Police and Crime Plan sets out key priority areas for the PCC based on her engagement with the public: protecting the most vulnerable from harm; local policing; ensuring the police have the right people, right culture and right equipment; and working effectively together with others to provide the most efficient and effective service as possible.

The PCC has engaged with the Chief Constable and the Constabulary when setting her priorities and agreeing an appropriate assurance framework to track delivery of the plan.

The OPCC has its own delivery plan which sets out the work of the OPCC to deliver the PCC's priorities and a business plan which describes the PCC's vision and values focusing on value for money, the efficient and effective use of funds and delivery of services to the public to meet the priorities set out in the PCC's plans. In order to achieve the strategic aims, the PCC is committed to collaboration and partnership working, listening to community views and reflecting these in policing priorities, ongoing and visible community engagement and consultation, promoting equality, diversity, human rights and sustainability. The plan has taken account of relevant national guidance, legislation and policies.

The PCC chairs a monthly Police & Crime Board which is the forum for taking key decisions, holding the Chief Constable to account for his delivery of the Police & Crime Plan and tracking performance. Summary information from this meeting is published on the PCC's website.

The PCC has extended the term of the Chief Constable's appointment by three years starting from July 2017 to June 2020.

## **2.2 Ensuring PCC, Officers for the PCC and partners work together efficiently and effectively to achieve a common purpose with clearly defined functions and roles**

The PCC's scheme of governance including Standing Orders, Financial Regulations and Scheme of Delegation sets out a governance framework for the PCC, her officers and the Constabulary to work together. These documents were substantively reviewed and amended on transition to the PCC in November 2012 and updated again in 2014 to reflect the stage two transfer of staff to the Chief Constable.

The PCC chairs a monthly Police & Crime Board to track progress against the delivery of the Police & Crime Plan.

The PCC holds regular meetings with the Chief Constable, other senior officers and her senior leadership team to consider and scrutinize service delivery. The PCC and OCC have agreed a joint vision to give clarity to their roles and responsibilities.

The PCC has allocated senior leads from the OPCC team to oversee the activity of the OPCC for each of her four key priority areas. This includes scrutiny of the actions and outcomes of the Constabulary and commissioning other service providers. Delivery plan meetings are held regularly chaired by the PCC's CEO to consider emerging opportunities and threats, service delivery, funding matters, commissioning outcomes and other developments.

The PCC has set out "working together" as one of Police & Crime Plan prime priorities and this work is a focus for the OPCC team including: collaboration with other Forces on operational policing and enabling services; collaboration with Fire Authorities; partnership working with Local Authorities and community safety groups in the area; and partnership working to improve the efficiency and effectiveness of the criminal justice system.

## **2.3 Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

The OPCC has implemented a code of conduct that encompasses the code of conduct issued by the College of Policing. The PCC has adopted an ethical framework in accordance with national best practice which also encompasses the code of conduct issued by the College of Policing.

The PCC has agreed and published values for her office. The OPCC has published policies and procedures covering: appeals; attendance; bullying & harassment; capability; discipline; data protection; equal opportunities; grievance; health & safety; performance & development; and safeguarding & whistleblowing.

The PCC maintains scrutiny of the Constabulary's Professional Standards and continues to oversee the Constabulary's complaints process. All new Constabulary employees are given a briefing on force standards and ethical behaviour and practices, whilst Professional Standards form a component of leadership training. New PCC staff receive an induction which includes a briefing on the code of conduct.



### **Independent Residents Panel**

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

### **Taser panel and scrutiny of use of police powers**

The PCC established in the year a new panel to scrutinise the use of Taser by the Constabulary by dip sampling cases and thematic review. Following the success of this panel, the PCC plans to introduce in 2017 a new panel with wider remit and terms of reference to scrutinise the wider use of police powers which will cover Stop & Search, Taser, other use of force and BWV.

The PCC has been a member of the Constabulary Ethics Committee which seeks to deliver a program of cultural change and provides a forum to address ethical issues.

## **2.4 Ensuring compliance with laws and regulations**

All decision making is carried out in accordance with the PCC's Governance framework including the Scheme of Governance, Standing Orders and Financial Regulations.

The Governance arrangements ensure that key decisions taken by the PCC are documented and published alongside all supporting information. In addition, performance reports and notes of other portfolio update meetings are made available on the PCC's website.

The PCC is complying with the requirements of the Elected Local Policing Bodies (Specified Information) Order 2011, best practice recommended for the sector, and the Freedom of Information Act 2000 model publication scheme, which set out the responsibilities and recommendations of Police and Crime Commissioners to publish information.

The PCC was awarded the OPCC Transparency Quality Mark by CoPaCC in December 2016.

The PCC also takes account of their statutory obligations and key legislative/policy developments in setting out the plans and priorities.

The PCC considers risk management in discharging all core functions. Compliance with statutory and other regulations is a core risk element that is assessed in the PCC's risk register. The PCC's strategic risk register and detailed operational issues log remain live documents and are routinely considered at all key meetings, including the Joint Audit Committee ("JAC").

## **2.5 Effective and efficient management of human resources**

The PCC has a policy of six-monthly Performance and Development Reviews (PDR) in place.

PCC staff undergo a broad programme of development in order to build capacity, resilience and continuity. Training and development activity has included specially commissioned seminars, local and regional and partnership training events, presentations by the Constabulary and attendance at relevant conferences and workshops.

The PCC conducts an annual staff survey and implements a programme of work to address issues raised which is scrutinized in team meetings

The PCC will undertake specific training as required for the emerging challenges of this new role and also benefits from forum meetings with other PCC's, membership of the Association of Police and Crime Commissioners (APCC) and input to senior OPCC officers from the Police and Crime Commissioners Treasurers' Society (PACCTS).

## **2.6 Engaging with local people and other stakeholders to ensure robust public accountability**

Key activities included attendance at high profile community events during the summer, meeting business leaders and business organisations, meeting charities, community groups and other key partners on a regular basis, holding public forum meetings and a series of surveys to discuss and seek views on budget and precept options.

The PCC has been awarded “Highly Commended” for public engagement from CoPaCC, a national organisation which compares Police and Crime Commissioners.

An Out of Court Disposal Scrutiny Panel has been successfully established and brings together professionals from criminal justice agencies, victims and independent members to review the use of out of court disposals.

### **Service Delivery Assurance**

The PCC and members of her team hold a series of service delivery assurance audits which focus on reviewing the Constabulary’s service delivery as evidenced in case files.

### **Partner Engagement Meetings**

The PCC meets regularly with MPs, leaders of local authorities and other key stakeholders in Avon and Somerset. The PCC has agreed an approach with the local Community Safety Partnerships (CSP) to joint planning and monitoring effective delivery of projects commissioned through the Community Safety Grant at CSP meetings.

A similar approach of agreeing appropriate agenda items is taken with the Avon and Somerset Health and Wellbeing Boards.

The PCC or a member of her team attends the local Criminal Justice Board and the Regional Criminal Justice Board.

The PCC or senior members of her OPCC team meet regularly with the Chairs of local independent safeguarding adults/children’s boards to improve multiagency working for vulnerable people.

### **Regional Representation**

The PCC and Chief Constable meet regularly with the other four regional PCCs and Chief Constables in the South West of England to seek ways to enhance regional cooperation and collaboration.

### **National Representation**

The PCC is a member of the National Association of Police and Crime Commissioners - through this access is gained to various national agencies and groups. The Commissioner represents PCCs on the national Policing Oversight Group, which is a national group of strategic police leaders.

## **2.7 Financial controls, accuracy and reliability of published statements**

Financial control involves the existence of a control structure which ensures that all resources are used as efficiently and effectively as possible to attain the PCC’s overall objectives and targets. Internal financial control systems are in place to minimize the risk of loss, unlawful expenditure or poor value for money, and to maximize the use of the PCC’s assets and limited resources.

The PCC’s and Constabulary’s financial management and performance reporting framework follows national and/or professional best practice and its key elements are set out below:

- Financial Regulations establish the principles of financial control. They are designed to ensure that the PCC conducts its financial affairs in a way which complies with statutory provision and reflects best professional practice. Standing



Orders set out the rules to be followed in respect of contracts for the supply of goods and services;

- Responsibility and accountability for resources rest with managers who are responsible for their allocated budgets and their service provision;
- The PCC has adopted the CIPFA Code of Practice on Treasury Management requiring the PCC to consider, approve and publish an annual treasury management strategy including an annual investment strategy HMIC 'PEEL' inspection;
- In accordance with the Prudential Code and best accounting practice the Constabulary and PCC produce a rolling four-year Medium Term Financial Plan (MTFP) and a five-year capital programme. These are considered on an ongoing basis and form the core of further detailed deliberation on setting the precept level, the annual revenue budget and capital programme;
- The MTFP and supporting working are published and include full provision for inflation, known commitments and other expenditure items which the PCC and Chief Constable have identified as necessary to deliver the national policing requirements and the PCC's police and crime plan;
- The revenue budget is published and provides an estimate of the annual income and expenditure requirements for the police service and sets out the financial implications of the PCC's policies. It provides chief officers with the authority to incur expenditure and a basis on which to monitor the financial performance of the PCC;
- The PCC presents her precept proposals to the Police & Crime Panel (PCP) by the end of February for their consideration and considers their recommendations, prior to finalising the budget and precept in March;
- Capital expenditure published and the PCC considers and then approves a capital programme each year and monitors its implementation and funding closely at Joint Finance meetings;
- The PCC has established an oversight framework and set of principles for projects designed to deliver the savings required to meet reduced levels of funding from the latest Comprehensive Spending Review (CSR);
- The PCC has approved a balanced budget for 2017/2018 with a 1.99% increase in council tax precept and identified a much reduced forecast budget deficit of £5m to close for the next four years thereafter. This is after £15m of planned savings have been agreed with the Constabulary;
- The work to identify savings will include the Constabulary's revised operating model, as well as investment in estates and technology to make delivery of policing better and more efficient. Collaboration and alliance programmes with other police forces, local partners and other blue light services are an increasingly important element of future savings plans;
- Quarterly financial performance reports are presented to the PCC at the Police & Crime Board, and are published through the PCC's website enabling wider scrutiny of financial performance by the public;
- Savings to date have been achieved on or ahead of plan and the resulting under spends in previous years have been used to secure provisions and reserves to meet risk assessed and actuarially assessed levels as well as funding the costs of change.

### **3 Review of Effectiveness**

The PCC has a 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, information gathered from PCC and

Constabulary senior management, external audit opinions and reviews conducted by other agencies and inspectorates.

For 2016/2017 these considerations took account of:

- the internal auditor's reports to the Joint Audit Committee (JAC) throughout the year and their annual report to JAC;
- external auditors' comments reported at JAC meetings;
- the HMIC 'PEEL' inspection;
- the Force Strategic Risk Register;
- the PCC's Strategic Risk Register;
- the Outturn position for 2016/2017 that delivered savings as planned; and
- the planning and development of the MTFP for 2017/2018 and the following four years.

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

## **4 Governance, assurance and risk**

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

### **Joint Audit Committee (JAC)**

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

The number of committee members, excluding the Chair, of the JAC has reduced from four to three during the year.

The JAC Chair has been appointed for a second term beginning December 2017 until December 2021.

### **HMIC PEEL inspections 2016**

The HMIC Peel 2016 inspections rated the Constabulary as "Good" in the three core inspection themes of Effectiveness, Legitimacy and Efficiency (value for money).

HMIC reported that they are "very pleased with the overall performance of Avon and Somerset Constabulary" and were particularly impressed by the Force's comprehensive understanding of the existing demand for its services.

HMIC found that Avon and Somerset Constabulary is adept at restructuring and modernising its workforce to meet future needs.

In summary HMIC reported that the Force provides a good level of service to the people of Avon and Somerset and has maintained and in some respects improved its performance since the previous assessment.

The PCC and the Chief Constable are pleased with the progress being made since the previous year's HMIC PEEL inspections and recognise that there is still more to be done to meet the vision of being an outstanding police service.

The areas identified within the 2016 HMIC inspection for further improvement are:

- Improving the approach to tackling organised crime groups;
- Improving further the accuracy of crime recording;
- Continuing to improve custody arrangements.

## Internal Audit Programme 2016/2017

The report of our internal auditors supports the conclusion that our arrangements for governance, risk management and control are adequate and effective. This financial year, the Internal Audit providers completed six substantive audits and presented two advisory reports and conducted follow-up work on previous audits.

This year's Internal Audit opinion, which is based on the 12 months ended 31 March 2017, reports that the PCC and OCC have an adequate and effective framework for risk management, governance, and internal control. In particular "green" substantial assurance was awarded against audit work completed in the key area of financial control.

The internal audit work and wider work of the JAC has highlighted improvement since last year in the vital area of risk management which was identified for improvement in last year's internal audit work. The JAC has reported good improvements in the systems and processes of risk identification, risk management, risk reporting, and risk mitigation.

The most significant improvements recommended by internal audit are being addressed by PCC and Constabulary and are:

- To improve the recording of 'outcomes' on the Force crime recording systems with two high priority recommendations and seven medium priority recommendations;
- To improve compliance with frameworks to enhance effectiveness of controls in place.

Internal audit noted that application and compliance with controls have a cultural and leadership element and this is being addressed by the introduction of a number of new leadership programmes.

### Risk assessment

Risk is maintained under constant review and set out in the PCC's and Constabulary's risk registers. These are formally reviewed at each JAC meeting and inform prioritisation of work at the PCC's Police & Crime Board and the Chief Constable's management board.

The JAC has worked with internal audit and the PCC and Constabulary to improve risk mapping and risk assurance and internal audit have commented positively on these changes.

The most significant persistent risks concern managing future budget pressures including risks that may arise from a new police funding formula; managing change; and responding to new and emerging police demands.

## 5 Conclusion

No system of internal control can provide absolute assurance against material misstatement or loss; this statement is intended to provide reasonable assurance.

However, on the basis of the review of the sources of assurance set out in this statement, we are satisfied that the PCC for Avon and Somerset has in place satisfactory and adequate systems of internal control which facilitate the effective exercise of their functions and which include arrangements for good governance and for the control, mitigation, and management of risk.



**Sue Mountstevens**  
Police & Crime Commissioner  
for Avon and Somerset  
17 July 2017



**J Smith**  
Chief Executive to PCC  
for Avon and Somerset  
17 July 2017

# Police & Crime Commissioner for Avon & Somerset

## Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

Gross Expenditure £'000	Re-stated Gross Income £'000	2015/2016 £'000	Comprehensive Income and Expenditure Statement - Group	Gross Expenditure £'000	Gross Income £'000	2016/2017 £'000
			<b>Expenditure</b>			
360,029	-39,743	320,286	Police Services - OCC	344,353	-41,650	302,703
1,381	0	1,381	OPCC	1,270	0	1,270
4,026	-2,496	1,530	Commissioning costs	4,370	-2,885	1,485
<b>365,436</b>	<b>-42,239</b>	<b>323,197</b>	<b>Net cost of police services</b>	<b>349,993</b>	<b>-44,535</b>	<b>305,458</b>
		240	Gain(-)/loss on disposal of non-current assets			-151
		<b>240</b>	<b>Other operating expenditure</b>			<b>-151</b>
		6,154	External interest payable			6,232
		-556	Interest and investment income			-401
		104,730	Net interest on pensions			110,292
			<b>Financial and investment income and expenditure</b>			<b>116,123</b>
		<b>110,328</b>				
		-105,624	Police - revenue grant			-105,022
		-56,815	Ex-DCLG formula funding			-56,491
		-2,447	Capital grant and contributions			-1,939
		-3,331	Council tax freeze grant			-3,331
		-11,378	Local council tax support grant			-11,378
44,322	-44,322	0	Police pension top-up grant (note 19)	50,340	-50,340	0
		-93,851	Council tax - local authorities (note 10)			-97,362
		<b>-273,446</b>	<b>Taxation and non-specific grant income</b>			<b>-275,523</b>
		<b>160,319</b>	<b>Surplus(-)/deficit on provision of services</b>			<b>145,907</b>
			Re-measurement of pension assets and liabilities (note 18)			655,951
		-331,176	Return on pensions assets (note 18)			-52,217
		6,052	Gain on revaluation			-5,097
		-6,530				
		<b>-331,654</b>	<b>Other comprehensive income and expenditure</b>			<b>598,637</b>
		<b>-171,335</b>	<b>Total comprehensive income and expenditure</b>			<b>744,544</b>

*Sue Mountstevens*

**Sue Mountstevens**  
Police and Crime Commissioner  
17 July 2017

*Mark Simmonds*

**Mark Simmonds BSc (Hons), ACA**  
Chief Finance Officer to PCC  
17 July 2017

# Police & Crime Commissioner for Avon & Somerset

## PCC Comprehensive Income and Expenditure Statement for the year ended 31 March 2016

Restated Comprehensive Income and Expenditure Statement - PCC	OCC Expenditure £'000	OCC Income £'000	OCC Total £'000	PCC Expenditure £'000	PCC Income £'000	PCC Total £'000	Group 2015/2016 £'000
<b>Expenditure</b>							
Police Services - OCC	360,029	-39,743	320,286	0	0	0	320,286
OPCC	0	0	0	1,381	0	1,381	1,381
Commissioning costs	0	0	0	4,026	-2,496	1,530	1,530
<b>Net cost of police services before funding</b>	<b>360,029</b>	<b>-39,743</b>	<b>320,286</b>	<b>5,407</b>	<b>-2,496</b>	<b>2,911</b>	<b>323,197</b>
Intragroup adjustment	-360,029	39,743	-320,286	360,029	-39,743	320,286	0
<b>Net cost of police services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>365,436</b>	<b>-42,239</b>	<b>323,197</b>	<b>323,197</b>
Gain(-)/loss on disposal of non-current assets						240	240
<b>Other operating expenditure</b>						<b>240</b>	<b>240</b>
External interest payable						6,154	6,154
Interest and investment income						-556	-556
Net interest on pensions	104,730	0	104,730			0	104,730
Intragroup adjustment (pension interest cost)	-104,730	0	-104,730	104,730		104,730	0
<b>Financial and investment income and expenditure</b>						<b>110,328</b>	<b>110,328</b>
Police - revenue grant						-105,624	-105,624
Ex-DCLG formula funding						-56,815	-56,815
Capital grant and contributions						-2,447	-2,447
Council tax freeze grant						-3,331	-3,331
Local council tax support grant						-11,378	-11,378
Police pension top-up grant (note 19)	44,322	-44,322	0			0	0
Council tax - local authorities (note 10)						-93,851	-93,851
Intragroup adjustment (Re-measurement of pension assets and liabilities)	325,124		325,124	-325,124		-325,124	0
<b>Taxation and non-specific grant income</b>			<b>325,124</b>			<b>-598,570</b>	<b>-273,446</b>
<b>Surplus(-)/deficit on provision of services</b>	<b>369,446</b>	<b>-44,322</b>	<b>325,124</b>			<b>-164,805</b>	<b>160,319</b>
Re-measurement of pension assets and liabilities (note 18)	0	-331,176	-331,176			0	-331,176
Return on pensions assets (note 18)	6,052	0	6,052			0	6,052
Gain on revaluation	0	0	0			-6,530	-6,530
<b>Other comprehensive income and expenditure</b>	<b>6,052</b>	<b>-331,176</b>	<b>-325,124</b>			<b>-6,530</b>	<b>-331,654</b>
<b>Total comprehensive income and expenditure</b>	<b>375,498</b>	<b>-375,498</b>	<b>0</b>			<b>-171,335</b>	<b>-171,335</b>

# Police & Crime Commissioner for Avon & Somerset

## PCC Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

Comprehensive Income and Expenditure Statement - PCC	OCC Expenditure £'000	OCC Income £'000	OCC Total £'000	PCC Expenditure £'000	PCC Income £'000	PCC Total £'000	Group 2016/2017 £'000
<b>Expenditure</b>							
Police Services - OCC	344,353	-41,650	302,703	0	0	0	302,703
OPCC	0	0	0	1,270	0	1,270	1,270
Commissioning costs	0	0	0	4,370	-2,885	1,485	1,485
<b>Net cost of police services before funding</b>	<b>344,353</b>	<b>-41,650</b>	<b>302,703</b>	<b>5,640</b>	<b>-2,885</b>	<b>2,755</b>	<b>305,458</b>
Intragroup adjustment	-344,353	41,650	-302,703	344,353	-41,650	302,703	0
<b>Net cost of police services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>349,993</b>	<b>-44,535</b>	<b>305,458</b>	<b>305,458</b>
Gain(-)/loss on disposal of non-current assets						-151	-151
<b>Other operating expenditure</b>						<b>-151</b>	<b>-151</b>
External interest payable						6,232	6,232
Interest and investment income						-401	-401
Net interest on pensions	110,292	0	110,292				110,292
Intragroup adjustment (pension interest cost)	-110,292	0	-110,292	110,292		110,292	0
<b>Financial and investment income and expenditure</b>						<b>116,123</b>	<b>116,123</b>
Police - revenue grant						-105,022	-105,022
Ex-DCLG formula funding						-56,491	-56,491
Capital grant and contributions						-1,939	-1,939
Council tax freeze grant						-3,331	-3,331
Local council tax support grant						-11,378	-11,378
Police pension top-up grant (note 19)	50,340	-50,340	0			0	0
Council tax - local authorities (note 10)						-97,362	-97,362
Intragroup adjustment (Re-measurement of pension assets and liabilities)	-603,734	0	-603,734	603,734		603,734	0
<b>Taxation and non-specific grant income</b>			<b>-603,734</b>			<b>328,211</b>	<b>-275,523</b>
<b>Surplus(-)/deficit on provision of services</b>	<b>-553,394</b>	<b>-50,340</b>	<b>-603,734</b>			<b>749,641</b>	<b>145,907</b>
Re-measurement of pension assets and liabilities (note 18)	655,951	0	655,951			0	655,951
Return on pensions assets (note 18)	-52,217	0	-52,217			0	-52,217
Gain on revaluation	0	0	0			-5,097	-5,097
<b>Other comprehensive income and expenditure</b>	<b>603,734</b>	<b>0</b>	<b>603,734</b>			<b>-5,097</b>	<b>598,637</b>
<b>Total comprehensive income and expenditure</b>	<b>50,340</b>	<b>-50,340</b>	<b>0</b>			<b>744,544</b>	<b>744,544</b>

*Sue Mountstevens*

**Sue Mountstevens**  
Police and Crime Commissioner  
17 July 2017

*Mark Simmonds*

**Mark Simmonds BSc (Hons), ACA**  
Chief Finance Officer to PCC  
17 July 2017

# Police & Crime Commissioner for Avon & Somerset

## Group Expenditure and Funding Analysis Note for the year ended 31 March 2017

Net expenditure chargeable to general fund £'000	2015/2016 Adjustment between accounting and funding basis £'000	Net expenditure in the comprehensive I & E £'000	Group Expenditure and Funding Analysis	Net expenditure chargeable to general fund £'000	2016/2017 Adjustment between accounting and funding basis £'000	Net expenditure in the comprehensive I & E £'000
267,444	52,842	320,286	Police Services - OCC	271,375	31,328	302,703
1,381	0	1,381	OPCC	1,270	0	1,270
1,530	0	1,530	Commissioning costs	3,430	-1,945	1,485
<b>270,355</b>	<b>52,842</b>	<b>323,197</b>	<b>Net cost of police services</b>	<b>276,075</b>	<b>29,383</b>	<b>305,458</b>
0	240	240	Gain(-)/loss on disposal of non-current assets	0	-151	-151
<b>0</b>	<b>240</b>	<b>240</b>	<b>Other operating expenditure</b>	<b>0</b>	<b>-151</b>	<b>-151</b>
0	6,154	6,154	External interest payable	0	6,232	6,232
0	-556	-556	Interest and investment income	0	-401	-401
0	104,730	104,730	Net interest on pensions	0	110,292	110,292
<b>0</b>	<b>110,328</b>	<b>110,328</b>	<b>Financial and investment income and expenditure</b>	<b>0</b>	<b>116,123</b>	<b>116,123</b>
-105,624	0	-105,624	Police - revenue grant	-105,022	0	-105,022
-56,815	0	-56,815	Ex-DCLG formula funding	-56,491	0	-56,491
0	-2,447	-2,447	Capital grant and contributions	0	-1,939	-1,939
-3,331	0	-3,331	Council tax freeze grant	-3,331	0	-3,331
-11,378	0	-11,378	Local council tax support grant	-11,378	0	-11,378
-94,090	239	-93,851	Council tax - local authorities	-97,908	546	-97,362
0	0	0	Commissioning of victim support services grant	-1,945	1,945	0
<b>-271,238</b>	<b>-2,208</b>	<b>-273,446</b>	<b>Taxation and non-specific grant income</b>	<b>-276,075</b>	<b>552</b>	<b>-275,523</b>
<b>-271,238</b>	<b>108,360</b>	<b>-162,878</b>		<b>-276,075</b>	<b>116,524</b>	<b>-159,551</b>
<b>-883</b>	<b>161,202</b>	<b>160,319</b>	<b>Surplus(-)/deficit on provision of services</b>	<b>0</b>	<b>145,907</b>	<b>145,907</b>
43,248			Opening balance of general fund	39,739		
-3,509			Transfers from reserves made in year	-2,616		
<b>39,739</b>			<b>Closing balance of general fund</b>	<b>37,123</b>		



# Police & Crime Commissioner for Avon & Somerset

## PCC Expenditure and Funding Analysis Note for the year ended 31 March 2017

Net expenditure chargeable to general fund £'000	2015/2016 Adjustment between accounting and funding basis £'000	Net expenditure in the comprehensive I & E £'000	PCC Expenditure and Funding Analysis	Net expenditure chargeable to general fund £'000	2016/2017 Adjustment between accounting and funding basis £'000	Net expenditure in the comprehensive I & E £'000
1,381	0	1,381	OPCC	1,270	0	1,270
1,530	0	1,530	Commissioning costs	3,430	-1,945	1,485
267,444	52,842	320,286	Intragroup adjustment	271,375	31,328	302,703
<b>270,355</b>	<b>52,842</b>	<b>323,197</b>	<b>Net cost of police services</b>	<b>276,075</b>	<b>29,383</b>	<b>305,458</b>
0	240	240	Gain(-)/loss on disposal of non-current assets	0	-151	-151
<b>0</b>	<b>240</b>	<b>240</b>	<b>Other operating expenditure</b>	<b>0</b>	<b>-151</b>	<b>-151</b>
0	6,154	6,154	External interest payable	0	6,232	6,232
0	-556	-556	Interest and investment income	0	-401	-401
0	104,730	104,730	Intragroup adjustment (Pension interest cost)	0	110,292	110,292
<b>0</b>	<b>110,328</b>	<b>110,328</b>	<b>Financial and investment income and expenditure</b>	<b>0</b>	<b>116,123</b>	<b>116,123</b>
-105,624	0	-105,624	Police - revenue grant	-105,022	0	-105,022
-56,815	0	-56,815	Ex-DCLG formula funding	-56,491	0	-56,491
0	-2,447	-2,447	Capital grant and contributions	0	-1,939	-1,939
-3,331	0	-3,331	Council tax freeze grant	-3,331	0	-3,331
-11,378	0	-11,378	Local council tax support grant	-11,378	0	-11,378
-94,090	239	-93,851	Council tax - local authorities	-97,908	546	-97,362
0	0	0	Commissioning of victim support services grant	-1,945	1,945	0
0	-325,124	-325,124	Intragroup adjustment (Re-measurement of pension assets & liabilities)	0	603,734	603,734
<b>-271,238</b>	<b>-327,332</b>	<b>-598,570</b>	<b>Taxation and non-specific grant income</b>	<b>-276,075</b>	<b>604,286</b>	<b>328,211</b>
<b>-271,238</b>	<b>-216,764</b>	<b>-488,002</b>		<b>-276,075</b>	<b>720,258</b>	<b>444,183</b>
<b>-883</b>	<b>-163,922</b>	<b>-164,805</b>	<b>Surplus(-)/deficit on provision of services</b>	<b>0</b>	<b>749,641</b>	<b>749,641</b>
43,248			Opening balance of general fund	39,739		
-3,509			Transfers from reserves made in year	-2,616		
<b>39,739</b>			<b>Closing balance of general fund</b>	<b>37,123</b>		



# Police & Crime Commissioner for Avon & Somerset

## Group Movement in Reserves Statement 2015/2016 and 2016/2017

Restated Movement in reserves statement 2015/2016					
	Revenue General Fund £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total £'000
<b>Balance as at 31 March 2015</b>	<b>43,248</b>	<b>17,009</b>	<b>60,257</b>	<b>-3,117,326</b>	<b>-3,057,069</b>
Total comprehensive income and expenditure	-160,319	0	-160,319	331,654	171,335
Adjustments between accounting & funding basis under regulations	156,810	-5,431	151,379	-151,136	243
Increase/decrease(-) in 2015/2016	-3,509	-5,431	-8,940	180,518	171,578
<b>Balance as at 31 March 2016</b>	<b>39,739</b>	<b>11,578</b>	<b>51,317</b>	<b>-2,936,808</b>	<b>-2,885,491</b>

Movement in reserves statement 2016/2017					
	Revenue General Fund £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total £'000
<b>Balance as at 31 March 2016</b>	<b>39,739</b>	<b>11,578</b>	<b>51,317</b>	<b>-2,936,808</b>	<b>-2,885,491</b>
Total comprehensive income and expenditure	-145,907	0	-145,907	-598,637	-744,544
Adjustments between accounting & funding basis under regulations	143,291	-4,429	138,862	-137,304	1,558
Increase/decrease(-) in 2016/2017	-2,616	-4,429	-7,045	-735,941	-742,986
<b>Balance as at 31 March 2017</b>	<b>37,123</b>	<b>7,149</b>	<b>44,272</b>	<b>-3,672,749</b>	<b>-3,628,477</b>

More details on the movement in reserves statement are disclosed in note 7.

# Police & Crime Commissioner for Avon & Somerset

## PCC Movement in Reserves Statement 2015/2016 and 2016/2017

Restated Movement in reserves statement 2015/2016					
	Revenue General Fund £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total £'000
<b>Balance as at 31 March 2015</b>	<b>43,248</b>	<b>17,009</b>	<b>60,257</b>	<b>-3,117,326</b>	<b>-3,057,069</b>
Total comprehensive income and expenditure	164,805	0	164,805	6,530	171,335
Adjustments between accounting & funding basis under regulations	-168,314	-5,431	-173,745	173,988	243
Increase/decrease(-) in 2015/2016	-3,509	-5,431	-8,940	180,518	171,578
<b>Balance as at 31 March 2016</b>	<b>39,739</b>	<b>11,578</b>	<b>51,317</b>	<b>-2,936,808</b>	<b>-2,885,491</b>

Movement in reserves statement 2016/2017					
	Revenue General Fund £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total £'000
<b>Balance as at 31 March 2016</b>	<b>39,739</b>	<b>11,578</b>	<b>51,317</b>	<b>-2,936,808</b>	<b>-2,885,491</b>
Total comprehensive income and expenditure	-749,641	0	-749,641	5,097	-744,544
Adjustments between accounting & funding basis under regulations	747,025	-4,429	742,596	-741,038	1,558
Increase/decrease(-) in 2016/2017	-2,616	-4,429	-7,045	-735,941	-742,986
<b>Balance as at 31 March 2017</b>	<b>37,123</b>	<b>7,149</b>	<b>44,272</b>	<b>-3,672,749</b>	<b>-3,628,477</b>

More details on the movement in reserves statement are disclosed in note 7.

# Police & Crime Commissioner for Avon & Somerset

## Balance Sheet as at 31 March 2017

Note that the intragroup liability has been removed on consolidation at the group level. These financial statements replace the unaudited financial statements certified by the chief financial officer on 1 June 2017.

OCC £'000	PCC £'000	Group 2016 £'000	Balance Sheet	OCC £'000	PCC £'000	Group 2017 £'000	Notes
			<b>Property, plant and equipment</b>				21
0	154,687	154,687	Land and buildings	0	163,891	163,891	
0	25,060	25,060	Vehicles, plant and equipment	0	21,227	21,227	
0	4,242	4,242	Assets under construction	0	4,323	4,323	
<b>0</b>	<b>705</b>	<b>705</b>	<b>Intangible fixed assets</b>	<b>0</b>	<b>1,132</b>	<b>1,132</b>	
			<b>Long term assets</b>				
0	58	58	Loans to officers	0	46	46	23
0	1,009	1,009	Prepayments	0	696	696	24
0	1	1	Shares in Southwest One Ltd	0	1	1	25
0	3,000	3,000	Long term investments	0	3,000	3,000	
3,021,960	0	0	Long term liability - Intragroup adj	3,760,091	0	0	
244,689	0	244,689	Police staff pension assets	310,013	0	310,013	20
<b>3,266,649</b>	<b>188,762</b>	<b>433,451</b>	<b>Total non-current assets</b>	<b>4,070,104</b>	<b>194,316</b>	<b>504,329</b>	
0	509	509	Inventories (stock)	0	591	591	
0	21,750	21,750	Short term investments	0	16,000	16,000	
0	28,292	28,292	Debtors and payments in advance	6,437	30,563	37,000	26
0	26,623	26,623	Cash and cash equivalents	0	17,212	17,212	27
0	5,873	5,873	Assets held for sale	0	5,413	5,413	28
9,609	0	0	Intragroup debtor	10,808	6,437	0	
<b>9,609</b>	<b>83,047</b>	<b>83,047</b>	<b>Total current assets</b>	<b>17,245</b>	<b>76,216</b>	<b>76,216</b>	
0	-1,392	-1,392	Bank overdraft	0	-170	-170	
0	-7,492	-7,492	Short term borrowings	0	-3,709	-3,709	29
-9,609	-18,133	-27,742	Creditors and receipts in advance	-7,997	-19,038	-27,035	30
0	-9,609	0	Intragroup creditor	-6,437	-10,808	0	
0	0	0	Short term provisions	-2,811	-99	-2,910	31
0	-1,329	-1,329	Short term PFI Lease liability	0	-1,485	-1,485	22
<b>-9,609</b>	<b>-37,955</b>	<b>-37,955</b>	<b>Total current liabilities</b>	<b>-17,245</b>	<b>-35,309</b>	<b>-35,309</b>	
0	-29,516	-29,516	Long term borrowing	0	-37,307	-37,307	29
-607	-7,550	-8,157	Provisions	0	-7,883	-7,883	31
0	-904	-904	Capital grants receipts in advance	0	-489	-489	
0	-59,415	-59,415	PFI liability	0	-57,930	-57,930	22
0	-3,021,960	0	Pension liability - intragroup adj	0	-3,760,091	0	
-3,266,042	0	-3,266,042	Pension liability	-4,070,104	0	-4,070,104	
<b>-3,266,649</b>	<b>-3,119,345</b>	<b>-3,364,034</b>	<b>Total long term liabilities</b>	<b>-4,070,104</b>	<b>-3,863,700</b>	<b>-4,173,713</b>	
<b>0</b>	<b>-2,885,491</b>	<b>-2,885,491</b>	<b>Net assets</b>	<b>0</b>	<b>-3,628,477</b>	<b>-3,628,477</b>	
0	51,317	51,317	Total usable reserves	0	44,272	44,272	7
0	-2,936,808	-2,936,808	Total unusable reserves	0	-3,672,749	-3,672,749	7
<b>0</b>	<b>-2,885,491</b>	<b>-2,885,491</b>	<b>Total reserves</b>	<b>0</b>	<b>-3,628,477</b>	<b>-3,628,477</b>	

*Sue Mountstevens*

**Sue Mountstevens**  
Police and Crime Commissioner  
17 July 2017

*Mark Simmonds*

**Mark Simmonds BSc (Hons), ACA**  
Chief Finance Officer to PCC  
17 July 2017

# Police & Crime Commissioner for Avon & Somerset

## Cash Flow Statement

OCC £'000	PCC £'000	Group 2015/2016 £'000	Cash Flow Statement	OCC £'000	PCC £'000	Group 2016/2017 £'000
325,124	-164,805	160,319	<b>Net surplus(-)/deficit on the provision of services</b>	-603,734	749,641	145,907
0	-19,232	-19,232	Depreciation and impairment of property, plant and equipment	0	-14,466	-14,466
0	-319	-319	Amortisation of intangible assets	0	-54	-54
9,839	-19	9,820	Increase(-)/decrease in provision charged back to service	2,204	308	2,512
-325,124	182,105	-143,019	Charges for retirement benefits in accordance with IAS 19	603,734	-738,738	-135,004
0	-4,753	-4,753	Carrying amounts of non-current assets sold	0	-1,073	-1,073
0	-11,217	-11,217	Other	0	-9,325	-9,325
-8,818	-1,948	-10,766	Increase/decrease(-) in long and short term debtors	-592	5,859	5,267
-1,021	5,677	4,656	Increase(-)/decrease in long and short term creditors	-1,612	2,501	889
0	-102	-102	Increase/decrease(-) in stock/WIP	0	82	82
<b>-325,124</b>	<b>150,192</b>	<b>-174,932</b>	<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>	<b>603,734</b>	<b>-754,906</b>	<b>-151,172</b>
0	4,513	4,513	Proceeds from the sale of property, plant and equipment	0	1,234	1,234
0	2,447	2,447	Capital grants credited to the surplus or deficit on the provision of service	0	1,939	1,939
<b>0</b>	<b>6,960</b>	<b>6,960</b>	<b>Adjust net surplus or deficit on the provision of services that are investing or financing activities</b>	<b>0</b>	<b>3,173</b>	<b>3,173</b>
<b>0</b>	<b>-7,653</b>	<b>-7,653</b>	<b>Net cash flows from operating activities</b>	<b>0</b>	<b>-2,092</b>	<b>-2,092</b>
0	16,275	16,275	Purchase of property, plant and equipment	0	15,899	15,899
0	-1,516	-1,516	Capital receipts	0	-903	-903
0	-2,447	-2,447	Capital grant/contribution income due for the year	0	-1,939	-1,939
0	-1,750	-1,750	Purchase of short & long term investments	0	-5,750	-5,750
0	-561	-561	Interest received	0	-403	-403
<b>0</b>	<b>10,001</b>	<b>10,001</b>	<b>Net cash flow from investing activities</b>	<b>0</b>	<b>6,904</b>	<b>6,904</b>
0	-222	-222	Bank overdraft	0	1,222	1,222
0	-5,000	-5,000	Loans taken out	0	-5,000	-5,000
0	5,792	5,792	Repayment of long term loans	0	992	992
0	1,224	1,224	Repayment of PFI liability	0	1,329	1,329
0	6,115	6,115	Interest paid	0	6,056	6,056
<b>0</b>	<b>7,909</b>	<b>7,909</b>	<b>Net cash flow from financing activities</b>	<b>0</b>	<b>4,599</b>	<b>4,599</b>
<b>0</b>	<b>10,257</b>	<b>10,257</b>	<b>Net increase(-)/decrease in cash and cash equivalents</b>	<b>0</b>	<b>9,411</b>	<b>9,411</b>
<b>0</b>	<b>-36,880</b>	<b>-36,880</b>	Cash and cash equivalents at the beginning of the reporting period	<b>0</b>	<b>-26,623</b>	<b>-26,623</b>
<b>0</b>	<b>-26,623</b>	<b>-26,623</b>	Cash and cash equivalents at the end of the reporting period	<b>0</b>	<b>-17,212</b>	<b>-17,212</b>

# Police & Crime Commissioner 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 2016/2017, 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.

#### 1.3 Council Tax

Council tax income included within the comprehensive income and expenditure statement includes our share of the surplus or deficits from other local authority collection funds.

#### 1.4 Government Grants

##### 1.4.1 Revenue Grant

Government grants are shown as income within the comprehensive income and expenditure statement and are used to fund the expenditure on policing activities.

##### 1.4.2 Capital Grant

Income received from the Home Office in respect of the capital grant is shown within the comprehensive income and expenditure statement. When the income is matched to the capital expenditure it is transferred to the capital adjustment account. Any unused capital grant has been allocated to the capital grant unapplied account within reserves. Capital grants with outstanding conditions attached have been transferred to the capital receipts in advance account.

##### 1.4.3 Specific Grants

Specific grant income is recognised immediately within the comprehensive income and expenditure statement on an accruals basis. If there are conditions outstanding to be achieved on the specific grants at the end of the financial year they are recognised as a creditor receipt in advance.

#### 1.5 Interest

External interest receivable on investments and the interest payable on borrowing are charged to the comprehensive income and expenditure statement.

## **1.6 Minimum Revenue Provision**

Under the Local Government and Housing Act 1989, we must charge a minimum revenue provision (MRP) to the comprehensive income and expenditure account to repay loans. The amount of this charge is calculated by reference to the useful life of the asset in respect of which the finance has been raised.

## **1.7 VAT**

Value-Added Tax is not included as income or expenditure of the PCC except where it is non-recoverable.

## **1.8 Employee Benefits**

### **1.8.1 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.

### **1.8.2 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.

### **1.8.3 Pension Benefits**

There are different pension arrangements for police officers and 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 was transferred to the Government.

Police staff including PCSOs are part of the Local Government Pension Scheme. Both the PCC 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 for both police officers and police staff 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.

### **1.8.4 Re-Measurement of Pension Assets 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.

## **1.9 Leased Assets**

All leases have been reviewed to determine if they are operational or finance leases.

- Finance leases - these are recognised where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. Property, plant and equipment held under finance lease is recognised as an asset on the balance sheet at the

commencement of the lease, matched by a liability for the obligation to pay the lessor;

- Operating leases - rents payable under operating leases are charged to the comprehensive income and expenditure statement.

All significant contracts or transactions have been reviewed for any 'embedded leases' (which convey the right to use an asset in return for a payment or series of payments). If embedded leases are found to exist they would be treated in line with formal leases as described above. No embedded leases have currently been identified.

## **1.10 Property, Plant and Equipment**

Expenditure on capital assets is recognised in the accounts when the work is carried out or when the asset has been delivered. The latest valuation was undertaken on 31 March 2016 by our internal Chartered Valuation Surveyor.

Properties are valued in the following ways using a current value basis:

- Existing use value where it could be shown that similar properties had recently been offered for sale or within an active market;
- Depreciated replacement cost (DRC) where an asset is of a specialist nature, such as police stations or where there is insufficient market based evidence of current value available. DRC valuations include the cost of replacing the asset and an allowance for the age of the asset. The value may be adjusted when the age and condition of the assets are taken into account.

In accordance with the requirements of the CIPFA code, the value of our assets is considered as at the balance sheet date in order to assess that the value presented is not materially different to that which would have been presented if a full valuation were carried out as at that date. A desktop review has been undertaken as at 31 March 2017 by the internal chartered valuation surveyor. As a result, an adjustment has been made to the value of assets if we assess there to be a material change in their value during the period between valuations.

All material differences in value, be they upwards, or downwards, are accounted for through the revaluation reserve. The next planned full valuation is going to be undertaken 31 March 2018.

When a valuation for an asset is undertaken, components of the asset are separately identified when the asset value is over £1,000,000 and the components value is over 20% of the total value of the asset. Components are identified as:

- Parts of the asset that can be disposed or replaced separately from other components of the assets; and/or
- Parts of the asset which have a different useful life to other components.

When assets are disposed the value of the asset on the balance sheet is written off to the comprehensive income and expenditure statement as part of the gain or loss on disposal. The reversal of this is shown within the movement in reserves statement so that there is no impact to council tax.

Vehicles and other non-property assets are carried in the balance sheet at depreciated historical cost. Assets under construction are carried at cost until the asset is made operational at which point they are classified accordingly and depreciation commences.

It is the PCC's policy not to capitalise expenditure on individual items with a cost of less than £12,000.

## **1.11 Depreciation**

All assets are depreciated except for land and assets under construction. The following policies are used:



- Depreciation on buildings is based upon information provided within the latest valuation report regarding the useful life of the buildings and their components, and is based on the 'straight-line' method. The straight line method writes off the value of an asset in equal annual instalments over the estimated useful economic life of the asset. The buildings are estimated to have useful lives up to 50 years. Once a building is operational and transferred from assets under construction depreciation commences on the building;
- The value of other assets such as vehicles, computers and other equipment falls steadily throughout their lives. These assets are expected to have shorter useful lives of up to seven years. The depreciation starts from the month of acquisition. Again the straight-line method of depreciation is used;
- Intangible assets are amortised using the straight-line method over the period the software is in use, which is typically four years. An exception to this is the SAP licence which is amortised over 25 years.

### **1.12 Impairments**

The PCC's properties are reviewed for impairment at the end of each financial year. Impairment could arise as the result of physical damage to a property or a general fall in prices. Where impairment is identified resulting from physical damage then the loss in value will be recognised in the comprehensive income and expenditure statement. Where impairment is identified resulting from a general fall in prices this will first be charged to the revaluation reserve to the extent that there are any previous gains in respect of the asset in question and thereafter in the comprehensive income and expenditure statement.

### **1.13 Assets Held for Sale**

When a property is actively being marketed for sale and is likely to be sold within the next 12 months then the property has been classified under current assets held for sale in the balance sheet.

When assets are classified as "held for sale" the asset value is shown at the lower of the carrying value and fair value of the asset less the disposal costs.

### **1.14 Private Finance Initiatives (PFI)**

The PCC entered into a private finance initiative with Blue Light Partnership where four facilities were constructed, including the provision of services and building maintenance over the 25 year contract. At the end of the contract the ownership of the properties will pass to the PCC for no additional charge. These properties, which are recognised on the balance sheet, are revalued and depreciated in the same way as property, plant & equipment owned by the PCC. The liability to pay for the cost of the capital investment to the Blue Light Partnership is recognised on the balance sheet.

The amounts payable to the Blue Light Partnership each year are analysed into the following elements:

- Fair value of services received during the year – this is charged to the net cost of Police services within the comprehensive income and expenditure statement;
- Finance cost – this is the interest charge on the outstanding balance sheet liability, shown within the financial and investment income and expenditure within the comprehensive income and expenditure statement;
- Contingent rent – increases in the amount to be paid for the property during the contract charged to the financial and investment income and expenditure within the comprehensive income and expenditure statement;
- Payment towards liability – this writes down the outstanding liability on the balance sheet.



### **1.15 Inventory Valuation**

Inventory held in respect of clothing, uniform, equipment and stationery is valued at moving average price.

Vehicle parts and petrol are valued at cost.

Certain low value miscellaneous items are treated as consumed stock and are not included as assets in the balance sheet.

### **1.16 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits repayable within 24 hours. Cash equivalents are investments with maturity date of no more than 3 months which are easily convertible into known amounts of cash and have insignificant risk of a change in value.

### **1.17 Short and Long Term Investments**

Investments are deposits with UK and overseas banks, building societies and local authorities. Short term investments are convertible to cash from between 3 months and one year of the balance sheet date. Long term investments are convertible to cash over one year from the balance sheet date. Surplus funds are managed on behalf of the PCC by Somerset County Council Treasury. Funds are invested in line with policy approved by the PCC.

### **1.18 Fair Value**

Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measured date. The PCC uses the most appropriate method of valuation within the hierarchy to assess the fair value.

Level 1 – Fair value is derived from quoted prices in an active market for identical assets or liabilities

Level 2 – The fair value is calculated from quoted prices that are observable from similar assets or liabilities

Level 3 – Fair value is determined from unobservable data where there is no market data available.

### **1.19 Financial Instruments**

#### **1.19.1 Financial Liabilities**

Financial liabilities comprise borrowings and creditors. These are recognised on the balance sheet when the PCC becomes a party to the contractual provisions and are initially measured at fair value and carried at their amortised cost. Annual charges to the comprehensive income and expenditure statement in respect of interest payable are based on the carrying value of the liability and the effective rate of interest contained in the loan agreement. In respect of borrowings the amounts included in the balance sheet are the outstanding principal repayments.

#### **1.19.2 Financial Loans and Receivables**

Financial loans and receivables comprise car loans made to employees, investments and debtors. They are recognised on the balance sheet when the PCC becomes party to the contractual provisions, and are initially measured at fair value and carried at amortised cost. Annual credits to the comprehensive income and expenditure statement for interest receivable are based on the carrying value of the investment multiplied by the effective rate of interest included in the loan agreement. Investments included in the balance sheet represent the outstanding principal amounts receivable. Debtors are impaired to reflect an assessment of the amounts likely to be irrecoverable.

## 1.20 Provisions

Provisions are made where an event has taken place that gives the PCC Group 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 PCC Group 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.

## 1.21 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the PCC Group 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 PCC Group. Contingent liabilities also arise in the situation where a provision would otherwise be made but where it is 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.

## 1.22 Reserves

The reserves that are held by the PCC are split between usable and unusable reserves on the balance sheet.

Usable reserves are amounts of money we keep to pay for future projects, and to protect against unexpected events. The useable reserves include:

- The general fund is risk assessed annually by the Chief Financial Officer of the PCC for the level of funds that the PCC needs to hold at the end of each financial year;
- Earmarked reserves are balances we hold to meet future expenditure in defined areas and within approved policies;
- The capital receipts reserve is where income is received from the sale of property, plant and equipment and held in reserve to fund new capital expenditure;
- The capital grant unapplied reserve holds grant income which will be used to fund future capital expenditure.

The unusable reserves include:

- The revaluation reserve, which represents the changes in the value of assets as a result of revaluation after 1 April 2007; revaluations made prior to the 31 March 2007 were transferred to the capital adjustment account below;
- The capital adjustment account absorbs the timing differences arising from the consumption of property, plant and equipment and for the financing of the acquisitions and enhancements of the assets under statutory provision. This account also includes any revaluation gain/loss prior to 1 April 2007;
- The collection fund adjustment account represents the PCC's share of the surplus or deficits on the local authorities' collection funds that have been charged to the comprehensive income and expenditure statement and reversed out to this account so there is no impact on the general fund;
- The short term compensated absences account represents outstanding employee benefits at the year end that have been earned and not taken during the year. The cost of these benefits has been charged to the comprehensive income and expenditure statement and then reversed to this account ensuring there is no impact on the council tax payer and the general fund.

### 1.23 Post Balance Sheet Events

These are events occurring after the balance sheet date 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 PCC's 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 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. These are offset by an intragroup adjustment. These are matched on the balance sheet of the OCC by an intragroup adjustment with the PCC.

## 3 Accounting Standards Issued But Not Adopted

The following accounting standards have been amended and not adopted until 2017/2018 and are unlikely to have a material impact on the financial statements.

- IAS 7 Statement of Cash Flows: The amendments to this standard relate to improved disclosures about the liabilities from financing activities.
- IAS 12 Income Tax: The amendments to this standard relate to the recognition of deferred taxes for unrealised losses.
- Amendment to the disclosures of pension investment transactions costs.

## 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 Liability - OCC

The estimation of the net liability 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 OCC with expert advice about the assumptions that have been applied.

Further information is included within notes 18 to 20 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.

<b>Police Officer Sensitivity Analysis</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	3,420,177	3,485,127	3,551,411
Projected service cost	64,523	66,105	67,728
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	3,492,825	3,485,127	3,477,469
Projected service cost	66,348	66,105	65,863
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	3,543,647	3,485,127	3,427,772
Projected service cost	67,483	66,105	64,763
<b>Adjustment to life expectancy assumptions</b>	<b>+1 year</b>	<b>None</b>	<b>-1 year</b>
Present value of total obligation	3,622,568	3,485,127	3,353,054
Projected service cost	68,213	66,105	64,062

<b>Police Staff Sensitivity Analysis</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	571,266	584,977	599,030
Projected service cost	26,502	27,261	28,043
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	587,527	584,977	582,452
Projected service cost	27,261	27,261	27,261
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	596,479	584,977	573,764
Projected service cost	28,043	27,261	26,500
<b>Adjustment to life expectancy assumptions</b>	<b>+1 year</b>	<b>None</b>	<b>-1 year</b>
Present value of total obligation	605,700	584,977	564,982
Projected service cost	28,130	27,261	26,418

## 4.2 Short and Long Term Provisions

In determining the provisions set aside at 31 March 2017 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 31 Short and Long Term Provisions.

## 4.3 Valuation of Assets

A desktop review was undertaken of the land and buildings as at 31 March 2017 and the value of the properties have been amended to reflect the updated values for the assets. Indices were used as part of the desktop review for the construction costs and local market information over the year. Valuation of land and buildings are of a subjective nature and could vary by +/-10%.

In assessing the fair value of the assets held for sale, the activity within the local property market was considered.

## 5 Events After the Balance Sheet Date

The Constabulary ended the Business Services aspect of its Southwest One arrangement with effect from 1 July 2017. Information Services will return on the initial contract expiry date (being 1 July 2018). There is no effect on the financial position as at 31 March 2017.

## 6 Expenditure and Funding Analysis

These notes provide further details on the adjustment between accounting and funding basis to support the Expenditure and Funding Analysis shown on page 30.

Capital Purposes £'000	2015/2016			Group Expenditure and Funding Analysis Adjustment between accounting & funding basis	Capital Purposes £'000	2016/2017		
	Pension Adjustment £'000	Other Adjustment £'000	Total Adjustment £'000			Pension Adjustment £'000	Other Adjustment £'000	Total Adjustment £'000
15,335	38,289	-782	52,842	Police Services - OCC	10,683	24,712	-4,067	31,328
0	0	0	0	Commissioning costs	0	0	-1,945	-1,945
<b>15,335</b>	<b>38,289</b>	<b>-782</b>	<b>52,842</b>	<b>Net cost of police services</b>	<b>10,683</b>	<b>24,712</b>	<b>-6,012</b>	<b>29,383</b>
240	0	0	240	Gain(-)/loss on disposal of non-current assets	-151	0	0	-151
<b>240</b>	<b>0</b>	<b>0</b>	<b>240</b>	<b>Other operating expenditure</b>	<b>-151</b>	<b>0</b>	<b>0</b>	<b>-151</b>
0	0	6,154	6,154	External interest payable	0	0	6,232	6,232
0	0	-556	-556	Interest and investment income	0	0	-401	-401
0	104,730	0	104,730	Net interest on pensions	0	110,292	0	110,292
<b>0</b>	<b>104,730</b>	<b>5,598</b>	<b>110,328</b>	<b>Financial and investment income and expenditure</b>	<b>0</b>	<b>110,292</b>	<b>5,831</b>	<b>116,123</b>
-2,447	0	0	-2,447	Capital grant and contributions	-1,939	0	0	-1,939
0	0	239	239	Council tax - local authorities	0	0	546	546
0	0	0	0	Commissioning of victim support services grant	0	0	1,945	1,945
<b>-2,447</b>	<b>0</b>	<b>239</b>	<b>-2,208</b>	<b>Taxation and non-specific grant income</b>	<b>-1,939</b>	<b>0</b>	<b>2,491</b>	<b>552</b>
<b>-2,207</b>	<b>104,730</b>	<b>5,837</b>	<b>108,360</b>		<b>-2,090</b>	<b>110,292</b>	<b>8,322</b>	<b>116,524</b>
<b>13,128</b>	<b>143,019</b>	<b>5,055</b>	<b>161,202</b>	<b>Difference between surplus on the general fund and deficit on the provision of services</b>	<b>8,593</b>	<b>135,004</b>	<b>2,310</b>	<b>145,907</b>

Capital Purposes £'000	2015/2016			PCC Expenditure and Funding Analysis Adjustment between accounting & funding basis	Capital Purposes £'000	2016/2017		
	Pension Adjustment £'000	Other Adjustment £'000	Total Adjustment £'000			Pension Adjustment £'000	Other Adjustment £'000	Total Adjustment £'000
0	0	0	0	Commissioning	0	0	-1,945	-1,945
15,335	38,289	-782	52,842	Intragroup adjustment	10,683	24,712	-4,067	31,328
<b>15,335</b>	<b>38,289</b>	<b>-782</b>	<b>52,842</b>	<b>Net cost of police services</b>	<b>10,683</b>	<b>24,712</b>	<b>-6,012</b>	<b>29,383</b>
240	0	0	240	Gain(-)/loss on disposal of non-current assets	-151	0	0	-151
<b>240</b>	<b>0</b>	<b>0</b>	<b>240</b>	<b>Other operating expenditure</b>	<b>-151</b>	<b>0</b>	<b>0</b>	<b>-151</b>
0	0	6,154	6,154	External interest payable	0	0	6,232	6,232
0	0	-556	-556	Interest & investment income	0	0	-401	-401
0	104,730	0	104,730	Intragroup adjustment (Pension interest cost)	0	110,292	0	110,292
<b>0</b>	<b>104,730</b>	<b>5,598</b>	<b>110,328</b>	<b>Financial and investment income and expenditure</b>	<b>0</b>	<b>110,292</b>	<b>5,831</b>	<b>116,123</b>
-2,447	0	0	-2,447	Capital grant and contributions	-1,939	0	0	-1,939
0	0	239	239	Council tax - local authorities	0	0	546	546
0	0	0	0	Commissioning of victim support services grant	0	0	1,945	1,945
0	-325,124	0	-325,124	Intragroup adjustment (Re-measurement of pension assets & liabilities)	0	603,734	0	603,734
<b>-2,447</b>	<b>-325,124</b>	<b>239</b>	<b>-327,332</b>	<b>Taxation and non-specific grant income</b>	<b>-1,939</b>	<b>603,734</b>	<b>2,491</b>	<b>604,286</b>
<b>-2,207</b>	<b>-220,394</b>	<b>5,837</b>	<b>-216,764</b>		<b>-2,090</b>	<b>714,026</b>	<b>8,322</b>	<b>720,258</b>
<b>13,128</b>	<b>-182,105</b>	<b>5,055</b>	<b>-163,922</b>	<b>Difference between surplus on the general fund and deficit on the provision of services</b>	<b>8,593</b>	<b>738,738</b>	<b>2,310</b>	<b>749,641</b>

## 7 Notes to the Movement in Reserves Statement

These notes support the movement in reserves statement shown on page 32.

Restated Group Movement in Reserves Statement 2015/2016	Revenue General Fund £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Collect Fund Adjustment Account £'000	Revaluation Reserve £'000	Pensions Reserve Account £'000	Short Term Absences Account £'000	Capital Adjustment Account £'000	Total Unusable Reserves £'000
<b>Balance as at 31 March 2015</b>	<b>43,248</b>	<b>17,009</b>	<b>60,257</b>	<b>2,362</b>	<b>17,905</b>	<b>-3,203,458</b>	<b>-6,374</b>	<b>72,239</b>	<b>-3,117,326</b>
Total comprehensive income and expenditure	-160,319	0	-160,319	0	6,530	325,124	0	0	331,654
<b>Adjustments between accounting &amp; funding basis under regulations</b>									
<b>Reversal of items included to I&amp;E</b>									
Amortisation of intangible assets	319	0	319	0	0	0	0	-319	-319
Depreciation of non-current assets (note 21)	15,265	0	15,265	0	0	0	0	-15,265	-15,265
Revaluation loss	3,967	0	3,967	0	0	0	0	-3,967	-3,967
Capital grants and contributions	-2,447	0	-2,447	0	0	0	0	2,447	2,447
Council tax collection fund adjustment	239	0	239	-239	0	0	0	0	-239
Gain(-)/loss on disposal of non-current assets	240	4,513	4,753	0	-618	0	0	-4,135	-4,753
Holiday pay accrual adjustment	243	0	243	0	0	0	-243	0	-243
Net IAS 19 charge for retirement benefits	184,144	0	184,144	0	0	-184,144	0	0	-184,144
<b>Insert amounts excluded in I&amp;E</b>									
Minimum revenue provision (note 9)	-3,233	0	-3,233	0	0	0	0	3,233	3,233
Revenue contribution to finance capital	-743	0	-743	0	0	0	0	743	743
IAS 19 employers contributions payable	-41,125	0	-41,125	0	0	41,125	0	0	41,125
<b>Other adjustments include:</b>									
Use of capital receipts reserve to finance capital	0	-9,944	-9,944	0	0	0	0	9,944	9,944
Reserves used to finance capital	-199	0	-199	0	0	0	0	199	199
Reversed excluded from I&E e.g. DPR, air support	140	0	140	0	0	0	0	103	103
Increase/decrease(-) in 2015/2016	-3,509	-5,431	-8,940	-239	5,912	182,105	-243	-7,017	180,518
<b>Balance as at 31 March 2016</b>	<b>39,739</b>	<b>11,578</b>	<b>51,317</b>	<b>2,123</b>	<b>23,817</b>	<b>-3,021,353</b>	<b>-6,617</b>	<b>65,222</b>	<b>-2,936,808</b>



Group Movement in Reserves Statement 2016/2017	Revenue General Fund £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Collect Fund Adjustment Account £'000	Revaluation Reserve £'000	Pensions Reserve Account £'000	Short Term Absences Account £'000	Capital Adjustment Account £'000	Total Unusable Reserves £'000
<b>Balance as at 31 March 2016</b>	<b>39,739</b>	<b>11,578</b>	<b>51,317</b>	<b>2,123</b>	<b>23,817</b>	<b>-3,021,353</b>	<b>-6,617</b>	<b>65,222</b>	<b>-2,936,808</b>
Total comprehensive income and expenditure	-145,907	0	<b>-145,907</b>	0	5,097	-603,734	0	0	<b>-598,637</b>
<b>Adjustments between accounting &amp; funding basis under regulations</b>									
<b>Reversal of items included to I&amp;E</b>									
Amortisation of intangible assets	54	0	<b>54</b>	0	0	0	0	-54	<b>-54</b>
Depreciation of non-current assets (note 21)	15,442	0	<b>15,442</b>	0	0	0	0	-15,442	<b>-15,442</b>
Revaluation loss	-976	0	<b>-976</b>	0	0	0	0	976	<b>976</b>
Capital grants and contributions	-1,939	0	<b>-1,939</b>	0	0	0	0	1,939	<b>1,939</b>
Council tax collection fund adjustment	546	0	<b>546</b>	-546	0	0	0	0	<b>-546</b>
Gain(-)/loss on disposal of non-current assets	-151	1,234	<b>1,083</b>	0	-10	0	0	-1,073	<b>-1,083</b>
Holiday pay accrual adjustment	-420	0	<b>-420</b>	0	0	0	420	0	<b>420</b>
Net IAS 19 charge for retirement benefits	177,059	0	<b>177,059</b>	0	0	-177,059	0	0	<b>-177,059</b>
<b>Insert amounts excluded in I&amp;E</b>									
Minimum revenue provision (note 9)	-3,371	0	<b>-3,371</b>	0	0	0	0	3,371	<b>3,371</b>
Revenue contribution to finance capital	-618	0	<b>-618</b>	0	0	0	0	618	<b>618</b>
IAS 19 employers contributions payable	-42,055	0	<b>-42,055</b>	0	0	42,055	0	0	<b>42,055</b>
<b>Other adjustments include:</b>									
Use of capital receipts reserve to finance capital	0	-5,663	<b>-5,663</b>	0	0	0	0	5,663	<b>5,663</b>
Reserves used to finance capital	-1,007	0	<b>-1,007</b>	0	0	0	0	1,007	<b>1,007</b>
Reversed excluded from I&E e.g. DPR, air support	727	0	<b>727</b>	0	0	0	0	831	<b>831</b>
Increase/decrease(-) in 2016/2017	-2,616	-4,429	<b>-7,045</b>	-546	5,087	-738,738	420	-2,164	<b>-735,941</b>
<b>Balance as at 31 March 2017</b>	<b>37,123</b>	<b>7,149</b>	<b>44,272</b>	<b>1,577</b>	<b>28,904</b>	<b>-3,760,091</b>	<b>-6,197</b>	<b>63,058</b>	<b>-3,672,749</b>

Restated PCC Movement in Reserves Statement 2015/2016	Revenue General Fund £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Collect Fund Adjustment Account £'000	Revaluation Reserve £'000	Pensions Reserve Account £'000	Short Term Absences Account £'000	Capital Adjustment Account £'000	Total Unusable Reserves £'000
<b>Balance as at 31 March 2015</b>	<b>43,248</b>	<b>17,009</b>	<b>60,257</b>	<b>2,362</b>	<b>17,905</b>	<b>-3,203,458</b>	<b>-6,374</b>	<b>72,239</b>	<b>-3,117,326</b>
Total comprehensive income and expenditure	164,805	0	<b>164,805</b>	0	6,530	0	0	0	<b>6,530</b>
<b>Adjustments between accounting &amp; funding basis under regulations</b>									
<b>Reversal of items included to I&amp;E</b>									
Amortisation of intangible assets	319	0	<b>319</b>	0	0	0	0	-319	<b>-319</b>
Depreciation of non-current assets (note 21)	15,265	0	<b>15,265</b>	0	0	0	0	-15,265	<b>-15,265</b>
Revaluation loss	3,967	0	<b>3,967</b>	0	0	0	0	-3,967	<b>-3,967</b>
Capital grants and contributions	-2,447	0	<b>-2,447</b>	0	0	0	0	2,447	<b>2,447</b>
Council tax collection fund adjustment	239	0	<b>239</b>	-239	0	0	0	0	<b>-239</b>
Gain(-)/loss on disposal of non-current assets	240	4,513	<b>4,753</b>	0	-618	0	0	-4,135	<b>-4,753</b>
Holiday pay accrual adjustment	243	0	<b>243</b>	0	0	0	-243	0	<b>-243</b>
Net IAS 19 charge for retirement benefits	184,144	0	<b>184,144</b>	0	0	-184,144	0	0	<b>-184,144</b>
Net IAS 19 charge Inter group adjustment	-325,124	0	<b>-325,124</b>	0	0	325,124	0	0	<b>325,124</b>
<b>Insert amounts excluded in I&amp;E</b>									
Minimum revenue provision (note 9)	-3,233	0	<b>-3,233</b>	0	0	0	0	3,233	<b>3,233</b>
Revenue contribution to finance capital	-743	0	<b>-743</b>	0	0	0	0	743	<b>743</b>
IAS 19 employers contributions payable	-41,125	0	<b>-41,125</b>	0	0	41,125	0	0	<b>41,125</b>
<b>Other adjustments include:</b>									
Use of capital receipts reserve to finance capital	0	-9,944	<b>-9,944</b>	0	0	0	0	9,944	<b>9,944</b>
Reserves used to finance capital	-199	0	<b>-199</b>	0	0	0	0	199	<b>199</b>
Reversed excluded from I&E e.g. DPR, air support	140	0	<b>140</b>	0	0	0	0	103	<b>103</b>
Increase/decrease(-) in 2015/2016	-3,509	-5,431	<b>-8,940</b>	-239	5,912	182,105	-243	-7,017	<b>180,518</b>
<b>Balance as at 31 March 2016</b>	<b>39,739</b>	<b>11,578</b>	<b>51,317</b>	<b>2,123</b>	<b>23,817</b>	<b>-3,021,353</b>	<b>-6,617</b>	<b>65,222</b>	<b>-2,936,808</b>

<b>PCC Movement in Reserves Statement 2016/2017</b>	<b>Revenue General Fund £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Total Usable Reserves £'000</b>	<b>Collect Fund Adjustment Account £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Pensions Reserve Account £'000</b>	<b>Short Term Absences Account £'000</b>	<b>Capital Adjustment Account £'000</b>	<b>Total Unusable Reserves £'000</b>
<b>Balance as at 31 March 2016</b>	<b>39,739</b>	<b>11,578</b>	<b>51,317</b>	<b>2,123</b>	<b>23,817</b>	<b>-3,021,353</b>	<b>-6,617</b>	<b>65,222</b>	<b>-2,936,808</b>
Total comprehensive income and expenditure	-749,641	0	<b>-749,641</b>	0	5,097	0	0	0	<b>5,097</b>
<b>Adjustments between accounting &amp; funding basis under regulations</b>									
<b>Reversal of items included to I&amp;E</b>									
Amortisation of intangible assets	54	0	<b>54</b>	0	0	0	0	-54	<b>-54</b>
Depreciation of non-current assets (note 21)	15,442	0	<b>15,442</b>	0	0	0	0	-15,442	<b>-15,442</b>
Revaluation loss	-976	0	<b>-976</b>	0	0	0	0	976	<b>976</b>
Capital grants and contributions	-1,939	0	<b>-1,939</b>	0	0	0	0	1,939	<b>1,939</b>
Council tax collection fund adjustment	546	0	<b>546</b>	-546	0	0	0	0	<b>-546</b>
Gain(-)/loss on disposal of non-current assets	-151	1,234	<b>1,083</b>	0	-10	0	0	-1,073	<b>-1,083</b>
Holiday pay accrual adjustment	-420	0	<b>-420</b>	0	0	0	420	0	<b>420</b>
Net IAS 19 charge for retirement benefits	177,059	0	<b>177,059</b>	0	0	-177,059	0	0	<b>-177,059</b>
Net IAS 19 charge Inter group adjustment	603,734	0	<b>603,734</b>	0	0	-603,734	0	0	<b>-603,734</b>
<b>Insert amounts excluded in I&amp;E</b>									
Minimum revenue provision (note 9)	-3,371	0	<b>-3,371</b>	0	0	0	0	3,371	<b>3,371</b>
Revenue contribution to finance capital	-618	0	<b>-618</b>	0	0	0	0	618	<b>618</b>
IAS 19 employers contributions payable	-42,055	0	<b>-42,055</b>	0	0	42,055	0	0	<b>42,055</b>
<b>Other adjustments include:</b>									
Use of capital receipts reserve to finance capital	0	-5,663	<b>-5,663</b>	0	0	0	0	5,663	<b>5,663</b>
Reserves used to finance capital	-1,007	0	<b>-1,007</b>	0	0	0	0	1,007	<b>1,007</b>
Reversed excluded from I&E e.g. DPR, air support	727	0	<b>727</b>	0	0	0	0	831	<b>831</b>
Increase/decrease(-) in 2016/2017	-2,616	-4,429	<b>-7,045</b>	-546	5,087	-738,738	420	-2,164	<b>-735,941</b>
<b>Balance as at 31 March 2017</b>	<b>37,123</b>	<b>7,149</b>	<b>44,272</b>	<b>1,577</b>	<b>28,904</b>	<b>-3,760,091</b>	<b>-6,197</b>	<b>63,058</b>	<b>-3,672,749</b>

## 8 Income and Expenditure analysed by nature

2015/2016			Income and Expenditure analysed by nature	2016/2017		
OCC £'000	PCC £'000	Group £'000		OCC £'000	PCC £'000	Group £'000
215,156	954	216,110	Employee costs	217,688	971	218,659
12,282	5	12,287	Premises costs	11,608	1	11,609
5,011	17	5,028	Transport costs	5,037	17	5,054
21,937	489	22,426	Supplies & services	24,689	170	24,859
26,409	0	26,409	Partnership costs	27,644	135	27,779
136	-84	52	Central costs	1,118	-24	1,094
21,014	0	21,014	Misc & grants	17,336	0	17,336
0	4,026	4,026	Commissioning	0	4,370	4,370
19,552	0	19,552	Depreciation, amortisation, & impairment	14,521	0	14,521
143,262	0	143,262	Employee benefit expenses	135,004	0	135,004
44,322	0	44,322	Police pension top up grant	50,340	0	50,340
0	6,154	6,154	Interest payments	0	6,232	6,232
0	240	240	Gain/loss on disposal of fixed assets	0	-151	-151
-139,635	139,635	0	Intragroup adjustment	-1,058,379	1,058,379	0
<b>369,446</b>	<b>151,436</b>	<b>520,882</b>	<b>Total expenditure</b>	<b>-553,394</b>	<b>1,070,100</b>	<b>516,706</b>
-12,739	-76	-12,815	Sales, rent, fees, & charges	-15,687	-140	-15,827
-9,021	0	-9,021	Southwest One recharges	-7,932	0	-7,932
-1,672	0	-1,672	Seconded officers	-1,586	0	-1,586
0	-1,804	-1,804	Commissioning of victim support services	0	-1,945	-1,945
0	-584	-584	Child sexual exploitation grant	0	-610	-610
0	0	0	Criminal justice transformation grant	0	-190	-190
-7,474	0	-7,474	Counter terrorism policing grant	-8,391	0	-8,391
-8,837	-32	-8,869	Other specific grants	-8,054	0	-8,054
0	-556	-556	Interest and investment income	0	-401	-401
0	-105,624	-105,624	Police - revenue grant	0	-105,022	-105,022
0	-56,815	-56,815	Ex-DCLG formula funding	0	-56,491	-56,491
0	-2,447	-2,447	Capital grant and contributions	0	-1,939	-1,939
0	-3,331	-3,331	Council tax freeze grant	0	-3,331	-3,331
0	-11,378	-11,378	Local council tax support grant	0	-11,378	-11,378
0	-93,851	-93,851	Income from council tax	0	-97,362	-97,362
-44,322	0	-44,322	Police pension top up grant	-50,340	0	-50,340
39,743	-39,743	0	Intragroup adjustment	41,650	-41,650	0
<b>-44,322</b>	<b>-316,241</b>	<b>-360,563</b>	<b>Total income</b>	<b>-50,340</b>	<b>-320,459</b>	<b>-370,799</b>
<b>325,124</b>	<b>-164,805</b>	<b>160,319</b>	<b>Surplus/deficit on provision of services</b>	<b>-603,734</b>	<b>749,641</b>	<b>145,907</b>

## 9 Minimum Revenue Provision

The charge for 2016/2017 is £2,042,000 (£2,009,000 for 2015/2016). In addition, the MRP on the PFI liability for 2016/2017 is £1,329,000 (£1,224,000 for 2015/2016).

## 10 Council Tax

Council tax is collected by the local authorities in our area. The amounts receivable from each local authority are shown in the following table.

2015/2016 £'000	Council Tax	2016/2017 £'000
6,860	Mendip District Council	7,064
6,832	Sedgemoor District Council	7,106
6,866	Taunton Deane Borough Council	7,147
2,369	West Somerset District Council	2,464
10,097	South Somerset District Council	10,440
10,863	Bath and North East Somerset Council	11,286
21,114	Bristol City Council	21,952
15,729	South Gloucestershire Council	16,295
13,121	North Somerset Council	13,608
<b>93,851</b>		<b>97,362</b>

## 11 Paying Staff

Disclosure of Remuneration for Senior Employees 2015/2016								
Post Holder Information (post title and name)	Note	Salary (including fees & allowances)	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2015/2016 £	Pension Contributions £	Total Remuneration Including Pension Contributions 2015/2016 £
PCC - S Mountstevens		85,000	19	0	0	85,019	9,350	94,369
Chief Constable - N Gargan	1	90,145	0	39,116	3,052	132,313	19,912	152,225
Acting Chief Constable - J Long	2	73,529	0	0	3,364	76,893	4,103	80,996
Temporary Chief Constable - G Morgan	3	65,402	0	0	0	65,402	15,396	80,798
Chief Constable - A Marsh	4	25,859	0	0	473	26,332	6,158	32,490
		<b>339,935</b>	<b>19</b>	<b>39,116</b>	<b>6,889</b>	<b>385,958</b>	<b>54,919</b>	<b>440,877</b>

Disclosure of Remuneration for Senior Employees 2016/2017								
Post Holder Information (post title and name)	Note	Salary (including fees & allowances)	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2016/2017 £	Pension Contributions £	Total Remuneration Including Pension Contributions 2016/2017 £
PCC - S Mountstevens		85,000	21	0	0	85,021	9,350	94,371
Chief Constable - A Marsh		156,166	0	0	2,880	159,046	37,165	196,211
		<b>241,166</b>	<b>21</b>	<b>0</b>	<b>2,880</b>	<b>244,067</b>	<b>46,515</b>	<b>290,582</b>

Note 1: The Chief Constable, suspended from post on 13/05/2014, resigned on 16/10/2015. The annualised salary for 2015/2016 was £152,685.

Note 2: The Acting Chief Constable, in post from 13/05/2014, retired on 31/08/2015. The annualised salary for 2015/2016 was £151,173.

Note 3: The Temporary Chief Constable was temporarily promoted from 01/09/2015 until 31/01/2016. The annualised salary was £152,685.

Note 4: The Chief Constable started on 01/02/2016. The annualised salary was £152,685.

## Disclosure of Remuneration for Senior Employees 2015/2016

Post Holder Information (post title)	Note	Salary (including fees & allowances)	Expense Allowances	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2015/2016 £	Pension Contributions £	Total Remuneration Including Pension Contributions 2015/2016 £
		£	£	£	£	£	£
<b>PCC Employees</b>							
Chief Finance Officer to the PCC	1	72,489	0	0	<b>72,489</b>	7,974	<b>80,463</b>
Chief Executive to the PCC		101,778	0	0	<b>101,778</b>	11,196	<b>112,974</b>
<b>OCC Employees</b>							
Director of Resources and Chief Finance Officer to the OCC		129,264	2,400	4,643	<b>136,307</b>	14,219	<b>150,526</b>
Chief Operating Officer - College of Policing (secondment)	2	132,656	0	2,740	<b>135,396</b>	30,841	<b>166,237</b>
Deputy Chief Constable	3	21,707	0	1,245	<b>22,952</b>	5,081	<b>28,033</b>
Temporary Deputy Chief Constable	4	99,866	0	5,497	<b>105,363</b>	21,245	<b>126,608</b>
T/ACC - Specialist Operations	5	100,018	0	1,305	<b>101,323</b>	23,524	<b>124,847</b>
ACC - Prevention, Protection and Prosecution	6	107,938	0	2,364	<b>110,302</b>	24,469	<b>134,771</b>
ACC - Wiltshire Constabulary (secondment)	7	99,653	0	1,097	<b>100,750</b>	20,226	<b>120,976</b>
ACC - Local Policing	8	94,900	0	113	<b>95,013</b>	22,966	<b>117,979</b>
Force Medical Officer		135,778	0	0	<b>135,778</b>	14,798	<b>150,576</b>
C SUPT North East Area Commander	9	85,600	0	1,529	<b>87,129</b>	19,822	<b>106,951</b>
C SUPT Bristol Area Commander		81,909	0	1,427	<b>83,336</b>	19,822	<b>103,158</b>
C SUPT Somerset Area Commander	10	42,748	0	755	<b>43,503</b>	8,830	<b>52,333</b>
C SUPT Somerset Area Commander	11	73,539	732	1,443	<b>75,714</b>	17,796	<b>93,510</b>
C SUPT Specialist Operations	12	84,664	15	1,362	<b>86,041</b>	19,822	<b>105,863</b>
C SUPT Specialist Operations	13	63,466	0	985	<b>64,451</b>	14,457	<b>78,908</b>
T/C SUPT Specialist Operations	14	10,791	0	490	<b>11,281</b>	2,101	<b>13,382</b>
T/C SUPT - Prevention, Protection and Prosecution	15	40,271	0	1,443	<b>41,714</b>	9,419	<b>51,133</b>
		<b>1,579,035</b>	<b>3,147</b>	<b>28,438</b>	<b>1,610,620</b>	<b>308,608</b>	<b>1,919,228</b>



## 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 £
		£	£	£	£	£	£
<b>PCC Employees</b>							
Chief Finance Officer to the PCC	16	72,912	0	0	<b>72,912</b>	8,020	<b>80,932</b>
Chief Executive to the PCC		101,778	0	0	<b>101,778</b>	11,196	<b>112,974</b>
<b>OCC Employees</b>							
Director of Resources and Chief Finance Officer to the OCC		130,018	2,760	6,123	<b>138,901</b>	14,302	<b>153,203</b>
Deputy Chief Constable		130,980	0	6,974	<b>137,954</b>	27,967	<b>165,921</b>
ACC - Local Policing		102,853	0	2,776	<b>105,629</b>	24,890	<b>130,519</b>
ACC - Protection and Investigation		112,959	0	5,375	<b>118,334</b>	26,231	<b>144,565</b>
Force Medical Officer		139,082	0	0	<b>139,082</b>	15,161	<b>154,243</b>
C SUPT Strategic Command Course	17	95,512	0	1,064	<b>96,576</b>	20,428	<b>117,004</b>
C SUPT North East Area Commander		88,106	0	1,376	<b>89,482</b>	20,428	<b>109,910</b>
C SUPT Bristol Area Commander		84,415	0	1,310	<b>85,725</b>	20,428	<b>106,153</b>
C SUPT Somerset Area Commander		82,533	197	1,506	<b>84,236</b>	19,973	<b>104,209</b>
C SUPT Specialist Operations		87,170	0	1,279	<b>88,449</b>	20,428	<b>108,877</b>
C SUPT - Prevention, Protection and Prosecution	18	98,106	0	1,250	<b>99,356</b>	17,763	<b>117,119</b>
T/C SUPT - Prevention, Protection and Prosecution		84,105	0	1,310	<b>85,415</b>	19,687	<b>105,102</b>
		<b>1,410,529</b>	<b>2,957</b>	<b>30,343</b>	<b>1,443,829</b>	<b>266,902</b>	<b>1,710,731</b>

## **Notes to Remuneration for 2015/2016**

- Note 1: The Chief Finance Officer to the PCC works 29.6 hours per week. The full time equivalent salary is £90,611.
- Note 2: The Chief Operating Officer - College of Policing (Secondment) retired on 31/03/2016. The annualised salary was £125,964.
- Note 3: The Acting Chief Constable moved to the Deputy Chief Constable role on 01/02/2016 at an annualised salary of £125,964.
- Note 4: The Assistant Chief Constable Specialist Operations was temporarily promoted to Deputy Chief Constable on 01/09/2015, then resigned on 31/01/2016. The annualised salary was £125,964.
- Note 5: The Temporary Assistant Chief Constable moved to the Chief Superintendent Prevent Protect & Prosecute post, then temporarily promoted to Assistant Chief Constable Specialist Operations on 01/09/2015 at an annualised salary of £102,822.
- Note 6: The Temporary Assistant Chief Constable moved to the permanent Assistant Chief Constable Prevention, Protection and Prosecution role on 04/05/2015 at an annualised salary of £102,822.
- Note 7: The Chief Superintendent was temporarily promoted to ACC Programme Director Strategic Alliance on 01/06/2015, then seconded to PCC for Wiltshire on 04/01/2016 at an annualised salary of £96,597.
- Note 8: The Chief Superintendent Programme Lead - Operating Model was appointed ACC - Local Policing on 04/05/2015 at an annualised salary of £96,597.
- Note 9: The Chief Superintendent Head of Criminal Justice moved to the Chief Superintendent North East Area Commander post on 07/12/2015 at an annualised salary of £82,248.
- Note 10: The Chief Superintendent retired on 08/09/2015. The annualised salary was £83,094.
- Note 11: The Chief Superintendent Standards Culture and Ethics, was temporarily promoted to this rank on 27/04/2015, then promoted permanently into the Somerset Area Commander role in 07/09/2015 at an annualised salary of £79,557.
- Note 12: The Chief Superintendent North East Commander moved to the Chief Superintendent Specialist Operations post on 07/12/2015 at an annualised salary of £82,248.
- Note 13: The Chief Superintendent - Manage moved to the Chief Superintendent Specialist Operations post on 01/06/2015, then retired on 29/12/2015. The annualised salary was £82,248.
- Note 14: The Chief Superintendent's temporary promotion ended on 10/05/2015. The annualised salary was £78,768.
- Note 15: The Chief Superintendent was temporarily promoted to this rank on 05/10/2015 at an annualised salary of £79,557.

## **Notes to Remuneration for 2016/2017**

- Note 16: The Chief Finance Officer to the PCC works 29.6 hours per week. The full time equivalent salary is £91,518.
- Note 17: The Chief Superintendent's temporary promotion to Assistant Chief Constable ended on 27/11/2016. The annualised salary was £97,437.
- Note 18: The Chief Superintendent's temporary promotion to Assistant Chief Constable ended on 03/10/2016. The annualised salary was £106,785.

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

OCC Number	PCC Number	Total 2015/2016 Number	Pay Range	OCC Number	PCC Number	Total 2016/2017 Number
175	0	175	£50,000 - £54,999	179	0	179
73	0	73	£55,000 - £59,999	82	0	82
25	0	25	£60,000 - £64,999	17	0	17
13	0	13	£65,000 - £69,999	7	0	7
8	1	9	£70,000 - £74,999	14	1	15
8	0	8	£75,000 - £79,999	9	0	9
5	0	5	£80,000 - £84,999	4	0	4
3	1	4	£85,000 - £89,999	4	1	5
1	0	1	£90,000 - £94,999	0	0	0
0	0	0	£95,000 - £99,999	2	0	2
3	1	4	£100,000 - £104,999	0	1	1
1	0	1	£105,000 - £109,999	1	0	1
1	0	1	£110,000 - £114,999	0	0	0
0	0	0	£115,000 - £119,999	1	0	1
0	0	0	£120,000 - £124,999	0	0	0
0	0	0	£125,000 - £129,999	0	0	0
0	0	0	£130,000 - £134,999	0	0	0
3	0	3	£135,000 - £139,999	3	0	3
0	0	0	£140,000 - £144,999	0	0	0
0	0	0	£145,000 - £149,999	0	0	0
0	0	0	£150,000 - £154,999	0	0	0
0	0	0	£155,000 - £159,999	1	0	1
<b>319</b>	<b>3</b>	<b>322</b>		<b>324</b>	<b>3</b>	<b>327</b>

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

## 12 Exit Packages - OCC

Exit Packages 2015/2016		Compulsory Redundancies	
Banding		Number	£'000
£0 - £19,999		5	68
£20,000 - £39,999		2	56
£40,000 - £79,999		2	136
		<b>9</b>	<b>260</b>

Exit Packages 2016/2017		Compulsory & Voluntary Redundancies	
Banding		Number	£'000
£0 - £19,999		6	71
£20,000 - £39,999		0	0
£40,000 - £79,999		2	109
		<b>8</b>	<b>180</b>

## **13 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 PCC or to be controlled or influenced by the PCC. In doing this we are required to consider the materiality from the viewpoint of both the PCC and the related party.

### **13.1 Key Management Personnel and Members of the Joint Audit Committee**

The PCC and the OCC were 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 2016/2017 we have not made any payments to Weston College to procure training (£9,935 in 2015/2016).

No other transactions were disclosed.

### **13.2 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 2016/2017 supplies and services were provided by Southwest One to the value of £20,708,555 (£22,115,234 in 2015/2016). The payments to Southwest One cover both staffing costs and the provision of other services for Human Resources, Technology Services, Purchasing and Supply functions (until January 2017), Finance, and Administration. Amounts of £8,267,635 (£9,358,050 in 2015/2016) were received for staff seconded to Southwest One and non-pay adjustments. At 31 March 2017 the PCC had creditor balances of £5,137 with Southwest One (£19 at 31 March 2016). In addition at 31 March 2017 the PCC had debtor balances of £77 with Southwest One (£8,354 at 31 March 2016). For details of prepayments made to Southwest One refer to note 24.

The PCC also have a relationship with the Police Community Trust and the Avon and Somerset Force Club. Payments were made to the Police Community Trust of £100,000 in 2016/2017 (£430,000 in 2015/2016). Payments were also made to the Avon and Somerset Force Club in 2016/2017 of £43,020 (£30,972 in 2015/2016) and £5,295 was invoiced but yet to be received (£4,927 in 2015/2016).

## 14 Joint Arrangements

The PCC 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, and typically are structured through a separate legal entity. The PCC does not participate in any joint ventures.

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

The PCC's contributions to joint operations are disclosed below:

2015/2016 Expenditure £'000	Joint Operations	2016/2017 Expenditure £'000
1,651	Serious and Organised Crime (Zephyr)	2,254
996	Firearms Training	1,013
4,524	Major Crime Investigation (Brunel)	4,630
11,609	Specialist Operations (Tri Force)	11,773
0	Tri Force ACC	80
2,757	South West Forensic Services	6,687
1,015	South West Region - Special Branch	1,025
9	Regional ICT Programmes	3
0	Regional ACC	48
197	Other Regional Programmes	279
<b>22,758</b>	<b>Total</b>	<b>27,792</b>

### 14.1 Serious and Organised Crime (Zephyr)

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 £6,655,368 in 2016/2017 (£4,807,184 in 2015/2016).

### 14.2 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 £2,422,443 in 2016/2017 (£2,382,146 in 2015/2016). The PFI specialist training facility became operational in 2015/2016.

### 14.3 Major Crime Investigation (Brunel)

Between April and November 2015 there was a collaboration between Avon and Somerset (77%) and Wiltshire (23%) for the purposes of providing regional oversight and scrutiny of major incidents. From December 2015 Gloucestershire joined the collaboration from which time the shares were Avon and Somerset (64%), Gloucestershire (17%) and Wiltshire (19%). The total cost of the service was £7,233,820 in 2016/2017 (£6,441,329 in 2015/2016).

#### 14.4 Specialist Operations (Tri Force)

Tri Force is a collaboration between Avon and Somerset (53.6%), Gloucestershire (23.2%) and Wiltshire (23.2%) to deliver armed, roads and dogs policing. The total cost of the operation was £21,949,000 in 2016/2017 (£21,643,000 in 2015/2016).

#### 14.5 Tri Force ACC

This post was put in place from June 2016 to oversee the Tri Force collaborations for MCIT, Specialist Operations, Black Rock, and the emerging CTFSO hub. The costs are shared between Avon and Somerset (59%), Gloucestershire (19.7%) and Wiltshire (21.3%). The total cost for the ACC was £136,219 in 2016/2017.

#### 14.6 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 £18,412,600 in 2016/2017 (£7,843,511 in 2015/2016).

#### 14.7 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 £3,608,454 in 2016/2017 (£3,626,489 in 2015/2016).

#### 14.8 Regional ICT Programmes

This was a collaboration between Avon and Somerset (15%), Gloucestershire (40%), Devon and Cornwall (15%), Dorset (15%) and Wiltshire (15%) for the purpose of providing a regional Chief Information Officer to take the lead on regional IT programmes. Due to the transformation bid being unsuccessful this collaboration finished at the end of April 2016. The total cost of this activity was £19,000 in 2016/2017 (£60,325 in 2015/2016).

#### 14.9 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 £147,793 in 2016/2017.

#### 14.10 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 £795,925 in 2016/2017 (£539,872 in 2015/2016).

### 15 Paying Members

This note relates to payments to the Joint Audit Committee members.

2015/2016 £'000	Members Allowances	2016/2017 £'000
15	Allowances	9
1	Expenses	1
<b>16</b>	<b>Total</b>	<b>10</b>

## 16 Rent For Operational Leases

The PCC has entered into operating leases in respect of land and buildings.

2015/2016 £'000	Leased Land and Buildings	2016/2017 £'000
421	Rents paid in the year	341
	The future minimum lease payments due under non-cancellable leases in future years are:	
492	Not later than one year	324
1,173	Later than one year and not later than five years	1,098
1,732	Later than five years	1,583

## 17 Audit Fees

The audit fees for Grant Thornton relating to external audit services carried out under the Code of Audit practice for the audit of the 2016/2017 group financial statements are £55,103 (£55,103 for 2015/2016). The charge for the audit in respect of the PCC is £36,353 (£36,353 in 2015/2016) and in respect of the OCC is £18,750 (£18,750 in 2015/2016). In addition, there were fees of £2,350 for non-audit work undertaken (£12,400 in 2015/2016).



## 18 Pensions Costs and Liabilities - OCC

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 costs are then reversed through the movement in reserves statement so that there is no impact on the general fund. It should be noted that the charge against council tax for pension benefits is based upon the cash value of employer's contributions.

	Police Staff		Police Officers	
	2015/2016 £'000	2016/2017 £'000	2015/2016 £'000	2016/2017 £'000
<b>Comprehensive income and expenditure statement</b>				
Cost of services:				
Current service cost	19,945	17,243	59,308	49,323
Administration expenses	161	201	0	0
Financing and investment income and expenditure:				
Net interest cost	7,536	6,559	97,194	103,733
<b>Total post employment benefits charged to the comprehensive income and expenditure statement</b>	<b>27,642</b>	<b>24,003</b>	<b>156,502</b>	<b>153,056</b>
<b>Other post employment benefits charged to the comprehensive income and expenditure statement</b>				
Return on plan assets	-6,052	52,217	0	0
Changes in demographic assumptions	0	2,785	0	134,911
Changes in financial assumptions	65,792	-139,320	272,059	-703,927
Experience gain/loss(-) on defined benefit obligations	-68	2,848	-6,607	0
Other actuarial gain/loss(-)	0	-2,290	0	49,042
<b>Total other comprehensive income</b>	<b>59,672</b>	<b>-83,760</b>	<b>265,452</b>	<b>-519,974</b>
<b>Movement in reserves statement</b>				
Reversal of net charges made for retirement benefits in accordance with the code	-27,642	-24,003	-156,502	-153,056
<b>Actual amount charged against the general fund balance for pensions in the year</b>				
Employer's contribution to scheme	10,469	10,590	24,606	24,653
Retirement benefits payable to pensioners	117	118	5,933	6,694

2016 £'000	IAS 19 Pension Liabilities	2017 £'000
-2,843,444	Police officers	-3,485,127
-177,909	Police staff	-274,964
<b>-3,021,353</b>		<b>-3,760,091</b>

## 19 Pensions for Police Officers - OCC

Employee contributions levels are based on percentages of pensionable pay set nationally by the Home Office. From 1 April 2014 employee 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 £23,495,000 in financial year 2017/2018.

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.

2015/2016 £'000	Cost of Injury and Ill-Health Benefits - Police Officers	2016/2017 £'000
6,948	Payments to pensioners	7,643

2015/2016 £'000	Pensions Account	2016/2017 £'000
83,209	Benefits paid to officers	88,646
-38,887	Less contributions received from officers	-38,306
<b>44,322</b>	<b>Balance met from PCC Group</b>	<b>50,340</b>

In 2016/2017 the Constabulary participated in the Police Force Pension Scheme which was established under Police Pension Fund regulations 2007 SI 2007 No. 1932. Within these regulations, and up to 31 March 2015, there were two defined benefit schemes referred to as the 1987 Police Pension Scheme and the 2006 New Police Pension Scheme. From 1 April 2015 a further defined benefit police pension scheme was introduced. Members of the existing 1987 and 2006 schemes with less than ten years to their normal pension age remained in their current scheme. All other members are transferring into the 2015 scheme with some tapered projection applying to those within ten to fourteen years of pension age. The normal pension age for the 2015 scheme is 60. Each of these schemes will be administered by the OCC. The schemes are not funded and so have no assets set aside to meet liabilities. The schemes are accounted for in accordance with the PCC's accounting policies as detailed on pages 36 to 42.

A full valuation of the pension scheme liabilities was undertaken as at 31 March 2014. 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 19 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		
<b>Current pensioners</b>		
	Males	22.2
	Females	24.7
<b>Retiring in 20 years</b>		
	Males	24.4
	Females	27.1

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

2015/2016 %		2016/2017 %
3.7	Discount rate	2.7
4.2	Rate of increase in salaries	4.5
2.4	Rate of increase in pensions in payment	2.7
3.3	Retail price index	3.6
2.4	CPI increases	2.7

The movement in the present value of scheme liabilities for the year to 31 March 2017 is as follows:

2015/2016 £'000	Present Value of Police Pension Scheme Liabilities	2016/2017 £'000
-2,982,933	Present value of schemes liability as at 1 April	-2,843,444
	<b>Movements in the year</b>	
-59,308	Current service cost	-49,323
96,158	Estimated benefits paid (net of transfers in)	93,747
-13,632	Contributions by scheme participants	-13,358
-97,194	Interest costs	-103,733
220,072	Change in financial assumptions	-703,927
0	Change in demographic assumptions	134,911
-6,607	Experience gain/loss on defined benefit obligations	0
<b>-2,843,444</b>	<b>Present value of schemes liability as at 31 March</b>	<b>-3,485,127</b>

The movement in the fair value of scheme assets for the year to 31 March 2017 is as follows:

2015/2016 £'000	Fair Value of Police Pensions Scheme Assets	2016/2017 £'000
0	Present value of schemes assets as at 1 April	0
	<b>Movements in the year</b>	
51,987	Change in financial assumptions	49,042
30,539	Contributions by employer	31,347
13,632	Contributions by scheme participants	13,358
-96,158	Estimated benefits paid (net of transfers in)	-93,747
<b>0</b>	<b>Present value of schemes assets as at 31 March</b>	<b>0</b>

## 20 Pensions for Police Staff - OCC

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 and the percentage of employees' contributions are shown below.

2015/2016		Pension Costs - Police Staff	2016/2017	
Payments	Percentage of		Payments	Percentage of
£'000	Employees' Contributions		£'000	Employees' Contributions
10,125	88-200	PCC's contribution	10,212	88-200

During 2016/2017 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 £11,901,000 in financial year 2017/2018.

At 31 March 2016 the PCC's share of the deficit on this scheme was £48,725,151. 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 2016/2017 was £2,880,000; the amount due in 2017/2018 is £2,807,994.

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 18.

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		
<b>Current pensioners</b>		
	Males	23.9
	Females	25.0
<b>Retiring in 20 years</b>		
	Males	26.1
	Females	27.4

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

2015/2016		2016/2017
%		%
3.8	Discount rate	2.8
4.3	Rate of increase in salaries	4.2
2.5	Rate of increase in pensions in payment	2.7
3.4	Retail price index	3.6
2.5	Consumer price index	2.7

The return on the pension fund assets on a bid value basis for the year to 31 March 2017 is estimated to be 25%. The estimated value of the PCC's share of the fund's assets is £310,013,000 on a bid value basis (2015/2016 £244,689,000). The assets are made up of the following:

2016 £'000	%	Assets	2017 £'000	%
		<b>Equities</b>		
57,502	23.5	UK - Quoted	76,878	24.8
96,407	39.4	Overseas - Quoted	115,316	37.2
1,223	0.5	UK - Unquoted	1,550	0.5
9,053	3.7	Overseas - Unquoted	22,009	7.1
3,670	1.5	Private equity	5,270	1.7
<b>167,855</b>	<b>68.6</b>		<b>221,023</b>	<b>71.3</b>
		<b>Gilts - Public Sector</b>		
7,341	3.0	UK fixed interest	6,853	2.2
734	0.3	Overseas fixed interest	311	0.1
10,277	4.2	UK index linked	11,525	3.7
245	0.1	Overseas index linked	311	0.1
<b>18,597</b>	<b>7.6</b>		<b>19,000</b>	<b>6.1</b>
		<b>Other Bonds</b>		
21,288	8.7	UK	14,271	4.6
5,873	2.4	Overseas	16,132	5.2
<b>27,161</b>	<b>11.1</b>		<b>30,403</b>	<b>9.8</b>
27,650	11.3	<b>Property UK</b>	27,351	8.8
-489	-0.2	<b>Derivatives</b>	0	0.0
3,915	1.6	<b>Cash (invested internally)</b>	12,236	4.0
<b>244,689</b>	<b>100</b>	<b>Total assets</b>	<b>310,013</b>	<b>100</b>

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

2016 £'000	Police Staff Pensions	2017 £'000
244,689	Share of assets in pension fund	310,013
-420,645	Estimated liabilities in pension fund	-582,904
-1,953	Estimated unfunded liabilities	-2,073
<b>-177,909</b>	<b>Deficiency in fund</b>	<b>-274,964</b>

The movement in the present value of schemes obligations for the year to 31 March 2017 is as follows:

2015/2016 £'000	Present Value of Police Staff Liabilities	2016/2017 £'000
<b>-456,423</b>	Present value of defined obligations as at 1 April	<b>-422,598</b>
	<b>Movements in the year</b>	
-19,945	Current service cost	-17,243
8,380	Estimated benefits paid (net of transfers in)	8,932
-4,544	Contributions by scheme participants	-4,525
-15,907	Interest costs	-15,974
117	Unfunded pension payments	118
65,792	Change in financial assumptions	-139,320
0	Change in demographic assumptions	2,785
-68	Experience loss(-)/gain on defined benefit obligations	2,848
<b>-422,598</b>	<b>Present value of defined obligations as at 31 March</b>	<b>-584,977</b>

The movement in the fair value of scheme assets for the year to 31 March 2017 is as follows:

2015/2016 £'000	Fair Value of Police Staff Scheme Assets	2016/2017 £'000
<b>235,897</b>	Fair value of scheme assets as at 1 April	<b>244,689</b>
	<b>Movements in the year</b>	
8,372	Interest on assets	9,415
-6,052	Return on assets less interest	52,217
0	Other actuarial gain/loss(-)	-2,290
-161	Administration expenses	-201
10,586	Contributions by employer	10,708
4,544	Contributions by scheme participants	4,525
-8,497	Estimated benefits paid (net of transfers in)	-9,050
<b>244,689</b>	<b>Fair value of scheme assets as at 31 March</b>	<b>310,013</b>

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.

## 21 Property, Plant and Equipment

Property, Plant and Equipment 2015/2016	Land and Buildings	Vehicles, Plant, Machinery and Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
As at 1 April 2015	157,731	90,198	2,890	250,819
Additions during year	9,462	10,285	2,572	22,319
Disposals	-1,580	-1,941	0	-3,521
Reclassification	-4,434	0	-1,220	-5,654
<b>Revaluation gain/loss (-)</b>				
Recognised in revaluation reserve	2,984	0	0	2,984
Recognised in surplus & deficit I&E	-9,410	0	0	-9,410
<b>As at 31 March 2016</b>	<b>154,753</b>	<b>98,542</b>	<b>4,242</b>	<b>257,537</b>
<b>Depreciation and impairment</b>				
As at 1 April 2015	-4,186	-65,961	0	-70,147
Depreciation charge	-5,815	-9,450	0	-15,265
Disposals	545	1,929	0	2,474
Reclassification	401	0	0	401
<b>Revaluation gain/loss (-)</b>				
Recognised in revaluation reserve	3,546	0	0	3,546
Recognised in surplus & deficit I&E	5,443	0	0	5,443
<b>As at 31 March 2016</b>	<b>-66</b>	<b>-73,482</b>	<b>0</b>	<b>-73,548</b>
<b>Net book value</b>				
<b>As at 31 March 2016</b>	<b>154,687</b>	<b>25,060</b>	<b>4,242</b>	<b>183,989</b>
<b>As at 31 March 2015</b>	<b>153,545</b>	<b>24,237</b>	<b>2,890</b>	<b>180,672</b>

Property, Plant and Equipment 2016/2017	Land and Buildings	Vehicles, Plant, Machinery and Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
As at 1 April 2016	154,753	98,542	4,242	257,537
Additions during year	5,322	7,563	2,558	15,443
Disposals	0	-7,952	0	-7,952
Reclassification	1,917	0	-2,477	-560
<b>Revaluation gain/loss (-)</b>				
Recognised in revaluation reserve	2,309	0	0	2,309
Recognised in surplus & deficit I&E	-247	0	0	-247
<b>As at 31 March 2017</b>	<b>164,054</b>	<b>98,153</b>	<b>4,323</b>	<b>266,530</b>
<b>Depreciation and impairment</b>				
As at 1 April 2016	-66	-73,482	0	-73,548
Depreciation charge	-4,125	-11,317	0	-15,442
Disposals	0	7,873	0	7,873
Reclassification	17	0	0	17
<b>Revaluation gain/loss (-)</b>				
Recognised in revaluation reserve	2,788	0	0	2,788
Recognised in surplus & deficit I&E	1,223	0	0	1,223
<b>As at 31 March 2017</b>	<b>-163</b>	<b>-76,926</b>	<b>0</b>	<b>-77,089</b>
<b>Net book value</b>				
<b>As at 31 March 2017</b>	<b>163,891</b>	<b>21,227</b>	<b>4,323</b>	<b>189,441</b>
<b>As at 31 March 2016</b>	<b>154,687</b>	<b>25,060</b>	<b>4,242</b>	<b>183,989</b>



Nature of assets held as at 31 March 2016	Land and Buildings	Vehicles, Plant, Machinery and Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Owned	98,658	21,319	4,242	<b>124,219</b>
PFI	56,029	3,741	0	<b>59,770</b>
	<b>154,687</b>	<b>25,060</b>	<b>4,242</b>	<b>183,989</b>

Nature of assets held as at 31 March 2017	Land and Buildings	Vehicles, Plant, Machinery and Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Owned	107,307	18,629	4,323	<b>130,259</b>
PFI	56,584	2,598	0	<b>59,182</b>
	<b>163,891</b>	<b>21,227</b>	<b>4,323</b>	<b>189,441</b>

## 22 Finance Leases – PFI

The PCC has a contract with the Blue Light Partnership for the provision of four facilities, which were built under a Private Finance Initiative (PFI). These buildings provide custody and operational facilities over the contract life, which runs until 30 March 2039. The contract includes the provision of services including building maintenance and provides for asset lifecycle replacement.

The financial implications of this contract commit the PCC to an annual unitary charge across the 25 year life of the contract. The UK Government (Home Office) has also committed to provide £186,979,000 capital funding (known as PFI Credits) in the form of annual grants over 25 years.

The building and site assets, as provided under the contract, remain the property of the Blue Light Partnership during the period of the contract and, with the exception of the shared specialist training centre, will become PCC assets at the end of the contract. The assets are recognised on our balance sheet and are matched initially by a liability to the Blue Light Partnership. This liability will continue to be written down over the life of the contract when payments which are identified as settling the liability, the capital element of the unitary charge, are made to the operator. The specialist training centre is shared with Wiltshire and Gloucestershire police and so an adjustment has been made to reflect only our share of this asset and liability within the accounts.

The following tables show PFI assets and liabilities.

2015/2016			PFI Assets	2016/2017		
PFI Buildings £'000	PFI IT Equipment £'000	Total £'000		PFI Buildings £'000	PFI IT Equipment £'000	Total £'000
			<b>Cost or valuation</b>			
46,762	4,190	<b>50,952</b>	As at 1 April	56,040	5,384	<b>61,424</b>
6,395	1,194	<b>7,589</b>	Additions during year	19	0	<b>19</b>
758	0	<b>758</b>	Reclassification	0	0	<b>0</b>
			<b>Revaluation gain/loss (-)</b>			
400	0	<b>400</b>	Recognised in revaluation reserve	210	0	<b>210</b>
1,725	0	<b>1,725</b>	Recognised in surplus & deficit I&E	331	0	<b>331</b>
<b>56,040</b>	<b>5,384</b>	<b>61,424</b>	<b>As at 31 March</b>	<b>56,600</b>	<b>5,384</b>	<b>61,984</b>
			<b>Depreciation and impairment</b>			
-548	-678	<b>-1,226</b>	As at 1 April	-11	-1,643	<b>-1,654</b>
-1,073	-965	<b>-2,038</b>	Depreciation charge	-1,272	-1,143	<b>-2,415</b>
			<b>Revaluation gain/loss (-)</b>			
409	0	<b>409</b>	Recognised in revaluation reserve	507	0	<b>507</b>
1,201	0	<b>1,201</b>	Recognised in surplus & deficit I&E	760	0	<b>760</b>
<b>-11</b>	<b>-1,643</b>	<b>-1,654</b>	<b>As at 31 March</b>	<b>-16</b>	<b>-2,786</b>	<b>-2,802</b>
			<b>Net book value</b>			
<b>56,029</b>	<b>3,741</b>	<b>59,770</b>	<b>As at 31 March</b>	<b>56,584</b>	<b>2,598</b>	<b>59,182</b>

2015/2016 £'000	PFI Liabilities	2016/2017 £'000
54,677	Finance Liability as at 1 April	60,744
7,291	Additional Liability for Shared Specialist Training Centre	0
-1,224	Liability Paid in Year	-1,329
<b>60,744</b>	<b>Finance Liability at 31 March</b>	<b>59,415</b>

Payments made in 2016/2017 and the index-linked amounts due for the remainder of the PFI contract after adjustment for the Gloucestershire and Wiltshire share of the specialist training centre are as follows:

PFI Charges	Service Charge £'000	Lifecycle Replacement Costs £'000	Interest Charge £'000	Liability £'000
Rental paid 2016/2017	1,751	139	4,731	1,329
<b>Rentals payable in future years</b>				
Within 1 year	1,811	93	4,658	1,485
Within 2-5 years	7,449	1,495	17,605	6,360
Within 6-10 years	10,278	4,160	19,107	9,359
Within 11-15 years	11,605	5,914	14,898	12,700
Within 16-20 years	13,182	5,733	9,453	19,276
Within 21-25 years	5,699	2,226	1,679	10,235
<b>Total</b>	<b>50,024</b>	<b>19,621</b>	<b>67,400</b>	<b>59,415</b>

## 23 Loans to Officers

Employees must repay these loans over a maximum of five years. They can only have a loan to buy a vehicle. The outstanding loans at 31 March 2017 are £46,250 (£58,000 31 March 2016).

## 24 Long Term Prepayments

2016 £'000	Long term Prepayments	2017 £'000
714	Transition & Transformation	143
264	WAN annual charge paid in advance	529
31	Information technology contracts paid in advance	24
<b>1,009</b>	<b>Balance at 31 March</b>	<b>696</b>

The transition and transformation prepayment relates to a payment to Southwest One in support of the transitional period, which is being repaid to the PCC as a reduction in unitary charge over the life of the contract.

## 25 Investments

The PCC has an 8.5% shareholding (825 shares) in Southwest One Ltd. As there is no active market for these shares their fair value has not been disclosed. The initial cost of the shares was £1 each.

## 26 Debtors and Payments In Advance

These balances reflect amounts owed to the PCC and payments made in advance for goods and services at the end of the year. It is expected that amounts owed will be received within 12 months of the year end date.

In 2015/2016 all the debtors related to the PCC.

Total 2016 £'000	Debtors and Payments in Advance	OCC £'000	PCC £'000	Total 2017 £'000
15,553	Central government bodies	0	19,858	19,858
6,575	Other local authorities	0	6,994	6,994
19	NHS bodies	0	54	54
6,145	Other entities and individuals	6,437	3,657	10,094
<b>28,292</b>	<b>Balance as at 31 March</b>	<b>6,437</b>	<b>30,563</b>	<b>37,000</b>

## 27 Cash and Cash Equivalents

2016 £'000	Cash and Cash Equivalents	2017 £'000
153	Cash in hand	153
26,470	Short term deposits	17,059
<b>26,623</b>	<b>Balance as at 31 March</b>	<b>17,212</b>

## 28 Assets Held for Sale

2015/2016 £'000	Assets Held for Sale	2016/2017 £'000
	<b>Cost</b>	
4,328	Cost as at 1 April	5,873
5,252	Reclassification	544
-3,707	Disposals	-1,004
<b>5,873</b>	<b>Balance as at 31 March</b>	<b>5,413</b>

## 29 Loans Still to be Repaid

Loans outstanding at the balance sheet date include amounts owing to the Public Works Loan Board (PWLB), amounts owing to other lenders under the terms of Lender Option Borrower Option (LOBO) and amounts owing to Salix Finance Ltd in respect of finance provided for the purchase of energy efficient boilers.

The Salix loan was originally taken out in 2013/2014. At 31 March 2017 £32,645 is outstanding (31 March 2016 £97,936). This is an interest free loan over a period of four years provided to support energy efficiency and it is anticipated that the energy savings will offset the loan repayments.

2016 £'000	Loans to be Repaid	2017 £'000
7,492	Within one year	3,709
3,459	Between one and two years	1,176
5,291	Between two and five years	6,291
2,776	Between five and 10 years	3,940
17,990	More than 10 years	25,900
<b>37,008</b>		<b>41,016</b>
	Less:	
-7,492	Transferred to short term borrowings (repayable in 2017/2018)	-3,709
<b>29,516</b>		<b>37,307</b>

## 30 Creditors and Receipts in Advance

These balances reflect amounts owed by the PCC and amounts received in advance. It is expected that these liabilities will be paid within 12 months of the end of the reporting period.

OCC £'000	PCC £'000	Total 2016 £'000	Creditors and Receipts in Advance	OCC £'000	PCC £'000	Total 2017 £'000
0	5,613	5,613	Central government bodies	0	6,940	6,940
0	5,464	5,464	Other local authorities	0	4,916	4,916
0	122	122	NHS bodies	0	24	24
0	2	2	Public corporations	0	1	1
9,609	6,932	16,541	Other entities and individuals	7,997	7,157	15,154
<b>9,609</b>	<b>18,133</b>	<b>27,742</b>	<b>Balance as at 31 March</b>	<b>7,997</b>	<b>19,038</b>	<b>27,035</b>

## 31 Short and Long Term Provisions

Short and Long Term Provisions	Balance 1 April 2016 £'000	Reversed Unused £'000	Used in Year £'000	New in Year £'000	Balance 31 March 2017 £'000
Insurance	7,301	0	-1,220	1,700	7,781
Legal services	249	-54	-82	89	202
Ill-health & termination benefits - OCC	184	0	-184	315	315
Holiday pay on overtime - OCC	73	0	-73	0	0
Overtime liability - OCC	350	0	0	1,793	2,143
Employment support allowance - OCC	0	0	0	353	353
	<b>8,157</b>	<b>-54</b>	<b>-1,559</b>	<b>4,250</b>	<b>10,794</b>

Following advice from our insurance experts as part of the annual review, we have divided the insurance fund between a provision of £7,781,000 which represents specific known liabilities, and a reserve to meet potential future liabilities. Details of the PCC insurance cover are shown in note 33.

The insurance provision is based upon an actuarial evaluation of the discounted insurance liabilities as at 31 March 2017. This evaluation is based on the paid and outstanding claims position at this date. It should be noted that the timing of outflows in respect of these liabilities is inherently uncertain and events may not occur as expected.

The legal services provision of £202,000 represents an estimate of the legal costs associated with the outcome of outstanding legal cases, of which £100,000 is anticipated to be resolved in 2017/2018. The remaining £102,000 should be resolved in 2018/2019.

The following provisions have been included in the accounts of the OCC:

- The ill health and termination benefits provision of £315,000 is where approval was agreed at 31 March 2017 to make the payments during 2017/2018;
- There was a provision of £73,000 for back pay claims for holiday pay where overtime had been worked since October 2015. This was resolved in 2016/2017;
- The overtime liability provision at 31 March 2017 is in respect of claims for overtime worked in prior years. These claims should be resolved in 2017/2018;
- The employment support allowance provision of £353,000 relates to the underpayment of injury on duty pensions. These payments should be made in 2017/2018.

## 32 Contingent Liabilities

We have reviewed the position in respect of contingent liabilities as at 31 March 2017.

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

- Although no amount relating to 2016/2017 has been paid in year, we may be called upon to make a top up levy to Municipal Mutual Insurance Ltd's Scheme of Arrangement in the future;

- The Chief Constable of Avon & Somerset, along with other Chief Constables and the Home Office, currently has approximately 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. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgments are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/2017 Accounting 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.

### 33 Funds and Reserves

#### 33.1 Revenue Reserves and General Fund

The general fund is split between specific earmarked reserves and the general fund as follows:

Revenue Reserves 2015/2016	Balance 1 April 2015 £'000	Reserves Used in Year £'000	Transfers to Reserves in Year £'000	Balance 31 March 2016 £'000
Carry forwards	260	-131	345	474
Neighbourhood policing	716	-472	7	251
Operations	2,750	-1,250	0	1,500
Overtime liability	0	0	1,200	1,200
Buildings and sustainability	1,580	-81	0	1,499
Transformation	6,192	-4,115	5,395	7,472
Zephyr	1,958	-2,025	2,205	2,138
Proceeds of crime	212	-365	153	0
Detained property	959	-966	1,011	1,004
Insurance reserves	2,306	-1,067	709	1,948
Grants carried forward	1,251	-960	392	683
Hinkley Point	274	-208	0	66
Road safety	1,072	-173	0	899
LRF reserve	47	-10	0	37
Victim support services	792	-523	616	885
Miscellaneous reserves	342	-1,001	991	332
Capital financing	1,972	0	0	1,972
Earmarked capital reserves	62	-82	109	89
PFI change reserve	479	-20	99	558
PFI interest smoothing	2,914	-94	0	2,820
Sinking fund reserve	2,710	0	802	3,512
<b>Earmarked revenue reserves</b>	<b>28,848</b>	<b>-13,543</b>	<b>14,034</b>	<b>29,339</b>
General Fund	14,400	-4,000	0	10,400
<b>Total General Fund Balance</b>	<b>43,248</b>	<b>-17,543</b>	<b>14,034</b>	<b>39,739</b>

Revenue Reserves 2016/2017	Balance 1 April 2016 £'000	Reserves Used in Year £'000	Transfers to Reserves in Year £'000	Balance 31 March 2017 £'000
Carry forwards	474	-474	256	256
Neighbourhood policing	251	-25	0	226
Operations	1,500	0	0	1,500
Overtime liability	1,200	0	0	1,200
Buildings and sustainability	1,499	-370	0	1,129
Transformation	7,472	-4,833	1,876	4,515
Zephyr	2,138	-1,590	627	1,175
Proceeds of crime	0	0	533	533
Detained property	1,004	-1,248	1,882	1,638
Insurance reserves	1,948	-497	485	1,936
Grants carried forward	683	-1,284	1,577	976
Hinkley Point	66	0	19	85
Road safety	899	0	638	1,537
LRF reserve	37	0	45	82
Victim support services	885	-587	438	736
Miscellaneous reserves	332	-222	189	299
Capital financing	1,972	-451	164	1,685
Earmarked capital reserves	89	-61	197	225
PFI change reserve	558	-122	18	454
PFI interest smoothing	2,820	-111	0	2,709
Sinking fund reserve	3,512	0	315	3,827
<b>Earmarked revenue reserves</b>	<b>29,339</b>	<b>-11,875</b>	<b>9,259</b>	<b>26,723</b>
General Fund	10,400	0	0	10,400
<b>Total General Fund Balance</b>	<b>39,739</b>	<b>-11,875</b>	<b>9,259</b>	<b>37,123</b>

The carry forward balance represents the cost of goods and services not received at 31 March, as well as amounts set aside for specific purposes.

The neighbourhood policing reserve is held to finance the provision of neighbourhood policing services, and support initiatives and ongoing expenditure which help deliver our commitment to help build safer stronger communities.

The operations reserve can be used at the chief officers' discretion to manage risk associated with the reactive nature of policing work.

The overtime liability reserve is the estimate of the cost of historic overtime which is due to be paid with the introduction of the new time management system.

The buildings and sustainability reserve is held to capture any underspend in relation to our buildings repairs and maintenance budgets, so that these funds can be used in future years to support necessary work on our estate. It is also used to support projects and initiatives which will reduce and make more efficient our use of natural resources.

The transformation reserve is maintained to support the cost of the change programme over the next 12-24 months.

Zephyr is a regional collaboration set up to destroy, dismantle and disrupt serious and organised crime across the South West of England. Avon and Somerset are the lead force for this collaboration, and the funds within the reserve are held on behalf of the region.



The proceeds of crime reserve is used to hold funding received as a result of our work in the seizure and confiscation of assets we believe to have been gained through criminal activities. The funding is used to support our continued work in this area.

The PCC operates a holding account, for seized monies and the sale proceeds of seized and unclaimed property under the Police (Property) Regulation 1997. In the main these assets will be returned to their owners.

The insurance reserve covers the vehicle, public and employer's liability risk. The fund is subject to an annual actuarial review to assess the potential liabilities and is used to supplement our external insurance provision.

The grants carried forward reserve is used to hold grants income, where it is considered that the terms and conditions of the grant have been met.

The Hinkley Point reserve is to cover the cost of both the neighbourhood and protest policing at the site of the new Hinkley Point power station.

The road safety fund is the surplus of funds received from the speed enforcement unit and will be used to support road safety initiatives.

The local resilience forum (LRF) reserve is the balance for various partners from public agencies as Avon and Somerset are the co-ordination point for this forum.

The victim support services reserve is the balance of the funding specifically received to enable victim support commissioning to be undertaken.

The miscellaneous reserve contains funding that has been received from various sources that is required to be used for specific purposes.

The capital financing reserve has been created to help manage the forward funding of the capital programme to reduce the reliance on external borrowings.

The earmarked capital reserve balance is held to meet the capital commitment on several ongoing schemes.

The PFI change reserve resulted from the delays in the availability of the PFI buildings, and will provide a fund to manage future one off costs as issues arise.

The PFI interest smoothing reserve has been created in order to smooth the interest costs over the 25 year life of the PFI contract.

The sinking fund will be used over the life of the PFI contract to equalise the phasing of the government grant income and expenditure on the unitary charge.

The general fund represents the risk assessed balances held by the PCC to meet unforeseen future events.

### **33.2 Capital Reserves**

The revaluation reserve represents the difference between the current valuation and the original cost of our assets.

The capital adjustment account provides a balancing mechanism between the different rates at which assets are depreciated and are financed.

It should be noted that these reserves are matched by fixed assets within the balance sheet and are not resources available to the PCC.

The usable capital receipts reserve represents the amounts received from the sale of capital assets held to fund future capital purchases.

You can find the details of the movement on these reserves in the notes to the movements in reserves statement.

### 34 Capital Commitments

At 31 March 2017 there are outstanding capital contractual commitments:

2016 £'000	Capital Commitments	2017 £'000
0	Vehicle replacements	2,256
408	Information technology projects	833
812	Estates projects	1,289

### 35 Capital Financing

2015/2016 £'000	Capital Expenditure and Financing	2016/2017 £'000
<b>93,730</b>	Opening capital financing requirement	<b>100,601</b>
	<b>Capital investment</b>	
22,319	Property, plant and equipment	15,925
	<b>Sources of finance</b>	
-9,945	Capital receipts	-5,662
-2,447	Government grants and contributions	-1,939
-871	Revenue contributions	-1,449
-199	Earmarked reserves	-1,007
-3,233	Minimum revenue provision	-3,371
1,247	Capital creditors	-27
<b>-15,448</b>		<b>-13,455</b>
<b>100,601</b>	<b>Closing capital finance requirements</b>	<b>103,071</b>
	<b>Explanation of movements in year</b>	
-420	Increase/decrease(-) in underlying need to borrow	2,470
7,291	Asset acquired under PFI Contract	0
<b>6,871</b>	<b>Increase/decrease(-) in capital financing requirement</b>	<b>2,470</b>

## 36 Financial Instruments

The liabilities and investments disclosed in the balance sheet are made up of the following categories of financial instruments.

	Current		Long Term		Total	
	31 March	31 March	31 March	31 March	31 March	31 March
	2016	2017	2016	2017	2016	2017
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial liabilities at amortised cost</b>						
Bank overdraft	1,392	170	0	0	1,392	170
Borrowings	7,492	3,709	29,516	37,307	37,008	41,016
Creditors	13,487	13,164	0	0	13,487	13,164
PFI	1,329	1,485	59,415	57,931	60,744	59,416
<b>Total</b>	<b>23,700</b>	<b>18,528</b>	<b>88,931</b>	<b>95,238</b>	<b>112,631</b>	<b>113,766</b>
<b>Loans and receivables</b>						
Cash and cash equivalents	26,623	17,212	0	0	26,623	17,212
Investments - Short term	21,750	16,000	0	0	21,750	16,000
Investments - Long term	0	0	3,000	3,000	3,000	3,000
Debtors	24,450	27,433	0	0	24,450	27,433
Car loans	0	0	58	46	58	46
<b>Total</b>	<b>72,823</b>	<b>60,645</b>	<b>3,058</b>	<b>3,046</b>	<b>75,881</b>	<b>63,691</b>

The fair value of the PWLB loans has been assessed at £39,713,485 (31 March 2016 £31,579,616) compared with a book value of £29,208,105 (31 March 2016 £25,134,421).

The fair value of LOBO loans has been assessed at £17,898,571 (31 March 2016 £15,350,425) compared with a book value of £11,775,000 in both years. Under the terms of these loans the lender has the option to vary the interest rate at specified points in time. These loans are detailed in the following table.

Lender Option Borrower Option (LOBO)						
2016 £'000	Drawdown Date	2017 £'000	Period	Next Option Date	End Date	Interest Rate %
6,500	17/01/2005	6,500	30 yrs	-	17/01/2035	4.50
2,500	30/01/2008	2,500	70 yrs	30/01/2018	31/01/2078	3.99
2,775	12/02/2008	2,775	70 yrs	12/02/2020	14/02/2078	4.10
<b>11,775</b>	<b>Total</b>	<b>11,775</b>				

The fair value of PWLB and LOBO loans has been assessed as level 2 where the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the reduced interest the authority will pay and the remaining terms of the loans under their agreement against what would be paid if the loans were at prevailing market rates.

At 31 March 2017 the fair value is assessed as level 1 for cash and equivalents at £17,110,961, short term investments at £16,073,511, and long term investments at £3,054,376.

31 March 2016 £'000		31 March 2017 £'000
28,292	<b>Debtors and payments in advance on balance sheet</b>	37,000
-2,866	Less VAT	-2,219
-976	Less payments in advance	-7,348
24,450	<b>Debtors in financial instruments note</b>	27,433
-27,742	<b>Creditors and receipts in advance on balance sheet</b>	-27,035
4,646	Less tax	5,874
9,609	Less OCC payroll accruals	7,997
-13,487	<b>Creditors in financial instruments note</b>	-13,164

The gains and losses recognised in the comprehensive income and expenditure statement in relation to financial instruments are made up as follows:

	<b>Financial Liabilities Liabilities Measured at Amortised Cost</b>		<b>Financial Assets Loans and Receivables</b>	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Interest payable and similar charges (excluding PFI)	-1,592	-1,501	0	0
Interest and investment income	0	0	556	399

The nature and extent of risks arising from financial instruments can be classified under the following headings:

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

### 36.1 Credit Risk

Credit risk arises from deposits with banks and financial institutions as well as credit exposures to customers.

Treasury management services are provided by Somerset County Council. Any surplus cash is invested temporarily by the PCC's treasury management providers with specified financial institutions, money market funds, or other Government or public sector bodies. In order to ensure the PCC's risk exposure is minimised, credit ratings are monitored on an ongoing basis, and individual counterparty ratings are verified on the day of investment. As directed by the revised CIPFA Treasury Management Code, account is taken using ratings issued by three main rating agencies, Fitch, Moody's, and Standard & Poor's. Decisions are taken based on the lowest of these ratings. It should also be noted that a range of additional indicators are used to assess counterparty credit worthiness including for example credit default swaps, Government guarantees and support, and share price. All investments are held in sterling deposits and are rated as per the lending Counterparty Criteria approved each year by the PCC.

At 31 March 2017 investments can be analysed as follows:

Fitch Credit Rating	31 March 2016 £'000	Default %		Fitch Credit Rating	31 March 2017 £'000	Default %
AAA	11,470	0.13	Deposits with Money Market Funds	AAA	4,059	0.13
AA	6,000	0.05	Deposits with local authorities	AA	3,000	0.05
A	21,750	0.06	Deposits with UK banks	A	18,000	0.06
A/AA	8,000	0.05	Deposits with Overseas banks	AA	11,000	0.05
A	4,000	0.06	Deposits with UK building societies	-	0	-
	<b>51,220</b>		<b>Total</b>		<b>36,059</b>	

Included within long term loans are car loans to officers and staff which totalled £46,250 at 31 March 2017. These loans are only granted to those who have been designated as essential users of cars for the performance of official duties. Interest on these loans is charged in accordance with set policy which reflects market rates of interest. These loans are considered to be fully recoverable.

Debtors, classified as receivable financial instruments, are due within one year with no interest being payable. As such the fair value of these receivables is the same as the original invoice amount. They include £15,373,930 pension fund account debtor with the Home Office (2015/2016 £9,937,790).

The PCC does not generally allow credit for customers. With the exception of those debts where recovery is certain the PCC impairs all debtors greater than 6 months old and 10% of those debtors between three and 6 months. At 31 March 2017 the total value of these impairments was £326,494 (31 March 2016 £451,362). The remaining value of unimpaired debtors can be analysed as follows:

31 March 2016 £'000	Unimpaired Debtors	31 March 2017 £'000
1,207	Less than three months	1,992
40	Three to six months	35
<b>1,247</b>		<b>2,027</b>

Receipts in advance represent income where relevant expenditure will be made for the service provided in the following financial year, such as grants. As this is simply a question of timing the amortised cost in the balance sheet is deemed to be the fair value.

Refer to note 26 for the balances on both debtors and payments in advance.

## **36.2 Liquidity Risk**

The PCC has a comprehensive cash flow management process managed on our behalf by Somerset County Council that seeks to ensure that cash is available as needed. At 31 March 2017 the PCC had £4,059,000 (31 March 2016 £11,470,000) in call accounts available to manage short term liquidity requirements. The PCC had a further £29,000,000 invested for a period of up to one year from the balance sheet date (31 March 2016 £36,750,000).

## **36.3 Market Risk**

### **36.3.1 Interest Rate Risk**

The PCC is exposed to risk in terms of interest rate movements on investments. A 0.5% change in interest rates could increase or reduce investment income by £180,295 based on the current level of investments.

All borrowing is currently at fixed rates and there is therefore no interest rate exposure. The LOBO stepped interest loan taken out on 17 January 2005 is exempt from the requirements of the Accounting Standard by virtue of having been taken before 9 November 2007 the date after which stepped interest rate loans taken need to be accounted for in accordance with the new regulations. In respect of the other commercial loans taken in 2008 there are no step changes in interest specified in the loan agreements and therefore no adjustment to the carrying value of the loans is required.

### **36.3.2 Price Risk**

The PCC does not invest in equity shares other than in the Police Staff Pension Scheme (note 20). This means that the PCC has no exposure to price risk outside of the Local Government Pension Scheme.

### **36.3.3 Foreign Exchange Risk**

The PCC has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to losses arising from movements in exchange rates.

# Police & Crime Commissioner for Avon & Somerset

## Avon & Somerset Police Officers Pension Fund Account Statements - OCC

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, 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 19 of the accounts.

2015/2016 £'000	Police Officers Pension Fund Account	2016/2017 £'000
	<b>Contributions receivable</b>	
	Employers contributions:	
-20,960	Normal (21.3% contributions)	-20,647
-792	Ill health/early retirements	-1,195
-21,752		-21,842
	<b>Employee contributions</b>	
-7,053	1987 Police Pension Scheme	-6,034
-168	2006 Police Pension Scheme	-103
-6,399	CARE Police Pension Scheme	-7,218
-13,620		-13,355
-661	<b>Transfers in from other schemes</b>	-298
	<b>Benefits payable</b>	
68,253	Pensions	70,265
14,569	Commutations and lump sum retirement benefits	18,243
82,822		88,508
	<b>Payments to and on account of leavers</b>	
18	Refund of contributions	38
176	Transfers out to other schemes	0
193	Other	100
387		138
47,176	<b>Net amount payable for the year</b>	53,151
-2,854	Additional contribution from the local policing body	-2,811
-44,322	<b>Transfer from Police Fund to meet deficit</b>	-50,340
0	<b>Net amount payable/receivable for the year</b>	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 2017.

31 March 2016 £'000	Pension Fund Net Assets	31 March 2017 £'000
	<b>Current assets</b>	
0	Amounts due from Central Government	5,935
	<b>Current liabilities</b>	
0	Amounts owing to pensioners	-5,935
<hr/>		<hr/>
<b>0</b>	<b>Net assets</b>	<b>0</b>
<hr/>		<hr/>

# Police & Crime Commissioner 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.
ASB	Anti-Social Behaviour
Balance sheet	This represents our overall financial position as at 31 March.
BWV	Body worn video
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.
CSE	Child Sexual Exploitation
Closing value	The value at 31 March, the date when the accounts are closed.
Collection fund adjustment account	Difference between council tax cash received and the amount shown in the comprehensive income and expenditure statement.
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.
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.
CoPaCC	Compares Police and Crime Commissioners
Creditors	Amounts which are owed to others.
CSP	Community Safety Partnerships
Current assets and liabilities	Assets or liabilities which can be turned into cash or fall due within one year of the balance sheet date.
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.
Depreciation	An amount set aside to pay for the gradual loss in value of our assets.
Detained property	These are items of property and cash, which are held until the courts decide who owns them.
ERP	Enterprise Resource Planning
ESN	Emergency Services Network

<b>Term</b>	<b>Definition</b>
Expenditure and funding analysis	This shows the performance reported and the adjustments made to reconcile to the comprehensive income and expenditure statement.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.
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.
Fixed assets	These are items such as land, buildings, vehicles and major items of equipment, which give benefit to us for more than one year.
FRS	Financial Reporting Standards. Standards of accounting practice to be adopted to ensure that accounts provide a true and fair view.
GAAP	Generally Accepted Accounting Principles. These refer to the standard framework of guidelines for financial accounting used in any given jurisdiction and generally known as accounting standards.
Historical costs	These are the amounts paid at the time we bought the assets.
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).
ICT	Information, Communications and Technology
IFRS	International Financial Reporting Standards. A set of international accounting and reporting standards that will help to harmonise company financial information across international borders.
Intangible fixed assets	Assets that are not physical such as software licences.
JAC	Joint Audit Committee
LOBO loans	Lender Option Borrower Option loans are where the interest payable is agreed at the time the money is borrowed. If the lender wants to change the interest rate the borrower has the choice to pay at the new rate or repay the loan.
Liquid assets	Liquid assets are made up of cash and other items, which can be exchanged for cash. Procedures are in place to make sure that they are kept securely and properly accounted for.
LRF	Local Resilience Forum
Minimum revenue provision	This is the lowest amount allowed by the Government which has to be charged to the accounts for repaying loans.
MoJ	Ministry of Justice

<b>Term</b>	<b>Definition</b>
Movement in reserves statement	Summarises the movement in the reserves of the PCC 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
OPCC	Office of Police and Crime Commissioner. Staff employed by the Police and Crime Commissioner.
PACCTS	Police and Crime Commissioners Treasurer's Society
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.
PCC	Police Crime and 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).
PCP	Police and Crime Panel
PCSO	Police community support officer
PDR	Performance and Development Review
PEEL	The HMIC PEEL assessment stands for Police Effectiveness, Efficiency and Legitimacy.
Pension appropriations	This is the adjustment required to reduce the costs of pensions to the sum to be collected from taxation in the year.
PFI	Private Finance Initiative
Police pension top-up grant	The PCC 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 the PCC 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.
PWLB	This is the Public Works Loan Board, which is an organisation financed by the Government. It lends money to PCC's on set terms so that they can buy capital items.

<b>Term</b>	<b>Definition</b>
Receipt in advance	Income received in advance of the financial year in which the services will be provided.
Revaluation reserve	This account represents the increase in value of our assets since 1 April 2007 over the amount originally paid for them.
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.
Servicing of finance	This is a technical term and is usually the interest paid on loans.
SR	Spending Review
SW1	Southwest One
Unapportionable central costs	These represent costs that do not directly contribute to the running of the police service and which cannot be allocated to specific activities.



Further information can be obtained online at:-

[www.avonandsomerset-pcc.gov.uk](http://www.avonandsomerset-pcc.gov.uk) (PCC Website)

[www.avonandsomerset.police.uk](http://www.avonandsomerset.police.uk) (Constabulary Website)

Or in writing to:-

**The Chief Finance Officer**

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