

2018/2019

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: 01278 646555
John Smith	Chief Executive and Monitoring Officer to the Police & Crime Commissioner for Avon & Somerset Phone: 01278 646556
Mark Simmonds	Chief Finance Officer to Police & Crime Commissioner for Avon & Somerset Phone: 01278 646553
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: 01278 646321
Nick Adams	Chief Officer – Finance, Resources and Innovation Phone: 01278 646400
Address for chief officers:	Valley Road Portishead Bristol BS20 8QJ



Statement of Accounts 2018/2019

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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 2018/2019. 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;
- **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 2019** - 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 previous 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.

3 Revenue Spending in 2018/2019

3.1 The Revenue Budget

In February 2018 the PCC approved a total 2018/2019 revenue budget of £284.5m (2017/2018 £277.6m). This budget was then allocated as follows:

- Constabulary budget - £279.7m (2017/2018 £272.7m);
- OPCC budget - £1.4m (2017/2018 £1.4m);
- Commissioning of Victims, Community Safety, and Offender services - £3.4m (2017/2018 £3.5m).

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 2018/2019 by £12 for an average band D household (just over 6% rise), increasing the police element of the council tax bill to £193.81 for such households.

Setting a budget in 2018/2019 under the prevailing conditions of flat central government funding, cost inflation, and other unavoidable financial commitments meant it was necessary to identify and deliver further savings.

The core budget and planning parameters for 2018/2019 were:

- Total increase in funding of £6.9m;
- Inflationary, capital funding, and other cost increases for both pay and non-pay expenditure of £11m – slightly above trend inflation increase due to higher capital funding requirements;
- Total savings taken from the budget of just over £4m;
- A commitment to recruit up to establishment and maintain front line police officer numbers as far as possible;
- A commitment to continue investment in strategic technology programmes;
- Funding required to deliver 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 a broad programme of service redesign to meet the known and expected funding reductions from the Government's spending reviews.

The reported outturn was a breakeven position for 2018/2019 after making the provisions for known liabilities and setting aside funds to meet capital expenditure from revenue budgets and minimise the need to incur new borrowing.

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

- Delivery of savings from the service redesign programme, procurement, Estates rationalisation and through budget control;
- Managing reorganisation and capital expenditure costs within budget;
- Above budget spend on overtime being offset by underspend from vacancies in police staff and police officers. The staff vacancies reflected planned reorganisation of enabling services directorates. The police officer vacancies reflected the time needed for the Constabulary to recruit in the order of 300 new police officers required to meet the establishment numbers of officers, which was achieved by the end of the fiscal year.

A full account of the financial performance for the 2018/2019 year has been provided to the PCC at the Police & Crime Board in May, and the paper which sets this out can be found published on the PCC's website.

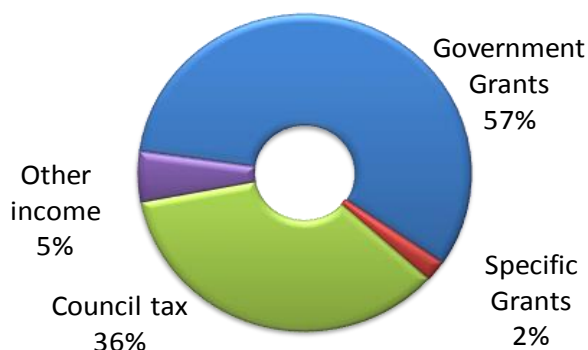
The following table summarises the revenue financial performance for 2018/2019:

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

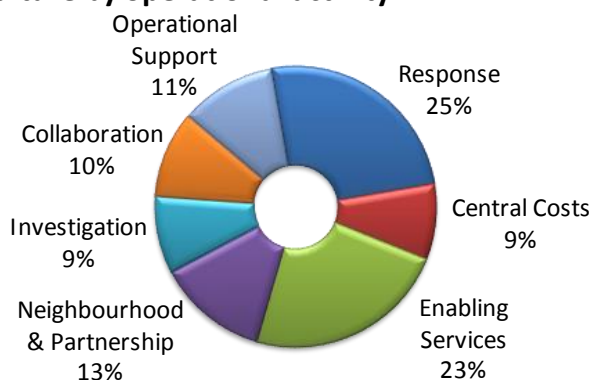
It should be noted that the expenditure figure above cannot be directly agreed with the comprehensive income and expenditure statement on page 27 where the costs of our activities include items which do not have an impact on the tax payer and are adjusted through the general fund balance.

The charts below show, in percentages, the main areas of income and expenditure.

Income



Net expenditure by operational activity



3.3 Impact on Reserves

During 2018/2019 the PCC agreed to utilise reserves in support of the ongoing transformation programmes, to fund capital expenditure and in accordance with their earmarked purpose. In addition, new funds from revenue have been set aside in the year to fund capital projects.

Transformation projects funded from reserves in the year included service redesign of enabling services, ongoing estates rationalisation, and a far reaching mobilisation and digital policing programme including further investments to manage digital evidence.

At 31 March 2018 our earmarked reserves stood at £25.3m and at the year-end 31 March 2019 they have are held at a similar level of £25.2m. More details on our earmarked reserves can be found at note 26 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 £3.7bn when pension scheme assets of £0.4bn are taken into account. More detail around this liability is disclosed in notes 15 to 17 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 2019 is shown in the table below:

Employees	Male Number	Female Number	Total 2018/2019 Number
Number of Employees			
OPCC	3	17	20
OCC	2,872	2,369	5,241
Total	2,875	2,386	5,261
Number of Senior Employees			
OPCC including the PCC	2	1	3
OCC	5	3	8
Total	7	4	11

3.6 Operational Performance

The total number of recorded crimes has decreased slightly in the last twelve months – at a time when other police forces are recording more marked increases in the numbers of crimes recorded. There have been notable reductions in recorded burglary. However the Constabulary has recorded increases in violent crime. This is a subject of national focus.

The total number of calls to the police (999 and 101) has reduced slightly in the last year, whilst abandonment rates for 101 have remained between 4% and 6% for most of the year and compare favourably to other Constabularies.

HMICFRS's 2018 PEEL Assessment for Avon and Somerset¹ rated the Force as "good" in "Efficiency" (incorporating value for money), "Effectiveness" and "Legitimacy".

Overall victim satisfaction has remained around 75% with mixed outcomes across the various crime types. This is an area both the PCC and Chief Constable continue to acknowledge requires improved performance.

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

Rates of positive outcomes overall have remained stable and still require improvement.

Overall public confidence in policing of Avon and Somerset has remained stable 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. The Constabulary is now ranked higher nationally, at the top end of the second quartile.

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 by the office of the PCC has been developed to scrutinise Constabulary service delivery in key areas of priority for the PCC.

3.7 Performance – Looking Ahead

The PCC's priorities until 2021 are set out in the refreshed PCC's 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 and the implementation of new technology.

The Constabulary will be inspected by HMICFRS under the PEEL framework in the first quarter of 2019/2020.

4 Capital Expenditure in 2018/2019

Capital investment is made 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 new technology to better support police officers and staff.

During 2018/2019 capital spending amounted to £11.7m. The following table shows how the money was spent.

Capital Expenditure	2018/2019 £'000	%
Rolling replacement and renewal	3,580	30.6
Other projects	208	1.8
Service design and development	1,335	11.4
Digital programme	2,047	17.5
Infrastructure programme	1,365	11.7
Memorandum items	3,159	27.0
	11,694	100.0
Non-enhancing expenditure written off to revenue	-330	
	11,364	

4.1 Estate Strategy

Continued funding pressures require us to prioritise spend on our officers, PCSOs and staff. Our estates strategy continues to focus on meeting the needs of our evolving police operating model, supporting the needs of the public, and delivering savings where possible.

4.2 Treasury Management

In the financial year 2018/2019 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, £2.5m of new borrowing has been required. As a result net total borrowing increased by £1.3m in 2018/2019 to just over £41m after scheduled repayments. 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 increased during the year due to the positive timing of cashflows relating to revenue underspends and capital spend weighted to the end of the year. Cash remains sufficient to underwrite the reserve levels required by the PCC for risk and capital funding and manage working capital movements. Deposit return rates remain at historic low levels as the Bank of England remained cautious on rate rises, but average returns have slightly improved to 0.87%. With the cash holdings, the PCC has retained 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 2019/2020 and the Medium Term

5.1 Medium Term Plan

The PCC has published an updated Medium Term Financial Plan (MTFP) with the Chief Constable to achieve further savings and balance the revenue budget in 2019/2020. A plan has been set out to balance the budget over the following three years and this will depend on the outcome of the Government's Comprehensive Spending Review (CSR) which the Chancellor has announced will be held in summer 2019, subject to the protracted "Brexit" negotiations.

Prudent assumptions have been made in the MTFP including fuller provision to fund capital from revenue; ongoing upward provisions for pay, inflation and pensions funding; frozen grant funding after 2019/2020; and a reduction to the lower historic levels of cap placed on any future rises in the police council tax precept.

5.2 Savings

The successful achievement of planned changes from 2010 to the end of March 2019 has generated £78m of cumulative savings. The PCC has agreed a further savings plan with the Constabulary and other partners to release new savings of £5.1m between April 2019 and March 2021.

After these agreed savings for the next four years and planned rises in the police council tax precept, we forecast that a further £4m of savings will still be required by March 2023. This residual savings target is considered low risk and achievable given the commitment to innovation, ongoing procurement savings (currently running at £2m per annum), continuous improvement and realising benefits from technology investment.

5.3 2019/2020 Revenue Budget

In February 2019 the PCC approved a total 2019/2020 revenue budget of £306.3m (2018/2019 £284.5m). This budget is allocated as follows:

- Constabulary budget - £301.4m (2018/2019 £279.7m);
- OPCC budget - £1.4m (2018/2019 £1.4m);
- Commissioning services for Victims, Community Safety, and Offender services - £3.5m (2018/2019 £3.4m). This budget includes the cost of a victims service which has been funded from existing budgets and from part of a £1.95m 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 core budget planning parameters for 2019/2020 are:

- **Income:** Total increase in funding of £21.8m, after accounting for:
 - Increase of £3.4m in the main grant funding;
 - A new £2.8m grant to part fund increases in the employers contributions to police officer pensions;
 - Increase in total annual council tax income of £15.6m, as a consequence of an average 1.6% increase in the PCC's council tax base across the area's billing authorities, a stable collection fund surplus and a £24 increase in precept for average Band D council tax bill (this is a rise of just over 12%);
- **Expenditure:** Inflationary and other cost increases for both pay and non-pay expenditure have increased by £17.3m. This includes special provisions for pay rises (2%), inflation trend rate (circa £7m/annum combined), and the step change increase required of £6.5m in 2019/2020 and beyond to fund the employers contributions to police pensions;
- The budget was balanced after £4.5m of new savings.

5.4 Policing Precept 2019/2020

The Policing Minister announced in December 2018 that the police were “stretched” and “would have the funding they needed”. As a result grant funding was increased and PCCs were allowed greater flexibility to increase the police council tax precept. In most cases, PCCs have increased the Band D police council tax precept by £24 per annum.

In accordance with this announcement and after supportive public consultation, the PCC chose to raise increased funding through the council tax police precept in 2019/2020 with a circa 12% increase in police precept. This takes the average (band D) council tax police precept up by £24 per annum to £217.81 per annum. This increase was necessary to fund the increased costs of pensions, pay rises, and other inflationary pressures as well as generate new funds to invest in front line policing.

The additional funding will underwrite an increase in establishment of 100 new police officers by March 2020; new operational responses to knife crime, burglary, and drugs crime; and the continued roll out of new technology to the front line.

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 and found continued support for increasing the policing precept to protect and enhance front line policing in the region.

5.5 Capital Programme 2019/2020 and beyond

The PCC has agreed funding to support the capital programme over the next five years at a level of up to £70m. 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: refresh of end user devices; data storage; mobile working; data analytics; digital evidence; convergence with ICT national systems and new collaborative enterprise resourcing planning systems.

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.

In summary the combined benefits of the capital programmes will deliver:

- Improved mobile working, efficiency and visibility for officers;
- Improved data sharing and analytics to help police efficiency and effectiveness;
- Increased digital working with increasing volumes of digital evidence including body worn video to be collected, stored, analysed, and processed; and
- Better collaboration with other forces and local partners.

5.6 Home Office Transformation Funds

The Chief Constable was successful in securing just over £3 million transformation funding over two years 2017/2018 and 2018/2019 to build a regional data analytics hub that will collect, process, share and present data to improve decision making across a wide range of participating partners. The data will be sourced from local partners including: police; fire; local government; and health. This project is concluding successfully in spring 2019.

5.7 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 2019/2020 is materially unchanged from previous years and includes an integrated victim care service which is part funded from a £1.95m victim services grant from the Ministry of Justice. 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 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.

5.8 Commissioner's Community Action Fund

The PCC has completed another successful year of her Commissioner's Community Action Fund that provided just over £135k to local community projects. This money was allocated during the year to successful bids for small grants.

5.9 Approach to Future Challenges and Funding

The PCC is committed to delivering the financial savings and efficiencies required in the coming years:

- Improving police efficiency through the Constabulary's new directorate-based operating model;
- Deploying 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 work with partners 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 Strategic Framework that streamlines the way the police provide services to the public.

5.10 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;
- service redesign to remove streamline all directorates and reduce the management overhead;
- rationalising the estate utilising our PFI funded custom built custody and operational police area centres and reducing the estates footprint where buildings are underutilised or not fit for purpose;
- investing in technology to support mobile working, better data sharing and analytics and enhanced 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.

5.11 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 a very similar 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 stabilised. The main issues and uncertainty areas that may affect future risk and performance management may be summarised as:

- The PCC continues to hold the Chief Constable to account to deliver the Police & Crime Plan priorities. Whilst the feedback from HMICFRS inspections is encouraging the PCC and Chief Constable agree that there are still some important areas for improvement;
- £4m of new savings are required over the next four years in addition to £5m of savings already agreed with the Chief Constable in order to balance the budget over this period. This is less onerous than had been feared before the Police Settlement and the basket of savings options from ongoing operational efficiency and investment in technology will meet this requirement;
- In some areas, police resources and capability are not always matching changing demand (including: cybercrime, safeguarding, domestic abuse, sexual violence, county lines drug gangs and associated violence, and human trafficking). This is under close review from demand management working groups and new resources are being prioritised to these areas;
- Data quality remains an area of focus;

- The outcome of the “Brexit” negotiations may pose new operational policing and public order risks as well as economic risks of a weaker Sterling, reduced tax revenues for Government, and higher prices.

5.12 Conclusion

The financial affairs of PCC and Chief Constable 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 will ensure that additional funds generated in 2019/2020 deliver enhanced policing services and better tackle issues that matter to local people. Focus will remain on delivering the priorities in the Police & Crime Plan.

The PCC is committed to delivering a safe and secure region in Avon and Somerset, protecting the most vulnerable and ensuring the policing service is efficient, 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 changing demand and continued pressure on all public sector funding. 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
25 July 2019

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 2019 and its income and expenditure for the year ended 31 March 2019.



Sue Mountstevens
Police and Crime Commissioner
25 July 2019



Mark Simmonds BSc (Hons), ACA
Chief Finance Officer to PCC
25 July 2019

Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Avon and Somerset (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2019 which comprise the Group Comprehensive Income and Expenditure Statement, the PCC Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the PCC Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and the Notes to the Financial Statements, including the Statement of Accounting Policies, and include the Avon and Somerset police pension fund financial statements comprising the Police Officers Pension Fund Account and the Pension Fund Net Assets. 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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2019 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and the Police and Crime Commissioner obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Police and Crime Commissioner and the Chief Financial Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer. 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and the Police and Crime Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the group or the Police and Crime Commissioner will no longer be provided.

The Police and Crime Commissioner is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the 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 2019.

Responsibilities of the Police and Crime Commissioner

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.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the 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 criterion 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 2019.

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

Report on other legal and regulatory requirements - 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 Local Audit and Accountability Act 2014 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 Avon and Somerset Police and Crime Commissioner and Chief Constable for the year ended 31 March 2019. 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 2019.

Use of our report

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the 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

Iain Murray

Iain Murray

Key Audit Partner

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

London

31 July 2019

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.

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, one shared Finance and HR function with shared financial controls, 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 web-site at www.avonandsomerset-pcc.org.uk or can be obtained from the PCC's office at Police Headquarters, Valley Road, Portishead, BS20 8JJ, or by contacting 01278 646188.

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 2018/2019 financial year covers the period from 1 April 2018 to 31 March 2019 and up to the date of approval of the Annual Statement of Accounts.

This framework comprises the systems, processes, culture and values by which the 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 The Policies of the PCC, 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; delivering against local policing priorities; 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, commissioning and co-commissioning effective police and crime services, 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 considering and making key decisions, holding the Chief Constable to account for his delivery of the Police & Crime Plan, approving budgets and tracking performance. Summary information from this meeting is published on the PCC's website.

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.

The PCC holds regular meetings with the Chief Constable, other senior officers and her senior leadership team to consider and scrutinise 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. Progress is reviewed in a regular report to the PCC which also considers 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 ethics 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 ethics 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 an independent panel to dip sample complaints made by members of the public about aspects of the Constabulary's service. The Panel provides reports to the PCC and Chief Constable which are published on the PCC website.

Scrutiny of Police Powers Panel

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

Out of Court Disposal Panel

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

The PCC is a member of the Constabulary Ethics Committee which 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 again by CoPaCC in both 2018 and in 2019.

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 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 the PCC's regular days in the community, making time to meet people and communities across the area; attendance at high profile community events during the summer; meeting business leaders and business organisations in a regular business crime forum; attending the rural crime forum, meeting local authority leaders, 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 policing, 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. .

Service Delivery Assurance

The PCC and members of her team hold a series of service delivery assurance audits which independently review aspects of the Constabulary's service to the public.

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. This has remained challenging.

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.

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 as updated from time to time and which requires the PCC to consider, approve and publish an annual treasury management strategy including an annual investment strategy;
- In accordance with the Prudential Code and best accounting practice the Constabulary and PCC have produced a rolling five-year Medium Term Financial Plan (MTFP) and a five-year capital programme. These are published on the PCC's website and 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 is 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 CSR;
- The PCC has approved a balanced budget for 2019/2020 after a 12% increase in council tax precept and identified a much reduced forecast budget deficit of £4m to close for the next four years thereafter. This is after £5m of planned savings have been delivered by the Constabulary;
- The work to identify savings will include the Constabulary's ongoing service redesign programme as well as investment in estates and technology to make delivery of policing better and more efficient;
- 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 capital and 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 2018/2019 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' reports at JAC meetings;
- the HMICFRS 'PEEL' inspection;
- the Force Strategic Risk Register;
- the PCC's Strategic Risk Register;
- the Outturn position for 2018/2019 that delivered a balanced financial outturn; and
- the planning and development of the MTFP for the next five years.

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

4 Governance, assurance and risk

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

Joint Audit Committee (JAC)

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

HMICFRS PEEL inspection

The most recent HMICFRS Peel inspections continued to rate the Constabulary as “Good” in the three core inspection themes of Effectiveness, Legitimacy and Efficiency (value for money).

In summary HMICFRS reported that the Force provides a good level of service to the people of Avon and Somerset, is good at protecting vulnerable people from harm and good at supporting victims. The Force 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 last HMICFRS PEEL inspections and are tracking the implementation of recommendations made and recognise that there is still more to be done to meet the vision of being an outstanding police service.

Internal Audit Programme and Head of internal audit opinion 2018/2019

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 independent Internal Audit function completed twelve substantive audits, three advisory reviews and conducted follow-up work on previous audits.

This year’s Internal Audit opinion, which is based on the 12 months ended 31 March 2019, reports that the PCC and OCC “have an adequate and effective framework for risk management, governance, and internal control. However the work of internal audit has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.”

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

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

Risk 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 risks the PCC is concerned with are: delivering the police and crime plan with stretched police resources; challenges with collaboration between local police forces where a desire for local control by other forces has been prioritised over value for money and greater shared efficiency; and managing financial pressures from rising pay and pensions costs.

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
25 July 2019



J Smith
Chief Executive to PCC
25 July 2019



Mark Simmonds BSc (Hons), ACA
Chief Finance Officer to PCC
25 July 2019

Police & Crime Commissioner for Avon & Somerset

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

Gross Expenditure £'000	Gross Income £'000	Total 2017/2018 £'000	Comprehensive Income and Expenditure Statement - Group	Gross Expenditure £'000	Gross Income £'000	Total 2018/2019 £'000
			Expenditure			
371,931	-38,862	333,069	Police Services - OCC	549,471	-37,481	511,990
1,333	-54	1,279	OPCC	1,440	-44	1,396
4,092	-2,637	1,455	Commissioning costs	4,230	-2,778	1,452
377,356	-41,553	335,803	Net cost of police services	555,141	-40,303	514,838
		-1,817	Gain(-)/loss on disposal of non-current assets			-842
		-1,817	Other operating expenditure			-842
		6,232	External interest payable			6,103
		-356	Interest and investment income			-590
		100,517	Net interest on pensions			85,076
			Financial and investment income and expenditure			90,589
		106,392				
		-103,555	Police - revenue grant			-103,555
		-55,699	Ex-DCLG formula funding			-55,699
		-1,962	Capital grant and contributions			-1,201
		-3,331	Council tax freeze grant			-3,331
		-11,378	Local council tax support grant			-11,378
53,009	-53,009	0	Police pension top-up grant (note 16)	58,477	-58,477	0
		-101,029	Council tax - local authorities (note 12)			-108,568
		-276,954	Taxation and non-specific grant income			-283,732
		163,424	Surplus(-)/deficit on provision of services			320,853
		-588,242	Re-measurement of pension assets and liabilities (note 15)			93,137
		-6,573	Return on pensions assets (note 15)			-8,953
		-39,780	Gain on revaluation			-8,091
		-634,595	Other comprehensive income and expenditure			76,093
		-471,171	Total comprehensive income and expenditure			396,946

Police & Crime Commissioner for Avon & Somerset

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

PCC Expenditure £'000	PCC Income £'000	Total 2017/2018 £'000	Comprehensive Income and Expenditure Statement - PCC	PCC Expenditure £'000	PCC Income £'000	Total 2018/2019 £'000
			Expenditure			
1,333	-54	1,279	OPCC	1,440	-44	1,396
4,092	-2,637	1,455	Commissioning costs	4,230	-2,778	1,452
5,425	-2,691	2,734	Net cost of police services before funding	5,670	-2,822	2,848
371,931	-38,862	333,069	Intragroup adjustment	549,471	-37,481	511,990
377,356	-41,553	335,803	Net cost of police services	555,141	-40,303	514,838
	-1,817		Gain(-)/loss on disposal of non-current assets			-842
	-1,817		Other operating expenditure			-842
	6,232		External interest payable			6,103
	-356		Interest and investment income			-590
			Net interest on pensions			
100,517		100,517	Intragroup adjustment (pension interest cost)	85,076		85,076
			Financial and investment income and expenditure			90,589
	-103,555		Police - revenue grant			-103,555
	-55,699		Ex-DCLG formula funding			-55,699
	-1,962		Capital grant and contributions			-1,201
	-3,331		Council tax freeze grant			-3,331
	-11,378		Local council tax support grant			-11,378
	-53,009		Police pension top-up grant (note 16)			-58,477
			Intragroup adjustment			
53,009		53,009	(Police pension top-up grant)	58,477		58,477
	-101,029		Council tax - local authorities (note 12)			-108,568
			Intragroup adjustment (Re-measurement of pension assets and liabilities)			
-594,815		-594,815		84,184		84,184
	-871,769		Taxation and non-specific grant income			-199,548
	-431,391		Surplus(-)/deficit on provision of services			405,037
	-39,780		Gain on revaluation			-8,091
	-39,780		Other comprehensive income and expenditure			-8,091
	-471,171		Total comprehensive income and expenditure			396,946

Police & Crime Commissioner for Avon & Somerset

Group Movement in Reserves Statement 2017/2018 and 2018/2019

Movement in reserves statement 2017/2018					
	Revenue General Fund £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total £'000
Balance as at 31 March 2017	37,123	7,149	44,272	-3,672,749	-3,628,477
Total comprehensive income and expenditure	-163,424	0	-163,424	634,595	471,171
Adjustments between accounting & funding basis under regulations	162,025	-6,893	155,132	-153,851	1,281
Increase/decrease(-) in 2017/2018	-1,399	-6,893	-8,292	480,744	472,452
Balance as at 31 March 2018	35,724	256	35,980	-3,192,005	-3,156,025

Movement in reserves statement 2018/2019					
	Revenue General Fund £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total £'000
Balance as at 31 March 2018	35,724	256	35,980	-3,192,005	-3,156,025
Total comprehensive income and expenditure	-320,853	0	-320,853	-76,093	-396,946
Adjustments between accounting & funding basis under regulations	320,287	3,272	323,559	-323,727	-168
Increase/decrease(-) in 2018/2019	-566	3,272	2,706	-399,820	-397,114
Balance as at 31 March 2019	35,158	3,528	38,686	-3,591,825	-3,553,139

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

Police & Crime Commissioner for Avon & Somerset

PCC Movement in Reserves Statement 2017/2018 and 2018/2019

Movement in reserves statement 2017/2018					
	Revenue General Fund £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total £'000
Balance as at 31 March 2017	37,123	7,149	44,272	-3,672,749	-3,628,477
Total comprehensive income and expenditure	431,391	0	431,391	39,780	471,171
Adjustments between accounting & funding basis under regulations	-432,790	-6,893	-439,683	440,964	1,281
Increase/decrease(-) in 2017/2018	-1,399	-6,893	-8,292	480,744	472,452
Balance as at 31 March 2018	35,724	256	35,980	-3,192,005	-3,156,025

Movement in reserves statement 2018/2019					
	Revenue General Fund £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total £'000
Balance as at 31 March 2018	35,724	256	35,980	-3,192,005	-3,156,025
Total comprehensive income and expenditure	-405,037	0	-405,037	8,091	-396,946
Adjustments between accounting & funding basis under regulations	404,471	3,272	407,743	-407,911	-168
Increase/decrease(-) in 2018/2019	-566	3,272	2,706	-399,820	-397,114
Balance as at 31 March 2019	35,158	3,528	38,686	-3,591,825	-3,553,139

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

Police & Crime Commissioner for Avon & Somerset

Group Balance Sheet as at 31 March 2019

Note that the intragroup liability has been removed on consolidation at the group level.

OCC £'000	PCC £'000	Group 2018 £'000	Balance Sheet	OCC £'000	PCC £'000	Group 2019 £'000	Notes
			Property, plant and equipment				18
0	201,874	201,874	Land and buildings	0	205,891	205,891	
0	22,480	22,480	Vehicles, plant and equipment	0	19,896	19,896	
0	1,898	1,898	Assets under construction	0	1,133	1,133	
0	2,564	2,564	Intangible fixed assets	0	1,967	1,967	
			Long term assets				
0	31	31	Loans to officers	0	17	17	
0	405	405	Prepayments	0	2,620	2,620	
3,314,931	0	0	Pensions - intragroup adjustment	3,715,699	0	0	
332,243	0	332,243	Police staff pension assets	357,655	0	357,655	17
3,647,174	229,252	561,495	Total non-current assets	4,073,354	231,524	589,179	
0	529	529	Inventories (stock)	0	675	675	
0	12,000	12,000	Short term investments	0	17,000	17,000	
6,834	32,204	39,038	Debtors and payments in advance	0	29,198	29,198	20
0	21,215	21,215	Cash and cash equivalents	0	27,965	27,965	21
0	2,064	2,064	Assets held for sale	0	1,610	1,610	
14,459	6,834	0	Intragroup debtor	14,344	0	0	
21,293	74,846	74,846	Total current assets	14,344	76,448	76,448	
0	-116	-116	Bank overdraft	0	-61	-61	
0	-1,176	-1,176	Short term borrowings	0	-4,113	-4,113	22
-9,347	-20,747	-30,094	Creditors and receipts in advance	-11,148	-19,474	-30,622	23
-6,834	-14,459	0	Intragroup creditor	0	-14,344	0	
-5,112	-62	-5,174	Short term provisions	-3,196	-2,201	-5,397	24
0	-1,430	-1,430	Short term PFI Lease liability	0	-1,548	-1,548	19
-21,293	-37,990	-37,990	Total current liabilities	-14,344	-41,741	-41,741	
0	-38,630	-38,630	Long term borrowing	0	-37,018	-37,018	22
0	-11,747	-11,747	Provisions	0	-11,513	-11,513	24
0	-326	-326	Capital grants receipts in advance	0	-189	-189	
0	-56,499	-56,499	PFI liability	0	-54,951	-54,951	19
0	-3,314,931	0	Pensions - intragroup adjustment	0	-3,715,699	0	
-3,647,174	0	-3,647,174	Pension liability	-4,073,354	0	-4,073,354	
-3,647,174	-3,422,133	-3,754,376	Total long term liabilities	-4,073,354	-3,819,370	-4,177,025	
0	-3,156,025	-3,156,025	Net assets	0	-3,553,139	-3,553,139	
0	35,980	35,980	Total usable reserves	0	38,686	38,686	7
0	-3,192,005	-3,192,005	Total unusable reserves	0	-3,591,825	-3,591,825	7
0	-3,156,025	-3,156,025	Total reserves	0	-3,553,139	-3,553,139	



Mark Simmonds BSc (Hons), ACA
Chief Finance Officer to PCC
25 July 2019

Police & Crime Commissioner for Avon & Somerset

Group Cash Flow Statement

OCC £'000	PCC £'000	Group 2017/2018 £'000	Cash Flow Statement	OCC £'000	PCC £'000	Group 2018/2019 £'000
594,815	-431,391	163,424	Net surplus(-)/deficit on the provision of services	-84,184	405,037	320,853
0	-18,679	-18,679	Depreciation and impairment of property, plant and equipment	0	-16,128	-16,128
0	-400	-400	Amortisation of intangible assets	0	-681	-681
-2,301	-3,712	-6,013	Increase(-)/decrease in provision charged back to service	84	57	141
-594,815	445,160	-149,655	Charges for retirement benefits in accordance with IAS 19	84,184	-400,768	-316,584
0	-4,255	-4,255	Carrying amounts of non-current assets sold	0	-1,175	-1,175
0	-7,907	-7,907	Other	0	-6,463	-6,463
3,651	-1,723	1,928	Increase/decrease(-) in long and short term debtors	3,112	-10,950	-7,838
-1,350	-1,391	-2,741	Increase(-)/decrease in long and short term creditors	-3,196	2,076	-1,120
0	-62	-62	Increase/decrease(-) in stock/WIP	0	145	145
-594,815	407,031	-187,784	Adjust net surplus or deficit on the provision of services for non-cash movements	84,184	-433,887	-349,703
0	6,680	6,680	Proceeds from the sale of property, plant and equipment	0	2,457	2,457
0	1,962	1,962	Capital grants credited to the surplus or deficit on the provision of service	0	1,201	1,201
0	8,642	8,642	Adjust net surplus or deficit on the provision of services that are investing or financing activities	0	3,658	3,658
0	-15,718	-15,718	Net cash flows from operating activities	0	-25,192	-25,192
0	18,702	18,702	Purchase of property, plant and equipment	0	11,355	11,355
0	-6,680	-6,680	Capital receipts	0	-2,457	-2,457
0	-1,962	-1,962	Capital grant/contribution income due for the year	0	-1,201	-1,201
0	-7,000	-7,000	Purchase of short & long term investments	0	5,000	5,000
0	-329	-329	Interest received	0	-449	-449
0	2,731	2,731	Net cash flow from investing activities	0	12,248	12,248
0	54	54	Bank overdraft	0	55	55
0	0	0	Loans taken out	0	-2,500	-2,500
0	1,210	1,210	Repayment of long term loans	0	1,176	1,176
0	1,486	1,486	Repayment of PFI liability	0	1,430	1,430
0	6,234	6,234	Interest paid	0	6,033	6,033
0	8,984	8,984	Net cash flow from financing activities	0	6,194	6,194
0	-4,003	-4,003	Net increase(-)/decrease in cash and cash equivalents	0	-6,750	-6,750
0	-17,212	-17,212	Cash and cash equivalents at the beginning of the reporting period	0	-21,215	-21,215
0	-21,215	-21,215	Cash and cash equivalents at the end of the reporting period	0	-27,965	-27,965

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 2018/2019, and the Accounts and Audit Regulations 2015 and are based on the following standards:

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

1.2 Accruals of Income and Expenditure

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

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 is 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 VAT

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

1.6 Interest

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

1.7 Employee Benefits

1.7.1 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.

1.7.2 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.

1.7.3 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.

1.7.4 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.

1.8 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 2019 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 2019 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 2020.

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.

1.9 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.

1.10 Impairments

The PCC's properties are reviewed for impairment at the end of each financial year. When impairment is identified as part of the annual review or as a result of a revaluation exercise, this will first be charged to the revaluation reserve to the extent that impairment does not exceed the amount in the revaluation reserve for the same asset, and thereafter in the comprehensive income and expenditure statement.

1.11 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.

1.12 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.

1.13 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.

1.14 Financial Instruments

1.14.1 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.

1.14.2 Financial Liabilities

Financial liabilities comprise borrowings, creditors, and PFI contracts. 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.

1.14.3 Financial Assets

Financial assets 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 include credit losses to reflect an assessment of the amounts likely to be irrecoverable.

1.15 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.

1.16 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.

1.17 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 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.

1.18 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 issued but not adopted and are unlikely to have a material impact on the financial statements.

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

4 Assumptions Made About the Future and the Sources of Estimations

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

4.1 Pension 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 15 to 17 regarding the assumptions that have been used by the actuaries to provide an estimate of the liability.

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

Police Officer Sensitivity Analysis	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	3,375,324	3,443,522	3,513,219
Projected service cost	97,953	100,522	103,163
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	3,452,418	3,443,522	3,434,691
Projected service cost	101,274	100,522	99,777
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	3,504,254	3,443,522	3,384,090
Projected service cost	102,408	100,522	98,696
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present value of total obligation	3,576,350	3,443,522	3,315,781
Projected service cost	103,728	100,522	97,415

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

4.2 Short and Long Term Provisions

In determining the provisions set aside at 31 March 2019 to pay for known future costs it has been necessary to estimate and make assumptions about the future. More detail around the sources of these estimations and the underlying assumptions made are included within note 24 Short and Long Term Provisions.

4.3 Valuation of Assets

A valuation was undertaken of the land and buildings as at 31 March 2019 and the value of the properties have been amended to reflect the updated values for the assets. Indices were used as part of the valuation 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

There are no post balance sheet events to date.

6 Group 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.

Net expenditure chargeable to general fund £'000	2017/2018 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	2018/2019 Adjustment between accounting and funding basis £'000	Net expenditure in the comprehensive I & E £'000
272,710	60,359	333,069	Police Services - OCC	279,729	232,261	511,990
1,354	-75	1,279	OPCC	1,392	4	1,396
3,488	-2,033	1,455	Commissioning costs	3,368	-1,916	1,452
277,552	58,251	335,803	Net cost of police services	284,489	230,349	514,838
0	-1,817	-1,817	Gain(-)/loss on disposal of non-current assets	0	-842	-842
0	-1,817	-1,817	Other operating expenditure	0	-842	-842
0	6,232	6,232	External interest payable	0	6,103	6,103
0	-356	-356	Interest and investment income	0	-590	-590
0	100,517	100,517	Net interest on pensions	0	85,076	85,076
0	106,392	106,392	Financial and investment income and expenditure	0	90,589	90,589
-103,555	0	-103,555	Police - revenue grant	-103,555	0	-103,555
-55,699	0	-55,699	Ex-DCLG formula funding	-55,699	0	-55,699
0	-1,962	-1,962	Capital grant and contributions	0	-1,201	-1,201
-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
-101,638	609	-101,029	Council tax - local authorities	-108,572	4	-108,568
-1,951	1,951	0	Commissioning of victim support services grant	-1,954	1,954	0
-277,552	598	-276,954	Taxation and non-specific grant income	-284,489	757	-283,732
-277,552	105,173	-172,379		-284,489	90,504	-193,985
0	163,424	163,424	Surplus(-)/deficit on provision of services	0	320,853	320,853
37,123			Opening balance of general fund	35,724		
-1,399			Transfers from reserves made in year	-566		
35,724			Closing balance of general fund	35,158		

Capital Purposes £'000	2017/2018		Total Adjustment £'000	Group Expenditure and Funding Analysis Adjustment between accounting & funding basis	Capital Purposes £'000	2018/2019		Total Adjustment £'000
	Pension Adjustment £'000	Other Adjustment £'000				Pension Adjustment £'000	Other Adjustment £'000	
15,859	49,138	-4,638	60,359	Police Services - OCC	11,093	231,509	-10,341	232,261
0	0	-75	-75	OPCC	0	0	4	4
0	0	-2,033	-2,033	Commissioning costs	0	0	-1,916	-1,916
15,859	49,138	-6,746	58,251	Net cost of police services	11,093	231,509	-12,253	230,349
-1,817	0	0	-1,817	Gain(-)/loss on disposal of non-current assets	-842	0	0	-842
-1,817	0	0	-1,817	Other operating expenditure	-842	0	0	-842
0	0	6,232	6,232	External interest payable	0	0	6,103	6,103
0	0	-356	-356	Interest and investment income	0	0	-590	-590
0	100,517	0	100,517	Net interest on pensions	0	85,076	0	85,076
0	100,517	5,875	106,392	Financial and investment income and expenditure	0	85,076	5,513	90,589
-1,962	0	0	-1,962	Capital grant and contributions	-1,201	0	0	-1,201
0	0	609	609	Council tax - local authorities	0	0	4	4
0	0	1,951	1,951	Commissioning of victim support services grant	0	0	1,954	1,954
-1,962	0	2,560	598	Taxation and non-specific grant income	-1,201	0	1,958	757
-3,779	100,517	8,435	105,173		-2,043	85,076	7,471	90,504
12,080	149,655	1,689	163,424	Difference between surplus on the general fund and deficit on the provision of services	9,050	316,585	-4,782	320,853

7 Notes to the Movement in Reserves Statement

These notes support the movement in reserves statement shown on page 29.

Group Movement in Reserves Statement 2017/2018	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
Balance as at 31 March 2017	37,123	7,149	44,272	1,577	28,904	-3,760,091	-6,197	63,058	-3,672,749
Total comprehensive income and expenditure	-163,424	0	-163,424	0	39,780	594,815	0	0	634,595
Adjustments between accounting & funding basis under regulations									
Reversal of items included to I&E									
Amortisation of intangible assets	400	0	400	0	0	0	0	-400	-400
Depreciation of non-current assets (note 17)	16,564	0	16,564	0	0	0	0	-16,564	-16,564
Revaluation loss	2,115	0	2,115	0	0	0	0	-2,115	-2,115
Capital grants and contributions	-1,915	0	-1,915	0	0	0	0	1,915	1,915
Council tax collection fund adjustment	609	0	609	-609	0	0	0	0	-609
Gain(-)/loss on disposal of non-current assets	-1,817	6,680	4,863	0	-608	0	0	-4,255	-4,863
Holiday pay accrual adjustment	559	0	559	0	0	0	-559	0	-559
Net IAS 19 charge for retirement benefits	193,170	0	193,170	0	0	-193,170	0	0	-193,170
Insert amounts excluded in I&E									
Minimum revenue provision	-3,681	0	-3,681	0	0	0	0	3,681	3,681
Revenue contribution to finance capital	-1,356	0	-1,356	0	0	0	0	1,356	1,356
IAS 19 employers contributions payable	-43,515	0	-43,515	0	0	43,515	0	0	43,515
Other adjustments include:									
Use of capital receipts reserve to finance capital	0	-13,573	-13,573	0	0	0	0	13,573	13,573
Reserves used to finance capital	-247	0	-247	0	0	0	0	247	247
Reversed excluded from I&E (DPR, SW ROCU)	1,139	0	1,139	0	0	0	0	142	142
Increase/decrease(-) in 2017/2018	-1,399	-6,893	-8,292	-609	39,172	445,160	-559	-2,420	480,744
Balance as at 31 March 2018	35,724	256	35,980	968	68,076	-3,314,931	-6,756	60,638	-3,192,005

Group Movement in Reserves Statement 2018/2019	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
Balance as at 31 March 2018	35,724	256	35,980	968	68,076	-3,314,931	-6,756	60,638	-3,192,005
Total comprehensive income and expenditure	-320,853	0	-320,853	0	8,091	-84,184	0	0	-76,093
Adjustments between accounting & funding basis under regulations									
Reversal of items included to I&E									
Amortisation of intangible assets	682	0	682	0	0	0	0	-682	-682
Depreciation of non-current assets (note 17)	16,976	0	16,976	0	0	0	0	-16,976	-16,976
Revaluation loss	-848	0	-848	0	0	0	0	848	848
Capital grants and contributions	-1,201	0	-1,201	0	0	0	0	1,201	1,201
Council tax collection fund adjustment	4	0	4	-4	0	0	0	0	-4
Gain(-)/loss on disposal of non-current assets	-841	2,456	1,615	0	-440	0	0	-1,175	-1,615
Holiday pay accrual adjustment	145	0	145	0	0	0	-145	0	-145
Net IAS 19 charge for retirement benefits	359,810	0	359,810	0	0	-359,810	0	0	-359,810
Insert amounts excluded in I&E									
Minimum revenue provision	-2,941	0	-2,941	0	0	0	0	2,941	2,941
Revenue contribution to finance capital	-3,617	0	-3,617	0	0	0	0	3,617	3,617
IAS 19 employers contributions payable	-43,226	0	-43,226	0	0	43,226	0	0	43,226
Other adjustments include:									
Use of capital receipts reserve to finance capital	0	816	816	0	0	0	0	-816	-816
Reserves used to finance capital	-4,349	0	-4,349	0	0	0	0	4,349	4,349
Reversed excluded from I&E (DPR, SW ROCU)	-307	0	-307	0	0	0	0	139	139
Increase/decrease(-) in 2018/2019	-566	3,272	2,706	-4	7,651	-400,768	-145	-6,554	-399,820
Balance as at 31 March 2019	35,158	3,528	38,686	964	75,727	-3,715,699	-6,901	54,084	-3,591,825

PCC Movement in Reserves Statement 2017/2018	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
Balance as at 31 March 2017	37,123	7,149	44,272	1,577	28,904	-3,760,091	-6,197	63,058	-3,672,749
Total comprehensive income and expenditure	431,391	0	431,391	0	39,780	0	0	0	39,780
Adjustments between accounting & funding basis under regulations									
Reversal of items included to I&E									
Amortisation of intangible assets	400	0	400	0	0	0	0	-400	-400
Depreciation of non-current assets (note 17)	16,564	0	16,564	0	0	0	0	-16,564	-16,564
Revaluation loss	2,115	0	2,115	0	0	0	0	-2,115	-2,115
Capital grants and contributions	-1,915	0	-1,915	0	0	0	0	1,915	1,915
Council tax collection fund adjustment	609	0	609	-609	0	0	0	0	-609
Gain(-)/loss on disposal of non-current assets	-1,817	6,680	4,863	0	-608	0	0	-4,255	-4,863
Holiday pay accrual adjustment	559	0	559	0	0	0	-559	0	-559
Net IAS 19 charge for retirement benefits	193,170	0	193,170	0	0	-193,170	0	0	-193,170
Net IAS 19 charge Inter group adjustment	-594,815	0	-594,815	0	0	594,815	0	0	594,815
Insert amounts excluded in I&E									
Minimum revenue provision	-3,681	0	-3,681	0	0	0	0	3,681	3,681
Revenue contribution to finance capital	-1,356	0	-1,356	0	0	0	0	1,356	1,356
IAS 19 employers contributions payable	-43,515	0	-43,515	0	0	43,515	0	0	43,515
Other adjustments include:									
Use of capital receipts reserve to finance capital	0	-13,573	-13,573	0	0	0	0	13,573	13,573
Reserves used to finance capital	-247	0	-247	0	0	0	0	247	247
Reversed excluded from I&E (DPR, SW ROCU)	1,139	0	1,139	0	0	0	0	142	142
Increase/decrease(-) in 2017/2018	-1,399	-6,893	-8,292	-609	39,172	445,160	-559	-2,420	480,744
Balance as at 31 March 2018	35,724	256	35,980	968	68,076	-3,314,931	-6,756	60,638	-3,192,005

PCC Movement in Reserves Statement 2018/2019	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
Balance as at 31 March 2018	35,724	256	35,980	968	68,076	-3,314,931	-6,756	60,638	-3,192,005
Total comprehensive income and expenditure	-405,037	0	-405,037	0	8,091	0	0	0	8,091
Adjustments between accounting & funding basis under regulations									
Reversal of items included to I&E									
Amortisation of intangible assets	682	0	682	0	0	0	0	-682	-682
Depreciation of non-current assets (note 17)	16,976	0	16,976	0	0	0	0	-16,976	-16,976
Revaluation loss	-848	0	-848	0	0	0	0	848	848
Capital grants and contributions	-1,201	0	-1,201	0	0	0	0	1,201	1,201
Council tax collection fund adjustment	4	0	4	-4	0	0	0	0	-4
Gain(-)/loss on disposal of non-current assets	-841	2,456	1,615	0	-440	0	0	-1,175	-1,615
Holiday pay accrual adjustment	145	0	145	0	0	0	-145	0	-145
Net IAS 19 charge for retirement benefits	359,810	0	359,810	0	0	-359,810	0	0	-359,810
Net IAS 19 charge Inter group adjustment	84,184	0	84,184	0	0	-84,184	0	0	-84,184
Insert amounts excluded in I&E									
Minimum revenue provision	-2,941	0	-2,941	0	0	0	0	2,941	2,941
Revenue contribution to finance capital	-3,617	0	-3,617	0	0	0	0	3,617	3,617
IAS 19 employers contributions payable	-43,226	0	-43,226	0	0	43,226	0	0	43,226
Other adjustments include:									
Use of capital receipts reserve to finance capital	0	816	816	0	0	0	0	-816	-816
Reserves used to finance capital	-4,349	0	-4,349	0	0	0	0	4,349	4,349
Reversed excluded from I&E (DPR, SW ROCU)	-307	0	-307	0	0	0	0	139	139
Increase/decrease(-) in 2018/2019	-566	3,272	2,706	-4	7,651	-400,768	-145	-6,554	-399,820
Balance as at 31 March 2019	35,158	3,528	38,686	964	75,727	-3,715,699	-6,901	54,084	-3,591,825

8 Income and Expenditure analysed by nature

2017/2018			Income and Expenditure analysed by nature	2018/2019		
OCC £'000	PCC £'000	Group £'000		OCC £'000	PCC £'000	Group £'000
223,645	1,005	224,650	Employee costs	224,929	1,091	226,020
11,664	5	11,669	Premises costs	12,717	7	12,724
4,803	12	4,815	Transport costs	5,090	16	5,106
26,054	185	26,239	Supplies & services	31,012	195	31,207
20,533	126	20,659	Partnership costs	13,696	132	13,828
16,456	0	16,456	Misc, central, & grants	13,564	0	13,564
0	4,092	4,092	Commissioning	0	4,230	4,230
19,079	0	19,079	Depreciation, amortisation, & impairment	16,809	0	16,809
49,697	0	49,697	Employee benefit expenses	231,653	0	231,653
100,517	0	100,517	Net interest on pensions	85,076	0	85,076
53,009	0	53,009	Police pension top up grant	58,477	0	58,477
0	6,232	6,232	Interest payments	0	6,103	6,103
0	-1,817	-1,817	Gain/loss on disposal of fixed assets	0	-842	-842
122,367	-122,367	0	Intragroup adjustment	-718,731	718,731	0
647,824	-112,527	535,297	Total expenditure	-25,708	729,663	703,955
-15,623	-405	-16,028	Sales, rent, fees, & charges	-15,595	-459	-16,054
-3,931	0	-3,931	Southwest One recharges	-662	0	-662
-1,843	0	-1,843	Seconded officers	-1,683	0	-1,683
0	-1,951	-1,951	Commissioning of victim support services	0	-1,953	-1,953
-9,709	0	-9,709	Counter terrorism policing grant	-9,112	0	-9,112
-7,756	-336	-8,092	Other specific grants	-10,428	-411	-10,839
0	-356	-356	Interest and investment income	0	-590	-590
0	-103,555	-103,555	Police - revenue grant	0	-103,555	-103,555
0	-55,699	-55,699	Ex-DCLG formula funding	0	-55,699	-55,699
0	-1,962	-1,962	Capital grant and contributions	0	-1,201	-1,201
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	-101,029	-101,029	Income from council tax	0	-108,568	-108,568
0	-53,009	-53,009	Police pension top up grant	0	-58,477	-58,477
-14,147	14,147	0	Intragroup adjustment	-20,996	20,996	0
-53,009	-318,864	-371,873	Total income	-58,476	-324,626	-383,102
594,815	-431,391	163,424	Surplus/deficit on provision of services	-84,184	405,037	320,853

9 Paying Staff

Disclosure of Remuneration for Senior Employees 2017/2018					
Post Holder Information (post title and name)	Salary (including fees & allowances)	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2017/2018	Pension Contributions	Total Remuneration Including Pension Contributions 2017/2018
	£	£	£	£	£
PCC - S Mountstevens	85,000	0	85,000	11,220	96,220
Chief Constable - A Marsh	158,615	4,739	163,354	31,255	194,609
	<u>243,615</u>	<u>4,739</u>	<u>248,354</u>	<u>42,475</u>	<u>290,829</u>

Disclosure of Remuneration for Senior Employees 2018/2019					
Post Holder Information (post title and name)	Salary (including fees & allowances)	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2018/2019	Pension Contributions	Total Remuneration Including Pension Contributions 2018/2019
	£	£	£	£	£
PCC - S Mountstevens	86,558	0	86,558	11,426	97,984
Chief Constable - A Marsh	161,440	6,359	167,799	0	167,799
	<u>247,998</u>	<u>6,359</u>	<u>254,357</u>	<u>11,426</u>	<u>265,783</u>

Disclosure of Remuneration for Senior Employees 2017/2018

Post Holder Information (post title)	Note	Salary (including fees & allowances)	Expense Allowances	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2017/2018	Pension Contributions	Total Remuneration Including Pension Contributions 2017/2018
		£	£	£	£	£	£
PCC Employees							
Chief Finance Officer to the PCC	1	73,214	0	0	73,214	9,664	82,878
Chief Executive to the PCC		101,778	0	0	101,778	13,435	115,213
OCC Employees							
Director of Resources and Chief Finance Officer to the OCC		117,087	2,760	8,849	128,696	15,455	144,151
Director of People & Org Development	2	75,801	0	2,348	78,149	10,006	88,155
Deputy Chief Constable	3	28,493	0	688	29,181	6,671	35,852
Deputy Chief Constable	4	124,355	0	6,552	130,907	30,094	161,001
ACC - Investigations Operational Support	5	112,652	0	5,745	118,397	11,555	129,952
T/ACC - Tri Force	6	98,611	0	2,716	101,327	23,197	124,524
Force Medical Officer		143,230	0	0	143,230	18,741	161,971
		875,221	2,760	26,898	904,879	138,818	1,043,697

Note 1: The Chief Finance Officer to the PCC works 29.6 hours per week. The full time equivalent salary is £91,517.50

Note 2: The post of Director of People & Organisational Development was recruited to on 24/07/2017. The annualised salary is £ 110,148.

Note 3: The Deputy Chief Constable moved to the Chief Constable post temporarily on 05/06/17, then left Avon & Somerset Constabulary on 18/06/17. The annualised salary is £128,496.

Note 4: The Assistant Chief Constable moved permanently to the Deputy Chief Constable post on 05/06/17. The annualised salary is £128,496.

Note 5: The Assistant Chief Constable Protection & Investigation post was renamed Assistant Chief Constable Investigations Operational Support on 03/04/2017.

Note 6: The Chief Superintendent Specialist Operations (now C SUPT Operational Support) was temporarily promoted to Assistant Chief Constable Tri Force on 25/09/2017. The annualised salary is £98,538.

Disclosure of Remuneration for Senior Employees 2018/2019

Post Holder Information (post title)	Note	Salary (including fees & allowances)	Expense Allowances	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2018/2019	Pension Contributions	Total Remuneration Including Pension Contributions 2018/2019
		£	£	£	£	£	£
PCC Employees							
Chief Finance Officer to the PCC	1	75,968	0	0	75,968	10,028	85,996
Chief Executive to the PCC		101,778	0	0	101,778	13,435	115,213
OCC Employees							
Director of Resources and Chief Finance Officer to the OCC	2	95,318	2,760	12,372	110,450	12,429	122,879
Chief Officer - Finance, Resources and Innovation	3	50,255	0	963	51,218	6,634	57,852
Director of People & Org Development		114,313	0	4,905	119,218	15,089	134,307
Deputy Chief Constable		129,996	0	6,187	136,183	31,459	167,642
ACC - Investigations Operational Support		115,127	0	5,863	120,990	0	120,990
ACC - Neighbourhoods & Partnerships	4	97,402	0	0	97,402	22,960	120,362
ACC - Regional Collaborations	5	98,319	0	0	98,319	23,793	122,112
T/ACC - Tri Force		107,738	0	3,851	111,589	25,406	136,995
Force Medical Officer		142,907	0	0	142,907	18,698	161,605
		1,129,121	2,760	34,141	1,166,022	179,931	1,345,953

Note 1: The Chief Finance Officer to the PCC works 29.6 hours per week. The full time equivalent salary is £ 94,282.

Note 2: The outgoing Director of Resources and Chief Finance Officer to the OCC was seconded to the NPCC with effect from 01/10/2018 and reduced hours to 14.48 hours per week. The annualised salary is £113,688.

Note 3: The Director of Resources and Chief Finance Officer to the OCC was renamed Chief Officer – Finance, Resources and Innovation on 01/10/2018. The incoming Chief Officer – Finance, Resources and Innovation commenced in the role on 01/10/2018. The annualised salary is £100,509.

Note 4: The ACC Neighbourhoods & Partnerships was appointed to Avon & Somerset Constabulary on 01/05/2018. The annualised salary is £106,986.

Note 5: The ACC - Regional Collaborations post was previously filled by a Wiltshire officer. An Avon & Somerset Constabulary officer moved into this role on 06/04/2018. The annualised salary is £100,509.

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

OCC Number	PCC Number	Total 2017/2018 Number	Pay Range	OCC Number	PCC Number	Total 2018/2019 Number
134	0	134	£50,000 - £54,999	185	2	187
110	0	110	£55,000 - £59,999	109	0	109
24	0	24	£60,000 - £64,999	18	0	18
7	0	7	£65,000 - £69,999	10	0	10
8	0	8	£70,000 - £74,999	8	0	8
12	1	13	£75,000 - £79,999	7	1	8
4	0	4	£80,000 - £84,999	8	0	8
4	1	5	£85,000 - £89,999	5	1	6
1	0	1	£90,000 - £94,999	3	0	3
0	0	0	£95,000 - £99,999	2	0	2
1	1	2	£100,000 - £104,999	1	1	2
0	0	0	£110,000 - £114,999	2	0	2
1	0	1	£115,000 - £119,999	1	0	1
0	0	0	£120,000 - £124,999	1	0	1
1	0	1	£125,000 - £129,999	0	0	0
1	0	1	£130,000 - £134,999	0	0	0
0	0	0	£135,000 - £139,999	1	0	1
1	0	1	£140,000 - £144,999	1	0	1
1	0	1	£160,000 - £164,999	0	0	0
0	0	0	£165,000 - £169,999	1	0	1
310	3	313		363	5	368

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

10 Exit Packages – OCC

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

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

11 External Audit Costs

External audit services are provided to the PCC by Grant Thornton. The amounts paid in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to any non-audit services are shown in the following table.

2017/2018 £'000	External Audit Costs	2018/2019 £'000
37	Police and Crime Commissioner: Fees for external audit services paid to Grant Thornton	28
19	Chief Constable: Fees for external audit services paid to Grant Thornton	14
<u>56</u>		<u>42</u>

Fees paid by the PCC in 2018/2019 were in line with the scale fee.

12 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.

2017/2018 £'000	Council Tax	2018/2019 £'000
7,324	Mendip District Council	7,888
7,367	Sedgemoor District Council	7,918
7,584	Taunton Deane Borough Council	8,173
2,560	West Somerset District Council	2,738
10,805	South Somerset District Council	11,560
11,619	Bath and North East Somerset Council	12,583
22,834	Bristol City Council	24,433
16,851	South Gloucestershire Council	18,202
14,085	North Somerset Council	15,073
<u>101,029</u>		<u>108,568</u>

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.

No transactions were disclosed.

13.2 Other Related Parties

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

In 2018/2019 supplies and services were provided by Southwest One to the value of £1,711,886 (£13,328,223 in 2017/2018). The payments to Southwest One cover staffing costs and the provision of other services for Technology Services for the first three months of 2018/2019.

Amounts of £871,507 (£4,039,784 in 2017/2018) were received for staff seconded to Southwest One and non-pay adjustments. As at 31 March 2019, the PCC had a creditor balance of £11 with Southwest One (£10 as at 31 March 2018). In addition, at 31 March 2019, the PCC had a nil outstanding debtor balance with Southwest One (£93,040 as at 31 March 2018).

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

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:

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

14.1 South West Regional Organised Crime Unit (SW ROCU)

SW ROCU is a regional collaboration set up to combat serious and organised crime across the south west of England. Avon and Somerset are the lead force with a 32.4% share of net expenditure. Other partners are Devon and Cornwall (33.3%), Dorset (11.8%), Gloucestershire (10.8%) and Wiltshire (11.7%). The total net cost of the operation, after government grants and sundry income, was £9,297,703 in 2018/2019 (£7,560,722 in 2017/2018).

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 £2,637,087 in 2018/2019 (£2,431,030 in 2017/2018).

14.3 Counter Terrorism Specialist Firearms Officers (CTSFO)

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

14.4 Major Crime Investigation (Brunel)

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

14.5 Specialist Operations (Tri Force)

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

14.6 Tri Force ACC

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

14.7 South West Forensic Services

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

14.8 South West Region – Special Branch

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

14.9 Regional ACC

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

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 £1,266,093 in 2018/2019 (£1,014,781 in 2017/2018).

15 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	
	2017/2018 £'000	2018/2019 £'000	2017/2018 £'000	2018/2019 £'000
Comprehensive income and expenditure statement				
Cost of services:				
Current service cost	28,191	27,132	63,687	62,480
Administration expenses	176	197	0	0
Past service cost including curtailments	599	2,165	0	182,760
Financing and investment income and expenditure:				
Net interest cost	7,534	6,612	92,983	78,463
Total post employment benefits charged to the comprehensive income and expenditure statement	36,500	36,106	156,670	323,703
Other post employment benefits charged to the comprehensive income and expenditure statement				
Return on plan assets	6,573	8,953	0	0
Changes in demographic assumptions	0	36,942	-103,087	82,461
Changes in financial assumptions	32,319	-35,754	252,955	-222,089
Experience gain/loss(-) on defined benefit obligations	0	0	353,905	0
Other actuarial gain/loss(-)	0	0	52,150	45,303
Total other comprehensive income	38,892	10,141	555,923	-94,325
Movement in reserves statement				
Reversal of net charges made for retirement benefits in accordance with the code	-36,500	-36,106	-156,670	-140,943
Actual amount charged against the general fund balance for pensions in the year				
Employer's contribution to scheme	12,418	13,714	24,205	23,482
Retirement benefits payable to pensioners	115	114	6,777	5,916

2018 £'000	IAS 19 Pension Liabilities	2019 £'000
-3,054,892	Police officers	-3,443,522
-260,039	Police staff	-272,177
-3,314,931		-3,715,699

16 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 £23,045,000 in financial year 2019/2020.

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

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

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

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

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

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

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

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

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

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

2017/2018 £'000	Present Value of Police Pension Scheme Liabilities	2018/2019 £'000
-3,485,127	Present value of schemes liability as at 1 April	-3,054,892
	Movements in the year	
-63,687	Current service cost	-62,480
0	Past service cost	-182,760
96,104	Estimated benefits paid (net of transfers in)	87,527
-12,972	Contributions by scheme participants	-12,826
-92,983	Interest costs	-78,463
252,955	Change in financial assumptions	-222,089
-103,087	Change in demographic assumptions	82,461
353,905	Experience gain/loss on defined benefit obligations	0
-3,054,892	Present value of schemes liability as at 31 March	-3,443,522

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

2017/2018 £'000	Fair Value of Police Pensions Scheme Assets	2018/2019 £'000
0	Present value of schemes assets as at 1 April	0
	Movements in the year	
52,150	Change in financial assumptions	44,580
30,982	Contributions by employer	29,398
12,972	Contributions by scheme participants	12,826
-96,104	Estimated benefits paid (net of transfers in)	-86,804
0	Present value of schemes assets as at 31 March	0

17 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.

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

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

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

It should be noted that the actuary has used an estimated value in respect of police staff employers pension contributions in arriving at the calculation of pension costs included in the comprehensive income and expenditure statement as disclosed in note 15.

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

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

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

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

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

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

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

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

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

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

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

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

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

18 Property, Plant and Equipment

Property, Plant and Equipment 2017/2018	Land and Buildings	Vehicles, Plant, Machinery and Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
As at 1 April 2017	164,054	98,153	4,323	266,530
Additions during year	2,079	13,631	1,849	17,559
Disposals	0	-2,974	-18	-2,992
Reclassification	2,760	-363	-4,256	-1,859
Revaluation gain/loss (-)				
Recognised in revaluation reserve	36,362	0	0	36,362
Recognised in surplus & deficit I&E	-3,093	0	0	-3,093
As at 31 March 2017	202,162	108,447	1,898	312,507
Depreciation and impairment				
As at 1 April 2017	-163	-76,926	0	-77,089
Depreciation charge	-4,570	-11,994	0	-16,564
Disposals	0	2,908	0	2,908
Reclassification	49	45	0	94
Revaluation gain/loss (-)				
Recognised in revaluation reserve	3,418	0	0	3,418
Recognised in surplus & deficit I&E	978	0	0	978
As at 31 March 2018	-288	-85,967	0	-86,255
Net book value				
As at 31 March 2018	201,874	22,480	1,898	226,252
As at 31 March 2017	163,891	21,227	4,323	189,441

Property, Plant and Equipment 2018/2019	Land and Buildings	Vehicles, Plant, Machinery and Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
As at 1 April 2018	202,162	108,447	1,898	312,507
Additions during year	1,495	8,774	1,010	11,279
Disposals	0	-2,990	0	-2,990
Abortive project cost	0	0	-1,414	-1,414
Reclassification	-1,004	40	-361	-1,325
Revaluation gain/loss (-)				
Recognised in revaluation reserve	3,270	0	0	3,270
Recognised in surplus & deficit I&E	366	0	0	366
As at 31 March 2019	206,289	114,271	1,133	321,693
Depreciation and impairment				
As at 1 April 2018	-288	-85,967	0	-86,255
Depreciation charge	-5,593	-11,383	0	-16,976
Disposals	0	2,975	0	2,975
Reclassification	66	0	0	66
Revaluation gain/loss (-)				
Recognised in revaluation reserve	4,728	0	0	4,728
Recognised in surplus & deficit I&E	689	0	0	689
As at 31 March 2019	-398	-94,375	0	-94,773
Net book value				
As at 31 March 2019	205,891	19,896	1,133	226,920
As at 31 March 2018	201,874	22,480	1,898	226,252

Nature of assets held as at 31 March 2018	Land and Buildings	Vehicles, Plant, Machinery and Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Owned	122,327	21,025	1,898	145,250
PFI	79,547	1,455	0	81,002
	201,874	22,480	1,898	226,252

Nature of assets held as at 31 March 2019	Land and Buildings	Vehicles, Plant, Machinery and Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Owned	126,383	19,584	1,133	147,100
PFI	79,508	312	0	79,820
	205,891	19,896	1,133	226,920

19 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.

2017/2018			PFI Assets	2018/2019		
PFI Buildings £'000	PFI IT Equipment £'000	Total £'000		PFI Buildings £'000	PFI IT Equipment £'000	Total £'000
			Cost or valuation			
56,600	5,384	61,984	As at 1 April	79,588	5,384	84,972
0	0	0	Additions during year	5	0	5
			Revaluation gain/loss (-)			
24,436	0	24,436	Recognised in revaluation reserve	-77	0	-77
-1,448	0	-1,448	Recognised in surplus & deficit I&E	-5	0	-5
79,588	5,384	84,972	As at 31 March	79,511	5,384	84,895
			Depreciation and impairment			
-15	-2,786	-2,801	As at 1 April	-41	-3,929	-3,970
-1,340	-1,143	-2,483	Depreciation charge	-1,796	-1,143	-2,939
			Revaluation gain/loss (-)			
1,003	0	1,003	Recognised in revaluation reserve	1,687	0	1,687
311	0	311	Recognised in surplus & deficit I&E	147	0	147
-41	-3,929	-3,970	As at 31 March	-3	-5,072	-5,075
			Net book value			
79,547	1,455	81,002	As at 31 March	79,508	312	79,820

2017/2018 £'000	PFI Liabilities	2018/2019 £'000
59,415	Finance Liability as at 1 April	57,930
-1,485	Liability Paid in Year	-1,431
57,930	Finance Liability at 31 March	56,499

Payments made in 2018/2019 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 2018/2019	1,876	281	4,561	1,431
Rentals payable in future years				
Within 1 year	1,839	366	4,467	1,548
Within 2-5 years	7,815	2,717	16,572	6,539
Within 6-10 years	10,899	4,827	17,602	10,611
Within 11-15 years	12,309	6,063	12,971	14,952
Within 16-20 years	13,969	5,475	6,686	22,849
Total	46,831	19,448	58,298	56,499

The fair value of the PFI liability has been assessed as £93,957,721 compared to the book value of £56,499,419 as shown in the table above.

20 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.

OCC £'000	PCC £'000	Total 2018 £'000	Debtors and Payments in Advance	OCC £'000	PCC £'000	Total 2019 £'000
0	31,274	31,274	Trade debtors	0	27,942	27,942
6,834	887	7,721	Prepayments	0	1,229	1,229
0	43	43	Other	0	27	27
6,834	32,204	39,038	Balance as at 31 March	0	29,198	29,198

21 Cash and Cash Equivalents

2018 £'000	Cash and Cash Equivalents	2019 £'000
153	Cash in hand	156
21,062	Short term deposits	27,809
21,215	Balance as at 31 March	27,965

22 Loans Still to be Repaid

Loans outstanding at the balance sheet date include amounts owing to the Public Works Loan Board (PWLb) and amounts owing to other lenders under the terms of Lender Option Borrower Option (LOBO).

2018 £'000	Loans to be Repaid	2019 £'000
1,176	Within one year	4,113
3,951	Between one and two years	1,074
5,489	Between two and five years	5,710
3,940	Between five and 10 years	4,347
25,250	More than 10 years	25,887
39,806		41,131
	Less:	
-1,176	Transferred to short term borrowings (repayable in 2019/2020)	-4,113
38,630		37,018

23 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 2018 £'000	Creditors and Receipts in Advance	OCC £'000	PCC £'000	Total 2019 £'000
0	13,308	13,308	Trade creditors	0	12,706	12,706
0	1,243	1,243	Receipts in advance	0	527	527
9,347	6,162	15,509	Accruals	11,148	6,097	17,245
0	34	34	Other	0	144	144
9,347	20,747	30,094	Balance as at 31 March	11,148	19,474	30,622

24 Short and Long Term Provisions

Short and Long Term Provisions	Balance 1 April 2018 £'000	Reversed Unused £'000	Used in Year £'000	New in Year £'000	Balance 31 March 2019 £'000
Insurance	11,102	0	-1,244	1,654	11,512
Legal services	707	-599	-108	202	202
Outstanding contractual settlements	0	0	0	2,000	2,000
Ill-health & termination benefits - OCC	2,025	0	-2,025	227	227
Overtime liability - OCC	2,969	0	0	0	2,969
Employment support allowance - OCC	118	-96	-22	0	0
	16,921	-695	-3,399	4,083	16,910

Following advice from our insurance experts as part of the annual review the insurance provision has increased to £11,512,000 to meet specific provision known potential liabilities and higher than anticipated future losses. The insurance provision is based upon an actuarial evaluation of the discounted insurance liabilities as at 31 March 2019 and includes a provision for the potential top up levy to Municipal Mutual Insurance Ltd's Scheme of Arrangement. 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.

Outstanding contractual settlements reflects a provision for ongoing commercial amounts that have yet to reach a full conclusion.

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

- The ill health and termination benefits provision of £227,000 is where approval was agreed at 31 March 2019 to make the payments during 2019/2020;
- The overtime liability provision at 31 March 2019 is in respect of claims for overtime worked in prior years;

25 Contingent Liabilities

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

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

25.1 2018 Pay Award

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

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.

26 Funds and Reserves

26.1 Revenue Reserves and General Fund

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

Revenue Reserves 2017/2018	Balance 1 April 2017 £'000	Reserves Used in Year £'000	Transfers to Reserves in Year £'000	Balance 31 March 2018 £'000
Carry forwards	256	-313	293	236
Neighbourhood policing	226	-4	-222	0
Operations	1,500	0	0	1,500
Overtime liability	1,200	-200	0	1,000
Buildings and sustainability	1,129	-339	0	790
Transformation	4,515	-2,649	1,144	3,010
Total discretionary reserves	8,826	-3,505	1,215	6,536
SW ROCU	1,175	-753	1,996	2,418
Proceeds of crime	533	-210	247	570
Detained property	1,638	-1,798	1,564	1,404
Insurance reserves	1,936	-2,449	513	0
Grants carried forward	976	-480	154	650
Hinkley Point	85	-32	0	53
Road safety	1,537	-19	167	1,685
LRF reserve	82	0	0	82
Victim support services	736	-438	519	817
Miscellaneous reserves	299	-97	67	269
Regional programme reserves	0	0	86	86
Total non-discretionary reserves	8,997	-6,276	5,313	8,034
Capital financing	1,685	-396	4,365	5,654
Earmarked capital reserves	225	-181	464	508
PFI change reserve	454	-42	65	477
PFI interest smoothing	2,709	-119	-2,590	0
Sinking fund reserve	3,827	0	288	4,115
Total capital and PFI reserves	8,900	-738	2,592	10,754
Total earmarked reserves	26,723	-10,519	9,120	25,324
General Fund	10,400	0	0	10,400
Total General Fund Balance	37,123	-10,519	9,120	35,724

Revenue Reserves 2018/2019	Balance 1 April 2018 £'000	Reserves Used in Year £'000	Transfers to Reserves in Year £'000	Balance 31 March 2019 £'000
Carry forwards	236	-636	1,330	930
Operations	1,500	0	0	1,500
Overtime liability	1,000	0	0	1,000
Buildings and sustainability	790	-341	0	449
Transformation	3,010	-2,805	2,315	2,520
Total discretionary reserves	6,536	-3,782	3,645	6,399
SW ROCU	2,418	-2,589	2,170	1,999
Proceeds of crime	570	-224	0	346
Detained property	1,404	-848	829	1,385
Grants carried forward	650	-108	117	659
Hinkley Point	53	0	0	53
Road safety	1,685	-763	441	1,363
LRF reserve	82	-37	5	50
Victim support services	817	-519	481	779
Miscellaneous reserves	269	-154	104	219
Regional programme reserves	86	-57	0	29
Total non-discretionary reserves	8,034	-5,299	4,147	6,882
Capital financing	5,654	-3,980	5,043	6,717
Earmarked capital reserves	508	-327	127	308
PFI change reserve	477	0	0	477
Sinking fund reserve	4,115	0	260	4,375
Total capital and PFI reserves	10,754	-4,307	5,430	11,877
Total earmarked reserves	25,324	-13,388	13,222	25,158
General Fund	10,400	0	-400	10,000
Total General Fund Balance	35,724	-13,388	12,822	35,158

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 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.

SW ROCU 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 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 regional programme reserve has been created to set aside carry forward balances for specific regional collaboration 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 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.

26.2 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.

27 Capital Financing

2017/2018 £'000	Capital Expenditure and Financing	2018/2019 £'000
103,071	Opening capital financing requirement	100,858
	Capital investment	
19,075	Property, plant and equipment	9,950
	Sources of finance	
-13,573	Capital receipts	816
-1,915	Government grants and contributions	-1,201
-1,498	Revenue contributions	-3,756
-247	Earmarked reserves	-4,349
-3,681	Minimum revenue provision	-2,941
-374	Capital creditors	589
-21,288		-10,842
100,858	Closing capital finance requirements	99,966
	Explanation of movements in year	
-2,213	Increase/decrease(-) in underlying need to borrow	-892
-2,213	Increase/decrease(-) in capital financing requirement	-892

28 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
	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000
Financial liabilities at amortised cost						
Bank overdraft	116	61	0	0	116	61
Borrowings	1,176	4,113	38,630	37,018	39,806	41,131
Creditors	14,803	14,218	0	0	14,803	14,218
PFI	1,430	1,548	56,500	54,951	57,930	56,499
Total	17,525	19,940	95,130	91,969	112,655	111,909
Financial assets						
Cash and cash equivalents	21,215	27,965	0	0	21,215	27,965
Investments - Short term	12,000	17,000	0	0	12,000	17,000
Debtors	30,421	27,358	0	0	30,421	27,358
Car loans	0	0	31	17	31	17
Total	63,636	72,323	31	17	63,667	72,340

The fair value of the PWLB loans has been assessed at £38,235,561 (31 March 2018 £37,190,343) compared with a book value of £29,355,474 (31 March 2018 £28,031,789).

The fair value of LOBO loans has been assessed at £17,855,011 (31 March 2018 £18,189,096) 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)						
2018 £'000	Drawdown Date	2019 £'000	Period	Next Option Date	End Date	Interest Rate %
6,500	17/01/2005	6,500	30 yrs	17/01/2035	17/01/2035	4.50
2,500	30/01/2008	2,500	70 yrs	30/01/2023	31/01/2078	3.99
2,775	12/02/2008	2,775	70 yrs	12/02/2020	14/02/2078	4.10
11,775	Total	11,775				

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 2019 the fair value is assessed as level 1 for cash and equivalents at £27,755,469, and short term investments at £17,030,874.

31 March 2018 £'000		31 March 2019 £'000
39,038	Debtors and payments in advance on balance sheet	29,198
-896	Less VAT	-611
-7,721	Less payments in advance	-1,229
30,421	Debtors in financial instruments note	27,358
-30,094	Creditors and receipts in advance on balance sheet	-30,622
5,944	Less tax	5,256
9,347	Less OCC payroll accruals	11,148
-14,803	Creditors in financial instruments note	-14,218

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

	Financial Liabilities		Financial Assets	
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
Interest payable and similar charges (excluding PFI)	-1,574	-1,540	0	0
Interest and investment income	0	0	290	479

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.

28.1 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 2019 investments can be analysed as follows:

Credit Rating	31 March 2018 £'000	Default %		Credit Rating	31 March 2019 £'000	Default %
AAA	62	0.13	Deposits with Money Market Funds	AAA	9,809	0.13
AA	3,000	0.05	Deposits with local authorities	AA	13,000	0.05
A	14,000	0.06	Deposits with UK banks	A	11,000	0.06
AA	11,000	0.05	Deposits with Overseas banks	AA	6,000	0.05
-	3,000	0.06	Deposits with Overseas banks	A	2,000	0.06
N/A	2,000	N/A	CCLA property fund	N/A	3,000	N/A
	33,062		Total		44,809	

Included within long term loans are car loans to officers and staff which totalled £17,438 at 31 March 2019. 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 £10,817,891 pension fund account debtor with the Home Office (2017/2018 £16,676,782).

The PCC does not generally allow credit for customers. With the exception of those debts where recovery is certain the PCC will put through credit losses for all debtors greater than 6 months old and 10% of those debtors between three and 6 months. At 31 March 2019 the total value of these credit losses was £308,565 (31 March 2018 £439,875). The remaining value of debtors less these credit losses can be analysed as follows:

31 March 2018 £'000	Unimpaired Debtors	31 March 2019 £'000
1,985	Less than three months	1,343
69	Three to six months	37
<u>2,054</u>		<u>1,380</u>

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 20 for the balances on both debtors and payments in advance.

28.2 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 2019 the PCC had £9,809,000 (31 March 2018 £62,000) in call accounts available to manage short term liquidity requirements. The PCC had a further £35,000,000 invested for a period of up to one year from the balance sheet date (31 March 2018 £33,000,000).

28.3 Market Risk

28.3.1 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 £209,045 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.

28.3.2 Price Risk

The PCC does not invest in equity shares other than in the Police Staff Pension Scheme (note 17). This means that the PCC has no exposure to price risk outside of the Local Government Pension Scheme.

28.3.3 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 16 of the accounts.

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

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

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

Police & Crime Commissioner for Avon & Somerset

Glossary of Terms

Term	Definition
ACC	Assistant Chief Constable
Accounting policies	These are a set of rules and codes of practice we use when preparing the accounts.
APCC	The Association of Police and Crime Commissioners
Balance sheet	This represents our overall financial position as at 31 March.
Capital programme	This is a list of projects for buying or improving fixed assets. With the exception of vehicles, items individually acquired typically under £12,000 are not treated as capital expenditure.
Cash flow statement	Summarises the income and outgoings of cash during the financial year.
CCLA Property Fund	Churches, Charities and Local Authorities property fund. Manages investments for charities, religious authorities and the public sector.
CFO	Chief Finance Officer
CIPFA	Chartered Institute of Public Finance and Accountancy
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.
Commutated sums	These are the lump sum amounts paid to officers when they retire, if they choose to have a lower pension.
Comprehensive income and expenditure statement	Summarises the income and expenditure during the financial year.
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.
CSE	Child Sexual Exploitation
CSP	Community Safety Partnerships
CSR	Comprehensive Spending Review
CTSFO	Counter Terrorism Specialist Firearms Officers
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.

Term	Definition
DCLG	The former Department of Communities and Local Government, since re-named to the Ministry of Housing, Communities and Local Government.
Debtors	Amounts which are due from others.
Depreciation	An amount set aside to pay for the gradual loss in value of our assets.
DPR	Detained property – these are items of property and cash, which are held until the courts decide who owns them.
DRC	Depreciation Replacement Cost
ERP	Enterprise Resource Planning
Expenditure and funding analysis	This shows the performance reported and the adjustments made to reconcile to the comprehensive income and expenditure statement.
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.
GDPR	General Data Protection Regulation. Regulation in EU law on data protection and privacy.
Historical costs	These are the amounts paid at the time we bought the assets.
HMICFRS	Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services
HMICFRS PEEL	The HMICFRS PEEL assessment stands for Police Effectiveness, Efficiency and Legitimacy.
HMRC	Her Majesty's Revenue and Customs. Responsible for the collection of tax in the UK.
IAS	International Accounting Standard. An international accounting standard to help harmonise company financial information across international borders. Subsequently superseded by International Financial Reporting Standards (IFRS).
ICT	Information, Communications and Technology

Term	Definition
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.
I&E	Income & Expenditure Account
JAC	Joint Audit Committee
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LRF Reserve	Local Resilience Forum reserve
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.
MCIT	Major Crime Investigation Team
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
Movement in reserves statement	Summarises the movement in the reserves of the PCC during the financial year.
MTFP	Medium Term Financial Plan
Niche	Police records management system
NNDR	The national non-domestic rates (or business rates) are collected by District Councils, paid to the Government and then distributed to all local authorities in proportion to population. The amount received by an authority is taken into account by the Government in determining the revenue support grant to be paid.
NPCC	National Police Chiefs' Council. The national coordination body for law enforcement and the representative body for police chief officers.
OCC	Office of the Chief Constable
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).

Term	Definition
PCP	Police and Crime Panel
PCSO	Police community support officer
PDR	Performance and Development Review
Pension appropriations	This is the adjustment required to reduce the costs of pensions to the sum to be collected from taxation in the year.
PFEW	Police Federation of England and Wales. The statutory staff association for police Constables, Sergeants, Inspectors and Chief Inspectors in England and Wales.
PFI	Private Finance Initiative
Police pension top-up grant	The 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.
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.
SOLACE	Society of Local Authority Chief Executives
SW ROCU	South West Regional Organised Crime Unit
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 (PCC Website)

www.avonandsomerset.police.uk (Constabulary Website)

Or in writing to:-

The Chief Finance Officer

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