

Police and Crime Board, 1st July 2020 13:00 – 17:00

Venue: Meeting to be held via Teams

Attendees:

- **Police and Crime Commissioner**
- **Chief Constable**
- **Deputy Chief Constable**
- **Deputy Police and Crime Commissioner**
- **Director of People and Organisation Development**
- **OCC CFO**
- **OPCC Interim CEO**
- **OPCC Interim CFO**
- **OPCC Head of Commissioning and Partnerships**
- **OPCC Strategic Planning and Performance Officer**
- **Director of Transformation and Improvement**
- **Governance Manager**

To support the carrying out of the PCC's statutory functions including overseeing delivery of the Police and Crime Plan, being the forum for formal decision making by the PCC and otherwise allowing for the PCC to scrutinise the work, performance, key projects and budget of the Constabulary and other partners.

AGENDA

1. Apologies

2. Minutes

3. Finance:

- a. Draft Annual Accounts
- b. Proceeds of Crime Six-monthly Update – to follow

4. Major Projects:

- a. Highlight Report
- b. Force Futures – precept funded investment posts
- c. Yeovil update
- d. SAP Replacement

5. Chief Constable's Update (any risks or issues that the Chief Constable wishes to raise)

6. Key Organisational Risks and Issues

7. Performance against Police and Crime Plan:

- a. Performance Overview

b. PQF Paper

8. People and Organisational Development Update

9. A.O.B

10. Action Update

11. Publication (agree any items for publication other than the Minutes and Decision Notices)

Date of the Next Meeting: 5th August 2020, 13:00 – 17:00

Please note that Joint Audit Committee Members, Martin Speller and Zoe Rice, will be observing.

DRAFT Minutes of the Police and Crime Board, 1st July 2020

Held via Teams

Attendees:

Sue Mountstevens, Police and Crime Commissioner
Andy Marsh, Chief Constable
Sarah Crew, Deputy Chief Constable
Mark Simmonds, OPCC Interim CEO
John Smith, Deputy Police and Crime Commissioner
Stephen Cullen, Assistant Chief Constable
Nick Adams, OCC CFO
Paul Butler, OPCC Interim CFO
Dan Wood, Director of People and Organisational Development
Karen Michael-Cox, Deputy Director Transformation and Improvement
Marc Hole, OPCC Head of Commissioning and Partnerships
Ben Valentine, OPCC Strategic Planning and Performance Officer
Michael Flay, Governance Manager
Alaina Davies, Resources Officer

1. Apologies

None

2. Opening Comments

Introduction and welcome to Paul Butler, newly appointed Interim OPCC CFO. Welcome to Zoe Rice and Martin Speller, Joint Audit Committee Members, observing the meeting.

3. Minutes and Action Update

The Board agreed the minutes from the Police and Crime Board Meeting held on 3rd June 2020.

4. Finance:

a. Draft Annual Accounts

The OPCC thanked the OCC CFO and his team for preparing the draft accounts. The team have done this work remotely and in liaison, where necessary, with local authority staff who are also working remotely. There was a recognition by CIPFA and HMCLG that the timescales for production of the accounts needed to change, extending the time to produce the draft accounts until the end of August. The Constabulary have pushed to get this work done before the deadline in order to start focusing on other work. The draft accounts were published nearly two weeks ago and the OCC CFO has met with the Joint Audit Committee (JAC) Members to run through the draft accounts and the

team is currently working on answering the questions raised by JAC Members – this Q & A will be published alongside the Joint Audit Committee papers for 8th July 2020 when available.

As part of producing the accounts the Constabulary have assessed presenting the accounts on a going concern basis. Both organisations are created by statute and it would take an act of parliament to remove them. Financial sustainability is also looked at as part of this assessment – based on the MTFP this looks fine but Covid-19 does change the dynamics and it is expected that the auditors will raise questions with regard to the impact of this. Expecting queries regarding pension liability and the ability of the actuaries to foresee the impact.

Outside of pensions the single biggest number in the accounts is in relation to Assets and so it is expected that a key focus of questions from the auditors will also be in relation to asset valuation.

The audit of the draft accounts began last week and the auditors have already begun submitting questions. The new Interim OPCC CFO has been asked to reconcile the cash and the management accounts to statutory accounts – it was noted that note 6 in the draft accounts looks at reconciling the management accounts to the statutory accounts.

The high level of reserves was raised by the PCC and she asked that a detailed breakdown of this be available for discussions with the Police and Crime Panel – this will be relevant in discussion with them regarding any precept rise for 2021/22. It was noted that there is a detailed table in the accounts. Reserves are about risk and managing the level of risks – Covid-19 is a good example of risk and reserves may well be needed to balance the accounts. Covid-19 has been a shock to the economy but it is hoped that recovery will be quicker than the Credit Crunch. The unfunded Capital Programme was also highlighted.

The PCC asked that the Community Speedwatch Volunteers be included in the volunteer numbers.

b. Proceeds of Crime Six-monthly Update

Update to the Police and Crime Board (PCB) on the incentivisation receipts from POCA orders and expenditure in relation to these receipts for 2019/20. It was noted that due to the amount received versus the expenditure £278,187.76 was available to transfer to reserve at year-end. The estimated return for 2020/21 was reported. The returns generated by the investment in the additional Financial Investigator were discussed. The PCB queried whether investment in further posts would bring further returns – the Financial Investigation Unit (FIU) is already at capacity and would need appropriate resources. It was agreed that the discussion of further investment should be revisited in 6-9 months.

It was noted that the receipts fund the FIU and the Commissioners Community Action Fund (CCAF).

The OPCC asked if there was any national data comparing returns on investment in the FIU.

The PCC highlighted the national push from PCCs for forces to receive more of the returns from cases – this is 18.7% in criminal confiscation cases and 50% in account forfeiture cases.

Going forward there is going to be a topslice to fund two South West Regional Organised Crime Unit (ROCU) posts looking at civil recovery.

5. Major Projects:

a. Highlight Report

The substantive item from Constabulary Management Board (CMB) was the precept investment.

The Constabulary are looking at consolidating the learning regarding agile working and digital mobilisation to inform way of working in the future and how the organisation plans – the Terms of Reference for this is being presented to the Infrastructure Board tomorrow.

Force Futures programme was discussed – uplift in the number of officers and the opportunities this creates. A Gateway review of this area of work is being carried out. The OPCC asked when the information on the shape of the uplift and where the extra resource is going would be available. The Constabulary will be building the picture in the coming months through available information and in consultation with directorate leads. When the Constabulary moves into the co-creation stage the OPCC will be included. A detailed roadmap will be set out over the next couple of months. The precept investment will be managed alongside the uplift work. The Constabulary highlighted the potential for the Degree Holder Entry route to have a positive impact on recruiting to Investigations.

b. Force Futures – precept funded investment posts

The PCC highlighted the importance of delivering on the precept promises of 67 additional roles (was 75) and the schools PCSOs. The precept funded an uplift of 67 roles and the Constabulary confirmed that they should have 46 of those appointed and trained by year-end. The Constabulary don't anticipate difficulties in filling these roles.

The PCC sought assurance regarding the status of the schools PCSOs and whether these would be in post for September 2020. The Constabulary is working on having a full cohort of PCSOs for September – working on PCSO recruitment overall and specifically working on attracting PCSOs to these school roles. The Constabulary are promoting the flexibility of these schools PCSO roles and also the additional investment in Continuous Professional

Development (CPD) for these roles. The OPCC are regularly being kept up to date on the situation as part of the Violence Reduction Units (VRUs) work.

The PCC recognised the work being done by the recruitment, vetting and learning teams who are also under the additional pressure of working remotely.

c. Yeovil Update

The Business Case in relation to Yeovil was agreed in August 2019. The work has been progressing and it became evident that the costs are running over that which was approved. The OCC CFO asked for further work to be carried out to understand the increased cost and in so doing looked at two options for moving forward. An exception report is being presented to the Infrastructure Board tomorrow asking for approval of the preferred option. The Board supported the preferred option to continue with the work on the existing suite at the increased cost. The Board understands that these costs still have a degree of risk associated with estates projects. The OPCC Interim CEO was assured that the preferred option does have a contingency built in and the Constabulary are going to be clear with contractors and architects that there is a finite pot of money.

Detainee transport was discussed and looking at maximising the capacity of this and the use of technology to reduce time officers spend travelling with detainees. This will help officers feel they have the tools to increase proactivity around making arrests, particularly in relation to County Lines.

d. SAP Replacement

The OPCC sought assurance that work will be starting soon to look at the replacement options for SAP – tracking the SAP contract extension back means work should be starting now.

The Constabulary teams have been busy responding to the Covid-19 pandemic restrictions as well as Chronicle and the e-recruitment system. The Constabulary are in the process of putting together a role profile with the intention of appointing to a post which will take forward this piece of work and shape the options for consideration. The Constabulary assured the PCC that they are alert to the need to commence this work. The Constabulary are still aiming to have a new system in place with effect from April 2024.

The PCB discussed the maturity of the market currently and how much focus should be on a shared service when looking at options. It was agreed that whatever system is opted for should remove the barriers to shared services but not be the driving force. The avoidance of disruption to the business of the organisation is also important. May not need to be an Enterprise Resource System (ERP) – maybe a General Ledger which interfaces with HR and duty management systems.

6. Chief Constable's Update

The Chief Constable highlighted the following concerns which centre on uncertainty:

- Public opinion of the police – how media, social media and politics play into this.
- Disproportionality – the organisation is pushing hard to make improvements. When drilling down on statistics it seems decades of poverty and circumstances often lead to contact with the Criminal Justice System. The Constabulary has been drilling down on Stop and Search Statistics geographically and now need to understand the link to County Lines and do the same for Taser and other uses of force. It was noted that the force is ahead of many with regard to disproportionality in terms of leadership, insight and scrutiny. Question raised whether enough interactions with the public are being recorded and if not how this affects the data picture?
- Money – looking at balancing the budget and the possible need to use reserves.

7. Key Organisational Risks and Issues

Inequality/Disproportionality

Disproportionality is seen in use of police powers, such as stop and search and use of force. Progress has been made in the last couple of years and the Constabulary now have much better data which can be applied geographically. It is recognised that issues are complex. The PCB discussed engaging with the public using the information available and the David Lammy approach (explain or reform) and linking back to the policing purpose. Need to engage with community leaders in an honest approach. It is recognised that while there has been improvement in data quality there are still improvements to be made in order to have a clear picture of errors and issues.

Changing Demand

Discussed the shifting demand picture and how this will be affected by recovery within the organisation, society and partners. While the demand is down year on year the wider and ever increasing complex demands on the Constabulary were recognised, including policing Covid-19 restrictions. As Covid-19 restrictions begin to lift demand is increasing and reverting to normal seasonal levels.

The Constabulary has seen a large rise in cybercrimes – cyber enabled crimes such as stalking and harassment have required safeguarding approaches. Specialist capability in this area of business is going to be built in through the Force Futures work. Cyber dependent crime is crime that only happens because the internet exists and the Constabulary need the tools and confidence to respond to this new way of crime occurring – much preventative activity is required. Some of the precept investment will be directed into cybercrime.

The Constabulary reported that the Hate Crime Champion role has been introduced to further develop the Hate Crime work. Year on year Hate Crime is increasing but does not show a different trend to other forces nationally. There is strong governance, scrutiny and oversight in this area and the Constabulary monitor trends closely. Victims are encouraged to come forward through the various channels that are available to them and increased reporting should be welcomed.

The DPCC sought assurance on the recovery work looking externally. The DPCC was invited to contribute to this work and ensure that the OPCC is sighted.

Response Timeliness

Discussed the Service Level Agreement (SLA) around responding to calls and whether this is appropriate. Need to look at what the right measure would be. This is being looked at by the Constabulary.

The PCC talked about the length of time the Constabulary have been under additional pressure from Covid-19 and policing the restrictions in a measured way. The amount of preventative work the Constabulary is doing is recognised.

Lighthouse Safeguarding Unit (LSU) Demand

The LSU have had to adapt to working remotely over the last three months. The backlog on contact with victims in each of the areas was discussed. The OPCC is looking for a consistent ability for the team to make contact with victims but it is recognised that this has been affected by vacancies. The effort of the LSU was recognised and the prolonged period of pressure and scrutiny this unit has been under. The Force Futures work will look at the LSU and an in-depth demand analysis will be needed. Also need to look at the impact of delays in the Criminal Justice system on the work of the LSU.

Criminal Justice

The Local Criminal Justice Board met yesterday. There is not a consistent picture regarding the backlog. There is movement in Magistrates courts – starting to see cases moving through to Magistrates and Crown Court. Still waiting on information regarding the use of virtual technology.

8. Performance against the Police and Crime Plan

a) Performance Overview

Domestic Abuse (DA) update discussed. There is a weekly meeting led by the Bristol Mayor – set up a mayoral commission on DA demonstrating that Bristol City Council understand that this needs a wider approach than just the police alone. The PCC has been asked to speak at a meeting on prevention.

There is a DA assurance report scheduled for August CMB. DA demand was highlighted – domestic incidents are stable, 32 more incidents in June than May and the six month rolling picture is starting to level out following changes made a year ago, which pushed an increase in recorded DA. Other DA updates

include: MARAC – assurance activity agreed; DASH – pushing communications; and CPS – work on evidence led prosecutions.

It was noted that significant improvements have been made on reducing the number of outstanding suspects – while a number of the people within the organisation have been working remotely the Constabulary put a workstream in place to identify a number of key backlogs and areas for improvement. As a result 107 people were brought in on warrant in June alone. The PCC asked if this improvement is sustainable once the organisation returns to business as usual.

Positive improvements in Data Quality were discussed and the dialogue with the CPS regarding file quality.

Need to better understand the picture with regard to Out of Court Disposals (OoCD) and how this fits into overall Positive Outcomes. Outcome 22 is not currently included in national data and the Constabulary have been having discussions nationally to change this so that it is recognised in the figures in future – if this educational diversionary activity is included then Avon and Somerset would be in the top quartile nationally. OoCD has been able to continue virtually through the Covid-19 restrictions.

Victim contact and satisfaction were discussed. There has been an improvement in follow up which has been a trend since the end of 2019 – the start of the Covid-19 restrictions were seen as an opportunity to make contact with people as they would be at home. The PCC asked if this improvement is sustainable once the organisation returns to business as usual. It is hoped that officers see the importance of this and line managers will be expected to reiterate this.

b) Performance and Quality Framework (PQF) Proposal

A positive and well put together paper on the PQF which sets out the standards and key measures that help understand how near or far the organisation is to achieving the aim of becoming an outstanding force.

The OPCC raised the issue of culture and how the Constabulary intend to ensure that the assurance part of this framework is embedded. The Constabulary are still working on this. Need to ensure that the link between assurance and improvement is understood. The OPCC Strategic Planning and Performance Officer will liaise with the Constabulary Head of Improvement on the programme of assurance to come to the PCB.

9. People and Organisational Development

The Director of People and Organisational Development gave a presentation to update the PCB on Chronicle and e-recruitment, Inclusion and Diversity and the Recruitment Position.

Chronicle and e-recruitment

Chronicle is a learning and skills management system which will enable the Constabulary to effectively coordinate skills and learning across the organisation. It has the ability built in to interface with other systems e.g. Qlik. There has been a minor slip of 3-4 weeks. Business change work is being done to ensure that users are ready. The OPCC noted that the Constabulary had managed the slip in timescales well and that this is a key system to get up and running.

E-recruitment – phase 1 of this landed almost on time and provides an end to end e-recruitment process for police staff posts which will improve the user experience. The Constabulary is planning to rapidly move to phase 2 in the first week of August which is to launch e-recruitment for police officers and PCSOs. Huge stakeholder engagement to allow phase 2 to happen as risks are linked to the uplift programme.

Inclusion and Diversity

Update on the Big 5 Ideas which are a number of actions aimed at accelerating momentum and progress against the ambition to become the most inclusive force in the UK.

The Constabulary have become the first and only force to achieve the National Equality Standard which assesses the extent to which equality is embedded in the organisation. There were 35 competencies and evidence was required from across the organisation (600 pieces). This was a learning and improvement process with the force being assessed at level 3 at first before moving to level 4. Use of data is a big positive. This helps the employer brand but it is recognised that there is still much more to do.

Training – the force is doing innovative work on cultural intelligence. Process of learning for leaders which is now moving to the next phase. Launching a tendering process regarding learning and encouraging outside providers to bid in order to gain input from community organisations and help build relationships. The Police Constable Degree Apprenticeship (PCDA) provides training on community engagement and inclusion and diversity.

Recruit for Difference – e-recruitment will strengthen the insight the Constabulary have at every step of the process. Employer brand is at the front end. Training and development for recruiters in valuing difference.

Outreach workers – 7 outreach workers were appointed in an innovative approach to engaging with the community. The outreach workers go out and engage with prospective employees in the community and community organisations – they have been continuing their work virtually through lockdown. These workers are breaking down barriers and helping to develop and improve. The PCB discussed how important it is to track the outcomes of the outreach workers – the Constabulary can track applicants that have had contact with these workers. The workers visit different departments to gain an understanding of roles they are promoting.

Mobilising the workforce – positive action regarding progression. Programme of work to support the pipeline of underrepresented people in the organisation.

The Constabulary reported that as well as providing the required Gender Equality pay gap information they have also looked at Race Equality pay and Disability Equality pay.

The Constabulary have been nominated for two Employers Network Data Quality Awards for Inclusive Culture and Neurodiversity.

The positive actions and improvements with regard to inclusion and diversity were noted while recognising that much more improvement is needed and the Constabulary will keep pushing this.

Recruitment

Recruitment campaigns are currently active and the Constabulary report that the pipeline numbers look healthy. The lead in time to get people joining the organisation was highlighted. PCSO numbers have been affected by attrition to PCDA. The Constabulary are taking steps to recover the position regarding PCSOs and are looking at new intakes – planning to overachieve.

The Constabulary have increased the PCDA intake number with UWE. The modes and method of delivery have changed. Looked at ways to get officers operational quicker without losing the quality of education – more resource and smaller groups for training which cannot be virtual.

The risk of a rise in leavers was highlighted. It is thought that officers who were due for retirement have stayed due to Covid-19.

The Degree Holder Entry Programme was discussed (2 year entry instead of 3). The Chief Officer Group will be considering proposals this week in relation to this. This is an opportunity to channel people into Investigations more quickly. It was highlighted that this does not attract the apprenticeship levy – need to assure value for money. Possible timescales for this going live were discussed. The outlook on the economy looks different now and it is anticipated that public sector jobs will be more attractive as people change their views on what they want out of employment – this will present a challenge of managing larger volumes of applications.

The future of the uplift programme is uncertain from 2022 and on – numbers in the presentation are assumed. It is anticipated that the target numbers will be announced by the time parliament breaks up for summer recess. A three year spending review is also being pushed.

Working on achieving establishment for Specials. E-recruitment should help as some of the feedback previously received from candidates is that recruitment takes too long.

It was agreed that the Constabulary would put a briefing together for the OPCC on the support offered to Black, Asian and Minority Ethnicity (BAME) officers and staff in relation to Covid-19.

10. A.O.B

No other business raised.

11. Action Update

An update was given on the actions from the previous Police and Crime Board Meetings as follows:

- Officer Visibility – public portal showing officer visibility map is being worked on. It was agreed that this should be removed from the action list and reported back once the pilot is complete.
- Lighthouse Safeguarding Unit (LSU) update – update on the LSU backlog and vacancies discussed at minute 7 (Key Organisational Risks and Issues).
- Hate Crime – following an update at the last PCB the action to update on the work being done to tackle repeat offenders can be closed.

12. Publication

The following items were agreed for publication:

- 3rd June 2020 Police and Crime Board Agenda
- 3rd June 2020 Police and Crime Board Minutes

Actions List:

See Exempt Actions List

Date of the Next Meeting: 5th August 2020

MEETING: Police and Crime Board	Date: 1 st July 2020	Agenda No
DEPARTMENT: Finance and Business Services	AUTHOR: Claire Hargreaves	3a
NAME OF PAPER: 2019/20 Draft Statement of Accounts		

1. PURPOSE OF REPORT

The report presents the 2019/20 draft statement of accounts for both the Chief Constable, as well as the PCC (which incorporates the group position).

Members of the Police and Crime Board are asked to review and discuss these accounts.

The Interim PCC and Constabulary Chief Finance Officer has already signed and dated the accounts, thus allowing commencement of the period of public inspection and audit.

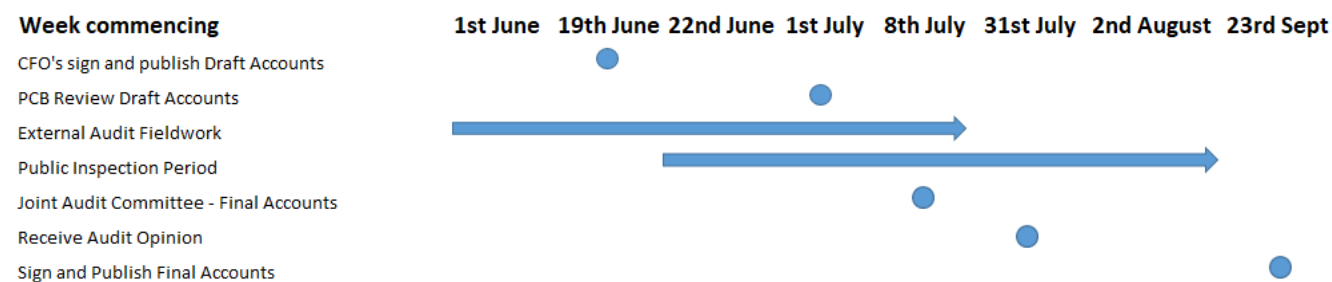
2. BACKGROUND

The Accounts and Audit Regulations 2015 require that the “responsible financial officer” sign and date a draft copy of the Statement of Accounts prior to commencing the period during which the public can exercise their rights to inspect the accounts.

Upon completion of the period during which the public can exercise their rights, the final (audited) accounts will then be considered by way of a committee (which in our case will be the Joint Audit Committee). If there are no issues, the Joint Audit Committee will recommended the accounts to the PCC and CC for their approval and signature.

Due to the current Covid-19 situation, the Ministry for Housing, Communities and Local Government (MHCLG) has extended the statutory audit deadline for 2019/20 for all local authorities, including police forces. The publication date for audited accounts has moved from 31 July to 30 November 2020.

With the above deadline in mind, we are planning to complete our own accounts and audit activity by 23rd September 2020. The table below sets out the timeline for key events to achieve completion by this date :-



The format of the accounts is prescribed in legislation, with further refinement added through guidance and regulations issued. The primary financial statements within this document comprise:-

- A Comprehensive Income and Expenditure Statement;
- A Movement in Reserves Statement;
- A Balance Sheet; and
- A Cash Flow Statement.

In addition to these primary statements the accounts include narrative statements providing context

and explanations, and a series of notes providing further detail to the primary statements. The Annual Governance Statement (AGS) also accompanies the accounts. The AGS sets out the management's view of its governance arrangements, issues to be addressed and actions to be.

Since the Police Reform and Social Responsibility Act 2011 (the Act) came into effect, we now publish two sets of financial statements:-

- PCC's Statement of Accounts (including Group accounts); and
- Chief Constable's Statement of Accounts.

This requirement was brought about by the creation of two separate legal entities under the Act.

3. PRESENTATION OF THE STATEMENT OF ACCOUNTS

In preparing both sets of financial statements, we have assessed the appropriateness of presenting the accounts on a going concern basis. We recognise that the PCC and Chief Constable can only be created or discontinued through statutory prescription. As we have no indications of any intentions on the part of Government or Parliament to bring about changes that will see either of these corporations sole cease to exist, we consider that preparing our accounts on a going concern basis remains valid.

Another consideration for going concern is our financial sustainability, and our ongoing ability to live within our financial means. This is annually assessed in the preparation and scrutiny of our Medium Term Financial Plan (MTFP), which sets out our 5 year revenue and capital forecasts, incorporating considerations of reserves and risks within this. Since the publication of our last MTFP the response to the global COVID-19 pandemic has presented material uncertainty in our previous assumptions, requiring us to review these as part of our preparation for the 21/22 MTFP. We intend to undertake more work in preparation for this over the summer and into the Autumn.

The presentation of the two Statements of Account is determined both by the legal substance of the transaction, as well as by the application of the accounting principle of "Substance over Form". This accounting principle is used to ensure that financial statements present a complete, relevant and accurate picture of transactions and events by accounting for the financial reality (the "economic substance") rather than the legal form of the transaction.

We have considered our application of the requirements of substance over form when preparing our 2019/20 accounts. The outcome of this review, in addition to there not be any material changes to accounting or statutory regulations, concluded that the presentation of last year's financial statements remains appropriate. Therefore the accounts as presented contain the following:-

Prime Statement	PCC/Group	Chief Constable
Comprehensive Income and Expenditure Statement	PCC – includes costs of the OPCC and inter-group adjustments. Group – shows combined PCC and CC position	Includes the income and expenditure associated with providing a policing service in accordance with the PCC scheme of governance
Movement in Reserves	Full statement reflecting the movement on all reserves	Only Pension accounting adjustments through the general fund
Balance Sheet	Full statement reflecting the totality of all assets, liabilities and reserves across the PCC, CC and combined group	Includes the pension assets and liability, the short-term absences accrual, and other employee related balances,

		offset by a debtor from the PCC
Cash Flow Statement	Full statement reflecting the cash flow across the PCC, CC and combined group	Includes those non-cash adjustments required to ensure consistency with other primary statements

4. 2019/20 REVENUE AND CAPITAL FINANCIAL PERFORMANCE

The 2019/20 financial performance across both the revenue budget and the capital plan has been the subject of a detailed paper presented to PCB at its meeting on 6th May 2020.

In summary we reported an under spend against revenue budget of £5.1m/1.7% (2018/19 £11.4m/4.0%), which was entirely accounted for through provisions and reserve adjustments. During the year we also spent £14.4m (2018/19 £11.7m) on capital projects, and are carrying forward £3.9m (2018/19 £4.0m) into 2020/21 in support of ongoing projects.

The budget and outturn figures presented to PCB on 6th May will not reconcile exactly to the Income and Expenditure Statement due to adjustments between accounting and funding, however in order for the Board to recognise the figures and reconcile back to previous reports a reconciliation is detailed below:

	£'000
19/20 Budget/Outturn (per management accounts)	306,278
Less Commissioning of Victims' Support Grant	(1,958)
Less Council Tax Adjustment (for Collection Fund movements)	(1,036)
Plus Capital Grant received	<u>1,033</u>
Adjusted Total Taxation and non-specific Grant Income (per Group CIES on page 26 of Group Accounts)	304,317

5. USEABLE RESERVES AT 31st MARCH 2020

The movement on reserves statement (as detailed at page 28 of the group accounts) identifies a net increase of £11.3m/30% (2018/19 increase £2.7m/7.5%) in useable reserves. The table below summarises the position on our useable reserves:-

Details	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	TOTAL
	£'000	£'000	£'000	£'000
Balance as at 1 April 2019 (restated)	10,000	24,101	3,528	37,629
Net Increase/(Decrease)	(1,000)	11,867	454	11,321
Balance at 31 March 2020	9,000	35,968	3,982	48,950

The General fund balance is set by the risk assessment carried out by the PCC CFO in conjunction with

the Chief Constables CFO. The General fund balance has reduced by £1.0m (2018/19 £0.4m) following a recent review.

Our earmarked reserves (which were included in the outturn report presented to PCB in May, and which are explained in more detail on pages 65-67 of the group accounts) can broadly be broken down into three distinct areas:-

- **Revenue funds – discretionary:** These are the funds that we have set aside, predominantly held to support the ongoing costs of proactive and reactive operations, enable us to continue to realise our change and transformation ambitions and to provide support to face the future financial uncertainty created by COVID-19;
- **Revenue funds – non-discretionary:** These are funds that we account for at the end of the year, but which predominantly relate to funds that we have received for specific purposes (e.g. unspent specific grant funding, unspent proceeds of crime funding) or funds that represent money which is not (either wholly or in part) ours (e.g. balance on our regional serious organised crime unit which is hosted by A&S);
- **Capital and PFI funds:** These are funds held in support of future capital programmes, and in support of our PFI buildings.

The earmarked revenue reserves have increased by £3.1m (2018/19 £1.3m decrease) during the year. This is the net result of a number of movements, including:-

- a £1.6m increase (2018/19 £1.2m decrease) to our non-discretionary reserves (as a result of the increase of reserves for Victim Support Services (£0.8m) and Hinckley Point (£0.8) and,
- a £1.5m increase (2018/19 £0.1m decrease) to our discretionary reserves (the net result of the introduction of two new reserves for Operation Remedy (£1.3m) and Covid-19 recovery (£1.0m), an increase in carry forwards (£0.9m), increase in the Buildings & Sustainability reserve (£0.3m) and a £2m decrease in the Transformation reserve).

The earmarked capital reserves have increased by £8.7m (2018/19 £1.1m increase) during the year, reflecting our long-term capital funding plans.

6. PENSIONS ACCOUNTING

In preparing the accounts we are required to comply with pension accounting requirements as set out in International Accounting Standard 19 (IAS 19).

IAS 19 requires an organisation to account for retirement benefits when it is committed to give them, even if the actual giving will be many years to come. It requires employers to disclose the total value of all pension payments that have accumulated (including deferred pensions) at the 31st March each year. This value is made up of:-

- The total cost of pensions being paid out to former employees who have retired; and
- The total sum of the pension entitlements earned to date for our current employees – even though it may be many years before the people concerned actually retire and begin drawing their pension.

IAS 19 also requires us to show all investments (assets) of the Pension Fund at their market value, as they happen to be at the 31st March each year. The value of these investments is subject to regular fluctuation on a day-to-day basis, and so when compared across a 12 month time difference, can present significant movement year on year.

Setting side by side the value of all future pension payments and the snapshot value of investments as at the 31st March, results in either an overall deficit or surplus for the Pension Fund.

As at 31 March 2020 the pension fund liability (deficit) identified by our actuaries is £3.49bn (2018/19 - £3.71bn). Of this £3.22bn relates to Police Officers (2018/19 - £3.44bn), and £271m to Police Staff (2018/19 - £272m).

The Police Officers scheme is the responsibility of the Home Office, and the Chief Constable (as employer during the course of 2019/20) is responsible for making employer contributions towards this pension. The Police Staff scheme (which is Somerset County Councils Local Government Pensions Scheme [LGPS]) however is the responsibility of the PCC and Chief Constable, and the PCC CFO represents the PCC at the Somerset County Council Pension Committee.

For the reasons set out above the IAS 19 figures can only be a snapshot at a given point in time. A truer reflection of a pensions fund's actual position comes from a more detailed assessment made by an Actuary. This assesses and examines the ongoing financial position of the pension fund, and as a result can differ considerably from the IAS 19 valuation.

These more detailed actuarial assessments are carried out periodically, and are used to review the contribution rates to the Fund made by us as the employer, to ensure that existing assets and future contributions will be sufficient to meet future pension payments. We can do this, because by its very nature, the Pension Fund is ongoing and long-term and gives employers time to act so that any deficit is spread and paid-off over a number of years.

7. PFI ACCOUNTING

Through our PFI contract our private sector partner (Blue Light Partnership [BLP]) is responsible for providing and making available the four PFI funded buildings throughout the 25 year life of the contract. At the end of the contract the legal ownership of the buildings will revert to the PCC (in the case of the shared facility it will revert to shared ownership) at nil cost.

As the PCC is deemed to control the services that are provided under the PFI schemes, and ownership of the buildings will pass to the PCC at the end of the contracts for no additional charge, the PCC will carry the assets on its Balance Sheet as part of Property, Plant and Equipment.

The financial implications of this contract will see the PCC commit to an annual unitary charge across the 25 year life of the contract, being £9.4m in 2019/20 (£9.3m 2018/19), and £248.1m over the 25 years. The UK Government (Home Office) has committed to provide £187m capital funding ("PFI Credits") in the form of annual grants over 25 years.

The difference between the unitary charge cost for the provision of the buildings, and the PFI credits will be closed through a combination of the:-

- a. Interest earned on our sinking fund balance (being the reserve into which the timing difference between the receipt of the PFI credits and the actual requirement to use these funds, is accounted for);
- b. Contributions from our partners towards the running costs of the building (contributions from Gloucestershire and Wiltshire Constabulary will contribute towards the annual running costs of the shared firearms training facility);
- c. Revenue budgets of the Constabulary, which have been realigned following savings achieved as a consequence of the closure of other buildings.

8. OTHER CONSIDERATIONS

As is normal during our preparation of the draft financial statements we have had to make several considerations. These include:-

- Asset valuations – In accordance with our policy for the valuation of our assets an external valuation was carried out as at 31st March 2020 by Jones Lang LaSalle Limited. The properties have been valued in accordance with the current RICS valuation standards and took into account the potential future impact of COVID-19 and as such were reported on the basis of material valuation / market uncertainty principles. The results of this valuation have been captured within the financial statements presented;
- Related Parties – We have written to the members of the Joint Audit Committee, the PCC and her executive officers, and to the Chief Officers of the Constabulary to ascertain whether there were any financial transactions requiring disclosure. The result of this review is presented at note 13 (page 50) of the Group accounts and note 11 (page 40) of the Chief Constable’s accounts;
- Insurance – Our insurance experts have conducted their annual review, and identified a discounted value of future known liabilities. This has resulted in £9.0m (2018/19 £11.5m) provided for (note 24, page 63 – Group Accounts) to manage future risks. The provision is deemed sufficient to cover unexpected losses;
- Detained Property – In previous years, seized monies and sales proceeds of seized property has been retained in a reserve named as Detained Property Reserve (DPR). As most of these assets will ultimately be returned to their owner it has been decided that this balance should more appropriately be reclassified as a creditor balance instead of reserve balance. This is detailed on page 67 in the group accounts (4th paragraph).

As the comparative years figures needed to be adjusted to account for this change, there are several references to “restated” balances throughout the group accounts e.g. PCC restatement column on the Group Balance Sheet page 30. All these restated balances refer to this DPR adjustment.

- Contingent Liabilities – In accordance with the requirements of the accounting standards we have considered whether there are any liabilities which have not been financially provided for because they are remote or cannot be accurately valued. The note includes reference to the following:
 - McCloud/Sargeant Judgment regarding the discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015; and
 - The uncertainty created by the Coronavirus pandemic.

The results of this review are presented at note 25 (page 64) of the Group accounts, and note 19 (page 49) of the Chief Constables Accounts;

9. EQUALITY ANALYSIS

The Statement of Accounts has been prepared in accordance with accounting conventions and the guidance contained within the CIPFA Code of Practice on Local Authority Accounting. Where possible we have included explanatory notes to aid the reader of the Accounts in interpreting the information included.

The Statement of Accounts are published through the website of the PCC and Chief Constable, and additional copies can be made available to members of the public who make a request to either of the Chief Finance Officers.

10. SUSTAINABILITY

The draft accounts continue to be very sizeable documents. We will continue to refine and where possible reduce the number of pages needed through formatting, and as in previous years we intend to keep the number of printed copies of the financial statements to a minimum. As the Finance team have all been working from home over the last three months due to the COVID-19 pandemic, no paper copies have been printed in the preparation of these accounts.

There are no specific requirements at this stage relating to sustainability issues which need to be included within the financial statements.

11. CONCLUSIONS AND RECOMMENDATIONS

As in previous years the Accounts have not yet been audited. The audit is underway, however owing to the challenges of completing this work remotely it is not possible to say at this stage when this audit will be completed. Our external auditors will provide an update on their progress and expected timeframes at the Joint Audit Committee meeting on 8th July 2020. Once the audit is completed the external auditors will issue an Audit Certificate, enabling the final Statement of Accounts to be published by 23rd September 2020.

The Police and Crime Board is therefore invited to discuss the 2019/20 Draft Statements of Accounts.

Appendix A – Draft 2019/20 Group and PCC Financial Statements

Appendix B – Draft 2019/20 Chief Constable Financial Statements