

*2019/2020*

**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 to 8 January 2020 Phone: 01278 646556
Mark Simmonds	Chief Finance Officer to Police & Crime Commissioner for Avon & Somerset to 8 January 2020 Interim Chief Executive and Monitoring Officer to the Police & Crime Commissioner for Avon & Somerset from 9 January 2020 Phone: 01278 646553
Nick Adams	Interim Section 151 Officer for Police & Crime Commissioner for Avon & Somerset from 9 January 2020 to 29 June 2020 Phone: 01278 646400
Paul Butler	Interim Chief Finance Officer to Police & Crime Commissioner for Avon & Somerset from 29 June 2020 Phone: 01278 646541
Address for chief officers:	Valley Road Portishead Bristol BS20 8QJ

**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

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# Police & Crime Commissioner for Avon & Somerset

## Chief Finance Officer's Narrative Report

This section provides information about the PCC and the Constabulary, enabling the reader to understand our objectives and strategies, as well as matters of financial and operational performance over the past year and issues which may affect these 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 Organisational Overview

The Avon and Somerset policing area serves the five principal local authority areas of South Gloucestershire, Bath & North East Somerset, Bristol, North Somerset, and the county of Somerset.

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

The Police & Crime Commissioner (PCC) and the Chief Constable are established as separate legal entities. The PCC is elected by the public to secure the maintenance of an efficient and effective police force and to hold the Chief Constable to account for the exercise of his functions and those of persons under his direction and control. The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing services in the Avon and Somerset Police area.

The PCC for Avon and Somerset sets out her priorities in the Police and Crime Plan. These priorities are determined following consultation with the communities of Avon and Somerset, as well as incorporating the views of a range of stakeholders including the Police and Crime Panel, partners, the Chief Constable, and senior leaders within the Constabulary. The PCC's priorities throughout 2019/2020 have been to:

<b>Priority 1</b>	Protect the most vulnerable from harm
<b>Priority 2</b>	Strengthen and improve local communities
<b>Priority 3</b>	Ensure that the Constabulary has the right people, right capability, and right culture
<b>Priority 4</b>	Work effectively together with other police forces and key partners to provide better services to local people

The PCC oversees the delivery of services against these priorities, holding the Chief Constable and his team to account. Under the direction and control of the Chief Constable and his chief officer team, the constabulary is divided into eight directorates, four of which are operational and four of which are the enabling services.

The Constabulary's Mission, Vision and Values are:

<b>Mission</b>	Serve. Protect. Respect.
<b>Vision</b>	Outstanding policing for everyone
<b>Values</b>	Caring. Courageous. Inclusive. Learning.

The Constabulary has four corporate strategies:

- Service strategy;
- People strategy;
- Digital strategy;
- Infrastructure strategy.

Through these strategies, the Constabulary establishes in more detail how they intend to deliver against the PCC's priorities, achieve their mission and vision, and bring their values to life.

The staffing information for both organisations as at 31 March 2020 is as follows:

Employees	Actual 2019/2020 FTE	Actual 2019/2020 Headcount	Actual 2019/2020 % Part-Time
Police Officers	2,804	2,884	2.8
Police Community Support Officers	319	333	4.4
Police Staff	2,415	2,762	14.4
OPCC	19	22	15.8
<b>Total</b>	<b>5,557</b>	<b>6,001</b>	<b>8.0</b>

In addition, the PCC is supported by 75 volunteers performing the role of custody visitors and panel members. The Constabulary is supported by 289 Special Constables, 200 Police Cadets, and over 1,000 volunteers, more than 800 of whom support community speedwatch throughout Avon and Somerset.

## 2 COVID-19

These accounts are being prepared against the backdrop of the COVID-19 global pandemic. This has presented many tactical challenges for Avon and Somerset, and as we look forward will undoubtedly go on to present a number of strategic challenges as well.

The immediate financial and operational consequences will not have significantly impacted us during the 2019/2020 financial year covered by these accounts. However, the longer-term consequences will be important for our future plans. The rest of this statement identifies specifically where this is the case based on our considerations at this time.

## 3 Operational Performance

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

Overall police-recorded crime levels have seen a small increase of 2.8% since last year. This picture includes some notable reduction in specific crime types, with a 9.8% reduction in burglary, and a 4.8% reduction in theft.

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) inspected the Constabulary during 2019/2020. The overall assessment continued to be "Good", with the following results against each of the three pillars of their 'PEEL' inspection framework:

- Efficiency – Outstanding;
- Legitimacy – Good; and
- Effectiveness – Good.

The Neighbourhood Policing teams have improved the consistency of their use of problem solving plans to achieve demand reduction in local communities. There has been a consistent reduction in demand and demand complexity compared to the same period last year.

The performance in the Control Room has remained consistently excellent throughout the year. Despite increases in overall call volumes the abandonment rates have reduced across all lines; call-handling performance continues to be strong, with low abandonment rate for both 999 calls (0.05%) and 101 calls (2%) over the last year.

Calls for service are stable, with a 0.6% reduction since last year. Calls requiring immediate attendance have increased by 5.6% since last year; however, overall calls requiring officer attendance have reduced by 6% over the course of the year.

Public confidence, as measured by the crime survey for England and Wales, reports that confidence stands at 78.2%, which puts Avon & Somerset at 6<sup>th</sup> (12<sup>th</sup> in 2018/2019) when ranked nationally.

Volume crime victim satisfaction remains stable overall, with victims of hate crime having high rates of satisfaction at 82.5%. Dwelling burglary victim satisfaction rates are 5% higher than last year reaching 88%. Our victim survey, which measures the satisfaction of more vulnerable victims requiring access to support services, shows consistently strong rates of satisfaction for how they were kept informed remaining stable at 91% and support service access at 83%.

File quality, as measured by those failing when reviewed by the Crown Prosecution Service, has remained stable during the year. At the end of 2019/2020 the failure rate was 29% placing us 23<sup>rd</sup> nationally (2018/2019 – 30%/25<sup>th</sup>). This remains a priority for the Constabulary and a Criminal Justice task force has been commissioned to drive improvements throughout the year.

Operational performance has not been adversely affected by the response to COVID-19 to date. Initially demand saw reductions as our communities complied with the societal restrictions required by our response. This situation, combined with strong resourcing levels and the effective use of digital tools to carry on working from home where required, has enabled us to proactively improve performance in certain key areas. As these restrictions have gradually lifted, demand has begun to increase and we forecast this will continue over the coming months.

The Constabulary has continued to deliver investment throughout 2019/2020 to further support operational performance delivery. This has included the completing the mobilisation of our workforce through the provision of laptops. These are enabling more and more of our officers and staff to work in an agile way, a factor which has been important in our response to COVID-19.

A number of estates projects have been progressed during the year, with the opening of new police stations in Southmead and in Shepton Mallet, as well as significant progress made on the central Bristol response hub at Kenneth Steele House.

We have also successfully introduced the Police Constable Degree Apprenticeship (PCDA), our new entry route for police officers, in partnership with University of the West of England. Through this route 279 new officers have been successfully introduced into the Constabulary during 2019/2020, with over 300 planned during 2020/2021.

## **4 Financial Performance**

### **4.1 Revenue Expenditure**

In February 2019, the PCC approved a total 2019/2020 net revenue budget of £306.3m, an increase of £21.8m (7.7%) on the previous year. (2018/2019 £284.5m). This budget was funded through a combination of Government grants (£182.1m/59.5%) and local council tax (£124.2m/40.5%). In total £301.7m was provided to the Chief Constable in order to support the provision of policing services to the communities of Avon & Somerset, an increase of £21.7m (7.8%). This left a budget of £4.9m to be managed by the PCC.

In order to manage ongoing inflationary and other cost pressures the Constabulary needed to identify and deliver savings of £4.5m, which when combined with the increase in funding, enabled us to deliver a balanced budget. This took the cumulative savings since 2010/2011 to £83m (27.9%).

Financial performance against budget is monitored throughout the year, reported to senior managers of the OCC and through to the PCC. These reports are published in order to provide public transparency of our financial performance. The financial performance report for 2019/2020 was reported to the PCC in May 2020, and can be found published on the PCC's website.

The Group's net revenue expenditure in 2019/2020 was £301.7m. When compared to budget this means we have underspent by £5.1m (1.7%), prior to adjustments for provisions and for transfers to earmarked reserves. Once these adjustments were made this underspend was fully accounted for.

This revenue performance was the consequence of a number of factors, but most specifically was driven by underspends on both officer and staff pay. This was reflective of the vacancies across the Constabulary, particularly in the earlier part of the year. Officer recruitment has significantly increased across the course of the year.

The targets for the 100 extra officers planned from precept funding and the additional 46 officers as our first phase towards the meeting the governments ambitions, were both met by

the 31st March 2020. Recruitment activity will continue throughout the coming financial year, supported by investments made improving the efficiency and effectiveness of our recruitment processes.

The following table summarises the revenue financial performance for 2019/2020:

	Budget	Expenditure	Over/ Under (-)
	£'000	£'000	£'000
Neighbourhood & partnerships	38,281	37,085	-1,196
Response	73,110	72,190	-920
Operational support	51,116	50,872	-244
Investigation	30,230	26,964	-3,266
Collaboration	18,562	18,012	-550
Enabling services	70,608	70,344	-264
Central costs & miscellaneous	19,758	26,229	6,471
<b>Constabulary sub total</b>	<b>301,665</b>	<b>301,696</b>	<b>31</b>
Office of the PCC	1,471	1,440	-31
Commissioning	3,142	3,142	0
<b>Total revenue expenditures</b>	<b>306,278</b>	<b>306,278</b>	<b>0</b>

It should be noted that the figures above cannot be agreed directly to the comprehensive income and expenditure statement on page 30 where the costs of policing activities include charges for the provision of pensions and the use of assets which are later reversed out through intragroup transfers from the PCC. The two figures are reconciled in note 6.

## 4.2 Capital Expenditure

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 both our building assets, to deliver improved facilities and digital capabilities, to better support police officers and staff.

During 2019/2020 capital spending amounted to £14.4m. The following table shows how the money was spent.

Capital Expenditure	2019/2020 £'000	%
Rolling replacement and renewal	6,471	44.8
Other projects	74	0.5
Service design and development	37	0.3
Digital programme	1,623	11.2
Infrastructure programme	5,888	40.8
Memorandum items	345	2.4
	<b>14,438</b>	<b>100.0</b>
Non-enhancing expenditure written off to revenue	-122	
	<b>14,316</b>	



### 4.3 Reserves

During 2019/2020 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 in future years.

Transformation projects funded from reserves in the year included our futures programme (through which we are progressing the work to realise the governments ambition for uplift in police officer numbers), ongoing estates investments, and the completion of our plans to mobilise our workforce and progress the ambitions set out in our digital strategy.

At 31 March 2019 our usable reserves stood at £37.6m and at the year-end 31 March 2020 they have increased to £49m. The largest increases relate to our capital reserves, reflecting the capital funding plans we set out in our MTFP. More details on our earmarked reserves can be found in note 26 of these accounts.

### 4.4 Treasury Management

In the financial year 2019/2020 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, £6.25m of new borrowing was taken. As a result net total borrowing increased by £4.9m in 2019/2020 to just over £46m 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.

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 low levels as the Bank of England remained cautious on rate rises, with average returns slightly down at 0.92%. 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 Financial Outlook

Prior to the COVID-19 pandemic, the PCC and Chief Constable jointly set out their forward financial forecasts within their Medium Term Financial Plan (MTFP) each year. The [MTFP<sup>1</sup>](https://www.avonandsomerset-pcc.gov.uk/Document-Library/TERM-TWO/Police-and-Crime-Board/05-February-2020/10.-Item-7b-Final-MTFP.pdf), published in February 2020, covers the five-year period from 2020/2021 through until 2024/2025. This MTFP set out a more positive financial position for the PCC and Constabulary than had previously been the case.

### 5.1 Revenue Budget

Revenue funding is forecast to increase significantly, driven by the flexibility that the PCC has been granted in raising local council tax and through the provision of additional government grant funding to support the targeted uplift in police officer numbers in England and Wales.

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<sup>1</sup> <https://www.avonandsomerset-pcc.gov.uk/Document-Library/TERM-TWO/Police-and-Crime-Board/05-February-2020/10.-Item-7b-Final-MTFP.pdf>



	2020/2021 £'000	2021/2022 £'000	2022/2023 £'000	2023/2024 £'000	2024/2025 £'000
Budget requirement	335,165	349,649	364,020	376,789	388,672
Less total funding	-328,451	-341,669	-354,958	-365,227	-375,610
<b>Surplus(-)/deficit before savings</b>	<b>6,714</b>	<b>7,980</b>	<b>9,062</b>	<b>11,562</b>	<b>13,062</b>
Savings	-6,714	-7,980	-9,062	-9,062	-9,062
<b>Surplus(-)/deficit after savings</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,500</b>	<b>4,000</b>

The key assumptions that underpin this forecast position are:

Funding is forecast to grow by £69.3m/22.6% by 2024/2025, driven by:

- increases to our main police grant funding of £12.2m in 2020/2021, rising to £43.6m/26.8% by 2024/2025;
- new ring-fenced grant funding of £3.8m in 2020/2021, to be paid in arrears following delivery of the Government's target for uplift in officer numbers. We have assumed this funding will continue to grow in each of the next two years as further uplift targets are delivered;
- growth in Council Tax funding, driven by annual increases to our tax base of 1.0% in 2020/2021 and thereafter at 1.5% p.a., as well as increases to the precept of £10 in 2020/2021, followed by 1.99% p.a. – an increase in this funding of £25.7m/20.7% p.a. by 2024/2025.

The budget requirement is forecast to increase by £71.5m/23.2% p.a. by 2024/2025, driven by factors such as:

- annual uplift to officer and staff pay of 3% p.a. – an increase in costs of £37.5m p.a. by 2024/2025;
- increased pension costs to provide for current and anticipated deficits in both staff and officer pension schemes, as well as inflationary increases for injury pensions – an increase in cost of £4.5m by 2024/2025;
- inflationary increases to non-pay costs of 2.5% in 2020/2021 (3.5% for utilities/fuel costs, and 3.9% for NNDR), reducing to 2.0% (3.0% for utilities/fuel, and 3.9% for NNDR) thereafter – an increase in cost of £5.1m p.a. by 2024/2025;
- increases in the cost of capital investments, recognising both growth in direct revenue funding of capital spend (in part to compensate for reductions in government capital growth funding), as well as increased costs associated with future planned borrowing – an increase of £1.3m p.a. by 2024/2025;
- investment and growth across the Constabulary, predominantly focused on achieving and sustaining the planned uplift in officer numbers – an increase of £38.3m p.a. by 2024/2025;
- realisation of new planned and targeted revenue savings of £9.1m p.a. by 2022/2023, the significant majority of which (£6.7m) are already achieved for our 2020/2021 budget.

## 5.2 Policing Precept

In January 2020, the Policing Minister announced flexibility for PCCs to raise the policing precept by £10 to support the government's priority to increase officer numbers. In accordance with this announcement and after supportive public consultation, the PCC chose to raise the precept by £10, taking the average (band D) council tax police precept to £227.81 per annum.

The additional funding generated by this increase has enabled the Constabulary to:

- underwrite the continued cost of 15 additional PCSOs previously funded through a ring-fenced grant which has now ceased; and
- invest in new police staff investigator posts.

### **5.3 Capital Programme**

The PCC has agreed funding set at £71m over the next five years, which at present still leaves a deficit of £7.8m in our current plans. This will help fund both new and ongoing investments in ICT, Estates, Fleet and other assets. Many of these capital investments will need business case approval to progress.

ICT projects include local initiatives, as well as a number of national projects. The single biggest project forecast in the next five years will be the national Emergency Services Mobile Communication Programme (ESMCP) which will replace the current Airwave radio devices with a new digital network for operational communications.

Estates projects include the completion of a number of projects in flight, as well as new projects including the re-development of our Yeovil Police Station and new police stations for Minehead, Williton, Wincanton, and Bristol East.

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

As identified above, this MTFP and the assumptions made within it were prepared prior to the COVID-19 global pandemic. This public health emergency is likely to have far reaching consequences, the scale and impact of which are not yet fully understood. It is reasonable to assume that there will be financial consequences for public services generally, and Avon and Somerset specifically.

These impacts will be in both our funding (consequences for council tax base and government grant) and in our costs (responding to COVID-19, pension costs, future pay awards and inflation). It is not possible to predict this impact accurately at this stage. Our intention over the summer and into the autumn will be to model a range of potential scenarios in order to inform our forward plans.

Our record of accomplishment in delivering efficiencies and savings over the past 10 years, demonstrates our ability to effectively balance budgets and achieve capacity to support targeted investments that further our ambitions. Our MTFP prior to COVID-19 already identified the need for us to achieve further savings in the medium term. As we quantify the scale of any additional savings now required, we will bring forward future opportunities for savings, realising the benefits from existing and planned investments.

## **6 Procurement**

Our strategic procurement service ensures compliant delivery of contracted procurement with our suppliers. During the course of 2019/2020 we had £54.6m of “influenceable spend”, against which we have identified and delivered £2.3m/4.1% in savings during 2019/2020. The delivery of procurement savings is an important component of demonstrating how we achieve value for money. We report on our savings into the Home Office’s National Commercial Board, which enables us to benchmark our performance against other forces. In 2019/2020 the value of savings delivered was second only to the Metropolitan Force, a force ten times our size.

## **7 Accounting for Pensions**

In line with the International Accounting Standard IAS 19 employee benefits there is a significant pension liability of £3.8bn shown on the balance sheet. This is reduced when the pension scheme assets of £0.3bn are taken into account. The net liability of £3.5bn is offset by an intragroup debtor with the PCC. More details are disclosed in notes 15 to 17. The liability has no impact on the reported outturn and the usable reserves.

## **8 Basis of Preparation**

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

This Statement of Accounts summarises the financial year for 2019/2020. The income and expenditure, assets, liabilities and reserves which are recognised in the PCC's accounts and in the Chief Constable's accounts reflect the current legislative framework as well as the local arrangements operating in practice. The key elements of the legislative framework and local arrangements include:

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

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

These financial statements include the following:

- **A statement of responsibilities** - This sets out the responsibilities of the 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 2020** - 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.

## 9 Conclusion

The financial affairs of the 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 CFO have a strong focus on managing costs, achieving value for money, driving innovation to deliver better and more efficient services, whilst ensuring that service performance is still being maintained or improved.

Looking ahead we recognise the challenges that are likely to result from the COVID-19 pandemic, and will bring forward work to assess these and co-ordinate our strategic response to them. In the meantime, we will continue to focus on delivering those investments planned through the increases in precept and meeting the targets set by government for police officer numbers.



**Paul Butler**  
Interim Chief Finance Officer to PCC  
27 November 2020

# 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 17 to 29 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 2020 and its income and expenditure for the year ended 31 March 2020.



**Sue Mountstevens**  
Police and Crime Commissioner  
27 November 2020



**Paul Butler**  
Interim Chief Finance Officer to PCC  
27 November 2020

# **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 2020 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Fund Account and the Net Assets Statement. The notes to the financial statements include the EFA, Notes to the Core Statements, Policies and Judgements and Notes to the Group Accounts. 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 2019/2020.

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 2020 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 properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/2020; 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.

#### **The impact of macro-economic uncertainties on our audit**

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as COVID-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Interim Chief Finance Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Police and Crime Commissioner and group's future operational arrangements.

COVID-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Police and Crime Commissioner and group's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

## **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 Interim Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Interim Chief Finance 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.

In our evaluation of the Interim Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/2020 that the Police and Crime Commissioner's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Police and Crime Commissioner's and group's operating activities, including effects arising from macro-economic uncertainties such as COVID-19 and Brexit. We analysed how those risks might affect the Police and Crime Commissioner's and group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Police and Crime Commissioner or group will continue in operation.

### **Emphasis of Matter – effects of COVID-19 on the valuation of land and buildings**

We draw attention to Note 4.4 of the financial statements, which describes the effects of the COVID-19 pandemic on the valuation of the Group's land and buildings as at 31 March 2020. As disclosed in Note 4.4 to the financial statements, the valuation was reported on the basis of material valuation / market uncertainty as per VPS 3 VPGA of the RICS Red Book. Consequently, less certainty can be attached to the valuation of land and buildings than would normally be the case.

Our opinion is not modified in respect of this matter.

### **Emphasis of Matter – effects of COVID-19 on the valuation of Local Government Pension Scheme property assets**

We draw attention to Note 4.2 of the financial statements, which describes the effects of the COVID-19 pandemic on the valuation of the Somerset County Council Local Government Pension Scheme property assets as at 31 March 2020. As disclosed in Note 4.2 to the financial statements, the investments held by Somerset County Council Local Government Pension Scheme includes property assets. The actuary has calculated that the PCC Group's share of the property assets was £29m as at 31 March 2020. The valuation of these pension property assets took into account the potential future impact of COVID-19, and as such was reported on the basis of material valuation / market uncertainty as per VPS 3 VPGA of the RICS Red Book. Consequently, less certainty can be attached to the valuation of the property than would normally be the case.

Our opinion is not modified in respect of this matter.



## **Other information**

The Interim Chief Finance 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 Edition' 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 Interim Chief Finance Officer for the financial statements**

As explained more fully in the Statement of Responsibilities set out on page 11, 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 Interim Chief Finance Officer. The Interim Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Interim Chief Finance 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 Interim Chief Finance 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](http://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 April 2020, 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 2020.

### **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 April 2020, 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 2020.

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 - Certificate**

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner for Avon and Somerset in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

## **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

30 November 2020

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

## **Annual Governance Statement**

Governance is about how organisations ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, cost effective, open and accountable manner. It comprises the systems, processes, culture and values by which organisations are directed and controlled, and through which they account to, engage with and lead their communities.

There is a statutory requirement to conduct a review, at least once a year, of the effectiveness of the organisation's governance. This statement gives the results of our yearly assessment of how well we are managing and controlling risks in achieving our aims and meeting the responsibilities that we have by law.

### **1 Scope of Responsibilities**

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 those set out in the CIPFA Delivering Good Governance in Local Government Framework (2016). A copy of the Avon and Somerset joint governance framework is on the website at [www.avonandsomerset-pcc.org.uk](http://www.avonandsomerset-pcc.org.uk).

This statement covers the group accounts, incorporating governance arrangements of both the PCC and the OCC, and outlines how these ensure appropriate practice in accordance with the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)". Here within, the detailed arrangements are outlined to support the view of the PCC and her Chief Finance Officer (CFO) that the financial management arrangements conform to the governance requirements of the CIPFA statement on the role of the CFO in Local Government published in 2016.

In discharging this overall responsibility, the PCC is responsible for establishing proper arrangements for the governance of its affairs in accordance with the Joint Scheme of Governance, and in so doing the PCC is ensuring a sound system of internal control is maintained throughout the year, including appropriate arrangements for the management of risk.

The PCC and OCC share most core systems of control including the SAP ERP systems, finance function with shared financial controls and the IT, legal and information governance functions. 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's Chief Finance Officer (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 2019/2020 financial year covers the period from 1 April 2019 to 31 March 2020 and up to the date of approval of the annual Statement of Accounts.

The governance framework enables the PCC and CC to monitor the achievement of their strategic objectives and to consider whether those objectives have led to the delivery of appropriate 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 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.

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. This statement has been written to evidence how the CIPFA principles of good governance are being delivered.

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

The OPCC has an ethical framework which incorporates the seven Nolan Principles – nationally agreed standards for those in public service – with additional elements of the College of Policing code of ethics. Integrity is a core principle of this framework. The OPCC also has a code of conduct – which builds upon the ethical principles – and is incorporated into staff members' contracts of employment. The code of conduct forms part of the formal induction for new members of staff.

In addition to these the OPCC has published policies and procedures covering important and specific areas such as: anti-fraud, bribery and corruption; data protection and freedom of information; equal opportunities and whistleblowing.

Towards the end of the financial year the PCC and Chief Executive Officer (CEO) worked in partnership – and in consultation with all members of the office – to develop new values for the OPCC. These values are:

- Openness;
- Partnership;
- Compassion; and
- Courage.

Demonstrating these values will form a fundamental part of recruitment and development of OPCC staff in order to embed them in everyday behaviours. As the values have been redefined this provides an opportunity to improve how they form part of daily business and become a meaningful tool: this will be an area for review in next year's Annual Governance Statement.

The PCC maintains scrutiny of the Constabulary's Professional Standards Department (PSD) and continues to oversee performance of the Constabulary's complaints process. This scrutiny includes oversight of those complaints that are handled externally by the Independent Office for Police Conduct (IOPC). This is done informally through meetings and updates with or from senior officers as well as a formal quarterly review at the Police and Crime Board.

From the 1st February 2020, significant changes were made to the police complaints regulations making processes simpler and enabling a reflective and learning culture. These changes included widening the definition of what is classed as a 'complaint' and gave PCCs the option to exercise additional duties and powers. In Avon and Somerset, the PCC adopted the option of reviewing appeals for low-level service complaints handled by the Constabulary, where the complainant is dissatisfied with the outcome. By the end of the year there had been four reviews under the new legislation, with more expected over the full 2020/2021 financial year. Despite the small volume of reviews, the OPCC was able to identify learning which was fed back to the Constabulary.

Another important system of redress, that the PCC has responsibility for, relates to police officer misconduct. Under the new complaint and conduct regulations, the role of the OPCC

has increased. A panel led by an independently Legally Qualified Chair (LQC) and accompanied by a police Superintendent and an Independent Panel Member (IPM) hear misconduct hearings. Both the LQCs and the IPMs are recruited and appointed independently by the OPCC following a competitive recruitment process. In the last year, four new LQCs were appointed doubling the pool of LQCs from which to choose. The OPCC also maintains a bank of eight IPMs to assist with hearings on a rotational basis.

Where an officer is subject to a misconduct hearing and is dissatisfied with the result they can appeal: this appeals process is known as a Police Appeal Tribunal and is coordinated by the OPCC. During 2019/2020 there were seven appeals and four went to oral hearing. Within those that have taken place some areas for improvement have already been identified. For example, where a decision cannot be given at a hearing it must be given within three working days thereafter; the OPCC Head of Contacts and Conduct now logs this and maintains contact with the LQC after the hearing in order to ensure adherence with this timescale.

## **2.2 Principle B: Ensuring openness and comprehensive stakeholder engagement**

The PCC is elected to be the ‘voice of the people’ in the overseeing the delivery of their police service. The PCC has a statutory duty to secure an efficient and effective police for their area. Therefore, the two most important stakeholders are the public and the Constabulary.

### **2.2.1 Public**

To engage directly with the public the PCC has regular days in the community, attends community events, has a social media footprint and often communicates with and through other national and local media such as television, radio and newspapers. The PCC has a phone line and e-mail which are available for anybody to make contact with and every contact is listened to. The PCC has a website, separate from the Constabulary through which many key documents and updates can be accessed by anybody.

The PCC also conducts a Local Police and Crime Survey: a survey of 3,000 local residents a year which reports quarterly. It is used to understand public sentiment about the PCC and police as well as asking about issues important to the community and views on precept funding.

Openness and stakeholder engagement are recognised as a fundamental part of daily business and to improve these, in the coming year, the following is planned:

- Redesign and launch of new PCC website to make it more user friendly and informative;
- Improving digital engagement – an additional team member has been recruited in the OPCC who will bring greater focus to this;
- Comprehensive stakeholder mapping with enhanced digital management capability;
- Improved performance management of contact and complaints.

The PCC has established a number of independent panels to scrutinise the performance of the Constabulary and provide feedback and learning. The panels assess cases/incidents based on all the information available including body worn video footage. The selection of cases is usually random to ensure independence. However, the choice of case or incident to review can also be informed by particular themes or resulting from specific points of public interest or issues of public confidence. The panels issue reports to the PCC and Chief Constable and are published on the PCC’s website. The panels are described below:

- **Independent Residents Panel** – volunteers from the communities of Avon and Somerset come together with the PCC’s office in order to examine complaints made against the Constabulary. In the financial year 2019/2020 the panel met quarterly as planned in June, September, December 2019 and March 2020.



- **Scrutiny of Police Powers Panel** – volunteers from the communities of Avon and Somerset come together with the PCC's office to examine the use of Taser, stop and search, body worn video and the use of force by the police. In the financial year 2019/2020 the panel met three times: in May, August and November 2019.
- **Out of Court Disposal Panel** – Out of court disposals are a means of resolving an investigation without prosecution through the courts. This panel brings together professionals from numerous criminal justice agencies and victims services who review the use of out of court disposals. In the financial year 2019/2020 the panel met quarterly as planned in June, September, December 2019 and March 2020.

Through the next financial year the OPCC will need to ensure these important meetings can continue in a way compatible with the restrictions placed on us by COVID-19, so as not to lose this engagement with the public.

### **2.2.2 Constabulary**

There continues to be a good, open relationship between the OPCC and the Constabulary. This is facilitated through informal working relationships and formal governance structures. The Constabulary extends an open invite to their meetings and during the last year the OPCC have continued to attend key meetings such as Change Programme Boards, the Constabulary Management Board and strategic meetings on key topics such as demand, information management and crime data integrity. The Constabulary have also maintained their attendance at the PCC's weekly SLT meeting.

This open working has continued throughout our response to the COVID-19 public health crisis, with the PCC or representatives attending weekly Gold and Silver Command meetings.

Both organisations continue to work closely together on budgets and managing these. This is evident in the way in which forward financial planning is undertaken, and through the management of in-year financial performance. During 2019/2020 the underspends against budget were identified early and through close joint working the PCC and CC were able to agree on areas of mutually beneficial investment.

### **2.2.3 Partners and other local stakeholders**

Throughout the last year the PCC has continued to meet and correspond regularly with MPs, leaders of local authorities and other key partners. The PCC and CEO have continued to meet as a group with the Local Authority leaders and CEOs from across Avon and Somerset.

The OPCC continue to represent the PCC at Community Safety Partnerships (CSP) meetings across each of the Local Authority areas engaging with numerous key stakeholders at these meetings.

The PCC or OPCC continue to attend the Local Criminal Justice Board and the Regional Criminal Justice Board in order to engage with partners such as CPS, courts and probation.

The OPCC CFO chairs a Business Crime Forum for the Avon and Somerset area on a quarterly basis and the OPCC have continued to regularly attend the Rural Crime Forum.

The PCC or OPCC have met regularly with the Chairs of local safeguarding boards to improve multi-agency working for vulnerable people. Violence Reduction Units discussed below are a further example of key stakeholder engagement.

### **2.2.4 Regional Representation**

During the last year the collaboration with Gloucestershire and Wiltshire police forces, called Tri Force – officially came to end in most respects. However, there remain a number of other important regional collaborations, including our Major Crime Investigation Teams, Forensics, Firearms training and our regional response to tackling serious organised crime.

As well as collaboration boards 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 regional meeting is also undertaken at a PCC CEO level.

### **2.2.5 National Representation**

The PCC is a member of the national Association of Police and Crime Commissioners (APCC). Through membership of this association access is gained to various national agencies and groups. Within the APCC the PCC is a Deputy Lead for the criminal justice service Portfolio. In addition the OPCC are part of the Association of Policing and Crime Chief Executives (APACE) network which is a group for PCC's offices that share information and best practice. The CFO is also a member of the Police and Crime Commissioners Treasurer Society (PACCTS), a national network for CFOs.

The OPCC have regularly taken part in and engaged with various national forums on topics such as victims and victims' services including meetings held with the Ministry of Justice and Victims' Commissioner.

## **2.3 Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits**

The priorities and strategic objectives of the PCC are set out in the PCC's Police and Crime Plan. The plan was revised for the start of the 2019/2020 financial year. Two of the four priorities were updated:-

- Priority two was changed to reflect that this was not just about improving the performance of policing but instead about improving communities; this is a more sustainable social outcome; and
- Priority three was changed to recognise the broader aspect of capability beyond just equipment – this would include the right training and skills and other tools such as data analytics.

To supplement the revised priorities there were also some amendments and additions to the objectives within these priorities, reflecting:-

- The introduction of Operation Remedy (a Constabulary initiative to tackle burglary, drugs and knife crime) and an increased focus on serious violence;
- The broader scope of partnership working beyond other emergency services and Local Authorities;
- The increased focus on reducing re-offending through whole system, partnership working;
- Recognising the need to reduce disproportionality across the whole criminal justice service and the need to work with partners to do this.

In addition to the revised priorities and objectives there were a new set of outcomes defined that delivering the plan would help achieve:

1. People are safe
2. Vulnerable people/victims are protected and supported
3. Offenders are brought to justice
4. People trust the police
5. People feel safe

COVID-19 and the related response to this of course changes the context and ability to deliver against the police and crime plan however the five outcomes are equally as relevant.

## **2.4 Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

The most significant portion of the budget directly controlled by the PCC is used to commission services from third party organisations. These services operate through a grant



agreement following a competitive commissioning process. New contracts started from 1st April 2019.

In recent years, there has been an increase in serious violence recognised as a national problem. As part of the Home Office Serious Violence Strategy, in early 2019, they agreed a fund to grant to forces most affected by this problem. Both the PCC and CC successfully lobbied and evidenced that Avon and Somerset required this additional support. The result was the award of £1.16 million in additional grant funding to establish Violence Reduction Units (VRUs).

Due to the diverse nature of Avon and Somerset a model of local delivery was agreed. Therefore each of the five Local Authorities has a VRU; division of funding was based on population and levels of serious violence. All VRUs are overseen through a Strategic Governance Group which is chaired by the PCC and includes Local Authority leaders and representatives from other partners. In the first year all areas successfully delivered the two mandatory products: a problem profile and a response strategy.

The PCC has successfully secured a second year of funding for 2020/2021, enabling this work to continue. There will also be an independent evaluation of VRUs which will help further improve this delivery.

A significant intervention that was introduced in the last year was Operation Remedy. This is particularly important to the PCC, and communities, as it was funded by the additional money raised through the precept increase last year. More detail on Operation Remedy can be found in the Constabulary Annual Governance Statement.

PCCs have a statutory duty to deliver an Independent Custody Visitors (ICV) Scheme. This scheme is where volunteers from the community visit police centres to check on the welfare of detainees in custody, the conditions in which they are held and that their rights and entitlements are being observed. Beyond being a statutory duty this scheme is a critical part in ensuring all detainees are treated fairly and respectfully and receive the best possible policing service. This scheme also ensures openness and accountability because the ICVs are members of the public. A separate annual report is published – on the PCC's website – about this scheme.

In the last year it was also recognised greater intervention was required to deliver objectives about reducing re-offending and disproportionality and also to better support the existing structure for commissioning and partnerships.

The reducing re-offending work is overseen by the multi-agency Resolve Board. For the 2019/2020 year the Board set its priorities to:

- work with male offenders who are repeatedly recalled to prison following short sentences;
- work to reduce the number of women within the criminal justice system; and
- develop a joined up approach to domestic abuse perpetrators across the force.

Work towards all three of these priorities has progressed over the last year but will continue into the next year with a review of their success.

In order to accelerate progress towards reducing disproportionality the Lammy Review Group has now identified five key work streams and has commissioned Task and Finish Groups to drive improvements in these particular areas. The workstreams are stop and search; youth justice; out of court disposals; judicial; and prisons.

COVID-19 has had an impact on how business is done and the interventions necessary to achieve outcomes. For example, the criminal justice service is one of the biggest risk areas, where there were already a number of planned improvement activities including reducing the end-to-end time it takes for a case to be finalised. COVID-19 measures have dramatically reduced the courts capacity resulting in much longer criminal justice processes and increasing backlogs of case; exacerbating the existing issue. Partners have already started working together to understand this problem and look to resolve it; this is being supported by the increased regularity of the meeting of the Local Criminal Justice Board.

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

During the 2019/2020 financial year the OPCC have expanded the teams in a number of areas to increase its collective capacity and capability all of which help deliver against objectives in the Police and Crime Plan.

- **Reducing re-offending** – this directly relates to objective 4.5 of the Police and Crime Plan – a Senior Responsible Officer (SRO) had already been employed for a year but this contract was extended by a further year in order to continue to realise the objectives of the project. In addition to the SRO the PCC also co-funds a reducing re-offending SRO to work across the south west region;
- **Commissioning and Partnership Team** – the work of this team covers a wide portfolio of work but particularly delivers against Police and Crime Plan objectives 1.2 and 2.4. In the second half of the year two additional full time members of staff joined the team. This was in part to be able to better support the work of the VRUs;
- **Complaint reviews** – the OPCC employed a Review Manager who had the necessary experience and expertise in the reviewing of police complaints in support of the changes in regulations introducing an enhanced role for the PCC;
- **Disproportionality** – this directly relates to objective 4.6 of the Police and Crime Plan – the Lammy Review was an independent review of the treatment of, and outcomes for, Black, Asian and Minority Ethnic individuals in the criminal justice service. The OPCC have appointed an independent Chair to lead the multi-agency Lammy Review Group to drive improvements and reduce disproportionality in this area.

In January 2020 the long standing OPCC CEO resigned, requiring a temporary CEO to be appointed to see the team through until after the May 2020 PCC election. Following a process, the current OPCC CFO was chosen to fulfil the CEO role. As the same person cannot fulfil the statutory duties of both the CEO and CFO another person was required to take on the statutory duties of the CFO. As this was a short-term interim requirement, it was agreed that the Constabulary CFO would be appointed to support the PCC in addition to his role supporting the CC.

However, in March 2020, the PCC elections were postponed until May 2021 as a consequence of the restrictions brought about by COVID-19. Given this situation, it was recognised that it was not sustainable to continue with the CC CFO fulfilling both roles in the long-term, and therefore at the time of writing, the OPCC are in the process of recruiting a new temporary CFO.

In May 2020 the PCC appointed a Deputy PCC in response to extra demand caused by the COVID-19 situation. As a new role it will be important to review how this has integrated in next year's Annual Governance Statement.

## 2.6 Principle F: Managing risks and performance through robust internal control and strong public financial management

The most senior meeting in the PCC's and Chief Constable's governance structure is Police and Crime Board (PCB). This is where necessary, high-level, decisions are signed off and is the formal holding to account of the Chief Constable. This has standing agenda items for performance, assurance and for both organisations to bring forward risks and issues for discussions and questions which forms an important part of the risk management process. Over the last year this meeting has continued to operate successfully with meetings held every month with relevant papers included, minutes and actions taken and responded to and followed up. The minutes continue to be published on the PCC website.

### 2.6.1 Risk management

Risk is maintained under constant review and is summarised in the Strategic Risk Registers of the PCC and the Constabulary. These registers are formally reviewed, internally, at the OPCC Management Board and the Constabulary's Strategic Planning Meeting. Both registers are also scrutinised by the Joint Audit Committee (JAC) (discussed below).

The OPCC risk management process has been refined in the last year to give more ownership and accountability to individuals within the office and the new approach aims to better embed an operational level risk management which feeds into and supports the strategic approach.

When the OPCC are considering and assessing risk, it takes account of the Constabulary view of risk: particularly as articulated in the Constabulary's Strategic Risk Register. This does not mean risks will always be viewed the same by both organisations as their remits are different.

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 minimise the risk of loss, unlawful expenditure or poor value for money, and to maximize the use of the PCC's assets and limited resources to best achieve the PCC's objectives and targets.

Over the last year the key financial reporting to and scrutiny at PCB has continued as part of the risk management process. This includes quarterly and year-end financial performance reports; annual accounts; treasury management annual report and strategy; medium term financial plan (five year).

### **2.6.2 Performance**

The OPCC and OCC jointly developed a new performance framework which has been reporting since quarter two of 2019/2020. This was developed in order to define quantitative measures against which delivery of the Police and Crime Plan could be monitored. This included enhancements by incorporating a broader suite of measures and includes performance thresholds in order to be able to more simply and consistently understand performance. These thresholds are determined using both performance at any given time combined with an understanding of trends over longer periods of time. This system was designed like this so these measures could equally be used as key risk indicators and to better join together performance and risk management.

This performance framework is used both as an internal management tool for the PCC and the Constabulary but is also reported on, quarterly, for the benefit of the public and the Police and Crime Panel.

This local framework will need to be reviewed in the coming year to reflect the expectations of the Home Office which are being incorporated into a performance framework being developed by the National Police Chiefs Council.

One of the most powerful tools in performance management in Avon and Somerset is our data analytics and data visualisation capabilities. This has been deployed throughout the Constabulary, democratising data and providing a tool to drive performance improvements. The OPCC has access to this tool, providing live time data which supports the PCC's ability to scrutinise and hold to account the Constabulary.

In terms of financial performance, as can be seen in these group accounts, once year-end adjustments have been made, a break-even position has been achieved during 2019/2020. The underlying performance showed a £5.1m underspend. Prudent financial management allowed this underspend to be used to bolster areas of work which will mitigate against key risks including Operation Remedy and reducing re-offending, as well as supporting planned capital investments.

This strong financial management and performance, which demonstrates value for money, has been important in securing approval for the maximum precept increase (without referendum) from the Police and Crime Panel again in February 2020 for the coming year.

The Medium Term Financial Plan (MTFP), published in February 2020, demonstrated the strength of our financial management and performance with a balanced budget for the first three years, followed by a modest amount of savings required thereafter.

However, we recognise that the impacts of responding to the public health challenges of COVID-19 will also have far-reaching economic consequences. These risks include uncertainty around both our funding (e.g. council tax collection rates, value of government grant funding and loss of income for specific events) and our expenditure (e.g. inflationary pressures, pension deficit recovery). We intend to monitor these financial challenges carefully over the coming months, ensuring we retain effective cost control whilst continuing to plan for an uncertain future.

## **2.7 Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

Both the Constabulary and the OPCC adhere to the use of Government Security Classification (GSC) markings. In doing so are able to determine those documents which can be published through the PCC's website so that they are visible to the public.

Items which are published include:

- Significant decisions of the PCC;
- PCC responses to HMICFRS recommendations;
- reports of scrutiny panels;
- expenses and gifts;
- Freedom of Information requests;
- other statutory and non-statutory reports;
- The Strategic Risk Register.

CoPaCC are an independent organisation that monitor and advise on police governance in England and Wales. The PCC was awarded the OPCC Transparency Quality Mark again in both 2019 and 2020.

As mentioned above the PCC website is being redesigned and the guiding principle of this design is to ensure that all relevant information is available to and easily accessible by the public. The use of the new website, to ensure transparency, will be important to consider in next year's statement.

### **2.7.1 Internal Audit**

The Internal Audit function is commissioned by the OPCC and OCC on behalf of the Joint Audit Committee and is undertaken by a third party auditor for additional independence. For the start of the 2019/20 financial year a new company, South West Audit Partnership (SWAP), was appointed as our internal auditor. A significant benefit of this organisation is that they also audit other PCCs and police forces in the South West region so can bring direct experience and share learning across the force areas.

The appointment of new internal auditors brought with it some challenges, with both organisations gaining understanding of new ways of working. Despite these challenges, the audit plan was delivered during 2019/2020 and, through the recommendations made, continues to provide good assurance and value for money in supporting both organisations' drive towards continuous improvements.

Whilst COVID-19 presents an additional challenge, we are continuing with the audit schedule as planned, recognising the critical importance of this function. The progress of internal audit in the coming year will be monitored closely to ensure the impacts of COVID-19 do not adversely affect this more than necessary.

### **2.7.2 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 continues her term until December 2021. Three members of the audit committee reached the end of their terms, one of whom had only been in the role for one year. Through a competitive recruitment process one member was reappointed and

two new members appointed, bringing a diverse range of skills and experience to the new team.

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

Internal Audit conducted an advisory review of the JAC Terms of Reference (TOR) for their South West PCC/police clients. This highlighted some areas of statutory compliance that should be better represented in the TOR. The OPCC used this advice as an opportunity to review the TOR to ensure it was still current. The content of the proposed TOR was accepted by the JAC but it was felt it could be presented in a more easy to understand format; the OPCC will complete this final revision in the coming months.

### **2.7.3 Police and Crime Panel**

The Police and Crime Panel were established as part of the statutory governance structure when the role of PCCs was introduced. The Panel consists of elected Local Authority members from across Avon and Somerset as well as members of the public. The Panel scrutinises, challenges and maintains a regular check and balance on the performance and activities of the PCC. The Panel are therefore a key stakeholder of the PCC and OPCC.

In the last year the Panel has continued to meet, on at least a quarterly basis, to fulfil its duties. It has again scrutinised and approved the request, by the PCC, to increase the precept. It has also applied this scrutiny to the appointments of both the temporary CEO and CFO.

The Panel and the OPCC have arrangements in place to ensure a productive relationship and so the OPCC continues to be transparent in providing relevant information. A new system of 'link member meetings' has been introduced. Selected Panel members lead on particular Police and Crime Plan priorities and they are invited to meet with members of the OPCC to discuss topics in more detail which could not happen through the formal Panel meetings.

As mentioned above there will be a need, in the coming year, to review the performance framework and in doing this the OPCC will invite further discussion with the Panel about additional measures and information they feel important to include for their oversight and benefit of the public.

## **3 Review of Effectiveness**

The PCC has responsibility for conducting, at least annually, a review of the system of internal control. This review is informed by the internal audit assurance, the opinions and reports of our external auditors and other inspection bodies, as well as the work of senior managers in both the OPCC and Constabulary who have responsibility for the development and maintenance of the governance environment.

For 2019/2020 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 'Integrated PEEL Assessment';
- the Constabulary Strategic Risk Register;
- the PCC's Strategic Risk Register;
- the 2019/2020 financial outturn position that delivered a balanced position; and
- the planning and development of the MTFP for the next five years.



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 risk management.

### 3.1 Follow up from last year's findings

In our 2018/2019 Annual Governance Statement, we highlighted three significant governance issues which we planned to take steps to address. These were:

- **Restore effective financial control compliance** – we recognised that there had been some prolonged shortages in capacity within our finance function, and a significant turnover in personnel, resulting in a partially assured internal audit report. During the year we have:
  - Introduced a new Head of Finance, Financial Accounting Business Partner and put forward a business case for some modest growth in this function to support delivery of an improvement plan built around the findings from our financial management capability review;
  - Produced and published unqualified PCC and CC financial statements for 2018/2019; and
  - Made significant progress against internal audit recommendations.
- **To embed specific learnings from collaborative project initiation, due diligence and management** – the specific learning from this project has been built into our future plans where appropriate. We have further built on this through the introduction of a new Director for Transformation and Improvement in the Constabulary, who is leading on further improvements to mature our governance framework and programme management;
- **To ensure the continued improvements in compliance with GDPR legislation** – the Constabulary have commenced work on the Article 30 requirement of completing a Register of Processing Activities (ROPA). The ROPA is considered an information audit or data-mapping exercise to clarify what personal data the organisation holds and where. Information Asset Owners within the Constabulary are receiving training to assist in this requirement. The completion of the ROPA will assist the Constabulary in increasing our awareness of the data that we process and ensure that high levels of compliance are achieved and maintained.

### 3.2 Internal Audit

Throughout 2019/2020 the Internal Audit function completed nine substantive audits, one advisory review as well as contributing towards regional advisory work and conducted follow-up work on previous audits.

Each internal audit conducted throughout the year receives a graded assurance opinion from the auditors. The assurance levels are; none, partial, reasonable and substantial.

The conclusion of our internal auditors was that they were able to offer a **reasonable assurance** annual opinion. In providing this opinion they have recognised that the majority of the assurance opinions resulting from Internal Audit work completed in 2019/2020 were graded as 'partial assurance', which they attribute to both the PCC and Constabulary having a sound understanding of their respective risk profiles and potential areas of weakness in their respective control environments.

Each of the audits also provides recommendations for improvement which are categorised into three priority categories reflecting their importance. In total our internal auditors made 51 recommendations during 2019/2020, of which:-

- 16 were identified as findings that require attention, the lowest grading;
- 35 were identified as findings that are important and require the attention of management, the medium grading; and
- None were identified as findings that were fundamental requiring immediate attention.

Whilst we take assurance from the fact that none of the findings is considered to be fundamental, we recognise that the recommendations from our internal auditors provides us with a number of important actions which we need to progress.

### 3.3 HMICFRS PEEL inspection

The primary framework by which police forces are inspected by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) is called 'Police Efficiency, Effectiveness and Legitimacy' (PEEL). All forces are inspected using this consistent methodology, with the outcome being that a grade is awarded for each of the three pillars. Avon and Somerset was inspected in May 2019. The outcome was that the Constabulary maintained their overall 'good' rating, with the grading across the three pillars being:

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

The HMICFRS Integrated PEEL Assessment is one of the most important sources of assurance for both the PCC and CC, in both the delivery of the Police and Crime Plan and the realisation of the Constabulary's vision. Therefore the improvement to outstanding in efficiency is welcomed. This specifically reflects delivery of the Police and Crime Plan objective (3.1) understand the demand facing the police and partner organisations, ensuring that they are able to resource the most effective response. Within the efficiency pillar the theme that improved was 'planning for the future' – this is the very essence of good risk management and demonstrates the Constabulary's strength in this area.

The PCC and the Chief Constable are pleased with the progress being made since the last HMICFRS PEEL inspections but recognise there is still more to be done to meet the vision of delivering outstanding policing for everyone.

### 3.4 Significant risks

At the point of writing the most significant risks identified by the OPCC are:

Risk	Progress
<b>Governance Failure (SR1)</b>	<p>We recognise heightened in this regard because of:</p> <ul style="list-style-type: none"> <li>■ the change in CEO;</li> <li>■ the appointment of a new CFO;</li> <li>■ the appointment of Deputy PCC; and</li> <li>■ the additional statutory duties of the PCC such as the change to oversee police complaints.</li> </ul> <p>This risk becomes greater the more the OPCC is responsible for governance of significant multi-agency pieces of work such as the aforementioned Violence Reduction Units and reducing re-offending work.</p>
<b>Failure to deliver the Police and Crime Plan (SR2)</b>	<p>We recognise the heightened risk to the delivery of the Police and Crime Plan resulting from COVID-19.</p> <p>The immediate tactical response has been well managed, however the longer term risks and impacts, both societal and economic, will likely leave significant and lasting consequences that change the context for delivering our plans.</p> <p>These consequences could manifest themselves in demand pressures, financial risks, resource and capacity</p>



	<p>issues and ultimately a loss of public confidence.</p> <p>The impact on the criminal justice service and the effect this will have on victims, offenders, and communities more broadly is currently considered to be one of the biggest barriers to delivering the plan.</p>
<b>Financial incapability or ineffectiveness (SR3)</b>	<p>Prior to COVID-19 the financial outlook, particularly for policing, was much more positive than it has been and this would have not have featured as a significant risk.</p> <p>However COVID-19 has had a significant impact on the economy already and the continued effects of this are uncertain. It is not known how this will effect both grant funding and local council tax funding, as well as the impact it will have on immediate and longer-term costs.</p> <p>Our financial planning and the assumptions that underpin this all now need to be reviewed in light of the medium and longer-term consequences of COVID-19.</p> <p>We intend to model a range of scenarios over the coming months, allowing us to consider how we might respond to these.</p>
<b>Lack of capacity/capability within the OPCC (SR6)</b>	<p>We recognise that the OPCC is a small team, with a finite capacity. There is a heightening of the risk here created by the change in CEO and the appointment of a new CFO.</p> <p>In addition the extra demand created in managing the impact of COVID-19, and reduced capacity within the OPCC because of the current social restrictions in place</p>

#### 4 Conclusion

No system of internal control can provide absolute assurance however following completion of the review of effectiveness we are satisfied that our arrangements for governance, risk management, and finance controls are generally adequate and effective.

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.

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



**Sue Mountstevens**  
Police and Crime Commissioner  
27 November 2020



**Mark Simmonds BSc (Hons), ACA**  
Chief Executive of the PCC  
27 November 2020

# Police & Crime Commissioner for Avon & Somerset

## Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

Gross Expenditure £'000	Gross Income £'000	Total 2018/2019 £'000	Comprehensive Income and Expenditure Statement - Group	Gross Expenditure £'000	Gross Income £'000	Total 2019/2020 £'000
<b>Expenditure</b>						
549,471	-37,481	511,990	Police Services - OCC	403,682	-36,551	367,131
210	-136	74	Police Services - OCC restated	0	0	0
1,440	-44	1,396	OPCC	1,482	-19	1,463
4,230	-2,778	1,452	Commissioning costs	5,553	-4,174	1,379
<b>555,351</b>	<b>-40,439</b>	<b>514,912</b>	<b>Net cost of police services</b>	<b>410,717</b>	<b>-40,744</b>	<b>369,973</b>
		-842	Gain(-)/loss on disposal of non-current assets			11
		<b>-842</b>	<b>Other operating expenditure</b>			<b>11</b>
		6,103	External interest payable			6,026
		-590	Interest and investment income			-700
		85,076	Net interest on pensions			88,088
			<b>Financial and investment income and expenditure</b>			<b>93,414</b>
		<b>90,589</b>				
		-103,555	Police - revenue grant			-105,807
		-55,699	Ex-DCLG formula funding			-56,792
		-1,201	Capital grant and contributions			-1,033
		-3,331	Council tax freeze grant			-3,331
		-11,378	Local council tax support grant			-11,378
		0	Pension Grant			-2,827
58,477	-58,477	0	Police pension top-up grant (note 16)	58,600	-58,600	0
		-108,568	Council tax - local authorities (note 12)			-123,149
		<b>-283,732</b>	<b>Taxation and non-specific grant income</b>			<b>-304,317</b>
		<b>320,927</b>	<b>Surplus(-)/deficit on provision of services</b>			<b>159,081</b>
			Re-measurement of pension assets and liabilities (note 15)			-415,773
		93,137	Return on pensions assets (note 15)			34,015
		-8,953	Gain(-)/Loss on revaluation			9,519
		<b>76,093</b>	<b>Other comprehensive income and expenditure</b>			<b>-372,239</b>
		<b>397,020</b>	<b>Total comprehensive income and expenditure</b>			<b>-213,158</b>

# Police & Crime Commissioner for Avon & Somerset

## PCC Comprehensive Income and Expenditure Statement

### for the year ended 31 March 2020

PCC Expenditure £'000	PCC Income £'000	Total 2018/2019 £'000	Comprehensive Income and Expenditure Statement - PCC	PCC Expenditure £'000	PCC Income £'000	Total 2019/2020 £'000
			<b>Expenditure</b>			
1,440	-44	1,396	OPCC	1,482	-19	1,463
4,230	-2,778	1,452	Commissioning costs	5,553	-4,174	1,379
<b>5,670</b>	<b>-2,822</b>	<b>2,848</b>	<b>Net cost of police services before funding</b>	<b>7,035</b>	<b>-4,193</b>	<b>2,842</b>
549,471	-37,481	511,990	Intragroup adjustment	403,682	-36,551	367,131
210	-136	74	Restated Intragroup adjustment	0	0	0
<b>555,351</b>	<b>-40,439</b>	<b>514,912</b>	<b>Net cost of police services</b>	<b>410,717</b>	<b>-40,744</b>	<b>369,973</b>
		-842	Gain(-)/loss on disposal of non-current assets			11
		<b>-842</b>	<b>Other operating expenditure</b>			<b>11</b>
		6,103	External interest payable			6,026
		-590	Interest and investment income			-700
			Net interest on pensions			
85,076		85,076	Intragroup adjustment (pension interest cost)	88,088		88,088
			<b>Financial and investment income and expenditure</b>			<b>93,414</b>
		-103,555	Police - revenue grant			-105,807
		-55,699	Ex-DCLG formula funding			-56,792
		-1,201	Capital grant and contributions			-1,033
		-3,331	Council tax freeze grant			-3,331
		-11,378	Local council tax support grant			-11,378
		0	Pension Grant			-2,827
		-58,477	Police pension top-up grant (note 16)			-58,600
			Intragroup adjustment			
58,477		58,477	(Police pension top-up grant)	58,600		58,600
		-108,568	Council tax - local authorities (note 12)			-123,149
			Intragroup adjustment (Re-measurement of pension assets and liabilities)			
84,184		84,184		-381,758		-381,758
		<b>-199,548</b>	<b>Taxation and non-specific grant income</b>			<b>-686,075</b>
		<b>405,111</b>	<b>Surplus(-)/deficit on provision of services</b>			<b>-222,677</b>
		-8,091	Gain(-)/Loss on revaluation			9,519
		<b>-8,091</b>	<b>Other comprehensive income and expenditure</b>			<b>9,519</b>
		<b>397,020</b>	<b>Total comprehensive income and expenditure</b>			<b>-213,158</b>

# Police & Crime Commissioner for Avon & Somerset

## Group Movement in Reserves Statement 2018/2019 and 2019/2020

Restated 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
Reclassification of reserve as a creditor	-1,003	0	-1,003	0	-1,003
Restated Balance as at 31 March 2018	34,721	256	34,977	-3,192,005	-3,157,028
Total comprehensive income and expenditure	-320,927	0	-320,927	-76,093	-397,020
Adjustments between accounting & funding basis under regulations	320,307	3,272	323,579	-323,727	-148
Increase/decrease(-) in 2018/2019	-620	3,272	2,652	-399,820	-397,168
Restated Balance as at 31 March 2019	34,101	3,528	37,629	-3,591,825	-3,554,196

Movement in reserves statement 2019/2020					
	Revenue General Fund £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total £'000
Restated Balance as at 31 March 2019	34,101	3,528	37,629	-3,591,825	-3,554,196
Total comprehensive income and expenditure	-159,081	0	-159,081	372,239	213,158
Adjustments between accounting & funding basis under regulations	169,948	454	170,402	-170,556	-154
Increase/decrease(-) in 2019/2020	10,867	454	11,321	201,683	213,004
Balance as at 31 March 2020	44,968	3,982	48,950	-3,390,142	-3,341,192

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

# Police & Crime Commissioner for Avon & Somerset

## PCC Movement in Reserves Statement 2018/2019 and 2019/2020

Restated 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
Reclassification of reserve as a creditor	-1,003	0	-1,003	0	-1,003
Restated Balance as at 31 March 2018	34,721	256	34,977	-3,192,005	-3,157,028
Total comprehensive income and expenditure	-405,111	0	-405,111	8,091	-397,020
Adjustments between accounting & funding basis under regulations	404,491	3,272	407,763	-407,911	-148
Increase/decrease(-) in 2018/2019	-620	3,272	2,652	-399,820	-397,168
Restated Balance as at 31 March 2019	34,101	3,528	37,629	-3,591,825	-3,554,196

Movement in reserves statement 2019/2020					
	Revenue General Fund £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total £'000
Restated Balance as at 31 March 2019	34,101	3,528	37,629	-3,591,825	-3,554,196
Total comprehensive income and expenditure	222,677	0	222,677	-9,519	213,158
Adjustments between accounting & funding basis under regulations	-211,810	454	-211,356	211,202	-154
Increase/decrease(-) in 2019/2020	10,867	454	11,321	201,683	213,004
Balance as at 31 March 2020	44,968	3,982	48,950	-3,390,142	-3,341,192

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 2020

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

OCC £'000	PCC £'000	PCC Restatement £'000	Group 2019 £'000	Balance Sheet	OCC £'000	PCC £'000	Group 2020 £'000	Notes
				<b>Property, plant and equipment</b>				18
0	205,891		205,891	Land and buildings	0	186,049	186,049	
0	19,896		19,896	Vehicles, plant and equipment	0	17,716	17,716	
0	1,133		1,133	Assets under construction	0	5,581	5,581	
<b>0</b>	<b>1,967</b>		<b>1,967</b>	<b>Intangible fixed assets</b>	<b>0</b>	<b>1,259</b>	<b>1,259</b>	
				<b>Long term assets</b>				
0	17		17	Loans to officers	0	5	5	
0	2,620		2,620	Prepayments	0	1,202	1,202	
3,715,699	0		0	Pensions - intragroup adjustment	3,493,195	0	0	
357,655	0		357,655	Police staff pension assets	335,238	0	335,238	17
<b>4,073,354</b>	<b>231,524</b>	<b>0</b>	<b>589,179</b>	<b>Total non-current assets</b>	<b>3,828,433</b>	<b>211,812</b>	<b>547,050</b>	
0	675		675	Inventories (stock)	0	908	908	
0	17,000		17,000	Short term investments	0	23,000	23,000	
0	29,198		29,198	Debtors and payments in advance	0	31,112	31,112	20
0	27,965		27,965	Cash and cash equivalents	0	35,058	35,058	21
0	1,610		1,610	Assets held for sale	0	3,078	3,078	
14,344	0		0	Intragroup debtor	10,826	0	0	
<b>14,344</b>	<b>76,448</b>	<b>0</b>	<b>76,448</b>	<b>Total current assets</b>	<b>10,826</b>	<b>93,156</b>	<b>93,156</b>	
0	-61		-61	Bank overdraft	0	-623	-623	
0	-4,113		-4,113	Short term borrowings	0	-1,286	-1,286	22
-11,148	-19,474	-1,057	-31,679	Creditors and receipts in advance	-8,151	-31,184	-39,335	23
0	-14,344		0	Intragroup creditor	0	-10,826	0	
-3,196	-2,201		-5,397	Short term provisions	-2,675	-157	-2,832	24
0	-1,548		-1,548	Short term PFI Lease liability	0	-1,615	-1,615	19
<b>-14,344</b>	<b>-41,741</b>	<b>-1,057</b>	<b>-42,798</b>	<b>Total current liabilities</b>	<b>-10,826</b>	<b>-45,691</b>	<b>-45,691</b>	
0	-37,018		-37,018	Long term borrowing	0	-44,757	-44,757	22
0	-11,513		-11,513	Provisions	0	-9,115	-9,115	24
0	-189		-189	Capital grants receipts in advance	0	-66	-66	
0	-54,951		-54,951	PFI liability	0	-53,336	-53,336	19
0	-3,715,699		0	Pensions - intragroup adjustment	0	-3,493,195	0	
-4,073,354	0		-4,073,354	Pension liability	-3,828,433	0	-3,828,433	
<b>-4,073,354</b>	<b>-3,819,370</b>	<b>0</b>	<b>-4,177,025</b>	<b>Total long term liabilities</b>	<b>-3,828,433</b>	<b>-3,600,469</b>	<b>-3,935,707</b>	
<b>0</b>	<b>-3,553,139</b>	<b>-1,057</b>	<b>-3,554,196</b>	<b>Net assets</b>	<b>0</b>	<b>-3,341,192</b>	<b>-3,341,192</b>	
0	38,686	-1,057	37,629	Total usable reserves	0	48,950	48,950	7
0	-3,591,825		-3,591,825	Total unusable reserves	0	-3,390,142	-3,390,142	7
<b>0</b>	<b>-3,553,139</b>	<b>-1,057</b>	<b>-3,554,196</b>	<b>Total reserves</b>	<b>0</b>	<b>-3,341,192</b>	<b>-3,341,192</b>	

*P.R. Butler*

**Paul Butler**

Interim Chief Finance Officer to PCC

27 November 2020



# Police & Crime Commissioner for Avon & Somerset

## Group Cash Flow Statement

OCC	PCC	Group	Cash Flow Statement	OCC	PCC	Group
£'000	£'000	2018/2019 £'000		£'000	£'000	2019/2020 £'000
-84,184	405,037	320,853	<b>Net surplus(-)/deficit on the provision of services</b>	381,758	-222,677	159,081
0	74	74	Adjustment 2018/19	0	0	0
-84,184	405,111	320,927	<b>Restated net surplus(-)/deficit on the provision of services</b>	381,758	-222,677	159,081
0	-16,128	-16,128	Depreciation and impairment of property, plant and equipment	0	-20,438	-20,438
0	-681	-681	Amortisation of intangible assets	0	-707	-707
84	57	141	Increase(-)/decrease in provision charged back to service	2,408	2,640	5,048
84,184	-400,768	-316,584	Charges for retirement benefits in accordance with IAS 19	-381,758	222,504	-159,254
0	-1,175	-1,175	Carrying amounts of non-current assets sold	0	-254	-254
0	-6,464	-6,464	Other	0	-5,295	-5,295
0	1,037	1,037	Adjustment in Other		0	
3,112	-10,950	-7,838	Increase/decrease(-) in long and short term debtors	242	198	440
-3,196	2,076	-1,120	Increase(-)/decrease in long and short term creditors	-2,650	-5,626	-8,276
0	-1,111	-1,111	Adjustment in long and short creditors	0	0	
0	145	145	Increase/decrease(-) in stock/WIP	0	233	233
84,184	-433,962	-349,778	<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>	-381,758	193,255	-188,503
0	2,457	2,457	Proceeds from the sale of property, plant and equipment	0	454	454
0	1,201	1,201	Capital grants credited to the surplus or deficit on the provision of service	0	1,033	1,033
0	3,658	3,658	<b>Adjust net surplus or deficit on the provision of services that are investing or financing activities</b>	0	1,487	1,487
0	-25,194	-25,194	<b>Net cash flows from operating activities</b>	0	-27,935	-27,935
0	11,355	11,355	Purchase of property, plant and equipment	0	14,842	14,842
0	-2,457	-2,457	Capital receipts	0	-454	-454
0	-1,201	-1,201	Capital grant/contribution income due for the year	0	-1,033	-1,033
0	5,000	5,000	Purchase of short & long term investments	0	6,000	6,000
0	-449	-449	Interest received	0	-615	-615
0	12,248	12,248	<b>Net cash flow from investing activities</b>	0	18,740	18,740
0	55	55	Bank overdraft	0	-563	-563
0	-2,500	-2,500	Loans taken out	0	-6,250	-6,250
0	1,176	1,176	Repayment of long term loans	0	1,338	1,338
0	1,430	1,430	Repayment of PFI liability	0	1,548	1,548
0	6,033	6,033	Interest paid	0	6,029	6,029
0	6,195	6,195	<b>Net cash flow from financing activities</b>	0	2,102	2,102
0	-6,750	-6,750	<b>Net increase(-)/decrease in cash and cash equivalents</b>	0	-7,093	-7,093
0	-21,215	-21,215	Cash and cash equivalents at the beginning of the reporting period	0	-27,965	-27,965
0	-27,965	-27,965	Cash and cash equivalents at the end of the reporting period	0	-35,058	-35,058

# 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 2019/2020, 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 2018/2019 and 2019/2020.

#### 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 2020 by external Chartered Valuation Surveyor company Jones Lang LaSalle Limited.

The properties have been valued in accordance with the current RICS Valuation – Global Standards, incorporating the IVS, and the RICS Valuation 2017 – Global Standards UK national supplement (the RICS Red Book) published by the Royal Institution of Chartered Surveyors, on the basis of Existing Use Value, Depreciated Replacement Cost, or Fair Value:

- Operational assets that are not specialised have been valued at Existing Use Value. Existing Use Value is defined as the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction.
- Operational assets for which no market is in existence or which are specialised in nature have been valued at Depreciated Replacement Cost. Depreciated Replacement Cost is defined as the current cost of replacing an asset with its modern equivalent asset, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

- Surplus Assets have been valued at Fair Value. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The revaluation reserve is used to record gains arising from the revaluation of non-current assets until they are disposed. Revaluation losses that cannot be met from accumulated revaluation gains are charged to the comprehensive income and expenditure statement. To ensure that revaluation losses do not impact on taxation levels, any charges made to the comprehensive income and expenditure statement are reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account.

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 IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures.
- Annual Improvements to IFRS Standards 2015-2017 cycle.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

IFRS 16 Leases: In April 2020, CIPFA issued a statement from the CIPFA/LASAAC that the implementation of the IFRS 16 leases will be deferred until 1 April 2021 due to the impact of COVID-19.

## 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
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	3,158,231	3,222,206	3,287,590
Projected service cost	76,038	78,010	80,036
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	3,231,104	3,222,206	3,213,378
Projected service cost	78,554	78,010	77,470
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	3,278,919	3,222,206	3,166,717
Projected service cost	79,499	78,010	76,567
<b>Adjustment to life expectancy assumptions</b>	<b>+1 year</b>	<b>None</b>	<b>-1 year</b>
Present value of total obligation	3,351,146	3,222,206	3,098,501
Projected service cost	80,366	78,010	75,723

  

Police Staff Sensitivity Analysis	£'000	£'000	£'000
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	590,990	606,227	621,872
Projected service cost	25,178	25,942	26,730
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	608,000	606,227	604,471
Projected service cost	25,955	25,942	25,929
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	620,168	606,227	592,649
Projected service cost	26,721	25,942	25,186
<b>Adjustment to life expectancy assumptions</b>	<b>+1 year</b>	<b>None</b>	<b>-1 year</b>
Present value of total obligation	628,021	606,227	585,236
Projected service cost	26,723	25,942	25,184

## **4.2 Pension Assets – OCC**

The investments held by Somerset County Council Local Government Pension Scheme includes property assets. The actuary has calculated that the PCC Group's share of the property assets was £29m as at 31<sup>st</sup> March 2020. The valuation of these pension property assets took into account the potential future impact of COVID-19, and as such was reported on the basis of material valuation/market uncertainty as per VPS 10 VPGA of the RICS Red Book. Consequently, less certainty can be attached to the valuation of the property than would normally be the case.

## **4.3 Short and Long Term Provisions**

In determining the provisions set aside at 31 March 2020 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.

## **4.4 Valuation of Assets**

A valuation was undertaken of the land and buildings as at 31 March 2020 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.

The valuation took into account the potential future impact of COVID-19, and as such was reported on the basis of material valuation/market uncertainty as per VPS 3 VPGA of the RICS Red Book. Consequently, less certainty can be attached to the valuation of land and buildings than would normally be the case.

## **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	2018/2019		Group Expenditure and Funding Analysis	Net expenditure chargeable to general fund	2019/2020	
	Adjustment between accounting and funding basis	Net expenditure in the comprehensive I & E			Adjustment between accounting and funding basis	Net expenditure in the comprehensive I & E
£'000	£'000	£'000		£'000	£'000	£'000
279,729	232,261	511,990	Police Services - OCC	290,276	76,855	367,131
0	74	74	Police Services - OCC restated	0	0	0
1,392	4	1,396	OPCC	1,463	0	1,463
3,368	-1,916	1,452	Commissioning costs	3,337	-1,958	1,379
<b>284,489</b>	<b>230,423</b>	<b>514,912</b>	<b>Net cost of police services</b>	<b>295,076</b>	<b>74,897</b>	<b>369,973</b>
0	-842	-842	Gain(-)/loss on disposal of non-current assets	0	11	11
<b>0</b>	<b>-842</b>	<b>-842</b>	<b>Other operating expenditure</b>	<b>0</b>	<b>11</b>	<b>11</b>
0	6,103	6,103	External interest payable	0	6,026	6,026
0	-590	-590	Interest and investment income	0	-700	-700
0	85,076	85,076	Net interest on pensions	0	88,088	88,088
<b>0</b>	<b>90,589</b>	<b>90,589</b>	<b>Financial and investment income and expenditure</b>	<b>0</b>	<b>93,414</b>	<b>93,414</b>
-103,555	0	-103,555	Police - revenue grant	-105,807	0	-105,807
-55,699	0	-55,699	Ex-DCLG formula funding	-56,792	0	-56,792
0	-1,201	-1,201	Capital grant and contributions	0	-1,033	-1,033
-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
-108,572	4	-108,568	Council tax - local authorities	-124,185	1,036	-123,149
0	0	0	Pension Grant	-2,827	0	-2,827
-1,954	1,954	0	Commissioning of victim support services grant	-1,958	1,958	0
<b>-284,489</b>	<b>757</b>	<b>-283,732</b>	<b>Taxation and non-specific grant income</b>	<b>-306,278</b>	<b>1,961</b>	<b>-304,317</b>
			<b>Reverses excluded from I&amp;E eg. SWROCU</b>	<b>335</b>	<b>-335</b>	<b>0</b>
<b>-284,489</b>	<b>90,504</b>	<b>-193,985</b>		<b>-305,943</b>	<b>95,051</b>	<b>-210,892</b>
<b>0</b>	<b>320,927</b>	<b>320,927</b>	<b>Surplus(-)/deficit on provision of services</b>	<b>-10,867</b>	<b>169,948</b>	<b>159,081</b>
35,724			Opening balance of general fund	34,101		
-620			Transfers from reserves made in year	10,867		
-1,003			Reinstatement 2018	0		
<b>34,101</b>			<b>Closing balance of general fund</b>	<b>44,968</b>		

Capital Purposes £'000	2018/2019			Group Expenditure and Funding Analysis Adjustment between accounting & funding basis	Capital Purposes £'000	2019/2020		
	Pension Adjustment £'000	Other Adjustment £'000	Total Adjustment £'000			Pension Adjustment £'000	Other Adjustment £'000	Total Adjustment £'000
11,093	231,509	-10,341	<b>232,261</b>	Police Services - OCC	10,760	71,166	-5,071	<b>76,855</b>
0	0	74	<b>74</b>	Police Services - OCC restated	0	0	0	<b>0</b>
0	0	4	<b>4</b>	OPCC	0	0	0	<b>0</b>
0	0	-1,916	<b>-1,916</b>	Commissioning costs	0	0	-1,958	<b>-1,958</b>
<b>11,093</b>	<b>231,509</b>	<b>-12,179</b>	<b>230,423</b>	<b>Net cost of police services</b>	<b>10,760</b>	<b>71,166</b>	<b>-7,029</b>	<b>74,897</b>
-842	0	0	<b>-842</b>	Gain(-)/loss on disposal of non-current assets	11	0	0	<b>11</b>
<b>-842</b>	<b>0</b>	<b>0</b>	<b>-842</b>	<b>Other operating expenditure</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>11</b>
0	0	6,103	<b>6,103</b>	External interest payable	0	0	6,026	<b>6,026</b>
0	0	-590	<b>-590</b>	Interest and investment income	0	0	-700	<b>-700</b>
0	85,076	0	<b>85,076</b>	Net interest on pensions	0	88,088	0	<b>88,088</b>
<b>0</b>	<b>85,076</b>	<b>5,513</b>	<b>90,589</b>	<b>Financial and investment income and expenditure</b>	<b>0</b>	<b>88,088</b>	<b>5,326</b>	<b>93,414</b>
-1,201	0	0	<b>-1,201</b>	Capital grant and contributions	-1,033	0	0	<b>-1,033</b>
0	0	4	<b>4</b>	Council tax - local authorities	0	0	1,036	<b>1,036</b>
0	0	1,954	<b>1,954</b>	Commissioning of victim support services grant	0	0	1,958	<b>1,958</b>
<b>-1,201</b>	<b>0</b>	<b>1,958</b>	<b>757</b>	<b>Taxation and non-specific grant income</b>	<b>-1,033</b>	<b>0</b>	<b>2,994</b>	<b>1,961</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>Reverses excluded from I&amp;E eg. SWROCU</b>	<b>0</b>	<b>0</b>	<b>-335</b>	<b>-335</b>
<b>-2,043</b>	<b>85,076</b>	<b>7,471</b>	<b>90,504</b>		<b>-1,022</b>	<b>88,088</b>	<b>7,985</b>	<b>95,051</b>
<b>9,050</b>	<b>316,585</b>	<b>-4,708</b>	<b>320,927</b>	<b>Total adjustment between accounting and funding basis</b>	<b>9,738</b>	<b>159,254</b>	<b>956</b>	<b>169,948</b>

## 7 Notes to the Movement in Reserves Statement

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

Group Movement in Reserves Statement 2018/2019	Revenue General Fund £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Collect Fund Adjustment £'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
Reclassification of reserve as a creditor	-1,003		-1,003						0
Restated Balance as at 31 March 2018	34,721	256	34,977	968	68,076	-3,314,931	-6,756	60,638	-3,192,005
Restated Total comprehensive income and expenditure	-320,927	0	-320,927	0	8,091	-84,184	0	0	-76,093
<b>Adjustments between accounting &amp; funding basis under regulations</b>									
<b>Reversal of items included to I&amp;E</b>									
Amortisation of intangible assets	682	0	682	0	0	0	0	-682	-682
Depreciation of non-current assets (note 18)	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
<b>Insert amounts excluded in I&amp;E</b>									
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
<b>Other adjustments include:</b>									
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
Restated reserve movements excluded from I&E (Reg collab, SW ROCU)	-287	0	-287	0	0	0	0	139	139
Increase/decrease(-) in 2018/2019	-620	3,272	2,652	-4	7,651	-400,768	-145	-6,554	-399,820
<b>Restated Balance as at 31 March 2019</b>	<b>34,101</b>	<b>3,528</b>	<b>37,629</b>	<b>964</b>	<b>75,727</b>	<b>-3,715,699</b>	<b>-6,901</b>	<b>54,084</b>	<b>-3,591,825</b>



Group Movement in Reserves Statement 2019/2020	Revenue General Fund £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Collect Fund Adjustment £'000	Revaluation Reserve £'000	Pensions Reserve Account £'000	Short Term Absences Account £'000	Capital Adjustment Account £'000	Total Unusable Reserves £'000
<b>Balance as at 31 March 2019</b>	<b>34,101</b>	<b>3,528</b>	<b>37,629</b>	<b>964</b>	<b>75,727</b>	<b>-3,715,699</b>	<b>-6,901</b>	<b>54,084</b>	<b>-3,591,825</b>
Total comprehensive income and expenditure	-159,081	0	-159,081	0	-9,519	381,758	0	0	372,239
<b>Adjustments between accounting &amp; funding basis under regulations</b>									
<b>Reversal of items included to I&amp;E</b>									
Amortisation of intangible assets	707	0	707	0	0	0	0	-707	-707
Depreciation of non-current assets (note 18)	16,000	0	16,000	0	0	0	0	-16,000	-16,000
Revaluation loss	4,438	0	4,438	0	0	0	0	-4,438	-4,438
Capital grants and contributions	-1,033	0	-1,033	0	0	0	0	1,033	1,033
Council tax collection fund adjustment	1,035	0	1,035	-1,035	0	0	0	0	-1,035
Gain(-)/loss on disposal of non-current assets	11	454	465	0	-211	0	0	-254	-465
Holiday pay accrual adjustment	256	0	256	0	0	0	-256	0	-256
Net IAS 19 charge for retirement benefits	208,582	0	208,582	0	0	-208,582	0	0	-208,582
<b>Insert amounts excluded in I&amp;E</b>									
Minimum revenue provision	-3,091	0	-3,091	0	0	0	0	3,091	3,091
Revenue contribution to finance capital	-7,294	0	-7,294	0	0	0	0	7,294	7,294
IAS 19 employers contributions payable	-49,328	0	-49,328	0	0	49,328	0	0	49,328
<b>Other adjustments include:</b>									
Reserve movements excluded from I&E (Reg Collab, SW ROCU)	-335	0	-335	0	0	0	0	181	181
Increase/decrease(-) in 2019/2020	10,867	454	11,321	-1,035	-9,730	222,504	-256	-9,800	201,683
<b>Balance as at 31 March 2020</b>	<b>44,968</b>	<b>3,982</b>	<b>48,950</b>	<b>-71</b>	<b>65,997</b>	<b>-3,493,195</b>	<b>-7,157</b>	<b>44,284</b>	<b>-3,390,142</b>

<b>PCC Movement in Reserves Statement 2018/2019</b>	<b>Revenue General Fund £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Total Usable Reserves £'000</b>	<b>Collect Fund Adjustment £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Pensions Reserve Account £'000</b>	<b>Short Term Absences Account £'000</b>	<b>Capital Adjustment Account £'000</b>	<b>Total Unusable Reserves £'000</b>
<b>Balance as at 31 March 2018</b>	<b>35,724</b>	<b>256</b>	<b>35,980</b>	<b>968</b>	<b>68,076</b>	<b>-3,314,931</b>	<b>-6,756</b>	<b>60,638</b>	<b>-3,192,005</b>
<b>Reclassification of reserve as a creditor</b>	<b>-1,003</b>		<b>-1,003</b>						<b>0</b>
<b>Restated Balance as at 31 March 2018</b>	<b>34,721</b>	<b>256</b>	<b>34,977</b>	<b>968</b>	<b>68,076</b>	<b>-3,314,931</b>	<b>-6,756</b>	<b>60,638</b>	<b>-3,192,005</b>
Total comprehensive income and expenditure	-405,111	0	-405,111	0	8,091	0	0	0	8,091
<b>Adjustments between accounting &amp; funding basis under regulations</b>									
<b>Reversal of items included to I&amp;E</b>									
Amortisation of intangible assets	682	0	<b>682</b>	0	0	0	0	-682	<b>-682</b>
Depreciation of non-current assets (note 18)	16,976	0	<b>16,976</b>	0	0	0	0	-16,976	<b>-16,976</b>
Revaluation loss	-848	0	<b>-848</b>	0	0	0	0	848	<b>848</b>
Capital grants and contributions	-1,201	0	<b>-1,201</b>	0	0	0	0	1,201	<b>1,201</b>
Council tax collection fund adjustment	4	0	<b>4</b>	-4	0	0	0	0	<b>-4</b>
Gain(-)/loss on disposal of non-current assets	-841	2,456	<b>1,615</b>	0	-440	0	0	-1,175	<b>-1,615</b>
Holiday pay accrual adjustment	145	0	<b>145</b>	0	0	0	-145	0	<b>-145</b>
Net IAS 19 charge for retirement benefits	359,810	0	<b>359,810</b>	0	0	-359,810	0	0	<b>-359,810</b>
Net IAS 19 charge Inter group adjustment	84,184	0	<b>84,184</b>	0	0	-84,184	0	0	<b>-84,184</b>
<b>Insert amounts excluded in I&amp;E</b>									
Minimum revenue provision	-2,941	0	<b>-2,941</b>	0	0	0	0	2,941	<b>2,941</b>
Revenue contribution to finance capital	-3,617	0	<b>-3,617</b>	0	0	0	0	3,617	<b>3,617</b>
IAS 19 employers contributions payable	-43,226	0	<b>-43,226</b>	0	0	43,226	0	0	<b>43,226</b>
<b>Other adjustments include:</b>									
Use of capital receipts reserve to finance capital	0	816	<b>816</b>	0	0	0	0	-816	<b>-816</b>
Reserves used to finance capital	-4,349	0	<b>-4,349</b>	0	0	0	0	4,349	<b>4,349</b>
Restated reserve movements excluded from I&E (Reg collab, SW ROCU)	-287	0	<b>-287</b>	0	0	0	0	139	<b>139</b>
Increase/decrease(-) in 2018/2019	-620	3,272	<b>2,652</b>	-4	7,651	-400,768	-145	-6,554	<b>-399,820</b>
<b>Restated Balance as at 31 March 2019</b>	<b>34,101</b>	<b>3,528</b>	<b>37,629</b>	<b>964</b>	<b>75,727</b>	<b>-3,715,699</b>	<b>-6,901</b>	<b>54,084</b>	<b>-3,591,825</b>

<b>PCC Movement in Reserves Statement 2019/2020</b>	<b>Revenue General Fund £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Total Usable Reserves £'000</b>	<b>Collect Fund Adjustment £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Pensions Reserve Account £'000</b>	<b>Short Term Absences Account £'000</b>	<b>Capital Adjustment Account £'000</b>	<b>Total Unusable Reserves £'000</b>
<b>Balance as at 31 March 2019</b>	<b>34,101</b>	<b>3,528</b>	<b>37,629</b>	<b>964</b>	<b>75,727</b>	<b>-3,715,699</b>	<b>-6,901</b>	<b>54,084</b>	<b>-3,591,825</b>
Total comprehensive income and expenditure	222,677	0	222,677	0	-9,519	0	0	0	-9,519
<b>Adjustments between accounting &amp; funding basis under regulations</b>									
<b>Reversal of items included to I&amp;E</b>									
Amortisation of intangible assets	707	0	707	0	0	0	0	-707	-707
Depreciation of non-current assets (note 18)	16,000	0	16,000	0	0	0	0	-16,000	-16,000
Revaluation loss	4,438	0	4,438	0	0	0	0	-4,438	-4,438
Capital grants and contributions	-1,033	0	-1,033	0	0	0	0	1,033	1,033
Council tax collection fund adjustment	1,035	0	1,035	-1,035	0	0	0	0	-1,035
Gain(-)/loss on disposal of non-current assets	11	454	465	0	-211	0	0	-254	-465
Holiday pay accrual adjustment	256	0	256	0	0	0	-256	0	-256
Net IAS 19 charge for retirement benefits	208,582	0	208,582	0	0	-208,582	0	0	-208,582
Net IAS 19 charge Inter group adjustment	-381,758	0	-381,758	0	0	381,758	0	0	381,758
<b>Insert amounts excluded in I&amp;E</b>									
Minimum revenue provision	-3,091	0	-3,091	0	0	0	0	3,091	3,091
Revenue contribution to finance capital	-7,294	0	-7,294	0	0	0	0	7,294	7,294
IAS 19 employers contributions payable	-49,328	0	-49,328	0	0	49,328	0	0	49,328
<b>Other adjustments include:</b>									
Reserve movements excluded from I&E (Reg Collab, SW ROCU)	-335	0	-335	0	0	0	0	181	181
Increase/decrease(-) in 2019/2020	10,867	454	11,321	-1,035	-9,730	222,504	-256	-9,800	201,683
<b>Balance as at 31 March 2020</b>	<b>44,968</b>	<b>3,982</b>	<b>48,950</b>	<b>-71</b>	<b>65,997</b>	<b>-3,493,195</b>	<b>-7,157</b>	<b>44,284</b>	<b>-3,390,142</b>

## 8 Income and Expenditure analysed by nature

Restated 2018/2019			Income and Expenditure analysed by nature	2019/2020		
OCC £'000	PCC £'000	Group £'000		OCC £'000	PCC £'000	Group £'000
224,930	1,089	226,019	Employee costs	238,090	1,140	239,230
13,298	7	13,305	Premises costs	13,559	7	13,566
5,090	16	5,106	Transport costs	5,348	18	5,366
30,642	195	30,837	Supplies & services	27,647	200	27,847
13,696	132	13,828	Partnership costs	13,685	117	13,802
13,564	0	13,564	Misc, central, & grants	12,785	0	12,785
0	4,230	4,230	Commissioning	0	5,553	5,553
16,809	0	16,809	Depreciation, amortisation, & impairment	21,145	0	21,145
231,653	0	231,653	Employee benefit expenses	71,422	0	71,422
85,076	0	85,076	Net interest on pensions	88,088	0	88,088
58,477	0	58,477	Police pension top up grant	58,600	0	58,600
0	6,102	6,102	Interest payments	0	6,026	6,026
0	-842	-842	Gain/loss on disposal of fixed assets	0	11	11
-718,942	718,942	0	Intragroup adjustment	-110,011	110,011	0
<b>-25,707</b>	<b>729,871</b>	<b>704,164</b>	<b>Total expenditure</b>	<b>440,358</b>	<b>123,083</b>	<b>563,441</b>
-15,732	-457	-16,189	Sales, rent, fees, & charges	-15,175	-477	-15,652
-662	0	-662	Southwest One recharges	0	0	0
-1,683	0	-1,683	Seconded officers	-1,920	0	-1,920
0	-1,953	-1,953	Commissioning of victim support services	0	-1,958	-1,958
-9,112	0	-9,112	Counter terrorism policing grant	-9,598	0	-9,598
0	0	0	Serious Violence grant	-1,720	-1,150	-2,870
0	0	0	Uplift grant	-659	0	-659
-10,428	-411	-10,839	Other specific grants	-7,479	-607	-8,086
0	-590	-590	Interest and investment income	0	-700	-700
0	-103,555	-103,555	Police - revenue grant	0	-105,807	-105,807
0	-55,699	-55,699	Ex-DCLG formula funding	0	-56,792	-56,792
0	-1,201	-1,201	Capital grant and contributions	0	-1,033	-1,033
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	0	0	Officer pensions grant	0	-2,827	-2,827
0	-108,568	-108,568	Income from council tax	0	-123,149	-123,149
0	-58,477	-58,477	Police pension top up grant	0	-58,600	-58,600
-20,860	20,860	0	Intragroup adjustment	-22,049	22,049	0
<b>-58,477</b>	<b>-324,760</b>	<b>-383,237</b>	<b>Total income</b>	<b>-58,600</b>	<b>-345,760</b>	<b>-404,360</b>
<b>-84,184</b>	<b>405,111</b>	<b>320,927</b>	<b>Surplus/deficit on provision of services</b>	<b>381,758</b>	<b>-222,677</b>	<b>159,081</b>

## 9 Paying Staff

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
	<b>247,998</b>	<b>6,359</b>	<b>254,357</b>	<b>11,426</b>	<b>265,783</b>

  

Disclosure of Remuneration for Senior Employees 2019/2020					
Post Holder Information (post title and name)	Salary (including fees & allowances)	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2019/2020	Pension Contributions	Total Remuneration Including Pension Contributions 2019/2020
	£	£	£	£	£
PCC - S Mountstevens	86,700	0	86,700	11,444	98,144
Chief Constable - A Marsh	165,394	7,747	173,141	0	173,141
	<b>252,094</b>	<b>7,747</b>	<b>259,841</b>	<b>11,444</b>	<b>271,285</b>

# 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
		£	£	£	£	£	£
<b>PCC Employees</b>							
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
<b>OCC Employees</b>							
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
		<b>1,129,121</b>	<b>2,760</b>	<b>34,141</b>	<b>1,166,022</b>	<b>179,931</b>	<b>1,345,953</b>



# Disclosure of Remuneration for Senior Employees 2019/2020

Post Holder Information (post title)	Note	Salary (including fees & allowances)	Expense Allowances	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2019/2020	Pension Contributions	Total Remuneration Including Pension Contributions 2019/2020
		£	£	£	£	£	£
<b>PCC Employees</b>							
Interim Chief Executive to the PCC	1	66,016	0	0	66,016	8,714	74,730
Chief Finance Officer to the PCC	2	19,348	0	0	19,348	2,554	21,902
Chief Executive to the PCC	3	78,405	0	0	78,405	10,401	88,806
<b>OCC Employees</b>							
Chief Officer –Finance, Resources and Innovation & Section 151 Officer of the PCC	4	25,057	0	9,404	34,461	3,308	37,769
Chief Officer - Finance, Resources and Innovation		80,238	0	0	80,238	10,591	90,829
Director of People & Org Development	5	93,221	0	4,585	97,806	12,146	109,952
Director of People & Org Development	6	23,957	0	0	23,957	2,961	26,918
Deputy Chief Constable		132,978	0	6,797	139,775	41,223	180,998
ACC - Investigations Operational Support		117,998	0	6,453	124,451	0	124,451
ACC - Regional Collaborations	7	5,487	0	0	5,487	1,658	7,145
T/ACC - Regional Collaborations	8	17,741	0	0	17,741	5,500	23,241
ACC - Regional Collaborations	9	90,874	0	0	90,874	26,246	117,120
ACC - Neighbourhoods & Partnerships		114,794	0	7,993	122,787	34,732	157,519
Force Medical Officer		141,264	0	0	141,264	19,308	160,572
		<b>1,007,378</b>	<b>0</b>	<b>35,232</b>	<b>1,042,610</b>	<b>179,342</b>	<b>1,221,952</b>

## Notes to Remuneration for 2018/2019

- Note 1: The Chief Finance Officer to the PCC works 29.6 hours per week. The full time equivalent salary was £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 for 2018/2019 was £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 for 2018/2019 was £100,509.
- Note 4: The ACC Neighbourhoods & Partnerships was appointed to Avon & Somerset Constabulary on 01/05/2018. The annualised salary for 2018/2019 was £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 for 2018/2019 was £100,509.

## Notes to Remuneration for 2019/2020

- Note 1: The Chief Finance Officer to the PCC is also the Interim Chief Executive to the PCC with effect from 09/01/2020. The annualised salary of the Interim Chief Executive to the PCC role is £104,439.
- Note 2: The Chief Finance Officer to the PCC is also the Interim Chief Executive to the PCC with effect from 09/01/2020. The annualised salary of the Chief Finance Officer to the PCC role was £96,640.
- Note 3: The Chief Executive to the PCC resigned on the 08/01/2020. The annualised salary was £101,778.
- Note 4: The Chief Officer – Finance, Resources and Innovation is also currently the Interim Section 151 Officer for the PCC, with effect from 09/01/2020. The annualised salary is £109,662.
- Note 5: The Director of People & Org Development left on 12/01/2020. The annualised salary was £116,346.
- Note 6: The temporary Director of People & Org Development commenced on 13/01/2020 and was confirmed permanently in post with effect from 05/03/2020. The annualised salary is £103,023.
- Note 7: The ACC – Regional Collaborations retired on 18/04/2019. The annualised salary was £109,662.
- Note 8: The T/ACC – Regional Collaborations was temporarily promoted to this rank on 19/04/2019 at an annualised salary of £106,986. The temporary promotion ended on 02/06/2019.
- Note 9: The ACC – Regional Collaborations commenced on 03/06/2019 at an annualised salary of £103,023.

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 2018/2019 Number	Pay Range	OCC Number	PCC Number	Total 2019/2020 Number
185	2	187	£50,000 - £54,999	187	1	188
109	0	109	£55,000 - £59,999	131	1	132
18	0	18	£60,000 - £64,999	24	0	24
10	0	10	£65,000 - £69,999	9	0	9
8	0	8	£70,000 - £74,999	8	0	8
7	1	8	£75,000 - £79,999	5	1	6
8	0	8	£80,000 - £84,999	7	0	7
5	1	6	£85,000 - £89,999	6	2	8
3	0	3	£90,000 - £94,999	2	0	2
2	0	2	£95,000 - £99,999	1	0	1
1	1	2	£100,000 - £104,999	0	0	0
0	0	0	£105,000 - £109,999	1	0	1
2	0	2	£110,000 - £114,999	1	0	1
1	0	1	£115,000 - £119,999	0	0	0
1	0	1	£120,000 - £124,999	2	0	2
1	0	1	£135,000 - £139,999	1	0	1
1	0	1	£140,000 - £144,999	1	0	1
1	0	1	£165,000 - £169,999	0	0	0
0	0	0	£170,000 - £174,999	1	0	1
<b>363</b>	<b>5</b>	<b>368</b>		<b>387</b>	<b>5</b>	<b>392</b>

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

## 10 Exit Packages – OCC

During 2019/2020 there were some redundancies of staff, the numbers and cost of which are presented in the table below. This follows the significant restructure in our enabling services functions in 2018/2019.

Compulsory & Voluntary Redundancies 2018/2019		Exit Packages	Compulsory & Voluntary Redundancies 2019/2020	
Number	£'000	Banding	Number	£'000
21	210	£0 - £19,999	16	180
17	433	£20,000 - £39,999	0	0
7	360	£40,000 - £59,999	0	0
6	472	£60,000 - £79,999	0	0
5	458	£80,000 - £99,999	0	0
3	382	£100,000 - £179,999	0	0
<b>59</b>	<b>2,315</b>		<b>16</b>	<b>180</b>

## 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.

2018/2019 £'000	External Audit Costs	2019/2020 £'000
	<b>Police and Crime Commissioner:</b>	
28	Fees for external audit services paid to Grant Thornton	38
	<b>Chief Constable:</b>	
14	Fees for external audit services paid to Grant Thornton	19
<b>42</b>		<b>57</b>

Fees paid by the PCC in 2019/2020 were based on the scale fee, with an additional variation cost of £6,500 relating to 2018/2019 audit and £8,500 accrued for 2019/2020 variations.

## 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. With effect from 1 April 2019 Taunton Deane Borough Council and West Somerset District Council have merged into Somerset West and Taunton Council.

2018/2019 £'000	Council Tax	2019/2020 £'000
7,888	Mendip District Council	9,006
7,918	Sedgemoor District Council	9,030
8,173	Taunton Deane Borough Council	-
2,738	West Somerset District Council	-
-	Somerset West and Taunton Council	12,205
11,560	South Somerset District Council	13,076
12,583	Bath and North East Somerset Council	14,488
24,433	Bristol City Council	27,461
18,202	South Gloucestershire Council	20,772
15,073	North Somerset Council	17,111
<b>108,568</b>		<b>123,149</b>

## 13 Transactions With Related Organisations and People

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

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

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

Andy Marsh is the Chief Constable. During 2019/2020 we have rendered £2,142 of services relating to the emergency installation of an alarm following the receipt of threats from an offender (no services were provided in 2018/2019).

No other 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.

The relationship of the PCC with South West One Limited concluded in 2018/2019, and as such there were no further costs incurred during 2019/2020. Supplies and services were provided by South West One Limited to the value of £1,711,886 in 2018/2019. The payments to South West One Limited covered staffing costs and the provision of other services for Technology Services for the first three months of 2018/2019.

Amounts of £871,507 were received for staff seconded to South West One Limited and non-pay adjustments in 2018/2019. As at 31 March 2019, the PCC had a creditor balance of £13 with South West One Limited.

The PCC also has a relationship with the Police Community Trust and the Avon and Somerset Constabulary Force Club. Payments were made to the Police Community Trust of £249,987 in 2019/2020 (£437,640 in 2018/2019). Payments were also made to the Avon and Somerset Constabulary Force Club in 2019/2020 of £8,178 (£3,245 in 2018/2019).

## 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:

2018/2019 Expenditure £'000	Joint Operations	2019/2020 Expenditure £'000
3,015	South West Regional Organised Crime Unit	3,359
1,103	Firearms Training	1,209
564	Counter Terrorism Specialist Firearms Officers	653
4,788	Major Crime Investigation (Brunel)	4,866
11,240	Specialist Operations (Tri Force)	0
99	Tri Force ACC	0
6,315	South West Forensic Services	6,529
1,048	South West Region - Special Branch	1,134
35	Regional ACC	39
-	Disaster Victim Identification / Casualty Bureau	28
440	Other Regional Programmes	423
<b>28,647</b>	<b>Total</b>	<b>18,240</b>

### 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 £10,356,470 in 2019/2020 (£9,297,703 in 2018/2019).

## **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 £2,891,075 in 2019/2020 (£2,637,087 in 2018/2019).

## **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 £1,217,721 in 2019/2020 (£1,050,456 in 2018/2019). 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 £7,602,453 in 2019/2020 (£7,481,411 in 2018/2019).

## **14.5 Specialist Operations (Tri Force)**

Tri Force was a collaboration between Avon and Somerset (53.6%), Gloucestershire (23.2%) and Wiltshire (23.2%) to deliver armed, roads and dogs policing. This was completed in April 2019, and so no costs were incurred in 2019/2020. The total cost of the operation was £21,376,758 in 2018/2019.

## **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 CTFSO hub. The costs were shared between Avon and Somerset (59.5%), Gloucestershire (19.5%) and Wiltshire (21.0%). This role completed on April 2019, and so no costs were incurred in 2019/2020. The total cost for the ACC was £165,416 in 2018/2019.

## **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 £18,171,422 in 2019/2020 (£17,587,200 in 2018/2019).

## **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 £3,992,900 in 2019/2020 (£3,690,800 in 2018/2019).

## **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 (33.1%), Gloucestershire (11.1%), Devon and Cornwall (32.4%), Dorset (11.5%) and Wiltshire (11.9%). The total cost for the ACC was £119,199 in 2019/2020 (£108,589 in 2018/2019).

## **14.10 Disaster Victim Identification / Casualty Bureau**

This is a new collaboration from 1st April 2019 between Avon and Somerset (30.8%), Gloucester (12%), Devon and Cornwall (31.8%), Dorset (13.6%) and Wiltshire (11.8%) to provide two posts to assist with officer deployment across the South West. The total cost of the operation was £91,632 in 2019/2020 (Nil 2018/2019).

## **14.11 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 £1,249,682 in 2019/2020 (£1,266,093 in 2018/2019).

## 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	
	2018/2019	2019/2020	2018/2019	2019/2020
	£'000	£'000	£'000	£'000
<b>Comprehensive income and expenditure statement</b>				
Cost of services:				
Current service cost	27,132	28,254	62,480	86,173
Administration expenses	197	236	0	0
Past service cost including curtailments	2,165	5,831	182,760	0
Financing and investment income and expenditure:				
Net interest cost	6,612	6,511	78,463	81,577
<b>Total post employment benefits charged to the comprehensive income and expenditure statement</b>	<b>36,106</b>	<b>40,832</b>	<b>323,703</b>	<b>167,750</b>
<b>Other post employment benefits charged to the comprehensive income and expenditure statement</b>				
Return on plan assets	8,953	-34,015	0	0
Changes in demographic assumptions	36,942	4,120	82,461	-6,626
Changes in financial assumptions	-35,754	82,507	-222,089	306,189
Experience gain/loss(-) on defined benefit obligations	0	-20,537	0	0
Other actuarial gain/loss(-)	0	-3,281	45,303	53,401
<b>Total other comprehensive income</b>	<b>10,141</b>	<b>28,794</b>	<b>-94,325</b>	<b>352,964</b>
<b>Movement in reserves statement</b>				
Reversal of net charges made for retirement benefits in accordance with the code	-36,106	-40,832	-140,943	-167,750
<b>Actual amount charged against the general fund balance for pensions in the year</b>				
Employer's contribution to scheme	13,714	13,116	23,482	29,563
Retirement benefits payable to pensioners	114	110	5,916	6,539

2019 £'000	IAS 19 Pension Liabilities	2020 £'000
-3,443,522	Police officers	-3,222,206
-272,177	Police staff	-270,989
<b>-3,715,699</b>		<b>-3,493,195</b>



## 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 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 £30,849,000 in financial year 2020/2021.

From 2015/2016 the employer contribution rate was reduced to 21.3% of pensionable pay for all three pension schemes; however, the Constabulary retained a budget at 24.2%. Since April 2019 the contribution rate was increased to 31%, and we have adjusted our budget accordingly.

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.

2018/2019 £'000	Cost of Injury and Ill-Health Benefits - Police Officers	2019/2020 £'000
7,142	Payments to pensioners	6,539

  

2018/2019 £'000	Pensions Account	2019/2020 £'000
94,996	Benefits paid to officers	103,041
-36,519	Less contributions received from officers	-44,441
<b>58,477</b>	<b>Balance met from PCC Group</b>	<b>58,600</b>

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 weighted average 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		
<b>Current pensioners</b>		
	Males	21.6
	Females	23.7
<b>Retiring in 20 years</b>		
	Males	23.3
	Females	25.5

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

2018/2019 %		2019/2020 %
2.40	Discount rate	2.35
3.90	Rate of increase in salaries	3.40
2.40	Rate of increase in pensions in payment	1.90
3.40	Retail price index	2.70
2.40	CPI increases	1.90

The movement in the present value of scheme liabilities for the year to 31 March 2020 is as follows:

2018/2019 £'000	Present Value of Police Pension Scheme Liabilities	2019/2020 £'000
-3,054,892	Present value of schemes liability as at 1 April	-3,443,522
	<b>Movements in the year</b>	
-62,480	Current service cost	-86,173
-182,760	Past service cost	0
87,527	Estimated benefits paid (net of transfers in)	102,228
-12,826	Contributions by scheme participants	-12,725
-78,463	Interest costs	-81,577
-222,089	Change in financial assumptions	306,189
82,461	Change in demographic assumptions	-6,626
0	Experience gain/loss on defined benefit obligations	0
-3,443,522	<b>Present value of schemes liability as at 31 March</b>	-3,222,206

The movement in the fair value of scheme assets for the year to 31 March 2020 is as follows:

2018/2019 £'000	Fair Value of Police Pensions Scheme Assets	2019/2020 £'000
0	Present value of schemes assets as at 1 April	0
	<b>Movements in the year</b>	
44,580	Change in financial assumptions	53,401
29,398	Contributions by employer	36,102
12,826	Contributions by scheme participants	12,725
-86,804	Estimated benefits paid (net of transfers in)	-102,228
0	<b>Present value of schemes assets as at 31 March</b>	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 Group and the percentage of employees' contributions are shown below.

2018/2019		Pension Costs - Police Staff	2019/2020	
Payments	Percentage		Payments	Percentage
£'000	of Employees' Contributions		£'000	of Employees' Contributions
12,684	106-240	PCC's contribution	13,147	106-240

During 2019/2020 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 £14,617,000 in financial year 2020/2021.

With effect from April 2020 the Constabulary will pay 16.3% of the employee salary in pension contribution (previously 13.2%) for current active members and an annual fixed sum to pay for past service deficit recovery. The fixed sum paid in 2019/2020 was £2,944,000; the amount due in 2020/2021 is £2,260,000.

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 2019. 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 26 years. Using the assumptions detailed in the tables below an estimate of the costs and liabilities associated with police staff pensions has been made.

Life Expectancy from Age 65 Years		
<b>Current pensioners</b>		
	Males	23.3
	Females	24.7
<b>Retiring in 20 years</b>		
	Males	24.7
	Females	26.2

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

2018/2019		2019/2020
%		%
2.45	Discount rate	2.35
3.90	Rate of increase in salaries	2.80
2.40	Rate of increase in pensions in payment	1.80
3.40	Retail price index	2.60
2.40	Consumer price index	1.80

The return on the pension fund assets on a bid value basis for the year to 31 March 2020 is estimated to be -7%. The estimated value of the PCC's share of the fund's assets is £335,238,000 on a bid value basis (2018/2019 £357,655,000). The assets are made up of the following:

2018/2019		Assets	2019/2020	
£'000	%		£'000	%
		<b>Equities</b>		
357	0.1	UK - Quoted	335	0.1
59,371	16.6	Overseas - Quoted	21,020	6.3
74,750	20.9	UK - Unquoted	64,701	19.3
108,012	30.2	Overseas - Unquoted	137,772	41.1
7,482	2.1	Private equity	9,052	2.7
<b>249,972</b>	<b>69.9</b>		<b>232,880</b>	<b>69.5</b>
		<b>Gilts - Public Sector</b>		
8,369	2.3	UK fixed interest	8,816	2.6
11,587	3.2	UK index linked	11,319	3.4
357	0.1	Overseas index linked	335	0.1
<b>20,313</b>	<b>5.6</b>		<b>20,470</b>	<b>6.1</b>
		<b>Other Bonds</b>		
15,557	4.35	UK	16,790	5.0
17,114	4.8	Overseas	17,192	5.1
<b>32,671</b>	<b>9.2</b>		<b>33,982</b>	<b>10.1</b>
31,137	8.7	<b>Property</b>	29,493	8.8
23,562	6.6	<b>Cash (invested internally)</b>	18,413	5.5
<b>357,655</b>	<b>100</b>	<b>Total assets</b>	<b>335,238</b>	<b>100</b>

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

2018/2019 £'000	Police Staff Pensions	2019/2020 £'000
357,655	Share of assets in pension fund	335,238
-627,974	Estimated liabilities in pension fund	-604,478
-1,858	Estimated unfunded liabilities	-1,749
<b>-272,177</b>	<b>Deficiency in fund</b>	<b>-270,989</b>

The movement in the present value of schemes obligations for the year to 31 March 2020 is as follows:

2018/2019 £'000	Present Value of Police Staff Liabilities	2019/2020 £'000
<b>-592,282</b>	Present value of defined obligations as at 1 April	<b>-629,832</b>
	<b>Movements in the year</b>	
-27,132	Current service cost	-28,254
10,582	Estimated benefits paid (net of transfers in)	11,753
-4,784	Contributions by scheme participants	-4,913
-15,353	Interest costs	-15,350
114	Unfunded pension payments	110
-35,754	Change in financial assumptions	82,507
36,942	Change in demographic assumptions	4,120
0	Experience loss(-)/gain on defined benefit obligations	-20,537
-2,165	Past service cost, including curtailments	-5,831
<b>-629,832</b>	<b>Present value of defined obligations as at 31 March</b>	<b>-606,227</b>

The movement in the fair value of scheme assets for the year to 31 March 2020 is as follows:

2018/2019 £'000	Fair Value of Police Staff Scheme Assets	2019/2020 £'000
<b>332,243</b>	Fair value of scheme assets as at 1 April	<b>357,655</b>
	<b>Movements in the year</b>	
8,740	Interest on assets	8,839
8,953	Return on assets less interest	-34,015
0	Other actuarial gain/loss(-)	-3,281
-197	Administration expenses	-236
13,828	Contributions by employer	13,226
4,784	Contributions by scheme participants	4,913
-10,696	Estimated benefits paid (net of transfers in)	-11,863
<b>357,655</b>	<b>Fair value of scheme assets as at 31 March</b>	<b>335,238</b>

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

## 18 Property, Plant and Equipment

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

Property, Plant and Equipment 2019/2020	Land and Buildings	Vehicles, Plant, Machinery and Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
As at 1 April 2019	206,289	114,271	1,133	<b>321,693</b>
Additions during year	1,785	7,990	4,541	<b>14,316</b>
Disposals	-390	-13,676	0	<b>-14,066</b>
Reclassification	-1,857	0	-93	<b>-1,950</b>
<b>Revaluation gain/loss (-)</b>				
Recognised in revaluation reserve	-13,872	0	0	<b>-13,872</b>
Recognised in surplus & deficit I&E	-5,354	0	0	<b>-5,354</b>
<b>As at 31 March 2020</b>	<b>186,601</b>	<b>108,585</b>	<b>5,581</b>	<b>300,767</b>
<b>Depreciation and impairment</b>				
As at 1 April 2019	-398	-94,375	0	<b>-94,773</b>
Depreciation charge	-5,914	-10,086	0	<b>-16,000</b>
Disposals	10	13,592	0	<b>13,602</b>
Reclassification	138	0	0	<b>138</b>
<b>Revaluation gain/loss (-)</b>				
Recognised in revaluation reserve	4,565	0	0	<b>4,565</b>
Recognised in surplus & deficit I&E	1,047	0	0	<b>1,047</b>
<b>As at 31 March 2020</b>	<b>-552</b>	<b>-90,869</b>	<b>0</b>	<b>-91,421</b>
<b>Net book value</b>				
<b>As at 31 March 2020</b>	<b>186,049</b>	<b>17,716</b>	<b>5,581</b>	<b>209,346</b>
<b>As at 31 March 2019</b>	<b>205,891</b>	<b>19,896</b>	<b>1,133</b>	<b>226,920</b>

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	<b>147,100</b>
PFI	79,508	312	0	<b>79,820</b>
	<b>205,891</b>	<b>19,896</b>	<b>1,133</b>	<b>226,920</b>

  

Nature of assets held as at 31 March 2020	Land and Buildings	Vehicles, Plant, Machinery and Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Owned	108,053	17,716	5,581	<b>131,350</b>
PFI	77,996	0	0	<b>77,996</b>
	<b>186,049</b>	<b>17,716</b>	<b>5,581</b>	<b>209,346</b>

## 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.

2018/2019				2019/2020		
PFI Buildings £'000	PFI IT Equipment £'000	Total £'000	PFI Assets	PFI Buildings £'000	PFI IT Equipment £'000	Total £'000
<b>Cost or valuation</b>						
79,588	5,384	<b>84,972</b>	As at 1 April	79,511	5,384	<b>84,895</b>
5	0	<b>5</b>	Additions during year	54	0	<b>54</b>
<b>Revaluation gain/loss (-)</b>						
-77	0	<b>-77</b>	Recognised in revaluation reserve	-3,501	0	<b>-3,501</b>
-5	0	<b>-5</b>	Recognised in surplus & deficit I&E	1,935	0	<b>1,935</b>
<b>79,511</b>	<b>5,384</b>	<b>84,895</b>	<b>As at 31 March</b>	<b>77,999</b>	<b>5,384</b>	<b>83,383</b>
<b>Depreciation and impairment</b>						
-41	-3,929	<b>-3,970</b>	As at 1 April	-3	-5,072	<b>-5,075</b>
-1,796	-1,143	<b>-2,939</b>	Depreciation charge	-1,837	-312	<b>-2,149</b>
<b>Revaluation gain/loss (-)</b>						
1,687	0	<b>1,687</b>	Recognised in revaluation reserve	1,615	0	<b>1,615</b>
147	0	<b>147</b>	Recognised in surplus & deficit I&E	222	0	<b>222</b>
<b>-3</b>	<b>-5,072</b>	<b>-5,075</b>	<b>As at 31 March</b>	<b>-3</b>	<b>-5,384</b>	<b>-5,387</b>
<b>Net book value</b>						
<b>79,508</b>	<b>312</b>	<b>79,820</b>	<b>As at 31 March</b>	<b>77,996</b>	<b>0</b>	<b>77,996</b>

2018/2019 £'000	PFI Liabilities	2019/2020 £'000
57,930	Finance Liability as at 1 April	56,499
-1,431	Liability Paid in Year	-1,548
<b>56,499</b>	<b>Finance Liability at 31 March</b>	<b>54,951</b>

Payments made in 2019/2020 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 2019/2020	1,839	367	4,468	1,548
<b>Rentals payable in future years</b>				
Within 1 year	1,885	440	4,358	1,615
Within 2-5 years	8,012	3,012	16,085	6,862
Within 6-10 years	11,174	5,354	16,716	11,152
Within 11-15 years	12,694	5,712	11,989	16,426
Within 16-20 years	11,256	4,578	4,690	18,896
<b>Total</b>	<b>45,021</b>	<b>19,096</b>	<b>53,838</b>	<b>54,951</b>

The fair value of the PFI liability has been assessed as £89,470,053 compared to the book value of £54,951,221 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 2019 £'000	Debtors and Payments in Advance	OCC £'000	PCC £'000	Total 2020 £'000
0	27,942	27,942	Trade debtors	0	28,999	28,999
0	1,229	1,229	Prepayments	0	2,099	2,099
0	27	27	Other	0	14	14
<b>0</b>	<b>29,198</b>	<b>29,198</b>	<b>Balance as at 31 March</b>	<b>0</b>	<b>31,112</b>	<b>31,112</b>

## 21 Cash and Cash Equivalents

2019 £'000	Cash and Cash Equivalents	2020 £'000
156	Cash in hand	156
27,809	Short term deposits	34,902
<b>27,965</b>	<b>Balance as at 31 March</b>	<b>35,058</b>

## 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).

2019 £'000	Loans to be Repaid	2020 £'000
4,113	Within one year	1,286
1,074	Between one and two years	1,799
5,710	Between two and five years	8,345
4,347	Between five and 10 years	5,006
25,887	More than 10 years	29,607
<b>41,131</b>	<b>Total</b>	<b>46,043</b>
	Less:	
-4,113	Transferred to short term borrowings (repayable in 2020/2021)	-1,286
<b>37,018</b>		<b>44,757</b>

## 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 2019 £'000	Creditors and Receipts in Advance	OCC £'000	PCC £'000	Total 2020 £'000
0	12,706	12,706	Trade creditors	0	15,896	15,896
0	527	527	Receipts in advance	0	103	103
11,148	6,097	17,245	Accruals	8,151	13,886	22,037
0	144	144	Other	0	1,299	1,299
0	1,057	1,057	Restated Other	0	0	0
<b>11,148</b>	<b>20,531</b>	<b>31,679</b>	<b>Balance as at 31 March</b>	<b>8,151</b>	<b>31,184</b>	<b>39,335</b>

## 24 Short and Long Term Provisions

Short and Long Term Provisions	Balance 1 April 2019 £'000	Reversed Unused £'000	Used in Year £'000	New in Year £'000	Balance 31 March 2020 £'000
Insurance	11,512	0	-1,363	-1,180	8,969
Legal services	202	-126	-76	303	303
Outstanding contractual settlements	2,000	0	-2,000	0	0
Pension claim provision - OCC	0	0	0	138	138
Ill-health & termination benefits - OCC	227	0	-123	0	104
Overtime liability - OCC	2,969	0	0	-536	2,433
	<b>16,910</b>	<b>-126</b>	<b>-3,562</b>	<b>-1,275</b>	<b>11,947</b>

Following advice from our insurance experts as part of the annual review the insurance provision has decreased to £8,969,000 to meet specific provision known potential liabilities and anticipated future losses. The insurance provision is based upon an actuarial evaluation of the discounted insurance liabilities as at 31 March 2020 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 £303,000 represents an estimate of the legal costs associated with the outcome of outstanding legal cases.

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

- The pension claim provision of £138,000 relates to historic pension claims yet to be settled.
- The ill health and termination benefits provision of £104,000 is where approval was agreed at 31 March 2020 to make the payments during 2020/2021;
- The overtime liability provision at 31 March 2020 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 2020.

Annual assessments are carried out to manage our key risks and set the level of our reserves. As a result, the following contingent liability has been identified:

### 25.1 McCloud/Sargeant

Claims against the Police pension scheme (the Aarons case) that had previously been stayed behind the McCloud/Sargeant judgement were lifted and a case management hearing was held on 25 October. The resulting Order of 28 October included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. This interim declaration applies to claimants only. However, the government made clear that non-claimants who are in the same position as claimants will be treated fairly to ensure they do not lose out. This was re-iterated in the Written Ministerial Statement on 25 March.

#### 25.1.1 Impact on Police Officer pension liability

Allowing for all members to remain in their existing scheme as at 1 April 2015 would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries have estimated the potential increase in scheme liabilities for Avon & Somerset force to be £200m of pensions scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018/2019 accounts. In 2019/2020 scheme actuaries have reviewed these assumptions at a force level and have estimated a further increase of £17.2m in scheme liabilities. This increase reflects a change in assumptions and therefore represents a gain/loss on re-measurement and is reported in the Comprehensive Income and Expenditure Statement (CIES).

The impact of an increase in scheme liabilities arising from the McCloud/Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/2024, although this timetable is subject to change.

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

#### 25.1.2 Impact on Police Staff pension liability

The government has confirmed that they expect to have to make an amendment to all public service schemes as a result of the McCloud judgment. Scheme actuaries have estimated the potential increase in scheme liabilities for Avon & Somerset force to be £5.648m of pensions scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2019/2020 accounts.

#### 25.1.3 Impact of Government proposals on the Police Pension scheme published after the end of the reporting period

On 16 July 2020, after the end of the reporting period, the Government published a consultation on the proposed remedy to be applied to the unfunded public sector pension scheme benefits in response to the McCloud /Sargeant cases. The consultation closes in October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. The proposed remedy will apply to those members that were in active service on or prior to 31 March 2012 and on or after 1 April 2015. It is proposed that these members will choose which scheme they are to accrue benefits in over the remedy period (1 April 2015 to 31 March 2022). It is yet to be decided whether the members will have to make this decision a year or two after 31 March 2022 or at retirement. From 1 April 2022, everyone is assumed to accrue benefits in the 2015 scheme.

The actuary has calculated that the Government's proposed remedy would lead to a reduction in the defined benefit obligation by around £28,930,000 or 0.9%. The actuary had previously assumed that all members who were previously in a final salary scheme would move back to that scheme. When calculating the impact of the proposed remedy, the actuary has only included those members that were active as at 31 March 2012 and on or after 1 April 2015. The actuary has assumed that these members would choose the scheme that they could accrue the most benefits in over the remedy period based on the actuarial assumptions at the last valuation date. Given that members' final salary schemes tended to provide the higher benefit in the first place, the overall effect of the proposal is a reduction in the defined benefit liability.

The Constabulary has decided that the Government's publication of the proposed remedy after the end of the reporting period should be treated as a non-adjusting event. The CIPFA Code guidance notes for practitioners states that changes to the law and other government provisions that affect assets and liabilities for the year covered by the statement of accounts, but which were announced after the balance sheet date (for example rules for pension schemes) should be treated as non-adjusting events. Furthermore, the consultation process has not yet concluded and the final impact of the case is still unknown. Given the high degree of uncertainty, it is prudent to treat the proposed remedy as non-adjusting and avoid the risk of understating the pension liability.

## **25.2 COVID-19**

The impact of the COVID-19 pandemic commenced from mid-March 2020, creating additional requirements from the government on the public service provided by the Force. The implications could result in additional financial demands on costs and funding, which are not provided for in these statements.

The Home Office is collating information on a monthly basis from all forces in England and Wales to assess the overall financial impact. Late in the year, the Home Secretary will announce her decision on future grant support following ongoing consultation with the Association of Police and Crime Commissioners (APCC), the National Police Chiefs Council (NPCC) and HM Treasury.

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 2018/2019	Balance 1 April 2018 £'000	Reserves Used in Year £'000	Transfers to Reserves in Year £'000	Restated £'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
<b>Total discretionary reserves</b>	<b>6,536</b>	<b>-3,782</b>	<b>3,645</b>		<b>6,399</b>
SW ROCU	2,418	-2,589	2,170		1,999
Proceeds of crime	570	-224	0		346
Detained property	1,404	-848	829	-1,057	328
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
<b>Total non-discretionary reserves</b>	<b>8,034</b>	<b>-5,299</b>	<b>4,147</b>	<b>-1,057</b>	<b>5,825</b>
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
<b>Total capital and PFI reserves</b>	<b>10,754</b>	<b>-4,307</b>	<b>5,430</b>		<b>11,877</b>
<b>Total earmarked reserves</b>	<b>25,324</b>	<b>-13,388</b>	<b>13,222</b>	<b>-1,057</b>	<b>24,101</b>
General Fund	10,400	0	-400		10,000
<b>Total General Fund Balance</b>	<b>35,724</b>	<b>-13,388</b>	<b>12,822</b>	<b>-1,057</b>	<b>34,101</b>

Revenue Reserves 2019/2020	Restated Balance 1 April 2019	Reserves Used in Year	Transfers to Reserves in Year	Balance 31 March 2020
	£'000	£'000	£'000	£'000
Carry forwards	930	-1,922	2,818	1,826
Operations	1,500	0	0	1,500
Overtime liability	1,000	0	0	1,000
Buildings and sustainability	449	-617	917	749
Transformation	2,520	-2,927	879	472
Operation Remedy	0	0	1,344	1,344
Covid 19 Recovery	0	0	1,000	1,000
<b>Total discretionary reserves</b>	<b>6,399</b>	<b>-5,466</b>	<b>6,958</b>	<b>7,891</b>
SW ROCU	1,999	-4,287	3,913	1,625
Proceeds of crime	346	-50	278	574
Detained property	328	-17	68	379
Grants carried forward	659	-207	124	576
Hinkley Point	53	0	828	881
Road safety	1,363	-260	0	1,103
LRF reserve	50	-173	251	128
Victim support services	779	-481	1,286	1,584
Miscellaneous reserves	219	-114	111	216
Regional programme reserves	29	-659	1,015	385
<b>Total non-discretionary reserves</b>	<b>5,825</b>	<b>-6,248</b>	<b>7,874</b>	<b>7,451</b>
Capital financing	6,717	0	8,724	15,441
Earmarked capital reserves	308	-365	160	103
PFI change reserve	477	0	0	477
Sinking fund reserve	4,375	0	230	4,605
<b>Total capital and PFI reserves</b>	<b>11,877</b>	<b>-365</b>	<b>9,114</b>	<b>20,626</b>
<b>Total earmarked reserves</b>	<b>24,101</b>	<b>-12,079</b>	<b>23,946</b>	<b>35,968</b>
General Fund	10,000	-1,000	0	9,000
<b>Total General Fund Balance</b>	<b>34,101</b>	<b>-13,079</b>	<b>23,946</b>	<b>44,968</b>

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

The 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.

The operation remedy reserve is the underspend relating to the proactive focussed operation to tackle burglary, knife crime and drugs.



The COVID-19 recovery fund is to help manage the financial uncertainty presented by COVID-19, providing support to the PCC and our partners.

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 (Detained property), for seized monies and the sale proceeds of seized and unclaimed property under the Police (Property) Regulation 1997. Whereby the case has been concluded against the suspect. The reinstated figures for previous year throughout the statements, relate to the correcting allocation of the seized property in active cases. In the main these assets will be returned to their owner. This value has now been moved to be included within creditors instead of reserves.

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

2018/2019 £'000	Capital Expenditure and Financing	2019/2020 £'000
100,858	Opening capital financing requirement	99,966
	<b>Capital investment</b>	
9,950	Property, plant and equipment	14,316
	<b>Sources of finance</b>	
816	Capital receipts	0
-1,201	Government grants and contributions	-1,033
-3,756	Revenue contributions	-7,387
-4,349	Earmarked reserves	-88
-2,941	Minimum revenue provision	-3,091
589	Capital creditors	526
-10,842		-11,073
99,966	Closing capital finance requirements	103,209
	<b>Explanation of movements in year</b>	
-892	Increase/decrease(-) in underlying need to borrow	3,243
-892	Increase/decrease(-) in capital financing requirement	3,243

## 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 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
<b>Financial liabilities at amortised cost</b>						
Bank overdraft	61	623	0	0	61	623
Borrowings	4,113	1,286	37,018	44,757	41,131	46,043
Creditors	14,218	25,955	0	0	14,218	25,955
PFI	1,548	1,615	54,951	53,336	56,499	54,951
<b>Total</b>	<b>19,940</b>	<b>16,729</b>	<b>91,969</b>	<b>98,093</b>	<b>111,909</b>	<b>127,572</b>
<b>Financial assets</b>						
Cash and cash equivalents	27,965	35,058	0	0	27,965	35,058
Investments - Short term	17,000	23,000	0	0	17,000	23,000
Debtors	27,358	24,662	0	0	27,358	24,662
Car loans	0	0	17	5	17	5
<b>Total</b>	<b>72,323</b>	<b>82,720</b>	<b>17</b>	<b>5</b>	<b>72,340</b>	<b>82,725</b>

As the financial liabilities are not held for trading, they are all initially measured at fair value and subsequently carried at their amortised cost. The fair value of the financial liabilities may therefore differ from their carrying value. The fair value of the PWLB loans has been assessed at £43,752,713 (31 March 2019 £38,235,561) compared with a book value of £34,267,867 (31 March

2019 £29,355,474). The fair value of LOBO loans has been assessed at £19,581,075 (31 March 2019 £17,855,011) 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.

<b>Lender Option Borrower Option (LOBO)</b>						
<b>2019 £'000</b>	<b>Drawdown Date</b>	<b>2020 £'000</b>	<b>Period</b>	<b>Next Option Date</b>	<b>End Date</b>	<b>Interest Rate %</b>
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	12/02/2025	14/02/2078	4.10
<b>11,775</b>	<b>Total</b>	<b>11,775</b>				

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

The PCC's business model is to hold assets in order to collect contractual cash flows. The contractual terms of the PCC's financial assets give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding. Therefore the financial assets are all initially measured at fair value and carried at amortised cost.

The carrying value of the financial assets may differ from their fair value. Whereas the carrying amount for investments and cash equivalents is the outstanding principal, the fair value is calculated by applying the appropriate discount rate to derive the present value of expected future cash flows. At 31 March 2020 the fair value is assessed as level 1 for cash and equivalents at £34,692,380, and short term investments at £23,007,109. This compares with a book value of £35,058,000 for cash and equivalents and a book value of £23,000,000 for short term investments.

<b>31 March 2019 £'000</b>	<b>Restated 31 March 2019 £'000</b>		<b>31 March 2020 £'000</b>
29,198	29,198	<b>Debtors and payments in advance on balance sheet</b>	<b>31,112</b>
-611	-611	Less VAT	-4,351
-1,229	-1,229	Less payments in advance	-2,099
<b>27,358</b>	<b>27,358</b>	<b>Debtors in financial instruments note</b>	<b>24,662</b>
-30,622	-31,679	<b>Creditors and receipts in advance on balance sheet</b>	<b>-39,335</b>
5,256	5,256	Less tax	5,230
11,148	11,148	Less OCC payroll accruals	8,151
<b>-14,218</b>	<b>-15,275</b>	<b>Creditors in financial instruments note</b>	<b>-25,955</b>

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	31 March	31 March	31 March
	2019	2020	2019	2020
	£'000	£'000	£'000	£'000
Interest payable and similar charges (excluding PFI)	-1,540	1,558	0	0
Interest and investment income	0	0	479	575

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 2020 investments can be analysed as follows:

Credit Rating	31 March 2019 £'000	Default %		Credit Rating	31 March 2020 £'000	Default %
AAA	9,809	0.13	Deposits with Money Market Funds	AAA	12,902	0.12
AA	13,000	0.05	Deposits with local authorities	AA	7,000	0.02
-	-	-	Deposits with UK banks	AA	6,000	0.03
A	11,000	0.06	Deposits with UK banks	A	25,000	0.06
AA	6,000	0.05	Deposits with Overseas banks	AA	4,000	0.02
A	2,000	0.06	Deposits with Overseas banks	-	0	0.00
N/A	3,000	N/A	CCLA property fund	N/A	3,000	N/A
	<b>44,809</b>		<b>Total</b>		<b>57,902</b>	

Included within long term loans are car loans to officers and staff which totalled £4,500 at 31 March 2020. 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 £10,562,491 pension fund account debtor with the Home Office (2018/2019 £10,817,891).

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 2020 the total value of these credit losses was £224,762 (31 March 2019 £308,565). The remaining value of debtors less these credit losses can be analysed as follows:

31 March 2019 £'000	Unimpaired Debtors	31 March 2020 £'000
1,343	Less than three months	1,214
37	Three to six months	78
<b>1,380</b>		<b>1,292</b>

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

Refer to note 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 2020 the PCC had £12,902,000 (31 March 2019 £9,809,000) in call accounts available to manage short term liquidity requirements. The PCC had a further £42,000,000 invested for a period of up to one year from the balance sheet date (31 March 2019 £35,000,000).

## 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 £274,510 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.

2018/2019 £'000	Police Officers Pension Fund Account	2019/2020 £'000
	<b>Contributions receivable</b>	
	Employers contributions:	
-20,118	Normal 31% contributions (2018/19 24.2%)	-29,562
-625	Ill health/early retirements	-1,338
-20,743		-30,900
	<b>Employee contributions</b>	
-3,935	1987 Police Pension Scheme	-2,816
-114	2006 Police Pension Scheme	-90
-8,787	CARE Police Pension Scheme	-9,972
-12,836		-12,878
-201	<b>Transfers in from other schemes</b>	-729
	<b>Benefits payable</b>	
76,572	Pensions	80,668
18,365	Commutations and lump sum retirement benefits	21,902
94,937		102,570
	<b>Payments to and on account of leavers</b>	
21	Refund of contributions	60
20	Transfers out to other schemes	65
18	Other	412
59		537
61,216	<b>Net amount payable for the year</b>	58,600
-2,739	Additional contribution from the local policing body	0
-58,477	<b>Transfer from Police Fund to meet deficit</b>	-58,600
0	<b>Net amount payable/receivable for the year</b>	0

This note shows the pension fund account assets and liabilities as at 31 March 2020.

31 March 2019 £'000	Pension Fund Net Assets	31 March 2020 £'000
	<b>Current assets</b>	
0	Amounts due from Central Government	0
	<b>Current liabilities</b>	
0	Amounts owing to pensioners	0
<hr/>		<hr/>
0	<b>Net assets</b>	0
<hr/>		<hr/>



# Police & Crime Commissioner for Avon & Somerset

## Glossary of Terms

<b>Term</b>	<b>Definition</b>
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.
CCU	Counter Corruption Unit
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.
Commuted sums	These are the lump sum amounts paid to officers when they retire, if they choose to have a lower pension.
Comprehensive income and expenditure statement	Summarises the income and expenditure during the financial year.
Contingent liabilities	A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
CoPaCC	Compares Police and Crime Commissioners
Creditors	Amounts which are owed to others.
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.

<b>Term</b>	<b>Definition</b>
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.
GSC	Government Security Classification
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
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.

<b>Term</b>	<b>Definition</b>
IOPC	Independent Office for Police Conduct
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
PCC	Police Crime and Commissioner for Avon and Somerset
PCC Group	The term PCC Group refers to the Police and Crime Commissioner (PCC) for Avon and Somerset and the office of the Chief Constable (OCC).
PCP	Police and Crime Panel
PCSO	Police community support officer
PDR	Performance and Development Review
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.

<b>Term</b>	<b>Definition</b>
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
SRR	Strategic Risk Register
SW ROCU	South West Regional Organised Crime Unit
SWAP	South West Audit Partnership
TOR	Terms of reference
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.
UWE	University of the West of England
VRU	Violence reduction units



Further information can be obtained online at:-

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

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

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