

DRAFT

2015/2016
**CHIEF CONSTABLE'S
STATEMENT
OF ACCOUNTS**



Office of the Chief Constable for Avon & Somerset

Officers of the Office of the Chief Constable

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

Nick Gargan	Chief Constable to 16 October 2015 Phone: 01275 816007
John Long	Acting Chief Constable from 13 May 2014 to 31 August 2015 Phone: 01275 816007
Gareth Morgan	Temporary Chief Constable from 1 September 2015 to 31 January 2016 Phone: 01275 816007
Andy Marsh	Chief Constable from 1 February 2016 Phone: 01275 816007
Julian Kern	Chief Finance Officer to OCC Phone: 01275 816012
Address for chief officers:	Valley Road Portishead Bristol BS20 8QJ



Statement of Accounts 2015/2016

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Office of the Chief Constable for Avon & Somerset

Chief Finance Officer's Narrative Report

This section is a narrative report to explain the most significant matters reported in the accounts and provide commentary on the key issues that have had a major effect on the finances now and in the future. This statement should be read in conjunction with the Chief Finance Officer's Narrative Report in the Police and Crime Commissioner's Statement of Accounts.

1 Introduction

This Statement of Accounts summarises the financial year for 2015/2016. The income and expenditure, assets, liabilities and reserves which are recognised in the PCC's accounts and in the Chief Constable's accounts, reflect the current legislative framework as well as the local arrangements operating in practice. The key elements of the legislative framework and local arrangements include:

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

These financial statements include the following:

- **A statement of responsibilities** - This sets out the responsibilities of the OCC and the CFO in respect of the Statement of Accounts;
- **An annual governance statement** - These statements review the effectiveness of the OCC's internal control systems;
- **A movement in reserves statement** – This statement shows the movement during the year in reserves, and affirms that no actual reserve balances are held by the OCC at the end of the accounting period;
- **A comprehensive income and expenditure statement** - This statement shows the accounting cost in the year of providing policing services in accordance with generally accepted accounting practices, together with the costs of providing pensions for officers and staff;
- **A balance sheet at 31 March 2015** – The balance sheet shows the net pension liability, as well as other employee related balances recognised by the OCC and offset by a debtor from the PCC;
- **A cash flow statement** - The cash flow statement shows the changes in cash and cash equivalents during the year. This statement in the OCC's accounts reflects the fact that there have been no cash transactions in the name of the OCC;
- **A police officers pension fund account statement** - This statement shows the police officers contributions and benefits payable into the pension fund for the year, along with the amount of Home Office top-up grant receivable.

2 Presentation of the Statement of Accounts

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

The Police Reform and Social Responsibility Act 2011 set up new accountability and governance arrangements, establishing both the office of the PCC and the Office of the Chief Constable (OCC) as separate 'corporations sole'. In this new regime, each is a separate legal entity, though the Chief is accountable to the PCC. Both the PCC and OCC are Schedule 2

bodies under the Local Audit and Accountability Act 2014 and are both required to publish a statement of accounts and be subject to audit.

Since 1 April 2014 the employment of all police officers and most staff was transferred to the Chief Constable and the PCC retained employment only of her immediate Office of Police and Crime Commissioner (OPCC) team.

The PCC retained ownership of all existing and future assets, and all contracts continue to be let in the name of the PCC.

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

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

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

The result of this review is that ultimately the control and risks associated with assets and liabilities rest with the PCC, whereas the day to day command and control of operational staff rests with the Chief Constable.

Therefore, the accounting treatment adopted is:-

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

3 Financial Performance

In February 2015 the PCC approved a 2015/2016 net revenue budget of £273m, a reduction of £3.2m/1.2% on the previous year. Of this £268.3m was provided to the Chief Constable in order to support the provision of policing services to the communities of Avon & Somerset, a reduction of £3.9m/1.4%.

In order to manage the reduction in funding provided to the Chief Constable, as well as to cope with inflationary and other cost pressures, the Constabulary identified £12.9m of savings, which took our cumulative savings target since 2010/2011 to £58.8m.

Financial performance against budget is monitored throughout the year, reported to senior managers of the OCC and through to the PCC, who publishes these reports so as to provide public transparency of our financial performance. The financial performance report for 2015/2016 was reported to the PCC in May 2016, and can be found published on the PCC's website.

The Constabulary's net revenue expenditure in 2015/2016 was £265.9m. When compared to budget this means we have underspent by £2.7m/1%, prior to adjustments for provisions and for transfers to earmarked reserves. Once these adjustments were made the underspend reduced to just £0.88m/0.3%, this being the amount that will be transferred to the general fund.

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

- Delivery of savings in accordance with the budget plan;
- Above budget spend on overtime being offset by savings in core headcount.

The following table summarises the revenue financial performance for 2015/2016:-

	Budget	Expenditure	Over/ Under (-)
	£'000	£'000	£'000
Police officers	138,074	135,469	-2,605
Police staff and PCSO's	73,947	71,886	-2,061
Other employee expenses	7,441	7,184	-257
Premises costs	11,942	12,282	340
Travel and transport costs	5,093	5,011	-82
Supplies and services	20,567	21,094	527
Partnership costs	25,376	26,409	1,033
Central costs (inc savings contingency)	4,594	6,362	1,768
Miscellaneous and grants	43	17	-26
Income	-18,748	-19,797	-1,049
Constabulary sub total	268,329	265,917	-2,412
Office of the PCC	1,381	1,561	180
Commissioning (inc exceptional items)	3,266	2,707	-559
Total before provisions and earmarked reserves	272,976	270,185	-2,791
Adjustments for provisions	0	1,708	1,708
Contributions to earmarked reserves	0	199	199
Total after provisions and earmarked reserves	272,976	272,092	-884

It should be noted that the figures above cannot be agreed directly to the comprehensive income and expenditure statement on page 19 where the costs of policing activities include charges for the provision of pensions and the use of assets which are later reversed out through inter-group transfers from the PCC.

In many cases the reported underspends for 2015/2016 will lead to permanent savings, and we believe that we have substantially identified these recurring underspends and removed them from the 2016/2017 budget. In some cases these savings cannot be achieved permanently, and the underspend simply represents a delay in spend yet to occur, or one-off receipt of income unlikely to be repeated.

3.1 Accounting for Pensions

In line with the International Accounting Standard IAS 19 employee benefits there is a significant pension liability of £3.4bn shown on the balance sheet, which is offset by an inter-group debtor with the PCC. This liability is reduced to £3.2bn when the pension scheme assets of £0.2bn are taken into account. More details are disclosed in notes 12 to 14. The liability has no impact on the comprehensive income and expenditure statements and the actual reserves.

3.2 Employee Numbers

The number of full time equivalent employees as at 31 March 2016 is shown in the table below:

Employees	Male Number	Female Number	Total 2015/2016 Number
Number of Employees			
OCC	3,022	2,284	5,306
Number of Senior Officers			
OCC	9	4	13

4 Operational Performance

2015/2016 was the first full year operating in our new ways of working. Our Operating Model was significantly changed during 2014/2015, with the final elements of this structure implemented shortly before the start of the 2015/2016 financial year.

During the year we launched a new corporate system to record and manage all crime, intelligence, case progression and custody activities. As with any system change of this scale the implementation created a disruption for officers and staff, however we sought to minimise this disruption through provision of training and the availability of digital champions across the force, both of which continue to be used to ensure that the system is embedded to support our new ways of working.

Nationally, total recorded crime as reported by the Crime Survey for England and Wales (an independent survey managed by the Office for National Statistics) showed a 7% reduction on the previous year. However, within this we have seen increases in the reporting of domestic and sexual violence, child abuse and child sexual exploitation and other more complex crimes targeting vulnerable people. Conversely, police recorded figures showed an increase of 7%, with the majority of the rise being attributed to improved crime recording practices. During the same period, Avon and Somerset Constabulary showed a 12% increase in overall recorded crime.

HMIC's 2015 PEEL Assessment for Avon and Somerset concluded that the force overall 'requires improvement' following this rating being applied to the "Effectiveness" element of the PEEL inspections. The Force was rated "good" in "Efficiency" (incorporating value for money) and "good" in "Legitimacy".

Overall victim satisfaction rates are currently 78%, and when measured comparatively against other forces, performance is below the Police and Crime Plan ambition for a national 'top 10' position. This coincided with a significant shift in focus towards vulnerable victims and the organisation's response to threat, risk and harm. Work is underway to improve feedback to less vulnerable victims of crime in view of these changes and improve the measurement of victim satisfaction for the vulnerable victims supported through the Integrated Victim Care approach.

Improved confidence to report and better crime recording has led to significantly higher number of domestic and sexual abuse cases being identified and supported this year. The

proportion fully resolved, however, has fallen and is not meeting the current Police and Crime Plan ambition.

Victim satisfaction in cases of domestic burglary have fallen slightly to 87%, whilst the proportion of investigations fully resolved has fallen from an average position compared to other forces nationally (12%) to a below average position (below 10%) over the last year. Levels of burglary recorded in the area also began to increase marginally over the last year, after 12 previous years of sustained reductions.

The proportion of Anti-Social Behaviour (ASB) cases fully resolved have seen a small decrease of around 5% since 2014/2015.

Avon and Somerset maintains a low rate of people killed and seriously injured on its roads compared to other police force areas nationally.

Overall public confidence in policing of Avon and Somerset was on track at top quartile levels during the majority of the year, but fell in the last quarter to an average level for police forces nationally, as measured via the Crime Survey for England and Wales.

5 Looking ahead to 2016/2017 and the Medium Term

The Constabulary has implemented continuous improvement planning across the organisation which, when coupled with established organisational learning practices and effective risk management, ensure that we remain focused on key priorities.

Further transformation of the Constabulary is planned during 2016/2017, delivered through our Change Programme. This will include continued developments in our digital capabilities through initiatives that will provide all frontline police officers and PCSO's with body worn video cameras, as well as further developments in the mobile solutions provided to officers and staff.

The announcements made by the Government in their 2015 Autumn Statement offer a much greater level of protection from funding cuts for the police service. Whilst the Constabulary welcomes these announcements, it also recognises that this does not mean an end to our need to continue to find and deliver savings.

The Constabulary is targeting a further £20.6m of savings to be identified and delivered by 2019/2020. We estimate that the majority of this saving (£15.6m) will be required to simply stand still, with a further saving (£5.0m) identified to enable us to continue to support the cost of transformation, and invest in those areas of our work that meet the changing demand and expectations of our communities.

In total we have already delivered £5.7m of this saving requirement, and have provisionally identified our target for how a further £5.2m will be realised. This will include:-

- Replacing under-utilised, costly to run and surplus properties with a more efficient and effective estate, realising the benefits of collocation with partners where appropriate;
- Review of our enabling services through planning for the end of our Southwest One contract in 2018, and realising the benefits of greater collaboration with partners in the delivery of these services;

The remaining £9.7m of savings needed to achieve our target continue to be the focus of our work internally, and through collaboration with other partners within Avon & Somerset and across the region. We expect to have developed our plans for these further savings during 2016/2017.

Office of the Chief Constable for Avon & Somerset

Statement of Responsibilities

This section explains our responsibilities for our financial affairs and how we make sure we carry out these responsibilities properly.

1 Chief Constable's Responsibilities

The Chief Constable is required to:

- Make arrangements for the proper administration of the Office of the Chief Constable's financial affairs and to make sure that one of its officers, the Chief Finance Officer, has responsibility for the management of those affairs;
- Manage its affairs to secure the use of resources efficiently and effectively and safeguard assets;
- Approve the Statement of Accounts.

2 The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for preparing the Statement of Accounts for the Office of the Chief Constable in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (The 'Code').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- chosen suitable accounting policies and then applied them consistently;
- made reasonable and prudent judgements and estimates;
- complied with the CIPFA Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud including preparing an audit and risk management strategy; and
- made sure that the internal control systems are effective – pages 10 to 18 show this in more detail.

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Office of the Chief Constable as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Julian Kern FCCA, MBA
Chief Finance Officer to OCC
21 June 2016

Auditor's Certificate

Independent auditors' report to the Chief Constable for Avon and Somerset

To be added

Office of Chief Constable for Avon & Somerset

Annual Governance Statement

There is a statutory requirement to prepare the Annual Governance Statement which sets out the internal controls in place to ensure 'proper practices' in accordance with the CIPFA/SOLACE Good Governance Framework. The statement also considers the extent to which the aspirations set out in the PCC's Code of Corporate Governance are currently being met.

The statement sets out the detailed arrangements which support the view of the Chief Constable and his Chief Finance Officer (CFO) that the Chief Constable's financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the CFO in Local Government (2010) as set out in the Addendum (2012) to Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE).

These statements give the results of our yearly assessment of how well we are managing and controlling risks in achieving our aims and meeting the responsibilities we have by law.

1 Scope of Responsibilities

This statement covers the OCC. The PCC's statement of accounts includes a similar statement which covers both the Office of the PCC as well as the Group position of the PCC and OCC.

The OCC is responsible for the direction and control of the Constabulary. In discharging this function, the OCC supports the PCC in ensuring their business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The OCC is also responsible for putting in place proper arrangements for the governance of the Constabulary and ensuring that these arrangements comply with the PCC's Scheme of Governance. In so doing the OCC is ensuring a sound system of internal control is maintained throughout the year and that appropriate arrangements are in place for the management of risk.

The PCC and OCC have adopted corporate governance principles which are consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government. A copy of the Avon and Somerset Joint Scheme of Governance is on the website at www.avonandsomerset-pcc.org.uk or can be obtained from the PCC's office at Police Headquarters, Valley Road, Portishead, BS20 8JJ, or by contacting 01275 816377.

The OCC's Chief Finance Officer (OCCCFO) has responsibility for providing advice on all financial matters, maintaining financial records and accounts and ensuring an effective system of financial control is in place. This role (together with the PCC Chief Finance Officer) conforms to the governance requirements established in the CIPFA statement on the role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable.

2 The Governance Framework

The governance framework in place throughout the 2015/2016 financial year covers the period from 1 April 2015 to 31 March 2016 and up to the date of approval of the annual Statement of Accounts.

This framework comprises the systems, processes, culture and values by which the Chief Constable operates in support of the PCC's Scheme of Governance. It is through the application of this framework that the Chief Constable is able to both monitor and deliver the objectives of the Constabulary and provides assurance to the PCC that these objectives are leading to the delivery of appropriate and cost-effective policing services which provide value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot, however, eliminate all risk of failure to achieve aims and objectives and therefore only provides reasonable and not absolute assurance of effectiveness. The system of internal control is an ongoing process designed to identify and prioritise the risks to achieving the PCC's and Chief Constable's aims and objectives, evaluate the likelihood and impact of those risks being realised and manage them effectively, efficiently and economically.

The Chief Constable is responsible for operational policing matters, direction of police personnel and making proper arrangements for the governance of the Constabulary. He is accountable to the PCC for the exercise of those functions. The Chief Constable must therefore satisfy the PCC that the Constabulary has appropriate mechanisms in place for the maintenance of good governance and that these operate in practice.

This statement provides a summary of the extent to which the Chief Constable is supporting the aspirations set out in the PCC's Scheme of Governance. It is informed by assurances on the five principles set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government where the Chief Constable has responsibility, and by ongoing internal and external audit and inspection opinion. The five principles of good governance where the Chief Constable has responsibility are:-

2.1 Focusing on the Purpose of the Constabulary, and on Outcomes for the Community, and Creating and Implementing a Vision for the Local Area

The purpose, vision, values, priorities and strategic objectives of the PCC are developed through a joint needs assessment and planning process which has been developed through a Strategic Planning Working Group, comprising Constabulary leads, PCC and PCC's lead officers. This culminated in the publication of the PCC's Police and Crime Plan, which incorporates separate plans for each of our nine local authority areas. This working group has enabled a considered and informed approach to objective and priority setting built upon the election work of the PCC, findings of stakeholder and community engagement, strategic assessments of risk and threat, local performance, audit and inspection findings and improvement plans. For 2015/2016, the PCC has added roads policing to her existing priorities to respond to public interest in this area.

Delivery of the Policing Plan is the responsibility of the Chief Constable and the Constabulary. In support of this detailed plans are prepared across the Constabulary, underpinning our overarching continuous improvement plans.

The Constabulary has a mature programme for monitoring performance. Daily performance and risk is assessed and monitored at force level and across local areas. Weekly performance and operational risk is reviewed by Senior Leadership Teams and the Chief Officer Group (COG). Strategic performance is then monitored in more detail on a monthly basis through a range of governance meetings at a corporate and local level. At an annual level, there is a well embedded strategic planning cycle that assesses the performance of the organization through a Constabulary Review.

2.2 Ensuring the Constabulary and Partners Work Together to Achieve a Common Purpose with Clearly Defined Functions and Roles

The PCC's scheme of governance, including Standing Orders, Financial Regulations and Scheme of Delegation, sets out the governance framework. It is through this framework that the roles of both the Chief Constable and PCC are clearly defined and demonstrate how we work together to ensure effective governance and internal control.

The Chief Constable and PCC have regular meetings, which are often extended to include senior officers of both the PCC and the Constabulary. As appropriate these meetings will be supplemented by written papers, which are published through the PCC's website to ensure transparency of decision making.

In addition to the PCC, the Chief Constable and Constabulary operate in partnership with a number of other organisations. These include partnerships in the delivery of policing operations (e.g. collaborations on investigation of Major Crime with Gloucestershire and Wiltshire Police, Special Branch and Forensics activities with Wiltshire, Devon and Cornwall and Dorset Police and Training and Specialist Operations with Gloucestershire and Wiltshire Police), as well as in business support operations (e.g. collaboration with Somerset County Council, Taunton Deane Borough Council and IBM through Southwest One Joint Venture). In all areas of collaboration we have clear governance frameworks in place to ensure the effective delivery of commonly agreed outcomes. Regular South West Regional PCC/OCC meetings are held to discuss Collaborative opportunities.

2.3 Promoting Values of Good Governance Through Upholding High Standards of Conduct and Behaviour

The Constabulary's mission is to ensure that our communities are safe and that they feel safe. The Constabulary's vision is that the communities of Avon and Somerset will have the highest levels of confidence in our delivery of policing services.

The Constabulary has clearly established values, which have been in place for a number of years, and which are firmly embedded throughout the organisation. Our values are:

- Public First;
- Quality Counts;
- Today's Business Today; and
- To be Professional, Friendly and Interested.

The Constabulary reinforces these values and the expected standards of behaviour for its staff through processes, procedures and policies and through its corporate communications.

The Constabulary has a Professional Standards Department, which is overseen by the Deputy Chief Constable who reports directly to the Chief Constable. It is through the work of this department that the Constabulary is able to promote the ethos of personal accountability amongst staff, as well as to investigate allegations of breaches in the code of conduct. Regular communication with both new and existing members of staff re-enforce our corporate anti-corruption messages.

The PCC has established an independent resident's panel to review samples of complaints made by members of the public about the service of the Constabulary. The reports of the panel are considered by the Constabulary and feed into our organisational learning.

The Constabulary has adopted the new Code of Ethics, created by the College of Policing, which sets out the principles and standards of professional behaviour for the policing profession in England and Wales. This action reinforces our commitment to uphold high standards of conduct and behaviour, and has been further supported by the introduction of an independently chaired ethics committee.

2.4 Taking Informed and Transparent Decisions Which are Subject to Effective Scrutiny and Risk Management

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

The Governance arrangements ensure that key decisions are taken at the appropriate level, and are referred to the PCC as required. The Chief Constable and Constabulary are subject to the oversight and scrutiny of the PCC through regular meetings between

the Chief Constable and the PCC, and by lead PCC officers meetings with senior Constabulary officers and staff, often attended by the PCC.

The PCC and Chief Constable have established a joint audit committee. This committee receives reports of both the internal and external auditors, as well as any other reports required to be referred to it under its established Terms of Reference. Through this body the Chief Constable is subject to scrutiny not only of the PCC, but also of the independent members of the Audit Committee.

The Constabulary has mechanisms in place for the management of risk throughout the organisation. Departmental and local policing area risk registers are in place, which underpin the strategic risk register. The strategic risk register includes significant risks identified across all departmental and local policing area risk registers, as well as any other strategic risks identified (including those which arise from audit and inspection reports). The strategic risk register is a live document, monitored by the Deputy Chief Constable and is routinely considered at our Force COG meeting as well as being regularly reported to the Audit Committee.

2.5 Developing the Capacity and Capability of Officers of the Constabulary to be Effective

The Constabulary operates a Performance Development Review (PDR) process. Through our PDR process the Constabulary is able to ensure that our corporate values are reinforced and promoted and that each member of staff has individual objectives which underpin and support the performance of the local policing area or department in which they work as well as their own personal development.

The Constabulary has a Corporate Learning and Development department, and through their skills and expertise we offer a range of internal training sources to meet the identified development needs of our staff. If appropriate the Constabulary will also use external training events to provide staff with necessary development opportunities.

During 2013/2014 the Constabulary achieved Investors in People (IIP) Gold Status, becoming the first Home Office force in the country to achieve this. This achievement recognises the Constabulary's ongoing commitment to support, develop and empower our people to deliver the best possible service to the public.

3 Review of Effectiveness

The Chief Constable has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal audit and system of internal control. This is informed by the internal audit assurance, the opinions and reports of our external auditors and other inspection bodies, as well as the work of the CCCFO, and of managers within the Constabulary who have responsibility for the development and maintenance of the governance environment.

For 2015/2016 this review included the following considerations:

Joint Audit Committee (JAC)

The JAC has concluded another year of work in accordance with their work plan and publishes an annual report which sets out the work of the committee, the training and development of JAC members and the outcomes of the programme of audit work from the last year. The JAC Chair has been appointed for a second term beginning March 2016 until December 2017.

Internal Audit Programme 2015/2016

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

For the 12 months ended 31 March 2016, the Head of Internal Audit opinion for the Office of the Police and Crime Commissioner for Avon and Somerset is as follows:

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

Our internal auditors undertook 11 reviews in total, and issued 2 follow-up reports. Of the reviews undertaken, 9 related to areas wholly or substantially under the direction and control of the Chief Constable, 1 related wholly to the PCC and one related to our regional collaboration programme. Of the 9 reviews focussed on the OCC, 7 provided a conclusion on the level of assurance obtained, and 2 were of an advisory nature.

The table below sets out the level of assurance and agreed actions arising from the 7 assurance reviews undertaken that relate wholly or substantially to the OCC:-

Name of Review	Assurance Level	Agreed Actions		
		High	Medium	Low
Payroll	Substantial	-	2	-
Safeguarding	Substantial	-	1	-
Estates	Reasonable	-	4	4
Financial Controls	Reasonable	-	4	1
Business Continuity Plans	Partial	2	2	-
Project Management	Partial	6	2	1
Culture	Partial	-	4	-
Total		8	19	6

From the reports raised by our internal auditors, there are three particular areas to highlight:-

- Control framework for business continuity – our internal auditors identified that our business continuity plans needed to be updated so that we could strengthen our understanding of single points of failure. We recognised, and agreed with this conclusion and have made substantial progress in bolstering and improving our plans throughout the organisation;
- Project Management – TBC
- Culture/Staff Surveys – Our internal auditors identified a number of issues resulting from the staff survey undertaken during the year. In particular they highlighted concerns expressed about our PDR process, the provision of wellbeing services, and lack of awareness and understanding about what happened with the survey results.

HMIC Inspections

The Constabulary has been subject to HMIC reviews in 2015/2016 under PEEL inspection, with the following outcomes reported:-

- **Legitimacy** - HMIC found that the Constabulary is **Good** in acting with legitimacy in keeping people safe and reducing crime. Overall it found that the Constabulary takes seriously the need for ethical and inclusive workforce, although they found mixed views about its commitment to wellbeing. Local police teams have a good understanding of their neighbourhoods, and they engage positively with the public. The constabulary complies with the Best Use of Stop and Search scheme, and Taser use is mostly fair and appropriate;
- **Efficiency** – HMIC found that the Constabulary is **Good** at keeping people safe and reducing crime efficiently. Overall it found that the Constabulary has successfully reduced spending over the last spending review period through robust financial management and a commitment to continuous improvement. The constabulary has a comprehensive understanding of the demands for its services and is planning effectively for future financial challenges;

- **Effectiveness** – HMIC found that the Constabulary **requires improvement** in the effectiveness with which it keeps people safe and reduces crime. Overall it found that the constabulary is good at preventing crime and anti-social behaviour but the standards of victim care and the quality of investigations lack consistency. The constabulary is generally good at identifying vulnerability but an accurate assessment of the risks presented to domestic abuse victims and persons reported as missing is not always evident. There are good arrangements in place to tackle serious and organised crime.

Medium Term Financial Plan (MTFP)

The Constabulary has identified and delivered £58.8m in savings across the five years since 2010/2011. A further £5.7m of savings has already been delivered for 2016/2017, with a target of £1.4m more to be delivered over the course of the year.

Beyond 2016/2017 we estimate that a further £8.7m of savings will be required by 2020/2021 to standstill, with further savings needed to support reinvestment into new and growing areas of demand for our services.

We do not under-estimate the scale of the challenge in delivering further savings from an organization that has already gone through substantial change. The Constabulary is working closely with the OPCC, and with our partners, to identify further opportunities to achieve savings and expect these plans to substantially develop over the course of 2016/2017.

Risk Management

The JAC has worked with the PCC and Chief Constable during the year, supported by recommendations from internal audit, to improve the alignment and presentation of the PCCs and Chief's strategic risk registers and the framework for risk assurance. This work has led to an improved risk assurance framework with the PCC and Chief Constable to better review and monitor assurances that mitigate and manage risk.

Since March 2016 the risk registers have been reviewed by the JAC in open session, and published online with other JAC papers.

Organisational Learning

The Constabulary has embedded practices to achieving effective organisational learning. Through implementation of our organisational learning strategy the Constabulary is focussed on:-

- Repeating and spreading successes and enabling greater innovation;
- Reducing the incidence and impact of repeated mistakes and service failings; and
- Improving outcomes, public perception and achievement of the Constabulary's plan for continuous improvement.

The Constabulary's organisational learning is managed through portfolio learning forums, each of which is chaired by a Chief Officer, and which report into the Constabulary Learning Board.

4 Significant Governance Issues

Following completion of the review of effectiveness Chief Officers are satisfied that our arrangements for governance, risk management and control are generally adequate and effective. Through our review we have identified that the four biggest risks to the organisation at this time are:-

Issue	Progress
Adequacy of our crime and incident recording compliance	Chief Officers are aware of the risk presented by inaccurate or incorrect crime recording, and are mitigating this through a number of measures including communications strategy, training, completion of audits and regular monitoring by Chief Officers and through to the PCC.
Failure to set a sustainable balanced budget	<p>The financial outlook improved somewhat following the announcements made in the Spending Review. However, as detailed in our MTFP, more savings will be necessary to ensure that we continue to be able to manage within our means in the medium term.</p> <p>Chief Officers are mitigating this risk through ensuring continued review and development of our financial forecasting, coupled with development of our change programme to bring forward initiatives that will enable us to save money, both internally within the Force and in partnership with others.</p>
Withdrawal of partner from existing or proposed collaboration	<p>We are managing our partnerships through established governance mechanisms, and where appropriate enhancing these to ensure that they remain effective – examples of where this has been done is in our regional collaborations where the appointment of new regional ACC’s will enhance shared oversight of our collaborative operations.</p> <p>We know that Somerset County Council will be withdrawing from our Southwest One joint venture during 2016/2017, and we are working jointly with them, and with Southwest One to ensure that the service levels are not adversely affected by this change.</p> <p>We continue to explore new collaborative ways of working, including development of our partnership with Wiltshire Constabulary and our emerging partnership with Avon Fire & Rescue. By approaching these in an open and transparent way we believe we will be able to avoid the potential for conflict which might delay our ability to progress here.</p>
Loss of legitimacy and public confidence	Chief Officers recognise the challenges that the Constabulary has faced over the last two years, and the impact this has had on maintaining public confidence and legitimacy in us and our services. The Constabulary is committed to transparency, and to effective organisational learning, and it believes that through this focus we can sustain and enhance our legitimacy and public confidence.

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

Andy Marsh
Chief Constable

Julian Kern FCCA, MBA
Chief Finance Officer to OCC

Office of the Chief Constable for Avon & Somerset

Movement in Reserves Statement 2014/2015 and 2015/2016

These statements show only the pension related transactions for the years ending 31 March 2015 and 31 March 2016. All reserves are held by the PCC.

Movement in reserves statement 2014/2015						
	Revenue General Fund £'000	Revenue Specific Reserves £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total £'000
Balance as at 31 March 2014	0	0	0	0	0	0
Surplus or deficit(-) on provision of services	381,566	0	0	381,566	0	381,566
Other comprehensive income and expenditure	0	0	0	0	-381,566	-381,566
Total comprehensive income and expenditure	381,566	0	0	381,566	-381,566	0
Adjustments between accounting & funding basis under regulations						
Net IAS 19 charge for retirement benefits	-381,566	0	0	-381,566	381,566	0
Net increase/decrease(-) before transfers to earmarked reserves	0	0	0	0	0	0
Transfers to/from earmarked reserves	0	0	0	0	0	0
Increase/decrease(-) in 2014/2015	0	0	0	0	0	0
Balance as at 31 March 2015	0	0	0	0	0	0

Movement in reserves statement 2015/2016						
	Revenue General Fund £'000	Revenue Specific Reserves £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total £'000
Balance as at 31 March 2015	0	0	0	0	0	0
Surplus or deficit(-) on provision of services	-325,124	0	0	-325,124	0	-325,124
Other comprehensive income and expenditure	0	0	0	0	325,124	325,124
Total comprehensive income and expenditure	-325,124	0	0	-325,124	325,124	0
Adjustments between accounting & funding basis under regulations						
Net IAS 19 charge for retirement benefits	325,124	0	0	325,124	-325,124	0
Net increase/decrease(-) before transfers to earmarked reserves	0	0	0	0	0	0
Transfers to/from earmarked reserves	0	0	0	0	0	0
Increase/decrease(-) in 2015/2016	0	0	0	0	0	0
Balance as at 31 March 2016	0	0	0	0	0	0

Office of the Chief Constable for Avon & Somerset

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

The comprehensive income and expenditure statement shows the resources consumed by the OCC in undertaking operational policing activities. These costs have been funded by the PCC through inter-group adjustments. See note 2 for further details.

2014/2015 £'000	Comprehensive Income and Expenditure Statement - CC	2015/2016 £'000
	Expenditure	
139,432	Local policing	133,553
30,015	Dealing with the public	32,386
30,445	Criminal justice arrangements	27,796
13,367	Road policing	12,118
27,766	Operational support	25,905
22,009	Intelligence	25,607
78,906	Investigation	78,371
10,884	Investigative support	11,459
15,695	National policing	15,521
368,519	Total financial resources of the PCC consumed at the request of the OCC	362,716
-368,519	Inter-group adjustment	-362,716
0	Net cost of police services	0
0	Other operating expenditure	0
116,147	Net interest on pensions (note 12)	104,730
-116,147	Inter-group adjustment (pension interest cost)	-104,730
0	Financial and investment income and expenditure	0
49,328	Police pension top-up grant - Expenditure (note 13)	44,322
-49,328	Police pension top-up grant - Income (note 13)	-44,322
-381,566	Inter-group adjustment (Re-measurement of pension assets and liabilities)	325,124
-381,566	Non-specific grant income and contributions	325,124
-381,566	Surplus(-)/deficit on provision of services	325,124
398,842	Re-measurement of pension assets and liabilities (note 12)	-331,176
-17,276	Return on pensions assets (note 12)	6,052
381,566	Other comprehensive income and expenditure	-325,124
0	Total comprehensive income and expenditure	0

Andy Marsh
Chief Constable
21 June 2016

Julian Kern FCCA, MBA
Chief Finance Officer to OCC
21 June 2016

Office of the Chief Constable for Avon & Somerset

Balance Sheet as at 31 March 2016

The balance sheet shows the pension liability and other employee related creditors and provisions accrual offset by debtors from the PCC.

2014/2015 £'000	Balance Sheet	2015/2016 £'000
	Long term assets	
3,213,904	Long term intra-group debtor	3,021,960
235,897	Police staff pension assets	244,689
3,449,801	Total non-current assets	3,266,649
8,588	Intra-group debtor	9,609
8,588	Total current assets	9,609
-8,588	Creditors (note 15)	-9,609
-8,588	Total current liabilities	-9,609
	Long term liabilities	
-10,446	Provisions (note 16)	-607
-3,439,355	Police pension liabilities (note 12 to 14)	-3,266,042
-3,449,801	Total long term liabilities	-3,266,649
0	Net assets	0
0	Total usable reserves	0
0	Total unusable reserves	0
0	Total reserves	0

Andy Marsh
Chief Constable
21 June 2016

Julian Kern FCCA, MBA
Chief Finance Officer to OCC
21 June 2016

Office of the Chief Constable for Avon & Somerset

Cash Flow Statement

This note does not show any cash flows for the year ending 31 March 2016 as all payments are made from the PCC and all income for the year received by the PCC. The financial consequences of the operational activities undertaken by the OCC can be seen within the comprehensive income and expenditure statement.

2014/2015 £'000	Cash Flow Statement	2015/2016 £'000
-381,566	Net surplus(-)/deficit on the provision of services	325,124
0	Depreciation and impairment of property, plant and equipment	0
0	Amortisation of intangible assets	0
-9,637	Increase(-)/decrease in provision charged back to service	9,839
381,566	Charges for retirement benefits in accordance with IAS 19	-325,124
0	Carrying amounts of non-current assets sold	0
0	Other	0
8,069	Increase/decrease(-) in long and short term debtors	-8,818
1,568	Increase(-)/decrease in long and short term creditors	-1,021
0	Increase/decrease(-) in stock/WIP	0
381,566	Adjust net surplus or deficit on the provision of services for non-cash movements	-325,124
0	Proceeds from the sale of property, plant and equipment	0
0	Capital grants credited to the surplus or deficit on the provision of service	0
0	Adjust net surplus or deficit on the provision of services that are investing or financing activities	0
0	Net cash flows from operating activities	0
0	Purchase of plant, property and equipment	0
0	Capital receipts	0
0	Capital grant/contribution income due for the year	0
0	Purchase of short & long term investments	0
0	Interest received	0
0	Net cash flow from investing activities	0
0	Bank overdraft	0
0	Repayment of long term loans	0
0	Interest paid	0
0	Net cash flow from financing activities	0
0	Net increase(-)/decrease in cash and cash equivalents	0
0	Cash and cash equivalents at the beginning of the reporting period	0
0	Cash and cash equivalents at the end of the reporting period	0

Office of the Chief Constable for Avon & Somerset

Notes to the Financial Statements

1 Statement of Accounting Policies

1.1 General Principles

The general principles adopted in compiling these accounts are in accordance with the recommendations of CIPFA. They accord with CIPFA's Code of Practice on Local Authority Accounting 2015/2016, the Service Reporting Code of Practice (CIPFA Code) 2015/2016 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 £100 for accruals in both 2014/2015 and 2015/2016.

1.3 Overhead Allocations

Overheads are allocated to service areas based either on headcount or expenditure depending on which is considered the most appropriate cost driver for the service area in question.

1.4 VAT

The OCC does not submit a Value-Added Tax return to HMRC as this is submitted as a single return for the group by the PCC. Income and expenditure in the OCC's comprehensive income and expenditure statement excludes VAT, except where it is non-recoverable.

1.5 Employee Benefits

1.5.1 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.

1.5.2 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.

1.5.3 Pension Benefits

There are different pension arrangements for police officers and for police staff. In both cases pensions and other benefits are paid to retired staff which relate to the individual's length of service.

Until 31 March 2006 retired police officers were paid their pensions from the contributions received each year. However, from 1 April 2006, although the OCC makes the payments and collect the contributions, responsibility for the cost of these payments has transferred to the Government.

Police staff including PCSO's are part of the Local Government Pension Scheme, in which case, the employer and the staff in the scheme pay into the pension fund at agreed rates. When an individual retires the fund pays all the usual benefits.

Occasionally extra costs have to be met when an employee retires early or retires due to ill health. These costs are charged to the comprehensive income and expenditure statement.

In accordance with IAS 19 – Employee benefits, long term pension liabilities have been included in the OCC balance sheet.

1.5.4 Re-measurement of Pension Asset and Liabilities

The IAS 19 actuarial gains and losses and the return on the pension fund assets are fully recognised immediately within the comprehensive income and expenditure statement.

1.6 Provisions

Provisions are made where an event has taken place that gives the Office of the Chief Constable a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the obligation.

Provisions are charges to the appropriate service line in the comprehensive income and expenditure statement in the year the Office of the Chief Constable becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation taking into account the relevant risks and uncertainties. When settled the amounts agreed will be charged against the provision.

1.7 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Office of the Chief Constable a possible obligation whose existence can only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Office of the Chief Constable. Contingent liabilities also arise in the situation where a provision would otherwise be made but where it is possible but not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

1.8 Post Balance Sheet Events

These are events occurring after the balance sheet date but before the Statement of Accounts are authorised for issue. Two types of events can be identified:

- Adjusting events - where there is evidence that the conditions existed at the end of the reporting period and the accounts are adjusted to reflect these events.
- Non-adjusting events – where these are indicative of conditions that arose after the balance sheet date, the Statement of Accounts are not amended, but a note is included to provide an explanation of the nature and the effect of the event.

Events that have taken place after the authorised date of issue are not reflected within the Statement of Accounts.

2 Critical Judgements in Applying Accounting Policies

The OCC accounts have been prepared on a going concern basis.

Following the Police Reform and Social Responsibility Act 2011, two new corporate entities were created being the PCC and OCC. All payments for the PCC Group are made by the PCC and no cash movements are made between the PCC and OCC. The PCC has the responsibility for managing the financial relationships with third parties and has legal responsibility for discharging the contractual terms and conditions of suppliers. The PCC holds all the assets, liabilities and reserves, with the exception of the IAS 19 pension liabilities, the accumulated short term absences creditor accrual and other employee related accruals and provisions, as the OCC employs officers and staff. This is matched on the balance sheet of the OCC by an inter-group adjustment with the PCC. The comprehensive income and expenditure statement shows the net cost of policing services in line with the SeRCOP definitions excluding the costs of administering the PCC and the associated IAS 19 pension costs. This is met by an inter-group adjustment with the PCC to bring the net cost of police service to nil.

3 Accounting Standards Issued But Not Adopted

The following accounting standards have been amended and not adopted until 2016/2017 and are unlikely to have a material impact on the financial statements.

- IAS 19 Employee Benefits: The amendments to this standard relate to changes to the format of the pension fund account.
- IFRS 11 Joint Arrangements: The amendments to this standard relate to the accounting for acquisitions.
- IAS 16 Plant, Property and Equipment, IAS 38 Intangible Assets: The amendments to these standards provide clarification on methods of depreciation and amortisation.

There is however an amendment to IAS 9 Presentation of Financial Statements which introduces a new format for the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and introduces a new Expenditure and Funding Analysis. These changes will be implemented in next year's accounts, and will include the restatement of the comparative year in the new format.

4 Assumptions Made About the Future and the Sources of Estimations

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

4.1 Pension Service Costs

The estimation of the service cost to pay pension depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are expected to increase, changes in retirement ages, mortality rates and the expected return on the fund's assets. Actuaries provide the PCC Group with expert advice about the assumptions that have been applied.

Further information is included within notes 12 to 14 regarding the assumptions that have been used by the actuaries to provide an estimate of the liability.

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

Police Officer Sensitivity Analysis	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	2,791,490	2,843,444	2,896,437
Projected service cost	48,288	49,460	50,662
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	2,850,039	2,843,444	2,836,884
Projected service cost	49,674	49,460	49,247
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	2,890,469	2,843,444	2,797,346
Projected service cost	50,462	49,460	48,485
Adjustment to mortality age	+1 year	None	-1 year
Present value of total obligation	2,933,558	2,843,444	2,756,178
Projected service cost	50,722	49,460	48,229

Police Staff Sensitivity Analysis	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	413,156	422,598	432,266
Projected service cost	17,004	17,470	17,949
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	424,048	422,598	421,160
Projected service cost	17,470	17,470	17,470
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	430,930	422,598	414,467
Projected service cost	17,954	17,470	16,998
Adjustment to mortality age	+1 year	None	-1 year
Present value of total obligation	434,709	422,598	410,835
Projected service cost	17,916	17,470	17,035

5 Events After the Balance Sheet Date

Sue Mountstevens was re-elected as Police and Crime Commissioner for Avon and Somerset and took up her position on 12 May 2016.

6 Service Analysis

This note shows the analysis of income and expenditure by main service area.

Service Analysis 2014/2015	Employee Costs £'000	Premises £'000	Transport £'000	Supplies & Services £'000	Third Party Payments £'000	Other £'000	Total £'000
Employee expenses	214,459	0	0	0	0	19,207	233,666
Other operating expenses	0	13,262	5,242	23,560	23,030	4,622	69,716
Net cost of services	214,459	13,262	5,242	23,560	23,030	23,829	303,382

This note reconciles the service analysis with the surplus/deficit on the provision of services as shown in the comprehensive income and expenditure statement.

Reconciliation to Subjective Analysis 2014/2015	Service Analysis £'000	Not Reported to Management £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Employee expenses	233,666	174	233,840	0	233,840
Employee expenses - IAS 19 pensions	0	33,654	33,654	-116,147	-82,493
Other operating expenses	69,716	2,461	72,177	0	72,177
Depreciation, amortisation and impairment	0	28,848	28,848	0	28,848
Intra group adjustment	0	-368,519	-368,519	-265,419	-633,938
Surplus(-)/deficit on the provision of services	303,382	-303,382	0	-381,566	-381,566

This note shows the analysis of income and expenditure by main service area.

Service Analysis 2015/2016	Employee Costs £'000	Premises £'000	Transport £'000	Supplies & Services £'000	Third Party Payments £'000	Other £'000	Total £'000
Employee expenses	215,157	0	0	45	0	17,456	232,658
Other operating expenses	0	12,282	5,011	22,250	26,409	7,276	73,228
Net cost of services	215,157	12,282	5,011	22,295	26,409	24,732	305,886

This note reconciles the service analysis with the surplus/deficit on the provision of services as shown in the comprehensive income and expenditure statement.

Reconciliation to Subjective Analysis 2015/2016	Service Analysis £'000	Not Reported to Management £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Employee expenses	232,658	242	232,900	0	232,900
Employee expenses - IAS 19 pensions	0	38,219	38,219	-104,730	-66,511
Other operating expenses	73,228	-1,183	72,045	0	72,045
Depreciation, amortisation and impairment	0	19,552	19,552	0	19,552
Intra group adjustment	0	-362,716	-362,716	-220,394	-583,110
Surplus(-)/deficit on the provision of services	305,886	-305,886	0	-325,124	-325,124

7 Paying Staff

Disclosure of Remuneration for Senior Employees 2014/2015							
Post Holder Information (post title and name)	Note	Salary (including fees & allowances)	Compensation for Loss of Office	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2014/2015	Pension Contributions	Total Remuneration Including Pension Contributions 2014/2015
		£	£	£	£	£	£
Chief Constable - N Gargan	1	154,254	0	6,172	160,426	36,433	196,859
Acting Chief Constable - J Long	2	150,727	0	6,188	156,915	34,899	191,814
		304,981	0	12,360	317,341	71,332	388,673

Disclosure of Remuneration for Senior Employees 2015/2016							
Post Holder Information (post title and name)	Note	Salary (including fees & allowances)	Compensation for Loss of Office	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2015/2016	Pension Contributions	Total Remuneration Including Pension Contributions 2015/2016
		£	£	£	£	£	£
Chief Constable - N Gargan	1	90,145	39,116	3,052	132,313	19,912	152,225
Acting Chief Constable - J Long	2	73,529	0	3,364	76,893	4,103	80,996
Temporary Chief Constable - G Morgan	3	65,402	0	0	65,402	15,396	80,798
Chief Constable - A Marsh	4	25,859	0	473	26,332	6,158	32,490
		254,935	39,116	6,889	300,940	45,569	346,509

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

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

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

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

Disclosure of Remuneration for Senior Employees 2014/2015

Post Holder Information (post title)	Note	Salary (including fees & allowances)	Expense Allowances	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2014/2015	Pension Contributions	Total Remuneration Including Pension Contributions 2014/2015
		£	£	£	£	£	£
Director of Resources and Chief Finance Officer to the OCC		124,795	2,172	4,160	131,127	13,727	144,854
Director of HR	1	12,319	115	3,103	15,537	1,265	16,802
Chief Operating Officer - College of Policing (secondment)		131,748	2,205	4,402	138,355	30,618	168,973
ACC Local Policing and Performance	2	21,889	0	4,567	26,456	5,082	31,538
ACC Specialist Operations		97,818	0	5,876	103,694	23,363	127,057
T/ACC Prevention, Protection and Prosecution		98,451	0	1,239	99,690	23,049	122,739
T/ACC Local Policing	3	86,679	0	1,423	88,102	19,626	107,728
T/ACC Unassigned	4	97,880	0	1,615	99,495	22,423	121,918
Force Medical Officer		130,225	572	0	130,797	14,075	144,872
CSUPT Programme Lead-Operating Model		78,443	0	1,239	79,682	18,983	98,665
CSUPT Somerset Area Commander		89,747	1,094	1,373	92,214	20,026	112,240
CSUPT Bristol Area Commander		78,443	0	1,433	79,876	18,983	98,859
CSUPT North East Area Commander		82,054	15	1,426	83,495	19,190	102,685
CSUPT North East Area Commander	5	32,516	0	601	33,117	4,878	37,995
CSUPT Head of Criminal Justice		82,134	0	1,520	83,654	18,983	102,637
T/CSUPT Head of Specialist Operations	6	72,626	0	1,413	74,039	17,520	91,559
CSUPT Manage		74,031	0	1,239	75,270	17,027	92,297
CSUPT Local Policing	7	17,714	0	281	17,995	4,148	22,143
		1,409,512	6,173	36,910	1,452,595	292,966	1,745,561

Disclosure of Remuneration for Senior Employees 2015/2016

Post Holder Information (post title)	Note	Salary (including fees & allowances)	Expense Allowances	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2015/2016	Pension Contributions	Total Remuneration Including Pension Contributions 2015/2016
		£	£	£	£	£	£
Director of Resources and Chief Finance Officer to the OCC		129,264	2,400	4,643	136,307	14,219	150,526
Chief Operating Officer - College of Policing (secondment)	8	132,656	0	2,740	135,396	30,841	166,237
Deputy Chief Constable	9	21,707	0	1,245	22,952	5,081	28,033
Temporary Deputy Chief Constable	10	99,866	0	5,497	105,363	21,245	126,608
T/ACC - Specialist Operations	11	100,018	0	1,305	101,323	23,524	124,847
ACC - Prevention, Protection and Prosecution	12	107,938	0	2,364	110,302	24,469	134,771
ACC - Wiltshire Constabulary (secondment)	13	99,653	0	1,097	100,750	20,226	120,976
ACC - Local Policing	14	94,900	0	113	95,013	22,966	117,979
Force Medical Officer		135,778	0	0	135,778	14,798	150,576
C SUPT North East Area Commander	15	85,600	0	1,529	87,129	19,822	106,951
C SUPT Bristol Area Commander		81,909	0	1,427	83,336	19,822	103,158
C SUPT Somerset Area Commander	16	42,748	0	755	43,503	8,830	52,333
C SUPT Somerset Area Commander	17	73,539	732	1,443	75,714	17,796	93,510
C SUPT Specialist Operations	18	84,664	15	1,362	86,041	19,822	105,863
C SUPT Specialist Operations	19	63,466	0	985	64,451	14,457	78,908
T/C SUPT Specialist Operations	20	10,791	0	490	11,281	2,101	13,382
T/C SUPT - Prevention, Protection and Prosecution	21	40,271	0	1,443	41,714	9,419	51,133
		1,404,768	3,147	28,438	1,436,353	289,438	1,725,791

Notes to Remuneration for 2014/2015

- Note 1: The Director of HR resigned on 15/06/2014. The annualised salary was £106,940.
- Note 2: The Assistant Chief Constable resigned on 15/06/2014. The annualised salary was £101,805.
- Note 3: The Assistant Chief Constable was temporarily promoted to this rank on 22/12/2014 at an annualised salary of £95,640.
- Note 4: The Assistant Chief Constable was temporarily promoted to this rank on 16/06/2014 and went to the Strategic Command Course in December 2014.
- Note 5: The Chief Superintendent retired on 30/07/2014. The annualised salary was £81,435.
- Note 6: The Chief Superintendent was temporarily promoted to this rank on 22/12/2014 at an annualised salary of £78,768.
- Note 7: The Chief Superintendent resigned on 15/06/2014. The annualised salary was £83,094.

Notes to Remuneration for 2015/2016

- Note 8: The Chief Operating Officer - College of Policing (Secondment) retired on 31/03/2016. The annualised salary was £125,964.
- Note 9: The Acting Chief Constable moved to the Deputy Chief Constable role on 01/02/2016 at an annualised salary of £125,964.
- Note 10: The Assistant Chief Constable Specialist Operations was temporarily promoted to Deputy Chief Constable on 01/09/2015, then resigned on 31/01/2016. The annualised salary was £125,964.
- Note 11: The Temporary Assistant Chief Constable moved to the Chief Superintendent Prevent Protect & Prosecute post, then temporarily promoted to Assistant Chief Constable Specialist Operations on 01/09/2015 at an annualised salary of £102,822.
- Note 12: The Temporary Assistant Chief Constable moved to the permanent Assistant Chief Constable Prevention, Protection and Prosecution role on 04/05/2015 at an annualised salary of £102,822.
- Note 13: The Chief Superintendent was temporarily promoted to ACC Programme Director Strategic Alliance on 01/06/2015, then seconded to PCC for Wiltshire on 04/01/2016 at an annualised salary of £96,597.
- Note 14: The Chief Superintendent Programme Lead - Operating Model was appointed ACC - Local Policing on 04/05/2015 at an annualised salary of £96,597.
- Note 15: The Chief Superintendent Head of Criminal Justice moved to the Chief Superintendent North East Area Commander post on 07/12/2015 at an annualised salary of £82,248.
- Note 16: The Chief Superintendent retired on 08/09/2015. The annualised salary was £83,094.
- Note 17: The Chief Superintendent Standards Culture and Ethics, was temporarily promoted to this rank on 27/04/2015, then promoted permanently into the Somerset Area Commander role in 07/09/2015 at an annualised salary of £79,557.
- Note 18: The Chief Superintendent North East Commander moved to the Chief Superintendent Specialist Operations post on 07/12/2015 at an annualised salary of £82,248.
- Note 19: The Chief Superintendent - Manage, moved to the Chief Superintendent Specialist Operations post on 01/06/2015, then retired on 29.12.2015. The annualised salary was £82,248.
- Note 20: The Chief Superintendent's temporary promotion ended on 10/05/2015. The annualised salary was £78,768.
- Note 21: The Chief Superintendent was temporarily promoted to this rank on 05/10/2015 at an annualised salary of £79,557.

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

2014/2015 Number	Pay Range	2015/2016 Number
136	£50,000 - £54,999	175
89	£55,000 - £59,999	73
25	£60,000 - £64,999	25
7	£65,000 - £69,999	13
6	£70,000 - £74,999	8
11	£75,000 - £79,999	8
2	£80,000 - £84,999	5
2	£85,000 - £89,999	3
1	£90,000 - £94,999	1
2	£95,000 - £99,999	0
1	£100,000 - £104,999	3
0	£105,000 - £109,999	1
0	£110,000 - £114,999	1
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0
0	£125,000 - £129,999	0
2	£130,000 - £134,999	0
1	£135,000 - £139,999	3
0	£140,000 - £144,999	0
0	£145,000 - £149,999	0
0	£150,000 - £154,999	0
1	£155,000 - £159,999	0
1	£160,000 - £164,999	0
287		319

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

8 Exit Packages

Exit Packages 2014/2015 Banding	Compulsory Redundancies	
	Number	£'000
£0 - £19,999	21	184
£20,000 - £39,999	2	62
	23	246

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

9 Transactions with Related Organisations and People

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

9.1 Key Management Personnel and Members of the Joint Audit Committee

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

Jude Ferguson is chair of the Joint Audit Committee and is also Chair of Weston College Corporation. We made payments to Weston College of £9,935 to procure training (£3,737 in 2014/2015).

No other transactions were disclosed.

9.2 Other Related Parties

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

In 2015/2016 supplies and services were provided by Southwest One to the value of £22,115,234 (£22,653,671 in 2014/2015). The payments to Southwest One cover both staffing costs and the provision of other services for Human Resources, Technology Services, Finance, Administration, Estates (until June 2013) and Purchasing and Supply functions. Amounts of £9,358,050 (£9,443,244 in 2014/2015) were received for staff seconded to Southwest One and non-pay adjustments.

The OCC also has a relationship with the Police Community Trust and the Avon and Somerset Force Club. Payments were made to the Police Community Trust of £430,000 in 2015/2016 (£345,000 in 2014/2015). Payments were also made to the Avon and Somerset Force Club of £30,972 (£39,268 in 2014/2015) and £4,927 was invoiced but yet to be received (£5,784 in 2014/2015).

10 Joint Arrangements

The OCC participates in a number of joint arrangements. These joint arrangements are where the authority works in collaboration with other organisations to deliver activities which are agreed through a shared control, usually through a shared board.

Joint arrangements are classified as either joint operations or joint ventures. Joint operations are where the parties have the rights to the assets and obligations for the liabilities relating to the arrangement. Joint ventures are where the parties have rights to the net assets of the arrangement. The OCC does not participate in any joint ventures.

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

The OCC's contributions to the joint operations are disclosed below:

2014/2015		2015/2016
Expenditure £'000	Joint Operations	Expenditure £'000
1,495	Serious and Organised Crime (Zephyr)	1,651
781	Firearms Training	996
4,426	Major Crime Investigation (Brunel)	4,524
11,203	Specialist Operations (Tri Force)	11,609
875	South West Forensic Services	2,757
996	South West Region - Special Branch	1,015
0	Regional ICT Programmes	9
0	Other Regional Programmes	197
19,776	Total	22,758

10.1 Serious and Organised Crime (Zephyr)

Zephyr is a regional collaboration set up to combat serious and organised crime across the south west of England. Avon and Somerset are the lead force with a 32.4% share of net expenditure. Other partners are Devon and Cornwall (33.3%), Dorset (11.8%), Gloucestershire (10.8%) and Wiltshire (11.7%). The total net cost of the operation, after government grants and sundry income, was £4,807,184 in 2015/2016 (£4,244,575 in 2014/2015).

10.2 Firearms Training

Firearms Training is run in partnership between Avon and Somerset (41.8%), Gloucestershire (32.7%) and Wiltshire (25.5%). The total cost of the operation was £2,382,146 in 2015/2016 (£1,866,426 in 2014/2015). The PFI specialist training facility became operational in 2015/2016.

10.3 Major Crime Investigation (Brunel)

Between April and November 2015 there was a collaboration between Avon and Somerset (77%) and Wiltshire (23%) for the purposes of providing regional oversight and scrutiny of major incidents. From December 2015 Gloucestershire joined the collaboration from which time the shares were Avon and Somerset (64%), Gloucestershire (17%) and Wiltshire (19%). The total cost of the service was £6,441,329 in 2015/2016 (£5,888,917 in 2014/2015).

10.4 Specialist Operations (Tri Force)

Tri Force is a collaboration between Avon and Somerset (53.6%), Gloucestershire (23.2%) and Wiltshire (23.2%) to deliver armed, roads and dogs policing. The total cost of the operation was £21,643,000 in 2015/2016 (£20,885,000 in 2014/2015).

10.5 South West Forensic Services

South West Forensic Services, which commenced in 2014/2015, is a collaboration between Avon and Somerset (34.9%), Devon and Cornwall (30.2%), Dorset (19%) and Wiltshire (15.9%) to provide forensic services. The total cost of the operation was £7,843,511 in 2015/2016 (£2,524,543 in 2014/2015).

10.6 South West Region – Special Branch

This is a collaboration between Avon and Somerset (28%), Devon and Cornwall (29%), Dorset (24%) and Wiltshire (19%) to provide Special Branch policing across the South West Region. The total cost of the operation was £3,626,489 in 2015/2016 (£3,555,411 in 2014/2015).

10.7 Regional ICT Programmes

This is a collaboration between Avon and Somerset (15%), Gloucestershire (40%), Devon and Cornwall (15%), Dorset (15%) and Wiltshire (15%) for the purpose of providing a regional Chief Information Officer to take the lead on regional IT programmes. The total cost of this activity was £60,325 in 2015/2016.

10.8 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 project. The total cost of all programmes was £539,872 in 2015/2016.

11 Audit Fees

The audit fee for Grant Thornton relating to external audit services carried out under the Code of Audit Practice for the audit of 2015/2016 financial statements is £18,750 (£25,000 in 2014/2015).

12 Pensions Costs and Liabilities

The full costs of retirement benefits earned by employees during the year are recognised through the comprehensive income and expenditure statement net cost of police services as they are accrued. These pension costs and liabilities are offset by the inter-group transfers with the PCC. There is no impact on the PCC's general fund.

	Police Staff		Police Officers	
	2014/2015 £'000	2015/2016 £'000	2014/2015 £'000	2015/2016 £'000
Comprehensive income and expenditure statement				
Cost of services:				
Current service cost	12,553	19,945	61,924	59,308
Past service cost including curtailments	466	0	0	0
Administration expenses	83	161	0	0
Financing and investment income and expenditure:				
Net interest cost	6,802	7,536	109,345	97,194
Total post employment benefits charged to the comprehensive income and expenditure statement	19,904	27,642	171,269	156,502
Other post employment benefits charged to the comprehensive income and expenditure statement				
Return on plan assets	17,276	-6,052	0	0
Changes in demographic assumptions	0	0	0	0
Changes in financial assumptions	-75,442	65,792	-323,476	272,059
Experience gain/loss(-) on defined benefit obligations	76	-68	0	-6,067
Other actuarial gain/loss(-)	0	0	0	0
Total other comprehensive income	-58,090	59,672	-323,476	265,992
Movement in reserves statement				
Reversal of net charges made for retirement benefits in accordance with the code	-19,904	-27,642	-171,269	-156,502
Actual amount charged against the general fund balance for pensions in the year				
Employer's contribution to scheme	9,934	10,469	25,462	24,606
Retirement benefits payable to pensioners	118	117	5,845	5,933

2014/2015 £'000	IAS 19 Pension Liabilities	2015/2016 £'000
-2,982,933	Police officers	-2,843,444
-220,525	Police staff	-177,909
-3,203,458		-3,021,353

13 Pensions for Police Officers

Employer contributions levels are based on percentages of pensionable pay set nationally by the Home Office. From 1 April 2014 contributions increased and officers will pay contributions ranging from 11.0% to 15.1% depending on their pay scale and the scheme they are in. Employer contributions to the Police Officer Pension Scheme are projected at £23,288,000 in financial year 2016/2017.

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

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

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

2014/2015 £'000	Cost of Injury and Ill-Health Benefits - Police Officers	2015/2016 £'000
7,147	Payments to pensioners	6,948

2014/2015 £'000	Pensions Account	2015/2016 £'000
89,186	Benefits paid to officers	83,209
-39,858	Less contributions received from officers	-38,887
49,328	Balance met from PCC Group	44,322

In 2015/2016 the Constabulary participated in the Police Force Pension Scheme which was established under Police Pension Fund regulations 2007 SI 2007 No. 1932. Within these regulations, and up to 31 March 2015, there were two defined benefit schemes referred to as the 1987 Police Pension Scheme and the 2006 New Police Pension Scheme. From 1 April 2015 a further defined benefit police pension scheme was introduced. Members of the existing 1987 and 2006 schemes with less than ten years to their normal pension age remained in their current scheme. All other members are transferring into the 2015 scheme with some tapered projection applying to those within ten to fourteen years of pension age. The normal pension age for the 2015 scheme is 60. Each of these schemes will be administered by the OCC. The schemes are not funded and so have no assets set aside to meet liabilities. The schemes are accounted for in accordance with the PCC Group accounting policies as detailed on pages 22 to 23.

A full valuation of the pension scheme liabilities was undertaken as at 31 March 2014. This work was carried out by independent actuaries who have taken account of the requirements of IAS 19 to assess the liabilities of the fund. Liabilities have been calculated by reference to police officers who are members of the fund as well as those who are already receiving

pensions. The estimate of the duration of the scheme's liabilities is 19 years. Using the assumptions detailed in the tables below an estimate of the costs and liabilities associated with police officers pensions has been made.

Life Expectancy from Age 65 Years		
Current pensioners		
	Males	23.6
	Females	25.9
Retiring in 20 years		
	Males	25.9
	Females	28.3

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

2014/2015		2015/2016
%		%
3.3	Discount rate	3.7
4.2	Rate of increase in salaries	4.2
2.4	Rate of increase in pensions in payment	2.4
3.2	Retail price index	3.3
2.4	CPI increases	2.4

The movement in the present value of scheme liabilities for the year to 31 March 2016 is as follows:

2014/2015	Present Value of Police Pension Scheme Liabilities	2015/2016
£'000		£'000
-2,519,495	Present value of schemes liability as at 1 April	-2,982,933
Movements in the year		
-61,924	Current service cost	-59,308
83,505	Estimated benefits paid (net of transfers in)	96,158
-13,994	Contributions by scheme participants	-13,632
-109,345	Interest costs	-97,194
-361,680	Change in financial assumptions	220,072
0	Experience gain/loss on defined benefit obligations	-6,607
-2,982,933	Present value of schemes liability as at 31 March	-2,843,444

The movement in the fair value of scheme assets for the year to 31 March 2016 is as follows:

2014/2015	Fair Value of Police Pensions Scheme Assets	2015/2016
£'000		£'000
0	Present value of schemes assets as at 1 April	0
Movements in the year		
38,204	Change in financial assumptions	51,987
31,307	Contributions by employer	30,539
13,994	Contributions by scheme participants	13,632
-83,505	Estimated benefits paid (net of transfers in)	-96,158
0	Present value of schemes assets as at 31 March	0

14 Pensions for Police Staff

Police staff can choose to join the Somerset County Council Local Government Pension Scheme, which is a defined benefit scheme based on final pensionable salary. Government regulations define the level of funding required to meet the full cost of current and future pensions.

The total amounts paid into the fund by the PCC Group and the percentage of employees' contributions are shown below.

2014/2015		Pension Costs - Police Staff	2015/2016	
Payments £'000	Percentage of Employees' Contributions		Payments £'000	Percentage of Employees' Contributions
9,200	88-200	PCC's contribution	10,125	88-200

During 2015/2016 the Constabulary paid into the fund at rates of between 88% and 200% of the rate which employees paid depending upon the whole time equivalent salary paid to employees. Employer contributions to the Police Staff Pension Scheme are projected at £10,557,000 in financial year 2016/2017.

At 31 March 2013 the PCC's share of the deficit on this scheme was £49,279,000. To contribute towards this liability the PCC has agreed to pay 11% of the employee salary to pay for new service of the current active members and an annual fixed sum to pay for the deficit recovery. The fixed sum paid in 2015/2016 was £2,760,000, the amount due in 2016/2017 is £2,880,000.

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 12.

A full valuation of the pension scheme liabilities was undertaken as at 31 March 2013. 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 23 years. Using the assumptions detailed in the tables below an estimate of the costs and liabilities associated with police staff pensions has been made.

Life Expectancy from Age 65 Years		
Current pensioners		
	Males	23.8
	Females	26.2
Retiring in 20 years		
	Males	26.1
	Females	28.5

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

2014/2015 %		2015/2016 %
3.5	Discount rate	3.8
4.4	Rate of increase in salaries	4.3
2.6	Rate of increase in pensions in payment	2.5
3.4	Retail price index	3.4
2.6	Consumer price index	2.5

The return on the pension fund assets on a bid value basis for the year to 31 March 2016 is estimated to be 16%. The estimated value of the PCC's share of the fund's assets is £244,689,000 on a bid value basis (2014/2015 £235,897,000). The assets are made up of the following:

2014/2015 £'000	%	Assets	2015/2016 £'000	%
		Equities		
60,626	25.7	UK - Quoted	57,502	23.5
84,450	35.8	Overseas - Quoted	96,407	39.4
1,179	0.5	UK - Unquoted	1,223	0.5
15,569	6.6	Overseas - Unquoted	9,053	3.7
2,595	1.1	Private equity	3,670	1.5
164,419	69.7		167,855	68.6
		Gilts - Public Sector		
5,662	2.4	UK fixed interest	7,341	3.0
0	0.0	Overseas fixed interest	734	0.3
9,672	4.1	UK index linked	10,277	4.2
236	0.1	Overseas index linked	245	0.1
15,570	6.6		18,597	7.6
		Other Bonds		
19,815	8.4	UK	21,288	8.7
4,718	2.0	Overseas	5,873	2.4
24,533	10.4		27,161	11.1
21,467	9.1	Property UK	27,650	11.3
236	0.1	Derivatives	-489	-0.2
9,672	4.1	Cash (invested internally)	3,915	1.6
235,897	100	Total assets	244,689	100

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

2014/2015 £'000	Police Staff Pensions	2015/2016 £'000
235,897	Share of assets in pension fund	244,689
-454,404	Estimated liabilities in pension fund	-420,645
-2,019	Estimated unfunded liabilities	-1,953
-220,526	Deficiency in fund	-177,909

The movement in the present value of schemes obligations for the year 31 March 2016 is as follows:

2014/2015 £'000	Present Value of Police Staff Liabilities	2015/2016 £'000
-356,487	Present value of defined obligations as at 1 April	-456,423
	Movements in the year	
-12,553	Current service cost	-19,945
-466	Past service cost, including curtailments	0
8,894	Estimated benefits paid (net of transfers in)	8,380
-4,261	Contributions by scheme participants	-4,544
-16,302	Interest costs	-15,907
118	Unfunded pension payments	117
-75,442	Change in financial assumptions	65,792
76	Experience loss(-)/gain on defined benefit obligations	-68
-456,423	Present value of defined obligations as at 31 March	-422,598

The movement in the fair value of scheme assets for the year to 31 March 2016 is as follows:

2014/2015 £'000	Fair Value of Police Staff Scheme Assets	2015/2016 £'000
203,903	Fair value of scheme assets as at 1 April	235,897
	Movements in the year	
9,500	Interest on assets	8,372
17,276	Return on assets less interest	-6,052
-83	Administration expenses	-161
10,052	Contributions by employer	10,586
4,261	Contributions by scheme participants	4,544
-9,012	Estimated benefits paid (net of transfers in)	-8,497
235,897	Fair value of scheme assets as at 31 March	244,689

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.

15 Creditors

All creditors are with the PCC and relate primarily to leave earned by employees but not taken before the year end, which employees can carry forward into the next financial year. Other employee overtime expenses accrued are also included. Therefore, total creditors for 2015/2016 is £9,609,376 (2014/2015 £8,587,968).

16 Provisions

Provisions	Balance 1 April 2015 £'000	Reversed Unused £'000	Used in Year £'000	New in Year £'000	Balance 31 March 2016 £'000
Ill-health & termination benefits	254	0	-254	184	184
Holiday pay on overtime	563	0	-563	73	73
Bank holiday pay	29	-29	0	0	0
Overtime liability	0	0	0	350	350
Pension lump sums	9,600	0	-9,600	0	0
	10,446	-29	-10,417	607	607

The ill health and termination benefits provision of £184,000 is where approval was agreed at 31 March 2016 to make the payments during 2016/2017.

There is a provision of £73,000 for back pay claims for holiday pay where overtime has been worked since October 2015. This should be resolved in 2016/2017.

There is a provision of £29,000 at 31 March 2015 for pay due to police officers and staff for bank holidays falling in maternity, paternity or adoption leave. This was resolved in 2015/2016.

The overtime liability provision at 31 March 2016 is in respect of claims for overtime worked in prior years. These claims should be resolved in 2016/2017.

There is a provision of £9,600,000 at 31 March 2015 in respect of additional lump sum payments due to police pensioners for past commutations which have arisen as a result of revisions made to commutation factors used to calculate lump sums for police officers who retired from 1 December 2001 to 30 November 2006. This was resolved in 2015/2016.

17 Contingent Liabilities

We have reviewed the position in respect of contingent liabilities as at 31 March 2016.

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

- The Chief Constable of Avon & Somerset, along with other Chief Constables and the Home Office, currently has a number of claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/2016 Accounting Statements.
- An amount has been paid in year and is reflected in the accounts, however we may be called upon to make a top up levy to Municipal Mutual Insurance Ltd's Scheme of Arrangement in the future.
- Ongoing IPCC (Independent Police Complaints Commission) and pensions ombudsman investigations which may lead to potential claims.
- Potential claims following precedents set by cases in other forces relating to recall to duty criteria and overtime claims.
- Potential claim for an incident at a training facility.
- In calculating our provisions we have had to make assumptions which may be inaccurate, leading to potential liabilities for any under provision.

The amount and the timings of when these liabilities will become due is unknown.

Office of the Chief Constable for Avon & Somerset

Avon & Somerset Police Officers Pension Fund Account Statements

This fund includes the income and expenditure in respect of police officers pensions which has been accounted for on an accruals basis. At the end of the financial year if the expenditure on the pension benefits is greater than the contributions received during the year, the PCC makes a payment to the pension fund and the Home Office pays a top-up grant for this liability to the PCC. The income received and expenditure paid to the pension fund is shown within the comprehensive income and expenditure statement within the PCC Group accounts, showing the net figure as nil. It should be noted that this statement does not take account of liabilities to pay pensions and other benefits after the year end.

This note provides a more detailed breakdown of the figures shown in note 13 of the accounts.

2014/2015 £'000	Police Officers Pension Fund Account	2015/2016 £'000
	Contributions receivable	
	Employers contributions:	
-24,248	Normal	-23,814
-1,214	Ill health/early retirements	-792
-25,462		-24,606
	Employee contributions	
-12,409	1987 Police Pension Scheme	-7,053
-1,606	2006 Police Pension Scheme	-168
0	CARE Police Pension Scheme	-6,399
-14,015		-13,620
-381	Transfers in from other schemes	-661
	Benefits payable	
65,820	Pensions	68,253
21,917	Commutations and lump sum retirement benefits	14,569
87,737		82,822
	Payments to and on account of leavers	
18	Refund of contributions	18
1,106	Transfers out to other schemes	176
325	Other	193
1,449		387
49,328	Deficit for the year before transfer from the PCC	44,322
-49,328	Additional funding payable by the PCC to meet deficit	-44,322
0	Net amount payable/receivable for the year	0

This note shows the pension fund account assets and liabilities as at 31 March 2016.

31 March 2015 £'000	Pension Fund Net Assets	31 March 2016 £'000
	Current assets	
9,600	Amounts due from Central Government	0
	Current liabilities	
-9,600	Amounts owing to pensioners	0
<u>0</u>	Net assets	<u>0</u>

Office of the Chief Constable for Avon & Somerset

Glossary of Terms

Term	Definition
Accounting policies	These are a set of rules and codes of practice we use when preparing the accounts.
Balance sheet	This represents our overall financial position as at 31 March.
Capital programme	This is a list of projects for buying or improving fixed assets. With the exception of vehicles, items individually acquired typically under £12,000 are not treated as capital expenditure.
Cash flow statement	Summarises the income and outgoings of cash during the financial year.
Closing value	The value at 31 March, the date when the accounts are closed.
Commutated sums	These are the lump sum amounts paid to officers when they retire, if they choose to have a lower pension.
Comprehensive income and expenditure statement	Summarises the income and expenditure during the financial year within the PCC's statement of accounts.
Contingent liabilities	A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
Creditors	Amounts which are owed to others.
Current service cost	The value of projected retirement benefits earned by pension scheme members in the current financial year.
Debtors	Amounts which are due from others.
Financial instruments	Contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial year	Refers to the period covered by the accounts and runs from 1 April to 31 March.
FRS	Financial Reporting Standards. Standards of accounting practice to be adopted to ensure that accounts provide a true and fair view.
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.
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).

Term	Definition
IFRS	International Financial Reporting Standards. A set of international accounting and reporting standards that will help to harmonise company financial information across international borders.
JAC	Joint Audit Committee
Movement in reserves statement	Summarises the movement in the reserves of the OCC during the financial year.
National non-domestic rates income	The national non-domestic rates (or business rates) are collected by District Councils, paid to the Government and then distributed to all local authorities in proportion to population. The amount received by an authority is taken into account by the Government in determining the revenue support grant to be paid.
OCC	Office of the Chief Constable.
Past service cost	The change in the present value of the defined benefit obligation for employee service in prior periods resulting in the current period from the introduction of, or changes to, post employment benefits.
PCC	Police and Crime Commissioner for Avon and Somerset.
PCC Group	The term PCC Group refers to the Police and Crime Commissioner (PCC) for Avon and Somerset and the office of the Chief Constable (OCC).
PCSO	Police community support officer.
Police pension top-up grant	The OCC operates a Pension Fund, which is balanced to nil at the end of the year. The PCC receives a top-up grant from the Home Office equal to this deficit to balance the fund.
Police revenue grant	The revenue grant is provided by the Home Office as part of the funding required by an authority to finance a budget in line with the Government's assessment. The balance of funding is from business rates, revenue support grant and council tax.
Precept	The amount of money we can collect from the people who pay council tax.
Prepayment	A payment in advance for goods or services.
Provision	This is the money we keep to pay for known future costs.
Receipt in advance	Income received in advance of the financial year in which the services will be provided.
Seconded officers	These are police officers who, for agreed periods, temporarily work for other organisations. Their salaries and expenses are shown as spending and the money the organisation pays us for their placements is shown as income.
SR	Spending Review



Further information can be obtained online at:-

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

www.avonandsomerset.police.uk (Constabulary Website)

Or in writing to:-

The Chief Finance Officer

Avon and Somerset Constabulary

PO Box 37, Valley Road

Portishead, Bristol BS20 8QJ

Telephone: 01275 816012

 <http://www.facebook.com/avonandsomersetpolice>

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